



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



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

TABLE OF CONTENTS

The Board of Directors' Report

4	Chairman's Statement
5	The Board of Directors' Report
5	Introduction
5	Vision, Mission, Strategy and Values
6	Key Dates and Developments
8	Organization Chart
8	Top Management
8	Human Resources
9	Geographical Presence
9	The Company's Products and Services
10	Financial Highlights
14	Corporate Governance, Regulations and committees
34	Future Plans
35	External Independent Auditors and Accounting Standards
35	Shariah Committee
35	Company's Requests of Shareholders Records
35	Company's Declarations
35	Board of Directors Declaration

Financial Statement

37	Independent Auditors' Report
41	Financial Statements
46	Notes to the Financial Statements

Please visit:

 AllianzSaudiFransi
 @AllianzSF
 allianzsf.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I present the 11th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2018.

Market conditions were more challenging in 2018 with negative growth compared to the previous years. Nevertheless, the Company adjusted its strategies to these conditions in order to maintain its profitability

As part of our Multi-distribution strategy, we expanded our sales channels in the 3 main regions of the country to better serve our customers and partners.

Despite the challenging situation in 2018 we were able meet the targeted profitability with a Net Profit before Zakat & Tax of SAR 37 Million, the highest since establishment in 2007. This increase represents a growth of 5.5% compared to 2017. 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 launched two CSR Campaigns in 2018. In August 2018, the Company organized a football tournament for teenagers and two were chosen to represent the Kingdom in the Allianz Junior Football Camp which is held every year in cooperation with Bundesliga giants Bayern Munich in Munich, Germany.

Company Employees also distributed 250 food baskets in September 2018 to the less fortunate families around Riyadh..

In 2019, the Company will focus on further enhancing the customer experience and the digitalization of services and operations. Furthermore, we will continue to develop our multi-distribution channels strategy for both Retail and Corporate Customers.

Development and empowering our employees are an essential part of our renewal agenda in order to reinforce the culture of the Company 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 and his Crown Prince Mohammad Bin Salman Al Saud for their continuous support to the Insurance Industry. I would also like to thank the Saudi Arabian Monetary Agency, 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.

Al Waleed Abdulrazak Al Dryaan

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 11th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2018.

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 16 /9/ 1427 H, 9th October 2006 and the Royal Decree No. 60/M dated 18 /09/ 1427 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 2018 is as follows:

- 18.5% Allianz Europe B.V
- 16.25% Allianz France – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
- 14.00% Banque Saudi Fransi (BSF)
- Within the remaining 35% public shareholders, the following owns more than 1% share:
 - 3.48% Abdullah Musaed Bin Saadan
 - 1.73% Abdullah Al Rasheed
 - 1.08% Mustafa Ali Reda
 - 1.02% Nayef Abdulrahman Al Enaz.

The Company has received its operational license (Ref: TMN/1120083/) from the Saudi Arabian Monetary Agency (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.

On 29th March 2018, Allianz Saudi Fransi Cooperative Insurance Company (AzSF) was informed that Allianz Group successfully completed the acquisition of 57% of Banque Saudi Fransi's (BSF) shareholding in AzSF, representing 18.5% of the share capital of the company, at a price of SAR 22.0 per share. The completion of the acquisition occurs following receipt of the approval of SAMA, the CMA and Tadawul. As of 29th March 2018, Allianz Group holds 51.0% of the share capital of AzSF (Allianz Europe BV holds 18.5%, Allianz France International holds 16.25% and Allianz Mena Holding Bermuda holds 16.25%). BSF will continue to hold 14.0% and will remain a strategic partner of AzSF. With this transaction, Allianz Group is increasing its commitment to further develop its operations in the Kingdom of Saudi Arabia.

On 4th June 2018 the company announced the Board recommendation to increase the company's capital through rights issue with a total value of SAR 400,000,000. This transaction will be subject to the approval of the regulatory authorities and the Extraordinary General Assembly. The price and the number of shares to be issued will be determined after obtaining the approval of related regulators. On 30 November 2018 the Company received SAMA's Non Objection Letter to increase the capital to SAR 600,000,000. The objective of the capital increase is to support the future growth of the company.

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

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:

2006	2007	2008	2009	2010	2011
October The founders received the authorization to establish the Company as per Royal Decree No. 60/M	March The Company went public through an Initial Public Offering June The Constituting General Assembly was held	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	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	April The Company Completed its 10 million shares rights issue and the Capital became SAR 200 Million November BSF Bancassurance Portfolio transfer was completed	February The Company renewed its operational license from SAMA (Ref: TMN/1120083/) for another 3 years June The Company launched the Sharia Compliant Protection & Savings "Gold" Products



2018

March 2018

Eng. Alwaleed Al Dryaan appointed as Chairman of the Board of Directors.

March 2018

Allianz Group completed an agreement with Bank Saudi Fransi to purchase an 18.5% shareholding in Allianz Saudi Fransi from the Bank.

June 2018

The Board recommends to increase capital through rights issue with a total value of SAR 400Mn

November 2018

The Company obtained SAMA's non-objection to proceed with the Rights Issue.

November 2018

The company announces the resignation of Mr. Xavier Denys and the appointment of Mr. Andreas Brunner as CEO of the company with an effective date 1st January 2019

2012

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

2013

January

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

August

Xavier Denys succeeded Antoine Issa as Chief Executive Officer

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

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

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.

2017

March

The Company opened Travel Insurance Points of Sale at the VFS Centers in Riyadh, Jeddah and Khobar

September

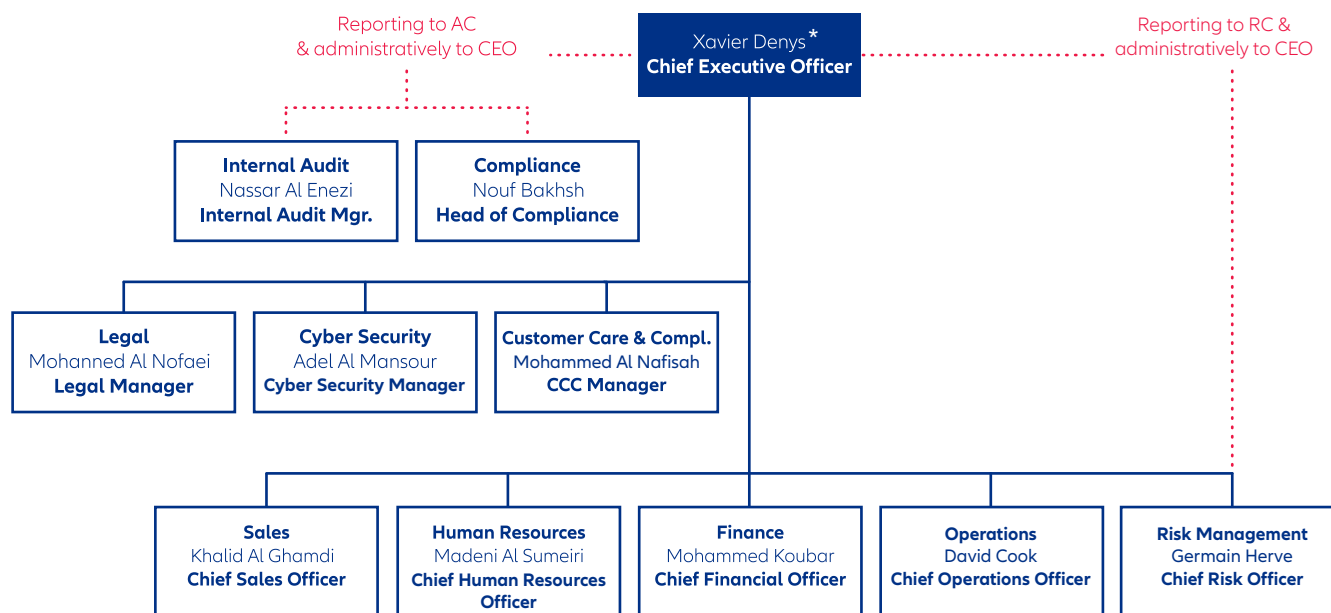
Fast Quote online Motor Quotation Tool launched.

October

Allianz Group reached an agreement with Bank Saudi Fransi to purchase an 18.5% shareholding in Allianz Saudi Fransi from the Bank.

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2018 is shown here below:



* Effective 1 January 2019, Andreas Brunner succeeded Xavier Denys as Chief Executive Officer

5. Top Management

The members of the Top Management of the Company as of 31 /12/ 2018 are:

Name	Position	Year of Birth	Latest Degree	Previous Experience
* Xavier Denys	Chief Executive Officer	1968	Masters of Commercial Engineering	Worked in similar leadership positions within Allianz Group
Mohammad Koubar	Chief Financial Officer	1979	BA Finance & Accounting	Worked in the External Audit function in one of the big 4 firms
David Cook	Chief Operations Officer	1958	Bachelor of Political Science and Public Administration	Worked in similar leadership positions within Allianz
Khalid Al-Ghamdi	Chief Sales Officer	1972	BA in Mass Communication – Public Relations & Advertising	Worked in similar positions in the Saudi Insurance Industry
Germain Herve	Chief Risk Officer	1981	Masters in Management	Worked in similar leadership positions within Allianz Group
Madeni Al Sumeiri	Head of HR & Gov. Relations	1963	Bachelor of Business Administration	Worked in the Human Resource & Government Relations in Banque Saudi Fransi

* To be succeeded by Andreas Brunner effective 1/1/2019

6. Human Resources

As part of our Renewal Agenda, we introduced the Inclusive Meritocracy initiative to re-enforce a culture where both people and performance matter. We foster knowledge and strive for excellence at every point with the customer. Thus it's 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 2018 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2018 the percentage of Saudi nationals within the company represented 68.6%.

7. Geographical Presence

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

Office	Address	Telephone & Fax	
Riyadh Head Office & Riyadh Branch	Al Safwa Commercial Building, Khorais Road, Al Khaleej Bridge, Malaz District, P.O. Box 3540, Riyadh 11481	Tel: +966 (11) 821 3000 Tel: +966 (11) 920028727 Fax: +966 (11) 821 3999 Toll Free: 800301001	
Jeddah Regional Office	Ewan Center, 1st Floor, Suite 102,, Ibrahim Juffali Street (intersection with Tahlia Street), Andalus District, P.O. Box 122901, Jeddah 21332	Tel: +966 (12) 283 0228 Fax: +966 (12) 283 0718	
Khobar Branch (Corporate Sales & Claims)	Al Sharq Tower, 3rd Floor, Office No. 12, Al Dhahran Street, P.O. Box 15217, Khobar 31952	Tel: +966 (13) 898 2671 Fax: +966 (13) 898 2646	
Hassa Branch (Retail Sales & Claims)	Al Harshan Tower, 1st Floor,, Al Dhahran Street, Al Mubarraz, Al Shroufiyah District P.O. Box 3996, Dammam 31429	Tel: +966 (13) 531 4521 Fax: +966 (13) 582 8118	
Dammam Branch (Retail Sales)	Reviera Building, Al Khaleej Road, P.O. Box 36622, Dammam 31429	Tel: +966 (13) 802 0385 Fax: +966 (13) 802 0392	
Madinah Branch (Retail Sales & Claims)	AlDiola Building, King Abdul Aziz Road P.O. Box 501, Madinah 41421	Tel: +966 (14) 834 0627 Fax: +966 (14) 834 3788	

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.

The Company provides corporate and individual solutions as listed hereunder:

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 870.7 Million for the twelve months ended December 2018 against SAR 925.5 Million for the twelve months ended December 2017 showing a decrease of 5.9%. The split per line of business is as follows:

SAR Million	2018	2017	2016	2015	2014
■ Property, Casualty & Health:	752.2	788.9	686.3	632.2	546.3
a) Motor:	397.0	428.1	299.0	199.0	155.2
b) Engineering:	52.3	50.4	74.0	107.2	116.6
c) Medical:	110.9	104.4	123.8	103.1	55.3
d) Other General:	192.0	206	189.5	222.9	219.2
■ Protection & Savings:	118.5	136.6	149.9	171.0	178.8

Gross Written Premiums in property, casualty and health decreased by 4.7% compared to 2017. This was mainly driven by the economical slowdown in 2018. Motor business is showing 7.3% decline compared to 2017. Engineering showed a growth of 3.8% while other general businesses are showing 6.8% decline compared to 2017. Medical business is showing a growth of 6.2% driven by the focus on small to medium size business. Protection & Savings Gross Written Premiums declined by 13.3% compared to 2017 due to the limited new business influenced by the economical slowdown as well.

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	2018	2017	2016	2015	2014
Central Region:	616.7	684.7	611.0	582.6	455.4
Western Region:	105.0	135.3	99.8	126.1	111.3
Eastern Region:	149.0	105.5	125.4	94.5	158.4

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 601.1 Million for the year ended December 2018 against SAR 639.3 Million for the year ended December 2017.

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. Therefore, and as a result of the decline in the gross written premium, the net earned premium decreased by 6.0% in 2018 compared to the previous year.

c) Reinsurance Commissions

Reinsurance commissions amounted to SAR 16.6 Million compared to SAR 25.7 Million and showing a decrease of 35.5%. This is mainly driven by the decline in gross written premium in the general lines.

d) Net Claims and Other Benefits Incurred

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (459.8) Million for the twelve months ended December 2018 against SAR (504.7) Million for the twelve months ended December 2017, representing a decrease of 8.9%. This is mainly due to the focus on profitable business and continuous cleaning of the portfolio from loss making accounts.

e) Unrealized Gain on Unit-Linked Investment

The unrealized gain on unit-linked investment related to Protection & Savings products amounted to SAR 17.0 Million for the twelve months ended December 2018 against SAR 16.6 Million in 2017. This is coming from the market fluctuation of the underlying funds.

f) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR 15.3 Million for the twelve months ended December 2018 against SAR 20.7 Million in 2017 due to the net impact of written premiums, Surrenders and revaluation of Unit Link Investments.

g) Policy Acquisition Costs

The commissions paid to producers (policy acquisition costs) amounted to (54.2) Million compared to (57.9) Million showing a decrease of 6.3%. This is mainly influenced by lower gross written premium and the change of the business mix.

h) General Expenses

The Company has incurred during 2018 insurance operations expenses of SAR (99.5) Million, against insurance operations expenses of SAR (94.3) Million during 2017. The increase was driven by expenses incurred to reinforce the company's structure and to support the growth in Motor business.

In addition, the Company incurred during 2018 inspection expenses of SAR (4.9) Million compared to SAR (6.1) Million in 2017. This is mainly influenced by the level of business booked during the year.

Also, the Company incurred during 2018 provision of doubtful debts of SAR (5.6) Million compared to SAR (11.9) Million in 2017.

i) Investments

The Company investments excluding investments from unit-linked Protection & Savings products as of December 2018 are summarized here below.

SAR Million	2018	2017	2016	2015	2014
Cash & cash equivalents:	93.1	133.3	93.5	56.8	68.6
Sukuk/Funds:	328.2	305.8	237.2	226.6	213.5
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 10.8 Million as of December 2018 against SAR 7.9 Million as of December 2017. The shareholders' share of the investment income is SAR 6.9 Million as of December 2018 compared to SAR 5.6 Million as of December 2017. The increase in the investment income is driven by the efficient cash and investment management.

j) Other Income

Other Income represents mainly the income generated to the company from Manafeth arrangement which is amounting to 3.7mn vs. 2.9mn in 2017

k) Net Income from insurance operations (Operating Results)

The technical result before shareholder investment income and before shareholder general expenses is showing a Net Surplus of SAR 34.4 Million for the twelve months ended December 2018 against a Net Surplus of SAR 33.5 Million for the twelve months ended December 2017, representing an increase by 2.7%.

The excellent performance in Motor with a combined ratio of 93.8% as of December 31, 2018, and the excellent result in other lines performing at 80% are important drivers for such result.

Note: The operating result announced on Tadawul represents the operating results explained above and amounting to SAR 34.4 Million, minus the fair value change in policyholders' unit linked investments amounting to SAR 17.0 Million, and Insurance Operations' investment income amounting to SAR 3.9 Million in 2018.

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

l) Net Income before Zakat and Tax

The result for the twelve months ended 31st December 2018 is a Net Income before zakat & tax of SAR 37.0 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 3.4 Million against a Net Income of SAR 34.9 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 3.4 Million for the twelve months ended 31st December 2017. The increase in net profit before zakat is mainly due to the following:

- 1- Focus on profitable business demonstrated by the excellent performance in Motor and in other P&C lines.
- 2- Good control over expenses and receivables leading to lower total expenses by 2% (110 Mn in 2018 vs. 112 Mn in 2017)
- 3- Efficient cash and investment management leading to an increase of 36% in investment income (10.8mn in 2018 vs 7.9mn in 2017).

m) Assets

The total Assets of the Company as of 31st December 2018 amounted to SAR 2,073.1 Million divided as follows:

SAR Million	2018	2017	2016	2015	2014
Insurance Operations' Assets	1,790.6	1,744.0	1,756.5	1,692.4	1,536.1
Shareholders' Assets	297.2	273.6	238.1	215.9	195.5

n) Shareholder's Equity

The Shareholder's Equity as of 31st December 2018 amounted to SAR 271.9 Million, split as follows:

SAR Million	2018	2017	2016	2015	2014
Share Capital	200.0	200.0	200.0	200.0	200.0
Retained Earnings (Accumulated Losses)	41.6	19.9	(0.4)	(19.5)	(38.1)
Statutory Reserve	14.4	7.0	-	-	-
Other Reserves	16.0	24.2	21.7	20.4	22.9

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

o) 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 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 2018, this 10% of Net Surplus represents SAR 3.4 Million. It corresponds to the Net Insurance Operations Surplus after shareholders' appropriation.

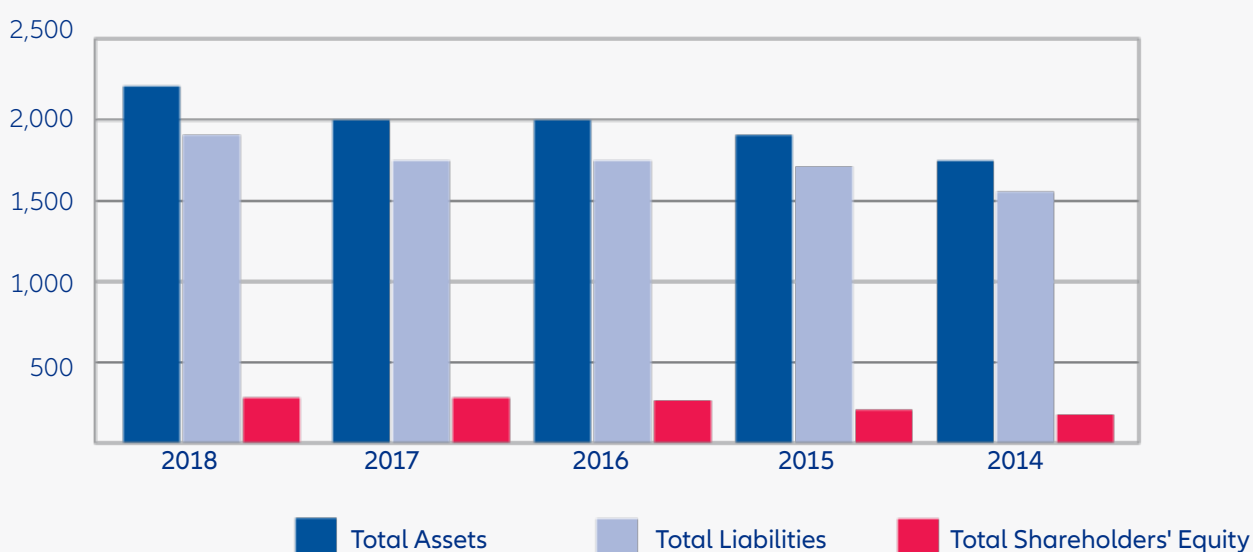
p) Financial highlights

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

SAR Million	2018	2017	2016	2015	2014
Gross Written Premium	870.7	925.5	836.2	803.2	725.1
Net Premium Earned	601.1	639.3	500.0	388.2	420.6
Reinsurance Commission	16.6	25.7	17.5	18.8	21.9
Net Claims and other benefits incurred	(459.8)	(504.7)	(376.5)	(277.9)	(316.7)
Unrealized gain on UL	17.0	16.6	14.6	0.7	9.4
Mathematical Reserve Change	15.3	20.7	(0.9)	0.8	(17.5)
Policy acquisition costs	(54.2)	(57.9)	(48.9)	(38.9)	(40.1)
General Expenses Insurance operations (including Inspection and Supervision Fees)	(104.4)	(100.4)	(81.2)	(75.6)	(68.8)
Provision of doubtful debts	(5.6)	(11.9)	-	-	-
Investment income	10.8	7.9	-	-	-
Other Income	3.7	3.0	8	6.4	3.2
Net Income for the year before surplus, Zakat and income tax	40.5	38.3	26.5	22.5	12.9
Surplus attributed to insurance operations	(3.4)	(3.4)	(2.6)	(2.2)	(1.3)
Net income before Zakat and Income Tax	37.0	35.0	24.4	23.8	15.9

Balance Sheet "SAR Million"	2018	2017	2016	2015	2014
Total Assets	2,087.9	2,017.6	1,994.6	1,908.3	1,731.6
Total Liabilities	1,820.2	1,768.2	1,773.3	1,707.4	1,546.8
Total Shareholders' Equity	267.5	249.4	221.3	200.9	184.8

Balance Sheet (SAR Million)



10. Corporate Governance, Regulations & Committees

a) Compliance with Corporate Governance

a) Compliance with Corporate Governance

In 2018, Allianz Saudi Fransi was in full compliance with the CMA corporate governance regulations, Insurance Corporate Governance regulations issued by SAMA, and other guidelines except in the following issues:

- In January 2018, SAMA suspended the company from issuing or renewing any Third Party Motor Insurance policies due to the following incompliances with the Insurance Supervisory Law and its implementing regulations:
 - Conducting transactions with unlicensed parties and not applying the KYC Principle as required by the above-mentioned regulations.
 - Not covering insured persons under 21 years old.

The TPL ban was cancelled by SAMA in June 2018 after addressing the raised points through immediate corrective measures.

- CMA guidelines suggest practicing a cumulative voting mechanism for the General Assembly decisions. However, the Company follows the Ministry of Commerce regulations in this regard; resolutions of all General Assemblies and Board of Directors meetings shall be adopted by simple majority vote of the members present in person or by proxy who are entitled to vote at such meeting.

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 (7),(8),(13),(14),(15), and (19)
- Article 6 of the Corporate Governance Regulations paragraph (d)

b) Board of Directors

Two members of the Board of Directors representing Banque Fransi have been nominated by the Board of Directors to continue the mandate up to 7 August 2019 and were approved by the General Assembly in May 2018.

- 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	- Al Khaleej Training and Education - Al Enayah Medical Co. - Saudi Telecom Co. - Malaz Capital Co. - Arabian Cement Co	Public	Independent
Qualification: B.S & M.S Electrical Engineering			Experience: MD of Al Khaleej Traning Egypt - MD of Fast Lane Co. - Chairman of Online Trading Academy Dubai - Chairman of Franklin Covey Co. Dubai			
Abdullah Al-Hussaini	1,000	1,000	Nil	- Saudi Advanced Industries Co. - Deutsch Gulf Finance Co.	Public	Independent
Qualification: PhD in Accounting			Experience: Dean of Student Affairs - Financial Manager - Financial Advisor - Financial Accountant and internal auditor			
Adel Mallawi	Nil	Nil	Nil	Nil	Banque Saudi Fransi	Non Executive
Qualification: B.S Education (Chemistry)			Experience: •Chief Financial Officer (Banque Saudi Fransi) - Head of Global Markets Group – Treasurer (Banque Saudi Fransi)			
Mazen AlTamimi	Nil	Nil	Nil	- Saudi Fransi Leasing Co. - Saudi Fransi Capital Co	Banque Saudi Fransi	Non Executive
Qualification: B.S Computer Science			Experience: •Senior Executive Director (Banque Saudi Fransi) - Western Region Manager (Banque Saudi Fransi)			
Hicham Raissi	Nil	Nil	Nil	- Allianz MENA Holding - Allianz Life Assurance Co. - Allianz Insurance Co. Egypt - Allianz Life Bermuda - Allianz Morocco	Allianz MENA Holding Bermuda	Non Executive
Qualification: M.S. Engineering			Experience: Chief Financial Officer - Banque Saudi Fransi Head of Global Markets Group – Treasurer - Banque Saudi Fransi			
Antoine Issa	Nil	Nil	Nil	- Allianz SNA SAL Lebanon - Allianz Egypt Life - Allianz Egypt P&C - Al Nisr Al Arabi – Jordan - MedGulf Takaful – Bahrain	Allianz France	Non Executive
Qualification: M.S. Finance - M.S. Engineering			Experience: Allianz MENA & Allianz SNA CEO			

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

Members of the Top Management		X. Denys	M. Koubar	D. Cook	K. Al Ghamdi	G. Herve	M. Al Sumeiri
Number of Shares*	beginning of year	Nil	Nil	Nil	Nil	Nil	Nil
	End of year	Nil	Nil	Nil	Nil	Nil	Nil

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

BOD Responsibilities

Without prejudice to the competencies of the General Assembly, the Board shall have the broadest powers in managing the Company and guiding its activities to achieve its objectives.

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. 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.

The Board of Directors shall also review and approve on annual or periodic basis the policies and procedures of the Company.

The Board shall also assess the performance of the Board Committees on periodic basis.

1. The major duties and responsibilities of the Board of Directors are highlighted as follows:

Relation with Stakeholders

- Representing the Company and acting on its behalf before others whether it is a private or public party. Those may include but are not limited to the following parties within or outside the Kingdom of Saudi Arabia (KSA).
 - Ministries and Governmental agencies.
 - Financial institutes.
 - All kind of courts and judicial parties.
 - Capital Market Authority (CMA)
 - Customs offices.
 - Police Departments.
 - Civil Affairs departments.
 - Etc.
- Ensure that systems are in place for communication and relations with stakeholder including the mentioned above, monitor system effectiveness and significant sensitive and legally required communications.
- Develop and adopt mechanisms for indemnifying the Company stakeholders in case of contravening their rights under the law and their respective contracts. Noting that the members of the Board, who had committed a mistake that harmed the interests of the shareholders and which resulted in a profit to them, shall return to the company all the profits they have gained from this mistake.
- Discuss any comment raised by any shareholder regarding the company and its performance. Such discussion must be minuted and circulated to all Board Members.
- Preparing the Board Report and approving it before publishing it to the shareholders and CMA, addressing the following as a minimum:
 - A description of the principal activities of the Company. If two or more activities are described, a statement must be included giving for each activity the turnover and contribution to trading results attributable to it;
 - A description of the Company's significant plans and decisions (including any restructuring, business expansion or discontinuance of operations of the Company), the future prospects of the Company's business and any risks facing the Company;
 - A summary, in the form of a table or a chart, of the assets and liabilities of the Company and of the Company's business results for the last five financial years or from incorporation, whichever is shorter;
 - A geographical analysis of the Company's gross revenues;
 - An explanation for any material differences in the operating results of the previous year or any announced forecast made by the Company;
 - An explanation for any departure from the accounting and financial reporting standards;
 - A description of the Company's dividend policy;
 - A description of any interest in a class of voting shares held by persons (other than the Company's Directors, senior executives and their relatives) that have notified the Company of their holdings together with any change to such interests during the last financial year;
 - A description of any interest, contractually based securities, and subscription rights of the Company's Directors, senior executives and their relatives in the shares or debt instruments of the Company, together with any change to such interest or rights during the last financial year;
 - Information relating to any borrowings of the Company (whether repayable on demand or otherwise), and a statement of the aggregate indebtedness of the Company together with any amounts paid by the Company as a repayment of loans during the year. In case there are no loans outstanding for the Company, it must provide an appropriate statement;

- The number of meetings of the Directors held during the last financial year and the attendance record of each meeting listing names of the attendees;
- A description of any transaction between the Company and any related party;
- Information relating to any businesses or contract to which the Company is a party and in which a board Director of the Company, the CEO, COO, CFO or any person related to any of them is or was interested, or if there are no such businesses or contracts, the Company must submit an appropriate statement;
- A description of any arrangement or agreement under which a Director or a senior executive of the Company has waived any salary or compensation;
- A description of any arrangement or agreement under which a shareholder of the Company has waived any rights to dividends;
- A statement of the value of any outstanding statutory payment on account of any zakat, taxes, fees or any other charges with a brief description and the reasons therefore;
- A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the Company;
- Declaration that:
 - Proper books of account have been maintained;
 - The system of internal control is sound in design and has been effectively implemented; and
 - There are no significant doubts concerning the Company's ability to continue as a going concern; if any of the statements above cannot be made, the report must contain a statement clarifying the reasons thereof.
- If the external auditor's report containing reservations or the relevant annual financial statements is qualified, the Directors report must include such qualifications, its reasons and any related information.
- If the Directors recommend that the external auditors should be changed before the elapse of the term it is appointed for, the report must contain a statement to that effect and the reasons for such recommendation;
- Names of any joint stock company or companies in which the company Board of Directors member acts as a member of its Board of Directors.
- Formation of the Board of Directors and classification of its members as follows: executive board member, non-executive board member, or independent board member.
- A brief description of the jurisdictions and duties of the Board's main committees such as the Audit, Risk, & Compliance Committee, the Governance, Nomination & Remuneration Committee, Executive & Investment Committee; indicating their names, names of their chairmen, names of their members, and the aggregate of their respective meetings.
- Details of compensation and remuneration paid to each of the following:
 - The Chairman and members of the Board of Directors.
 - The Top Five executives who have received the highest compensation and remuneration from the company. The MD, CEO, COO, and CFO shall be included if they are not within the top five.
 - Any punishment or penalty or preventive restriction imposed on the company by the Authority or any other supervisory or regulatory or judiciary body; and,
 - Results of the annual audit of the effectiveness of the internal control procedures of the company.

Overseeing the Company's Operations

- Determine and control in broad terms the purposes, goals, mission, visions, activities and general characteristics of the Company.
- Strategic Planning & Budgets:
 - Set and approve the Company's strategic business plan proposed by the management and adopt such a plan with such changes, upon annual reviews and assessments, as the Board of Directors deems appropriate;
 - Review and approve the Company operational plans, financial plans and budgets proposed by the management and adopt the same with such changes as the Board of Directors deems appropriate;
 - In connection with such reviews, the Board of Directors shall seek to provide a balance of long-term versus short-term orientation of the Company strategic and operational plans; and
 - Review corporate performance against strategic plan, operations plans, financial, budget plans and peers performance.
- Hiring and dismissal of the CEO, planning for his succession.
- Ensure that senior officers are achieving acceptable current financial results relative to corporate objectives, budgets, and the economic environment, and are developing the resources necessary for future success. These resources include:
 - Management competence, organization, and depth;

- Fixed assets;
 - Marketing capability – Customer loyalty, distribution organization, and market knowledge;
 - Work force and employee relations;
 - Financial resources, including relations with the financial community; and
 - Reputation and relations with various regulators.
- Establish an overall compensation policy, based on a recommendation from the Governance, Nomination & Remuneration Committee, for the Company and monitor its implementation with special attention devoted to the senior officers. Review the policy from time to time to ensure that it continues to be appropriate and in line with better practices.
- Oversee corporate financial operations, including:
 - Capital structure management, maintaining reasonable financial flexibility and safety while achieving an appropriate return on equity;
 - Reviewing the Company's interim and annual financial statements to ensure sufficiency and reliability of applied financial reporting controls, and approving them before publishing them;
 - Allocation of Company assets;
 - Maintaining access to suitable sources of new capital;
 - Indemnity, social security and other major employee benefit programs;
 - Dividend pay-out policy and action; and
 - Propose selection of external auditors for approval by the General Assembly.
- Maintenance of Systems Integrity:
 - Reviewing the effectiveness of the Company's internal control procedures on an annual by obtaining a report from and confirming with the Audit, Risk, & Compliance Committee that it has reviewed and discussed the adequacy of the Company internal controls;
 - Ensure that the Board of Directors has free and full access to management regarding all matters of compliance and performance; and,
 - Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with Related Parties.
- Oversee the conduct and performance of the Company and its divisions to ensure they are being properly and appropriately managed. To discharge this duty the Board of Directors will give specific and regular attention to:
 - Ensuring setting key performance indicators/objectives for the performance of the Company functions/ departments, and approve the same;
 - Monitoring performance against the strategic and business plans, and key performance indicators;
 - Monitoring performance against peer and competitor companies; and,
 - Enquiring into and following up areas of poor performance and their cause.
- Review and approve material transactions outside of the corporate budget, including but not limited to material licenses, long term contracts or obligations.
- Sell, accept payment on behalf, mortgage, all the Company assets and properties with the following restrictions:
 - Documentation of reasons and purpose of sales;
 - The sale must be at least at market value;
 - Proper guarantee of all sales; and
 - Such sales do not affect the Company operations.
- Enter in and obtain loan agreements from financial institutions.
- Write off bad debts based on the following and in line with the approved authority matrix:
 - Bad debt has aged for over a year at minimum;
 - Write offs can only be performed once per year per debtor and not to exceed 1% of the Company's capital;
 - The total bad debt write off not to exceed SAR 4 million per year; and,
 - Bad debts write off shall not be delegated to anyone else by the Board.

Risk Management

The Board establishes, oversees and monitors internal controls and risk management framework including the Market Risk (Interest Rate Risk, Equity Risk, Property Risk, Currency Risk, Spread Risk and Liquidity Risk), Counterparty default Risk (Reinsurance, Concentration, Other counterparties and Credit Risk), Non Life Underwriting Risk (Pricing [General], Pricing [Health], Reserving [General], Reserving [Health], Non-Life catastrophe and Lapse), Life Underwriting Risk (Mortality, Longevity, Morbidity & Disability, Lapse, Expense and Catastrophe), Strategic Risk (Business, Market/ Country and Reputational), Operational Risk (Internal fraud, external fraud, HR, Physical Damage, Cyber-attack, System Failure, Data

Quality and Process management), Actuarial Outputs Risk (Reserving, Underwriting non-life, Underwriting Life, Reinsurance and Solvency), Oversight Risk (Senior Management, Risk Management, Compliance, Audit, Operational management), Conduct of Business Risk (Product development, Product promotion disclosure & sales, Claims, Complaints and Privacy protection), and Regulatory & AML Risk (Regulatory, AML)

The Board is responsible to ensure the following with the assistance of the management, and Audit, Risk & Compliance:

- Approving the risk appetite statement and levels.
- Identify the principal risks of the Company business and ensure implementation and monitoring of systems to effectively mitigate/manage these risks.
- Implement and ensure that systems are in place to monitor and maintain the integrity of the Company internal controls and information systems.
- Risk Identification and Management:
 - Ensuring the implementation of appropriate control for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company.
 - Instruct management to regularly advise on Company's business risks; and
 - Review and discuss with management such risks and the systems designed to monitor and manage such risks.
 - Oversee the Company's capacity to identify and respond to changes in its economic and operating environments.

Investment

- 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 requirements and its solvency position.
- 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 designed to monitor that assets are being managed in accordance with the investment policy, 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 structured 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 base 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.

Compliance

The Board is responsible to ensure the following with the assistance of the management, and Audit, Risk & Compliance:

- Ensure existence of appropriate controls and procedures in place for compliance with applicable laws and regulations (SAMA, CMA, Ministry of Commerce & Industry, municipalities, etc.).
- Ensure that the Company has in place appropriate environmental, health and safety policies, having regard to legal, industry and community standards, and ensure implementation of management systems to monitor the effectiveness of those policies.
- Provide leadership and policy direction to the management with a view of establishing and maintaining a high standard of legal and ethical conduct for the Company by:
 - Taking all necessary steps to ensure that the Company complies with applicable laws and regulations, and with its internal regulations, including its Articles of Association, and that it operates to high ethical and moral standards;

being alert and sensitive to situations that could be considered illegal, unethical or improper, and taking corrective steps;

- Establishing the means of monitoring performance in this area with assistance of legal counsel; and
- Complying with legal requirements, applicable to the Board of Directors, including, without limitation, the duty to act honestly and in good faith with a view to the best interests of the Company and all its shareholders, and the duty to exercise the care, diligence and skill that reasonably prudent people exercise in comparable circumstances.

Other Board Responsibilities

- Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members.
- Manage Board operations, including, without limitation:
 - Ensure adopting a transparent mechanism to orient new Board members on company and Board matters, including demonstrating Company strategy, accomplishments, threats, financial position, and Board working mechanism, in addition to developing briefing material on the same.
 - Influence the structuring of agendas and how meeting time is spent.

Duties of Individual Members / Directors

■ Tasks and Duties of the Board Members

Without prejudice to duties and responsibilities of the Board as a whole each member of the Board shall, being a Board member, perform the following tasks and duties:

- Providing proposals to develop the strategy of the Company;
- Monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company;
- Reviewing reports related to the performance of the Company;
- Ensuring the integrity and impartiality of the financial statements and information of the Company;
- Ensuring that the financial control and risk management systems are sound;
- Determining the appropriate level of remunerations of the members of the Executive Management;
- Expressing opinions as to the appointment and dismissal of members of the Executive Management;
- Participating in developing the succession and replacement plans of executive positions within the Company;
- Complying fully with the provisions of the Companies Law, Capital Market Law, their implementing regulations, the relevant regulations and the bylaws when performing his/her duties as a member of the Board and abstaining from taking or participating in any action that constitute mismanagement of the Company's affairs;
- Attending the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the chairman of the Board shall be notified by prior notice, or for emergency reasons;
- Allocating sufficient time to fulfil his/her responsibilities and preparing for the Board and its committees meetings and effectively participating therein, including raising relevant questions and carrying discussions with the Senior Executives;
- Studying and analysing all information related to the matters looked into by the Board before expressing an opinion on the same;
- Enabling other Board members to express their opinions freely, and encouraging the Board to deliberate on the subjects and obtain the views of the competent members of the Company's Executive Management and others, when necessary;
- Notifying the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Company's account, the notification shall include the nature and extent of such interest, the names of concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial. the concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- Notifying the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Company or lead to competing with the Company, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;

- Refraining from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Company, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
- Working on the basis of complete information, in good faith and with the necessary care and diligence for the interest of the Company and all shareholders;
- Recognising his/her duties, roles and responsibilities arising from the membership;
- Developing his/her knowledge in the field of the Company's business and activities and in the related financial, commercial and industrial fields; and
- Resigning from the membership of the Board if he/she is unable to fully fulfil his/her duties in the Board.

■ Tasks and Duties of the Independent Director

Without prejudice to duties and responsibilities of the Board as a whole and other executive / non-executive members, an Independent Director of the Board shall effectively participate in the following duties:

- Expressing his/her independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the Executive Management.
- Ensuring that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest.
- Overseeing the development of the Company's Corporate Governance rules, and monitoring the implementation of the rules by the Executive Management.

Matters Reserved for the Board of Directors

There are matters that must be considered by the Board of Directors as a whole and may not be delegated, even to a Committee of the Board of Directors. The Board of Directors reserves the right to review and amend these matters from time to time as considered necessary.

These matters include the following:

- Temporary nomination and Remuneration of Directors (to fill the vacant position) for approval by the General Assembly.
- Appointment of the Chief Executive Officer (CEO) / Managing Director (MD).
- Appointment/resignation and termination and remuneration of the CEO supported with the recommendations of the Governance, Nomination & Remuneration Committee.
- Membership and terms of reference of Board committees (apart from the Audit, Risk, & Compliance, and Governance, Nomination & Remuneration committees).
- Providing recommendations to the Extraordinary General Assembly as to what it deems appropriate regarding the following:
 - Increasing or decreasing the share capital of the Company; and
 - Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.
- Providing recommendation to the Ordinary General Assembly as to what it deems appropriate regarding:
 - Using the consensual reserve of the Company, if such has been formed by the Extraordinary General Assembly and has not been allocated to a specific purpose;
 - Forming additional financial allocations or reserves for the Company; and
 - The method of distributing the net profits of the Company.
- Approving the Company's interim and annual financial statements and approving them before publishing them.
- Annual review and update (if necessary) of the Board of Director's Charter.
- Matters referred to the Board of Directors by Board Committees.
- Approve of the write offs as per the approved authority matrix and the Company's bylaws.
- Approve loans and financing facilities as per the approved authority matrix and the Company's bylaws.
- Conduct the Board annual performance self-assessment relative to the Board purpose, duties, and responsibilities outlined herein as well as those of its individual members.
- Decide upon corporate governance matters relating to the Board of Directors and senior management, and matters of principle regarding corporate governance structure, such as developing/updating the Company's organizational structure and the underlying functional responsibilities as the need arise and which is recommended by the Governance, Nomination, & Remuneration Committee.
- Review prior Board minutes of meeting and follow up on decisions taken and documented in the action sheet of prior Board meetings, in order to ensure that matters raised have been resolved.

- The Board of Directors reserves the right to review and amend this list from time to time as considered necessary.

c) BOD Meetings

The BOD met ten times during the year ended 31st December 2018 with attendance of 96.7%.

BOD #	Date	Attendance	Percentage	Percentage with Proxy
49	30/01/2018	Alwaleed Al Dryaan, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	83.3%	83.3%
50	21/02/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
51	04/03/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
52	30/04/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Adel Mallawi, Abdullah Al-Hussaini	83.3%	83.3%
53	14/05/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
54	04/06/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
55	12/09/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
56	24/10/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
57	05/12/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%
58	17/12/2018	Alwaleed Al Dryaan, Hicham Raissi, Antoine Issa, Mazen AlTamimi, Adel Mallawi, Abdullah Al-Hussaini	100.0%	100.0%

The above BOD meetings covered the following major tasks:

- Appointed Eng. Alwaleed Al Dryaan as BOD Chairman.
- Appointed Mr. Mazen AlTamimi as BOD Member.
- Reviewed the changes and proposals to the Company Bylaws (Memorandum of Association) agreed to propose the new Company Bylaws to the General Assembly for approval.
- Reviewed and approved the proposed Capital Increase for General Assembly approval.
- Agreed to recommend to the General Assembly the increase of the annual remuneration of the Audit Committee external members (non-BOD members).
- 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 2017, Q1 2018, Q2 2018 by circulation and Q3 2018).
- Approved the Reinsurance Strategy for the 2019 including the modification of terms.
- Approved the Risk Strategy for the 2019 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, Succession Plan and Training Program Status.
- Approved the new and updated company policies following Committee recommendations; during 2018 those updates mainly referred to Corporate Governance, Outsourcing, Actuarial, Anti-Fraud, Business Continuity, Cyber Security, Risk, Employee Handbook, Group Life Underwriting Guidelines, Investment, Project Management and Liquidity Risk while new policies are coming from Capital Management and Market Risk Management.
- Approved the recommendations of the Committees regarding external contracts including external auditors, Financial Advisors, tax consultant, legal consultant and external appointed actuary.
- Followed the activities of the Executive Committee, the Audit Committee, the Investment Committee, the Nomination & Remuneration Committee and the Risk Committee.
- Regularly follow the Appointed Actuary's Report on Motor & Medical Pricing as well as the Financial Condition Report.
- Facilitated the Ordinary General Assembly meeting in May 2018.

- Reviewed and agreed on the Action Plan to remediate Motor TPL insurance.
- Reviewed SAMA's Findings based on their Ad Hoc Visit on 12 and 13 February 2019.
- Regularly review the Quality Review Action Plan.
- Approved the AML Corrective Action Plan.
- Conducted the annual performance self-assessment for 2017.

d) 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 10th fiscal year ending 31st December 2018 were:

BOD Executives' Remuneration

SAR	2018				2017			
	Indp Board Members**	Non-Exec Board Members**	Exec Board Members **	Top 5 Executives***	Indp Board Members**	Non-Exec Board Members**	Exec Board Members **	Top 5 Executives***
Salaries & Remunerations	287,178	477,041	-	4,081,046	240,000	456,493	-	3,978,923
Allowances / Attendance fees	103,500	175,500	-	237,331	60,000	82,500	-	551,212
Bonuses	-	-	-	1,627,108	-	-	-	1,578,097
Other Expenses	-	-	-	-	-	-	-	-
Other Benefits*	-	-	-	456,531	-	-	-	333,486
Total	390,678	652,541	-	6,402,016	300,000	538,993	-	6,441,718

* 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

*** Including Mohammed Basrawi - resigned with effective date 31/12/2018 and Syed Hassan - resigned with effective date 31/01/2018.

Furthermore, one Top Executive received an advance from the Company during September 2017 amounting to SAR 134,628 with a last payback installment due in August 2018..

The BOD Remunerations are detailed as follows:

Name of the Board Members	Member Classification	Attendance Fees	Annual Remunerations	Total Remunerations 2017
Alwaleed Al Dryaan	Independent	37,500.00	167,178.08	204,678.08
Hicham Raissi	Non-Executive	45,000.00	120,000.00	165,000.00
Antoine Issa	Non-Executive	49,500.00	120,000.00	169,500.00
Mazen AlTamimi	Non-Executive	40,500.00	117,041.10	157,541.10
Adel Mallawi	Non-Executive	40,500.00	120,000.00	160,500.00
Abdullah Al-Hussaini	Independent	66,000.00	120,000.00	186,000.00
Totals	-	279,000.00	764,219.18	1,043,219.18

Furthermore, one Top Executive received an advance from the Company during September 2018 amounting to SAR 128,148 with a last payback installment due in August 2019.

BOD Remuneration Policy:

The annual remuneration of the Chairman shall amount to SAR One Hundred Eighty Thousand (SAR 180,000) and for each members of the BOD SAR One Hundred Twenty Thousand (SAR 120,000). The maximum annual limit shall be SAR 500,000 (Five Hundred Thousand Saudi Riyals) in return of membership of the BOD and their participation in works thereof. The said amount shall include additional remunerations in case of members' participation in one of the committees emanating from BOD.

If the Company achieved profits, then a portion equal to 10% out of the net profit might be distributed after deduction of the reserves set by General Assembly, in accordance with the provisions of the Law on Supervision of Cooperative Insurance Companies and after the distribution of the dividend among shareholders not less than 5% of the paid share capital of the Company, provided that entitlement of such remuneration is proportional to the number of meetings attended. Any

determination of the remunerations made in violation of the abovementioned shall be deemed null and void.

In all cases, the total amount received by a member of the BOD, including remunerations and financial benefits in kind shall not exceed SAR 500,000 (Five Hundred Thousand Saudi Riyals) annually.

Fees for attending the meetings of the BOD and its committees shall not exceed SAR (3,000) (Three Thousand Saudi Riyals) for each meeting. Such amount shall not include travel and accommodations expenses.

Each member of BOD, including the Chairman shall be paid the actual expenses borne thereby for attending meetings of BOD or committees emanating there from, including travel expenses, accommodation and subsistence expenses.

BOD report to the Ordinary General Assembly shall include a full statement of all the amounts received by members of BOD within the fiscal year, including remunerations, expenses and other benefits. The said report shall also include a statement of the amounts received by BOD members in their capacity as employees or administrators, or the amounts received thereby in return of technical, administrative, or consultative works. The said report shall also include the number of meetings of the BOD and the number of meetings attended by each member as from the date of the last meeting of the General Assembly.

e) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2018 there was no contract in which the Company was a party and its 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 2018 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 14% in AzSF and is represented in the Board of Directors by Mr. Adel Mallawi and Mr. Mazen AlTamimi	568,707,440	N.A	Portfolio Asset management based on best quotes provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 14% in AzSF and is represented in the Board of Directors by Mr. Adel Mallawi and Mr. Mazen AlTamimi	389,182,631	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 14% in AzSF and is represented in the Board of Directors by Mr. Adel Mallawi and Mr. Mazen AlTamimi	133,629,181	Annual	Insurance contract mainly in Motor & Life based on best quotes provided by the company
Allianz Group & its affiliates	Allianz France owns 16.25% & Allianz MENA Holding Bermuda owns 16.25%. They are represented by Mr. Hicham Raissi and Mr. Antoine Issa.	32,944,529	Annual	Reinsurance contracts based on best quotes provided by Allianz entities.
Saudi NextCare	Allianz Saudi Fransi is a shareholder in NextCare Saudi Arabia.	8,432,390	N.A	Claims Management "Medical"
DataQuest SAL	DataQuest SAL is a company of Allianz.	2,058,223.86	Annual	Insurance Management System Maintenance, Support and Development.

f) Regulatory Status

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

g) 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
- Review on annual or periodic basis the policies and procedures of the Company.

The Committee comprises the following members:

BOD Executive Committee	As of 31 Dec 2018
Hicham Raissi	Chairman
Antoine Issa	Member
Mazen AlTamimi	Member
Adel Mallawi	Member

The BOD Executive Committee met six times during 2018 with 87.5% attendance.

Date	Attendance	Percentage	Percentage with Proxy
21/02/2018	Hicham Raissi, Antoine Issa.	50%	50%
14/05/2018	Hicham Raissi, Antoine Issa, Adel Mallawi	75%	75%
04/06/2018	Hicham Raissi, Antoine Issa, Adel Mallawi, Mazen AlTamimi	100%	100%
12/09/2018	Hicham Raissi, Antoine Issa, Adel Mallawi, Mazen AlTamimi	100%	100%
24/10/2018	Hicham Raissi, Antoine Issa, Adel Mallawi, Mazen AlTamimi	100%	100%
17/12/2018	Hicham Raissi, Antoine Issa, Adel Mallawi, Mazen AlTamimi	100%	100%

The above Executive Committee meetings covered the following major tasks:

- Reviewed and recommended to the Board the Capital Increase proposal including Business Plan and Solvency.
- Discussed, validated and approved the Strategic Positioning and Initiatives of the Company.
- Regularly review the results of the Company.
- Reviewed the Online Sales Project of Retail Products.
- Reviewed and recommended to the Board new and updated company policies.
- Reviewed and recommended to the Board the Reinsurance Strategy.
- Reviewed and recommended to the Board the Surplus Distribution.
- Reviewed the Bancassurance topic.

The following summarizes the committee's remuneration for the year ended 31 December 2018

Executive Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Hicham Raissi	-	9,000	9,000
Antoine Issa	-	9,000	9,000
Mazen Al Tamimi	-	6,000	6,000
Adel Malawi	-	7,500	7,500
Total	-	31,500	31,500

BOD Audit Committee

The primary responsibility of the Audit Committee is to oversee the Company's financial controls (including appropriate disclosure and internal controls), external and internal audit activities, compliance, and reporting processes, and report the results of its activities to the Board. Further, to review the accounting policies in force and advice the Board of any recommendations regarding them.

The Company's Management is responsible for preparing the financial statements, and the independent auditors are responsible for auditing those financial statements that are in line with applicable accounting standards e.g. SOCPA and International Financial Reporting Standards (as applicable). The Audit Committee shall take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, compliance culture, and ethical behavior.

In addition, the Audit Committee of "Allianz Saudi Fransi Cooperative Insurance Company" shall takes guidance from the Audit Committee Regulation in Insurance and/or Reinsurance Companies issued by SAMA's Insurance Supervision Department.

According to the Capital Market Authority “If a conflict arises between the recommendations of the audit committee and the Board resolutions, or if the Board refuses to put the committee’s recommendations into action as to appointing or dismissal the company’s external auditor or determining its remuneration, assessing its performance or appointing the internal auditor, the Board’s report shall include the committee’s recommendations and justifications, and the reasons for not following such recommendations”

The tasks and responsibilities of the Audit Committee include the following:

External Audit

- Submit recommendations to the Board to approve the appointment or reappointment, dismissal and remuneration of external auditors. This recommendation requires having obtained SAMA’s non-objection in writing.
- Ensure the independence of the external auditors from the Company, the Board members and the senior management of the company.
- Reviewing the audit plan of the 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 submits the related recommendations to the Board.
- Pursues the implementation of the corrective measures in respect of the comments included in the reports.
- Reviewing the external auditors’ assessment of the internal control of Saudi Arabian Monetary Authority, Insurance Supervision Department processes.
- Assessing the competence level, efficiency and objectivity of the external auditors.
- Discussing the annual and quarterly financial statements with the external auditors and the company’s management before issuing them.
- Reviewing the external auditor’s comments on the financial statements and follow up actions taken about them
- 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 control 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 provisions 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.

Financial Reports

- Reviewing and recommending the approval of the annual and quarterly financial statements to the Board of Directors.
- Reviewing the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.
- Ensure that all financial transactions are according to the local rules and regulations.

Internal Audit

- Submit recommendations to the Board to appointing or dismissing the manager of the internal audit department or the internal auditor. This recommendation requires 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 policies and procedures on annual or periodic basis and prepare a written report and its recommendations with respect to it.
- Ensure the independence of the 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.
- Determining the monthly salary and bonus of the internal audit department manager or the internal auditor after obtaining the Board's written approval.
- Reviewing the audit plan of the internal auditors.
- Reviewing the 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.
- Assessing the competence level, efficiency and objectivity of the internal audit department or the internal auditor.
- Reviewing the internal auditors' assessment of the internal control of Saudi Arabian Monetary Authority, Insurance Supervision Department processes.

Compliance

- Submit recommendations to the Board the appointing or dismissing of the manager, the compliance control department or the compliance officer. This recommendation requires having obtained SAMA's non-objection in writing.
- Ensure the independence of the 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.
- Determining the monthly salary and bonus of the compliance control department manager or the compliance officer after obtaining the Board's written approval.
- 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 comments of SAMA and the related supervisory and control entities and submits the related recommendations to the Board.
- Assessing the competence level, efficiency and objectivity of 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.

Appointed Actuary

- Submit recommendations to the Board to appoint the Actuary. This recommendation requires having obtained SAMA's non-objection in writing.
- Ensure the Company's compliance with the actuary suggestions and recommendations.
- Reviewing the actuary reports and submits the related recommendations to the Board

Overseeing Controls over Operations

- 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.

Board of Directors

- Reports directly to the Board of Directors not less than quarterly about its activities, issues and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and Board of Directors.

Other Responsibilities

- Develop a detailed plan stating its roles, responsibilities and mandate, provided that the plan is approved for implementation by a Board decision.
- 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.

- 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.

Responsibilities of Individual Committee Members

- Attend all or majority of Committee meetings.
- Dedicate enough time to participate in the conduct of AC Committee matters and meetings.
- Inform the Chairman of the Committee in writing if they cannot attend a meeting.
- Maintain the confidentiality of the Company's information gained through performing their duties and shall not publicize confidential information to shareholders out of the General Assembly or to any other party.
- Ensure integrity with the conduct of AC Committee matters and meetings.
- Obtain adequate skills and trainings necessary for the participation and conduct of the Committee matters.
- Participate and vote on the Committee decisions.
- Provide full support to the Chairman (and Vice Chairman) of the Committee in setting-up of the meeting agendas and confirmation on minutes of the meetings.
- Inform other members of the Committee on any change in regulations and leading practices effecting role and responsibilities of the Committee

The Committee comprises the following members:

BOD Audit Committee	As of 31 Dec 2018
Abdullah Al-Hussaini	Chairman
Mohammad AlShawabkeh	Member
Meshal Al Mugren (starting 17/12/2018)	Member
Faysal Badran (up to 24/10/2018)	Member

The Audit Committee met 13 times during 2018 with 87.5% attendance (87.5% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
25/01/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Faysal Badran	100%	100%
28/02/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Faysal Badran	100%	100%
02/05/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
04/06/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
11/09/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
24/10/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
31/10/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
05/11/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
12/11/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
14/11/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
18/11/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
04/12/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh	67.8%	67.8%
24/12/2018	Abdullah Al-Hussaini, Mohammad AlShawabkeh, Meshal Al Mugren	100.0%	100.0%

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 Internal Audit Plan 2018.
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.
- Reviewed the annual and quarterly reporting to Allianz Group.

- 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, Policy and Charter and submitted to the Board of Directors for approval.
- Approved the AML Policy and monitored through Compliance the AML training of the employees.
- Reviewed important correspondences with authorities including their comments and submitted related actions to the Board of Directors.
- Reviewed external contracts including external auditors and consulting actuary and recommended the approval of the contracts to the Board of Directors.

The Internal Audit performed a total of 23 audit missions throughout the year 2018. The 23 missions correspond to the audit categories specified by IA: (4 Ad-Hoc, 1 Group Quality Review, 14 Regulatory, 2 Regular and 2 Practice). A total of 36 findings were raised under a 'High' risk level. The said findings are either solved or under the process of completion as per the agreed time frame. Internal Audit Department issued the corresponding reports including recommendations and agreed actions. These missions have covered most of the procedures in various company departments including Allianz Saudi Fransi Branches, Customer Complaints Management, Operations, Finance and Sales as well as subunits. The reports and implementation progress are regularly reviewed by the Audit Committee.

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

The Governance, Risk and Control Committee (GRC) mainly responsible for following-up on the activities of the Company related to Governance, Risks, Audit, Compliance, Anti Money Laundering, Anti-Fraud, Code of Conduct and Anti-Corruption met twice times during 2018 and the outcome did not show any major weakness but regular improvements needed that are already addressed or under completion.

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. A new internal committee called Governance & Control Committee 'GovCC' will be created in 2019 to supersede the activities of the GRC and will be composed only of Governance, Risk, Compliance and Internal Audit.

The following summarizes the committee's remuneration for the year ended 31 December 2018:

Audit Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Abdullah Al-Hussaini	-	19,500	19,500
Mohammed AlShawabkeh	60,000	19,500	79,500
Meshal Al Mugren (starting 17/12/2018)	2,465.75	1,500	3,965.75
Faisal Badran (up to 24/10/2018)	48,821.92	3,000	51,821.92
Total	111,287.67	43,500	154,787.67

BOD Investment Committee members

The Investment Committee shall prepare, review, and approve the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and in line with SAMA's regulations. 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.
- Review on annual or periodic basis the investment related policies and procedures of the Company and recommend amendments to its.
- 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.
- Ensure 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.e
- Reviewing also the Market risk, also referred to as asset liability mismatch risk, and arises in all cases in which assets deviate from liabilities or may deviate in adverse scenarios. Almost any type of investment has inherent market risk, like equity risk, spread risk, rate risk, property risk liquidity risk or currency risk, in addition to exposure to the risk free rate. Liabilities are also exposed at least to movements of the risk free rate used for discounting and may depend on other market risk factors in case of participating life business. Hence, market risk may arise due to underwriting activities as well as due to investment strategies in all portfolios.

The Committee comprises the following members:

BOD Investment Committee		As of 31 Dec 2018
Antoine Issa		Chairman
Adel Mallawi (starting 10/09/2018)		Member
Abdullah Al-Hussaini (up to 19/07/2018)		Member

The Investment Committee met four times during 2018 with 67.0% attendance (83.3% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
20/02/2018	Antoine Issa, Abdullah Al-Hussaini	66.7%	66.7%
02/05/2018	Antoine Issa, Abdullah Al-Hussaini	66.7%	66.7%
11/09/2018	Antoine Issa, Adel Mallawi	66.7%	66.7%
16/12/2018	Antoine Issa, Adel Mallawi	66.7%	66.7%

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.
- Reviewed future real estate options.

The following summarizes the committee's remuneration for the year ended 31 December 2018

Investment Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Antoine Issa	-	6,000	6,000
Adel Mallawi (starting 10/09/2018)	-	3,000	3,000
Abdullah Al-Hussaini (up to 19/07/2018)	-	3,000	3,000
Total	-	12,000	12,000

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.
- Evaluate the performance of the Board and Committee members on a regular basis (at least once per year).
- 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).
- Review on annual or periodic basis the HR policies and procedures and recommend amendments to it.

The Nomination & Remuneration Committee (NRC) comprises the following:

BOD Nomination & Remuneration Committee	As of 31 Dec 2018
Alwaleed Al Dryaan	Member
Abdullah Al-Hussaini	Member
Antoine Issa (starting 24/05/2018)	Member
Mazen ALTamimi (starting 24/05/2018)	Member
Hicham Raissi (up to 18/07/2018)	Member

The N&R committee met five times during 2018 with 100% attendance.

Date	Attendance	Percentage	Percentage with Proxy
20/02/2018	Alwaleed Al Dryaan, Abdullah Al-Hussaini, Hicham Raissi	100%	100%
02/05/2018	Alwaleed Al Dryaan, Abdullah Al-Hussaini, Hicham Raissi	100%	100%
12/09/2018	Alwaleed Al Dryaan, Abdullah Al-Hussaini, Antoine Issa, Mazen ALTamimi	100%	100%
24/10/2018	Alwaleed Al Dryaan, Abdullah Al-Hussaini, Antoine Issa, Mazen ALTamimi	100%	100%
16/12/2018	Alwaleed Al Dryaan, Abdullah Al-Hussaini, Antoine Issa, Mazen ALTamimi	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 2018 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.
- Consistently monitored the training program of the Company.
- Reviewed the impact of the new taxation imposed to Non Saudis.
- Initiated the BOD & Committees Self-Performance Assessment for 2017.

The following summarizes the committee's remuneration for the year ended 31 December 2018

Remuneration Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Alwaleed Al Dryaan	-	7,500	7,500
Abdullah Al-Hussaini	-	7,500	3,000
Antoine Issa (starting 24/05/2018)	-	4,500	4,500
Mazen ALTamimi (starting 24/05/2018)	-	4,500	4,500
Hicham Raissi (up to 18/07/2018)	-	4,500	4,500
Total	-	27,000	27,000

Risk Committee

The Risk Committee's 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.
- The scope of the Risk Committee shall cover the below risk categories together with their underlying sub-categories:
- Market Risk: Interest Rate Risk, Equity Risk, Property Risk, Currency Risk, Spread Risk and Liquidity Risk.
- Counterparty default Risk: Reinsurance, Concentration, Other counterparties and Credit Risk.
- Non Life Underwriting: Pricing (General), Pricing (Health), Reserving (General), Reserving (Health), Non-Life catastrophe and Lapse
- Life Underwriting: Mortality, Longevity, Morbidity & Disability, Lapse, Expense and Catastrophe.
- Strategic Risk: Business, Market/ Country and Reputational
- Operational Risk: Internal fraud, external fraud, HR, Physical Damage, Cyber-attack, System Failure, Data Quality and Process management
- Actuarial outputs: Reserving, Underwriting non-life, Underwriting Life, Reinsurance and Solvency
- Oversight: Senior Management, Risk Management, Compliance, Audit, Operational management
- Conduct of Business: Product development, Product promotion disclosure & sales, Claims, Complaints and Privacy protection
- Regulatory & AML: Regulatory, AML.

The Risk Committee comprises the following:

BOD Risk Committee		As of 31 Dec 2018
Hicham Raissi		Member
Abdullah Al-Hussaini		Member
Mazen AlTamimi (starting 10/09/2018)		Member

The Risk committee met four times during 2018 with 83.3% attendance.

Date	Attendance	Percentage	Percentage with Proxy
20/02/2018	Hicham Raissi, Abdullah Al-Hussaini	67%	67%
02/05/2018	Hicham Raissi, Abdullah Al-Hussaini	67%	67%
11/09/2018	Hicham Raissi, Abdullah Al-Hussaini, Mazen AlTamimi	100%	100%
04/12/2018	Hicham Raissi, Abdullah Al-Hussaini, Mazen AlTamimi	100%	100%

The above Risk Committee meeting covered the following topics:

- Monitored the Governance updates.
- Monitored the Risk Profile and Exposure of the Company.
- Regularly reviewed the Implementation of the Risk Management.
- Regularly reviewed the Statutory Solvency status.
- Approved and recommended to the Board the standards, policies and strategy in Risk.
- Assessed the Risk Management Function's Performance for 2017 and monitored corrective Action Plan

The following summarizes the committee's remuneration for the year ended 31 December 2018

Risk Committee Members	Annual Fixed Remuneration	Attendance Fees	Total
Abdullah Al-Hussaini	-	6,000	6,000
Hicham Raissi	-	6,000	6,000
Mazen AlTamimi (starting 10/09/2018)	-	3,000	3,000
Total	-	15,000	15,000

h) Risk Management

During 2018, Allianz Saudi Fransi succeeded in aligning 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.

i) Zakat and Legal Payments

Allianz Saudi Fransi allocated SAR 7.9 for Zakat and Tax in 2018 against SAR 7.6 allocated in 2017.

The following table shows a list of legal expenses for the year ended December 31st, 2018 (The amounts charged in 2018 & the related paid amounts as at December 31st, 2018).

SAR Million	2018		2016		2016		2015	2014
	Paid	Charged	Paid	Charged	Paid	Charged	Charged*	
Customs Expenses	-	-	-	-	-	-	-	-
Zakat & Tax	1.6	7.9	3.9	7.6	2.2	5.3	5.2	4.4
GOSI Expenses	7.3	4.9	5.4	4.4	4.4	3.1	2.5	2.5
Visa & Passports	1.2	1.2	0.3	0.3	0.2	0.2	0.4	0.3
Inspection & Supervision Fees	6.8	4.9	5.4	6.1	5.6	5.4	4.0	4.2
Total	16.9	18.9	15.0	18.2	12.4	14.0	12.1	11.4

11. Future Plans

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

Capital Increase: In 2019, the Company plans to increase its Capital through a rights issue by SAR 400,000,000 to become SAR 600,000,000. This increase will help the Company achieve its growth and development plans.

Motor and Health Profitability and development: In line with its Risk Strategy for 2019, 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.

Digitalization & Automation: In 2019 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.

Talent Management: During 2019 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 programs to achieve satisfaction and effectiveness among all employees.

Corporate: Corporate Business continues to remain a priority of the Company. In 2019, the Company will further increase the number of preferred Brokers and focus on global business lines such as credit insurance.

Direct Sales Force: In 2019, 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 2019, 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.

12. External Independent Auditors and Accounting Standard

In 2018, the Ordinary General Assembly approved the BOD recommendation of renewing for "Aldar Audit Bureau" and the appointment of PWC as joint external auditors for the fiscal year ended 31st December 2018. The recommendation and approval of the above mentioned auditors were based on the Audit Committee recommendation which came from the filtering of a number of biddings submitted by different audit firms.

The financial statements as at 31st December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as modified by SAMA for accounting of Zakat and Income Tax.

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 2018 and the result of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as modified by SAMA for accounting of Zakat and Income Tax.

13. Shariah Committee

The Company has a Shariah Committee composed of:

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

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

14. Company's Requests of Shareholders Records

#	Request Date	Ownership as at	Reason
7	26/06/2018	31/12/2017	Requested for the preparation of the BOD Report of 2017.
6	14/05/2018	13/05/2018	Requested to support the preparation for the General Assembly meeting.
5	30/06/2018	30/07/2018	Requested to update the records of the acquisition transactions between the shareholders.

15. Company's Declarations

Allianz Saudi Fransi declares the following:

- During 2018, no loans were taken by the Company;
- No outstanding loans as at 2018;
- No convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company during 2018;
- There were no redemption, purchase or cancellation by the company of any redeemable debt instruments;
- The Company does not own any treasury shares.

16. 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 2018

Independent Auditors' Report

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

(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Allianz Saudi Fransi Cooperative Insurance Company (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statements of income and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below.

The key audit matter	How the matter was addressed in our audit
Valuation of ultimate claim liabilities arising from insurance contracts As at 31 December 2018, gross outstanding claims and reserves including claims incurred but not reported (IBNR) amounted to Saudi Riyals 534.5 million as reported in Note 12 to the financial statements. The estimation of ultimate insurance contract liabilities involves a significant degree of judgment. The liabilities are based on the best estimate of ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling cost. The estimation of insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs. The Company principally uses an external actuary ("management's expert") to provide them with the estimate of such liabilities. A range of methods were used to determine these provisions which were based on a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. We considered this as a key audit matter as the valuation of insurance contract liabilities require the use of significant judgement and estimates. Refer to notes 2d and 3 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates	We performed the following procedures: • Understood, evaluated and tested key controls around the claims handling and provision setting processes. • Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience and assessed their independence. • Performed substantive tests on the amounts recorded for a sample of claims notified and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves. • Obtained sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the IBNR by comparing it to the accounting and other records. • Challenged management's methods and assumptions, through assistance of our internal actuarial expert to understand and evaluate the Company's actuarial practices and provisions established and gained comfort over the actuarial report issued by management's expert, by performing the following: • Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; • Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Company's historical experience, current trends and our own industry knowledge; and • Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

Other Information included in the Company's 2018 Annual Report

The Board of Directors of the Company (the Directors) are responsible for the other information. The other information consists of the information included in the Company's 2018 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS as modified by SAMA for the accounting of zakat and tax, the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
P. O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia



Bader Benmohareb
Certified Public Accountant
Registration No. 471



Aldar Audit Bureau
P.O Box 2195
Riyadh 11451
Kingdom of Saudi Arabia



Abdullah M. Albasri
Certified Public Accountant
Registration No. 171



Statement of Financial Position

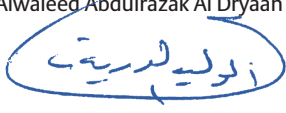
As at 31 December 2018

	Note	2018 SAR	2017 SAR
ASSETS			
Cash and cash equivalents	4	93,134,538	133,330,865
Prepaid expenses and other assets	5	52,541,209	50,743,097
Reinsurers' balance receivable, net	6(a)	71,653,440	72,541,695
Premiums receivable, net	7	408,903,758	367,024,921
Reinsurers' share of outstanding claims	12.1	269,420,744	196,869,565
Reinsurers' share of claims incurred but not reported	12.1	99,412,249	85,853,718
Reinsurers' share of unearned premiums	12.2	148,911,143	180,184,370
Deferred policy acquisition costs	12.3	27,002,293	23,866,281
Financial assets at fair value through statement of income(unit linked investments)	9	559,766,029	573,716,396
Available for sale investments	8(a)	331,379,024	309,049,420
Property and equipment	10	4,570,353	3,635,196
Statutory deposit	11	20,000,000	20,000,000
Accrued income on statutory deposit	11	1,090,636	817,056
TOTAL ASSETS		2,087,785,416	2,017,632,580
LIABILITIES			
Accrued and other liabilities	13	125,359,648	93,234,076
Surplus distribution payable	14	12,344,873	9,582,216
Reinsurers' balances payable	6(b)	144,725,743	181,657,278
Unearned premiums	12.2	390,422,335	415,612,645
Unearned reinsurance commission	15	7,609,280	10,813,751
Outstanding claims	12.1	334,372,482	237,365,286
Claims incurred but not reported	12.1	200,132,876	197,176,081
Premium deficiency reserve	12.1	4,852,555	10,717,152
Additional premium reserves	12.1	1,006,819	1,317,438
Unit linked liabilities	12.1	557,723,772	573,051,956
End-of-service indemnities	16(a)	16,750,349	15,457,826
Zakat and income tax	17(c)	23,846,674	21,416,946
Accrued income payable to SAMA	11	1,090,636	817,056
TOTAL LIABILITIES		1,820,238,042	1,768,219,707
EQUITY			
Share capital	18	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Statutory reserve		14,393,656	6,983,645
Retained earnings		41,575,546	19,902,207
Actuarial reserve for end-of-service indemnities	16(a)	540,837	(765,304)
Fair value reserve on investments	8(b)	(11,673,980)	581,010
TOTAL EQUITY		267,547,374	249,412,873
TOTAL LIABILITIES AND EQUITY		2,087,785,416	2,017,632,580
CONTINGENCIES AND COMMITMENTS			
	26		

The accompanying notes 1 to 30 form an integral part of these financial statements.

Andreas Brunner

 Chief Executive Officer

Alwaleed Abdulrazak Al Dryaan

 Chairman

Mohammed Koubar

 Chief Financial Officer

Statement of Income

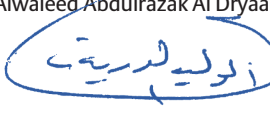
For the year ended 31 December 2018

	Note	2018 SAR	2017 SAR
REVENUES			
Gross premiums written	12.2	870,716,183	925,536,707
Reinsurance premiums ceded abroad	12.2	(243,423,381)	(255,476,651)
Reinsurance premiums ceded locally	12.2	(16,561,189)	(13,850,000)
Excess of loss expenses	12.2	(4,605,785)	(5,358,993)
Fee income from unit linked investments		1,110,990	1,111,151
Net premiums written		607,236,818	651,962,214
Changes in unearned premiums	12.2	25,190,310	43,644,643
Changes in reinsurers' share of unearned premiums	12.2	(31,273,227)	(56,276,127)
Net premiums earned		601,153,901	639,330,730
Reinsurance commissions	15	16,579,057	25,718,192
NET REVENUES		617,732,958	665,048,922
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid		(461,485,386)	(427,044,351)
Surrenders and maturities		(119,572,693)	(149,946,002)
Expenses incurred related to claims		(38,163,937)	(27,020,921)
Reinsurers' share of claims paid		167,059,361	138,429,094
Net claims and other benefits paid		(452,162,655)	(465,582,180)
Changes in outstanding claims		(97,007,196)	2,053,226
Changes in reinsurers' share of outstanding claims		72,551,179	5,154,982
Changes in premium deficiency reserve		5,864,597	(4,639,430)
Changes in additional premium reserves		310,619	(1,317,438)
Changes in claims incurred but not reported		(2,956,795)	(50,464,441)
Changes in reinsurers' share of claims incurred but not reported		13,558,531	10,107,952
Net claims and other benefits incurred		(459,841,720)	(504,687,329)
Unrealized gain on unit linked investments		17,020,972	16,571,858
Changes in unit linked liabilities		15,328,184	20,654,616
Policy acquisition costs	12.3	(54,245,801)	(57,871,819)
Inspection and supervision fees		(4,918,091)	(6,091,164)
TOTAL UNDERWRITING COSTS AND EXPENSES		(486,656,456)	(531,423,838)
NET UNDERWRITING INCOME		131,076,502	133,625,084
OTHER (EXPENSES) / INCOME			
Provision of doubtful debts	6 & 7	(5,638,305)	(11,908,374)
General and administrative expenses	20	(99,492,118)	(94,349,372)
Investment income		10,792,120	7,945,122
Other income		3,750,147	2,956,166
TOTAL OTHER EXPENSES		(90,588,156)	(95,356,458)
NET INCOME FOR THE YEAR BEFORE SURPLUS, ZAKAT AND TAX		40,488,346	38,268,626
Surplus attributed to the insurance operations	14	(3,438,289)	(3,350,399)
Net income for the year attributable to the shareholders before zakat and tax		37,050,057	34,918,227
Earnings per share			
Basic and diluted earnings per share	24	1.85	1.75

The accompanying notes 1 to 30 form an integral part of these financial statements.

Andreas Brunner

 Chief Executive Officer

Alwaleed Abdulrazak Al Dryaan

 Chairman

Mohammed Koubar

 Chief Financial Officer

Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2017 (SAR)	2016 (SAR)
Net income for the year before surplus, zakat and tax		40,488,346	38,268,626
Surplus attributed to the insurance operations	14	(3,438,289)	(3,350,399)
Net income for the year attributable to the shareholders before zakat and tax		(765,304)	-
Other comprehensive income			
Items that will not be reclassified to the statement of income in subsequent years			
Re-measurement of defined benefit liability - end-of-service indemnities	16	1,306,141	(765,304)
Items that may be reclassified to statement of income in subsequent years			
Available for sale investments:			
- Net change in fair value	8(b)	(12,254,990)	1,893,790
Total comprehensive income for the year		26,101,208	36,046,713

Statement of Changes In Shareholders' Equity

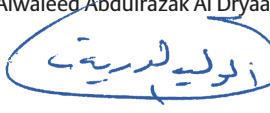
For the year ended 31 December 2018

	Share Capital SAR	Share Premium SAR	Statutory Reserve SAR	Retained earnings SAR	Actuarial reserve for end-of-service indemnities SAR	Fair value reserve on investments SAR	Total SAR
Balance as at 1 January 2018	200,000,000	22,711,315	6,983,645	19,902,207	(765,304)	581,010	249,412,873
Total comprehensive income for the year:							
Net income for the year attributable to shareholders before zakat and tax	-	-	-	37,050,057	-	-	37,050,057
Re-measurement of defined benefit liability - end of service indemnities	-	-	-	-	1,306,141	-	1,306,141
Changes in fair values of available for sale investments	-	-	-	-	-	(12,254,990)	(12,254,990)
Total comprehensive income for the year attributable to shareholders	-	-	-	37,050,057	1,306,141	(12,254,990)	26,101,208
Transfers to statutory reserve	-	-	7,410,011	(7,410,011)	-	-	-
Zakat charge for the year (Note 17c)	-	-	-	(3,949,319)	-	-	(3,949,319)
Income tax charge for the year (Note 17c)	-	-	-	(4,017,388)	-	-	(4,017,388)
Balance as at 31 December 2018	200,000,000	22,711,315	14,393,656	41,575,546	540,837	(11,673,980)	267,547,374
Balance as at 1 January 2017	200,000,000	22,711,315	-	(448,379)	-	(1,312,780)	220,950,156
Total comprehensive income for the year:							
Net income for the year attributable to shareholders before zakat and tax	-	-	-	34,918,227	-	-	34,918,227
Re-measurement of defined benefit liability - end of service indemnities	-	-	-	-	(765,304)	-	(765,304)
Changes in fair values of available for sale investments	-	-	-	-	-	1,893,790	1,893,790
Total comprehensive income for the year attributable to shareholders	-	-	-	34,918,227	(765,304)	1,893,790	36,046,713
Transfers to statutory reserve	-	-	6,983,645	(6,983,645)	-	-	-
Zakat charge for the year (Note 17c)	-	-	-	(4,294,733)	-	-	(4,294,733)
Income tax charge for the year (Note 17c)	-	-	-	(3,289,263)	-	-	(3,289,263)
Balance as at 31 December 2017	200,000,000	22,711,315	6,983,645	19,902,207	(765,304)	581,010	249,412,873

The accompanying notes 1 to 30 form an integral part of these financial statements.

Andreas Brunner

 Chief Executive Officer

Alwaleed Abdulrazak Al Dryaan

 Chairman

Mohammed Koubar

 Chief Financial Officer

Statement of cash

For the year ended 31 December 2018

	Note	2018 SAR	2017 SAR
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before surplus, zakat and tax		40,488,346	38,268,626
Adjustments for non-cash and other items:			
Depreciation of property and equipment	10	1,681,327	715,542
Loss on sale of available for sale investments	8(b)	-	283,306
Amortization of investments premium	8(b)	904,367	1,513,597
Provision for doubtful reinsurance receivables	6(a)	1,259,482	1,555,413
Gain on sale of property and equipment		(3,150)	-
Provision for doubtful receivables and write-offs	7	3,993,296	9,439,366
Provision for end-of-service indemnities	16	4,927,587	3,232,920
Unrealized gains on unit linked investments		(17,020,972)	(16,571,858)
Changes in operating assets and liabilities:			
Reinsurance balances receivable		(371,227)	8,087
Premiums receivable		(45,872,133)	32,808,594
Reinsurers' share of unearned premiums		31,273,227	56,276,127
Reinsurers' share of outstanding claims		(72,551,179)	(5,154,982)
Reinsurers' share of claims incurred but not reported		(13,558,531)	(10,107,952)
Deferred policy acquisition costs		(3,136,012)	(1,777,257)
Unit linked investments		30,971,339	35,507,116
Prepaid expenses and other assets		(1,798,112)	(5,448,047)
Accrued expenses and other liabilities		32,125,572	23,080,928
Reinsurers' balances payable		(36,931,535)	(37,097,463)
Unearned premiums		(25,190,310)	(43,644,643)
Unearned reinsurance commission		(3,204,471)	(1,137,857)
Unit linked liabilities		(15,328,184)	(20,654,616)
Outstanding claims		97,007,196	(2,053,226)
Claims incurred but not reported		2,956,795	50,464,441
Premium deficiency reserves		(5,864,597)	4,639,430
Additional premium reserves		(310,619)	1,317,438
		6,447,502	115,463,030
End-of-service indemnities paid	16(a)	(2,328,923)	(1,368,829)
Surplus paid to policyholders	14	(675,632)	(1,505,055)
Zakat and income tax paid	17(c)	(5,536,979)	(2,232,944)
Net cash (used in) / generated from operating activities		(2,094,032)	110,356,202
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in available for sale investments	8(b)	(66,081,461)	(99,662,570)
Proceeds from sale of available for sale investments	8(b)	30,592,500	31,105,015
Proceeds from sale of property and equipment		3,150	-
Additions in property and equipment	10	(2,616,484)	(1,961,363)
Net cash used in investing activities		(38,102,295)	(70,518,918)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(40,196,327)	39,837,284
Cash and cash equivalents, beginning of the year		133,330,865	93,493,581
CASH AND CASH EQUIVALENTS, END OF THE YEAR	4	93,134,538	133,330,865
Non-cash information:			
Changes in fair value of available for sale investments	8(b)	(12,254,990)	1,893,790

The accompanying notes 1 to 30 form an integral part of these financial statements.

Andreas Brunner



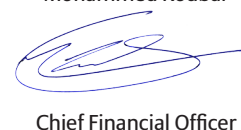
Chief Executive Officer

Alwaleed Abdulrazak Al Dryaan



Chairman

Mohammed Koubar



Chief Financial Officer



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Notes To The Interim Condensed Financial Statements

At 31 December 2018

1. GENERAL

Allianz Saudi Fransi Cooperative Insurance Company (a Joint Stock Company incorporated in Kingdom of Saudi Arabia), the "Company", was formed pursuant to Royal Decree No. 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006). The Company operates under Commercial Registration Number 1010235601 dated 26 Jumada Thani 1428H (corresponding to 11 July 2007). The Company operates through its eight branches in the Kingdom of Saudi Arabia. The registered address of the Company's head office is as follows:

Allianz Saudi Fransi Cooperative Insurance Company
Al Safwa Commercial Building, Khurais Road
P.O. Box 3540
Riyadh 11481, Saudi Arabia

The Company's ultimate parent is Allianz SE, a European financial services company headquartered in Munich, Germany. The purpose of the Company is to transact cooperative insurance operations and all related activities. Its principal lines of business include medical, protection and savings, motor, engineering, property and other general insurance lines. On 31 July 2003, corresponding to 2 Jumada Thani 1424H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). During March 2008, the Saudi Arabian Monetary Authority ("SAMA"), as the principal authority responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia. On 1 January 2016, the Company management approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

2. BASIS OF PREPARATION

a) Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by Saudi Arabian Monetary Authority (SAMA) for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued on a quarterly basis through equity under retained earnings.

The financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of unit linked investments, available-for-sale investments and recording of end of service benefits at present value. The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: available for sale investments, property and equipment, statutory deposit, accrued income on statutory deposit and end-of-service indemnities. All other financial statement line items would generally be classified as current. Also refer note 25 (e).

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it will be able to continue as a going concern in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations and presents the financial statements accordingly (Note 28). Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

The statement of financial position, statements of income, comprehensive income and cash flows of the insurance operations and shareholders operations which are presented in Note 28 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required by IFRS. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the insurance operations and shareholders operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company's financial statements in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance operations and shareholders operations are uniform for similar transactions and events in similar circumstances.

b) Functional and presentational currency

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

c) Fiscal year

The Company follows a fiscal year ending 31 December.

d) Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Following are the accounting judgments and estimates that are critical in preparation of these financial statements:

1) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made at the end of the reporting period both for the expected ultimate cost of claim reported and for the expected ultimate costs of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by 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. A range of methods such as Chain Ladder Method, Bornhuetter-Ferguson Method and Expected Loss Ratio Method are used by the actuaries to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

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. The Company uses the service of an independent actuary in the valuation of IBNR as well as Premium Deficiency Reserves.

2) Impairment of available for sale investments

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy for equity instruments and mutual funds. In making this judgment, the Company evaluates among

other factors, the normal volatility in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

3) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

4) Fair value of financial assets

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the previous financial year, except for the adoption of the following new standards and other amendments to existing standards mentioned below which have had no significant financial impact on the financial statements of the Company on the current year or prior year and is expected to have no significant effect in future years:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 – “Revenue from Contracts with Customers” applicable from 1 January 2018 presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard could have a significant impact on how and when revenue is recognized (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments), with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred. However, the application of this new standard has no material impact on the Company’s financial statements.

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 (including amendments to IFRS 4, Insurance Contracts)

In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39’s requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other

comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

In September 2016, the IASB published amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities.

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Company is eligible and have chosen to apply the temporary exemption under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial information will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. IASB through its amendments to IFRS 4 issued in September 2016 had allowed temporary exemption if a Company meets the following criteria:

- the Company has not previously applied any version of IFRS 9; and
- its activities are predominantly connected with insurance that is defined as total percentage of carrying amount of insurance liabilities is greater than 90% of its total liabilities.

As at December 31, 2018, the Company has total financial assets and insurance related assets amounting to SR 1,013 million and SR 1,063 million, respectively. Currently, financial assets held at amortized cost consist of cash and cash equivalents and certain other receivables amounting to SR 138 million (2017: SR 178 million), where fair value approximate cost due to short term nature of these financial assets. Fair value of unit linked investments held at fair value through statement of income as at December 31, 2018 is SR 559 million (2017: SR 573 million). The Company does not expect any change in the measurement of these financial assets under IFRS 9. Other financial assets consist of available for sale investments amounting to SR 331 million (2017: SR 309 million). The Company expect to use the FVOCI classification of these financial assets based on the business model of the Company for debt securities and strategic nature of equity investments. Investment in funds classified under available for sale investments will be at FVSI under IFRS 9. The Company also expects that these debt securities will pass the SPPI test as mentioned in IFRS 9. As at December 31, 2018 these debt securities are measured at fair value of SR 319 million with changes in fair value during the year of SR 11 million. Other financial assets have a fair value of SR 718 million as at December 31, 2018 with a fair value change during the year of SR 52.5 million. Credit risk exposure, concentration of credit risk and credit quality of these financial assets are mentioned in note 25. The Company financial assets have low credit risk as at December 31, 2018 and 2017.

The above is based on high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its statement of financial position and equity, except for some effect of applying the impairment requirements of IFRS 9; however, the impact of the same is not expected to be significant. At present it is not possible to provide reasonable estimate of the effects of application of this new standard as the Company is yet to perform a detailed review.

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. The Company has decided not to early adopt this new standard. Management believes that the impact of this new standard is not expected to be significant due to limited lease contracts.

IFRS 17 Insurance Contracts

IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2022, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9

"Financial Instruments" have also been applied. The Company expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

The significant accounting policies used in preparing these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including deposits with less than three months maturity from the date of acquisition.

Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Premiums and reinsurance balances receivable are recognised when due and measured on initial recognition at the fair value of the consideration 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.

An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable. Receivable balances are derecognised when the Company no longer controls the contractual rights that comprise the receivable balance, which is normally the case when the receivable balance is sold, or all the cash flows attributable to the balance are passed through to an independent third party. Receivables disclosed in notes 6 and 7 falls under the scope of IFRS 4 "Insurance contracts".

Available for sale investments

Available for sale investments ("AFS") include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through income statement. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Such investments are initially recorded at fair value including transaction costs directly attributable to the acquisition of the investment. After initial measurement, AFS financial investments are subsequently measured at fair value. Unrealised gains or losses arising from changes in fair value of investments are shown in the statement of comprehensive income. Realised gains or losses on sale of these investments and commission income are reported in the statement of income.

Dividend, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the related statements of income or statement of comprehensive income

Any significant or prolonged decline in fair value of available-for-sale investments is adjusted for and reported in the related statement of comprehensive income, as impairment charges.

Fair values of available-for-sale investments are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted investments, fair value is determined by reference to the market value of a similar investment or where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Reclassification

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate "EIR". Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income. During 2018 and 2017, there was no reclassifications among the financial asset categories.

Derecognition of financial assets

Derecognition of a financial asset occurs only when the seller has transferred the asset's risks and rewards (either substantially or partially) or control of the contractual rights have been transferred from the seller to the buyer. The evaluation of the transfer of risks and rewards should precede an evaluation of the transfer of control for all types of transaction. The positions of both the buyer and the seller should be considered but the seller's position is seen as more relevant. An entity may achieve partial derecognition whereby it recognises the components that have been retained, or new assets or liabilities such as those that arise from issuing a guarantee.

If the entity determines that it has neither retained nor transferred substantially all of an asset's risks and rewards and that it has retained control, the entity should continue to recognise the asset to the extent of its continuing involvement.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
 - adverse changes in the payment status of issuers or debtors in the Company; or
 - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

If there is objective evidence that an impairment loss on a financial asset exists, the impairment is determined as follows:

- For assets carried at fair value, impairment is the significant or prolonged decline in the fair value of the financial asset.
- For assets carried at amortized cost, impairment is based on estimated future cash flows that are discounted at the original effective commission rate.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as available for sale, the Company assesses individually whether there is an objective evidence of impairment. Objective evidence may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special commission income or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

For equity investments held as available-for-sale, a significant or prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognised i.e. any increase in fair value after impairment has been recorded can only be recognised in other comprehensive income. On derecognition, any cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income.

The determination of what is 'significant' or 'prolonged' requires judgement. A period of 12 months or longer is considered to be prolonged and a decline of 30% from original cost is considered significant as per Company policy. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In making an assessment of whether an investment in debt instrument is impaired, the Company considers the factors such as market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness, country's ability to access the capital markets for new debt issuance and probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Unit linked investments and liabilities

Unit linked investments are assets backing liabilities arising from contracts, where the liabilities are contractually linked to the fair value of the financial assets within the policyholders unit linked funds and are classified as 'held for trading' assets and are designated at fair value through statement of income. Investments classified as trading are acquired principally for the purpose of selling or repurchasing in short term and are recorded in the statement of financial position at fair value. Any change in fair value is recognised in statement of income.

An investment may be designated at fair value through statement of income by the management, at initial recognition, if it satisfies the criteria laid down by IAS 39 except for the equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured. Transaction costs, if any, are not added to the fair value measurement at initial recognition of fair value through statement of income investments. Dividend income (if any) on financial assets held as fair value through statement of income is presented under 'Investment income' in the statement of income.

The Company has unit linked liabilities at FVSI. These pertain to individual life insurance contracts which insure human life events such as death over a long period of time. Insurance premiums are recognised directly as liabilities. These liabilities are increased/decreased by change in the unit prices as in the case of unit-linked contracts and decreased by plan holder charges and surrender and maturities. The unit linked liabilities are determined as the value of the units deemed allocated at the valuation date. Additional technical provisions have been established for the value of risk related to the life insurance contracts. These additional provisions are calculated using stochastic techniques and are not a significant portion of the overall unit linked liabilities.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Land is not depreciated. The cost of other items of property and equipment is depreciated on the straight line method to

allocate the cost over estimated useful lives, as follows:

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

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate. 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.

An item of property and equipment 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 when the asset is derecognised.

Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of income within operating expenses on a straight-line basis over the period of the lease.

Statutory deposit

The statutory deposit shall be ten percent (10%) of the paid up capital. The Company has placed the statutory deposit amount in a bank designated by SAMA. SAMA shall be entitled to the earnings on statutory deposit which is payable by the Company to SAMA and appearing as 'Accrued income payable to SAMA'.

Provisions, accrued expenses and other liabilities

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

Surplus distribution payable

Ten-percent (10%) of the net surplus from insurance operations shall be distributed to the policyholders directly, or in the form of reduction in premiums for the next year. The remaining ninety-percent (90%) of the net surplus shall be transferred to the shareholders.

Deferred policy acquisition costs (DAC)

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. All other acquisition costs are recognized as an expense when incurred. Amortization is recorded in the "Policy acquisition costs" in the statement of income. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of income. Deferred policy acquisition costs are also considered in the liability adequacy test at each reporting date. Deferred policy acquisition costs are derecognised when the related contracts are either settled or disposed of.

Claims

Claims consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported including related claims handling costs at the statement of financial position date.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. Further, the Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Additional premium reserves

Additional premium reserves are booked by the Company on the basis of unexpired risk reserve for engineering business.

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. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders share of net adjusted income for the year. Zakat and income tax is accrued on a quarterly basis. Effective January 1, 2017, based on the Circular issued by SAMA, the Company amended its accounting policy to charge zakat and tax directly into retained earnings in the statement of changes in equity instead of statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties, 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.

Employees' end-of-service benefits

The calculation of the employees' end of service benefit is performed annually by a qualified actuary using the projected unit credit method in accordance with the requirements of IAS 19 "Employee Benefits". All past service costs are recognized as an expense immediately in the statement of income. Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses are recognized in other comprehensive income.

The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at that date, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefits payments. Net Interest expense and other expenses related to the defined benefit plans are recognized in the statement of income.

Short term employee benefits

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

Retirement benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Insurance and investment contracts

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. 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 that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk. The Company's unit linked products have been classified as investment contracts. These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments.

The Company's insurance and investment contracts do not contain any discretionary participatory features.

Reinsurance

Reinsurance is distributed between treaty, facultative and excess of loss reinsurance contracts. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. An asset or liability is recorded in the statement of financial position representing payments due from reinsurers, the share of losses recoverable from reinsurers and premiums due to reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. 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 the statement of income as incurred.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and 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.

Revenue recognition

Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months premium at a reporting date is considered as unearned in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In

accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and

- Actual number of days for other lines of business.

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

Deposits (premium) related to unit linked contracts are credited to policyholder account balances. Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded under "Fee income from unit linked investments" in the period in which services are provided.

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 on the same basis as premium in the statement of income.

Investment income

Investment income on debt instruments classified under available for sale investments and deposits are accounted for on an effective interest basis.

Dividend income

Dividend is recognised in the statement of income only when:

- the entity's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the entity; and
- the amount of the dividend can be measured reliably.

Statutory reserve

In accordance with the Company's by-laws, the Company shall allocate 20% of its net income from shareholders operations each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

Expense recognition

Expenses are recognized in statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses are presented using the nature of expense method.

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.

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests accordingly.

Cash flow statement

The Company's main cash flows are from insurance operations which are classified as cash flow from operating activities. Cash flows generated from investing and financing activities are classified accordingly.

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 (medical) 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.
- Shareholders' segment - reporting shareholder operations of the Company. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The surplus or loss from the insurance operations is allocated to this segment on an appropriate basis.

No inter-segment transactions occurred during the year, 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. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined. As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant as Saudi Riyals is pegged to US dollars.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is 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 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.

Fair values

The fair value of financial assets are based on quoted prices for marketable securities or estimated fair values. The fair value of commission-bearing items is estimated based on discounted cash flow using commission for items with similar terms and risk characteristics.

For financial assets where there is no active market, fair value is determined by reference to the market value of a similar financial assets or where the fair values cannot be derived from active market, they are determined using a variety of

valuation techniques. The inputs of this models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

4. CASH AND CASH EQUIVALENTS

	2018 (SAR)			2017 (SAR)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Bank balances and cash	39,902,503	45,412,035	85,314,538	77,246,209	26,084,656	103,330,865
Deposits maturing within 3 months from the acquisition date	7,820,000	-	7,820,000	30,000,000	-	30,000,000
	47,722,503	45,412,035	93,134,538	107,246,209	26,084,656	133,330,865

Deposits are maintained with financial institutions and have a maturity of three months or less from the date of acquisition. These earn commission at an average rate of 1.33% per annum as at 31 December 2018 (2017: 1.33% per annum). Bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology. Bank balances and deposits includes SR 70.5 million maintained with Banque Saudi Fransi (a related party) (2017: SR 98.6 million).

5. PREPAID EXPENSES AND OTHER ASSETS

	2018 (SAR)			2017 (SAR)		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Third party administrator						
receivables	21,358,224	-	21,358,224	14,593,777	-	14,593,777
Receivable for unit linked investments	8,941,411	-	8,941,411	7,693,449	-	7,693,449
Accrued investment income	2,247,251	5,243,586	7,490,837	3,494,422	8,153,653	11,648,075
Advance to agents and brokers	4,814,885	-	4,814,885	9,263,115	-	9,263,115
Receivable from Manafeth	2,205,020	-	2,205,020	1,900,000	-	1,900,000
Advances to employees	1,767,062	-	1,767,062	1,467,931	-	1,467,931
Prepaid rent	1,540,969	-	1,540,969	1,384,180	-	1,384,180
Other assets	4,422,801	-	4,422,801	2,792,570	-	2,792,570
	47,297,623	5,243,586	52,541,209	42,589,444	8,153,653	50,743,097

6. REINSURANCE BALANCES

Reinsurance balances receivable:	2018 SAR	2017 SAR
Receivables from reinsurers	76,074,402	75,703,175
Provision for doubtful reinsurers' receivables	(4,420,962)	(3,161,480)
Reinsurers receivable, net	71,653,440	72,541,695

The movement in the allowance for doubtful reinsurance receivable is as follows:

Balance at the beginning of the year	3,161,480	1,606,067
Provided during the year	1,259,482	1,555,413
Balance at the end of the year	4,420,962	3,161,480

Reinsurance receivables are with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology. In addition, receivables are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The five largest reinsurers accounts for 44% (31 December 2017: 58%) of the reinsurance receivable as at 31 December 2018.

Reinsurance balances payable:	2018 SAR	2017 SAR
Reinsurance balances due to other parties	130,818,593	158,626,606
Reinsurance balances due to related parties (Note 21)	13,907,150	23,030,672
Total reinsurers' balances payable	144,725,743	181,657,278

7. PREMIUMS RECEIVABLE

Premiums receivable:	2018 SAR	2017 SAR
Policyholders	325,252,773	242,012,112
Brokers and agents	111,678,279	148,333,259
Related parties (Note 21)	24,739,135	25,452,683
	461,670,187	415,798,054
Provision for doubtful receivables	(52,766,429)	(48,773,133)
Premiums receivable, net	408,903,758	367,024,921

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

31 December 2018	Past due but not impaired	Past due and impaired		Total
	Less than 90 days	90 to 180 days	More than 180 days	
Amount in SR				
Premiums receivable from insurance contracts	186,294,401	71,425,550	99,251,301	356,971,252
Provision for doubtful receivables	-	(10,713,833)	(42,052,596)	(52,766,429)
Premiums receivable from past due insurance contracts, net	186,294,401	60,711,717	57,198,705	304,204,823
Neither past due nor impaired				35,668,001
Premiums receivables under fronting arrangements*				69,030,934
Premiums receivable, net	186,294,401	60,711,717	57,198,705	408,903,758

31 December 2017	Past due but not impaired	Past due and impaired		Total
	Less than 90 days	90 to 180 days	More than 180 days	
Amount in SR				
Premiums receivable from insurance contracts	128,052,084	51,503,984	95,434,922	274,990,990
Provision for doubtful receivables	-	(7,725,598)	(41,047,535)	(48,773,133)
Premiums receivable from past due insurance contracts, net	128,052,084	43,778,386	54,387,387	226,217,857
Neither past due nor impaired				60,690,388
Premiums receivables under fronting arrangements*				80,116,676
Premiums receivable, net	128,052,084	43,778,386	54,387,387	367,024,921

*Premiums receivable under fronting arrangements are insurance contracts under which the Company passes all the risks including the clients' credit risk to other insurance/reinsurance companies. Such arrangements are made between global clients and entities of Allianz Group under which Allianz Saudi Fransi provides the insurance service for the entity located in the Kingdom of Saudi Arabia

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. 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.

Corporate premium receivables are with counterparties with a sound credit profile. The five largest customers accounts for 15% (31 December 2017: 16%) of the premiums receivable as at 31 December 2018.

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

	2018 SAR	2017 SAR
Balance at the beginning of the year	48,773,133	39,333,767
Provided during the year	4,378,823	10,352,961
Write-offs	(385,527)	(913,595)
Balance at the end of the year	52,766,429	48,773,133

8. AVAILABLE FOR SALE INVESTMENTS

a) Investments are classified as follows:

Insurance operations:	Domestic		International		Total	
	2018 SAR	2017 SAR	2018 SAR	2017 SAR	2018 SAR	2017 SAR
Debt instruments	105,737,381	99,667,945	4,804,898	5,020,031	110,542,279	104,687,976
Equities and mutual funds	4,664,240	4,736,140	-	-	4,664,240	4,736,140
	110,401,621	104,404,085	4,804,898	5,020,031	115,206,519	109,424,116

Shareholders' operations	Domestic		International		Total	
	2018 SAR	2017 SAR	2018 SAR	2017 SAR	2018 SAR	2017 SAR
Debt instruments	183,561,970	165,693,215	24,628,886	25,822,752	208,190,856	191,515,967
Equities and mutual funds	3,223,078	3,223,078	4,758,571	4,886,259	7,981,649	8,109,337
	186,785,048	168,916,293	29,387,457	30,709,011	216,172,505	199,625,304

Total	Domestic		International		Total	
	2018 SAR	2017 SAR	2018 SAR	2017 SAR	2018 SAR	2017 SAR
Debt instruments	289,299,351	265,361,160	29,433,784	30,842,783	318,733,135	296,203,943
Equities and mutual funds	7,887,318	7,959,218	4,758,571	4,886,259	12,645,889	12,845,477
	297,186,669	273,320,378	34,192,355	35,729,042	331,379,024	309,049,420

Available for sale investments includes amount of SR 0.8 million from related party (2017: SR 0.8 million).

b) Movement in available for sale investment balance is as follows:

Insurance operations:	(SAR)		
	Quoted securities	Unquoted securities	Total
As at 1 January 2017	55,141,396	5,000,000	60,141,396
Purchases	61,161,308	-	61,161,308
Disposals/maturity	(10,384,321)	-	(10,384,321)
Amortization	(688,909)	-	(688,909)
Realized loss on disposal	(283,306)	-	(283,306)
Unrealized loss on fair value	(522,052)	-	(522,052)
As at 31 December 2017	104,424,116	5,000,000	109,424,116
As of 1 January 2018	104,424,116	5,000,000	109,424,116
Purchases	-	10,061,207	10,061,207
Amortization	(255,144)	(9,882)	(265,026)
Unrealized loss on fair value	(3,544,986)	(468,792)	(4,013,778)
As at 31 December 2018	100,623,986	14,582,533	115,206,519

The cumulative unrealised loss in fair value of available for sale investments amounts to SR 4,939,958 (31 December 2017: loss SR 926,182).

Shareholders' operations:	(SAR)		
	Quoted securities	Unquoted securities	Total
As at 1 January 2017	115,030,504	65,223,078	180,253,582
Purchases	18,501,262	20,000,000	38,501,262
Disposals/maturity	(15,720,694)	(5,000,000)	(20,720,694)
Amortization	(824,688)	-	(824,688)
Unrealized gain on fair value	2,415,842	-	2,415,842
As at 31 December 2017	119,402,226	80,223,078	199,625,304
As of 1 January 2018	119,402,226	80,223,078	199,625,304
Purchases	45,922,254	10,098,000	56,020,254
Disposals/maturity	(30,592,500)	-	(30,592,500)
Amortization	(628,121)	(11,220)	(639,341)
Unrealized loss on fair value	(3,464,099)	(4,777,113)	(8,241,212)
As at 31 December 2018	130,639,760	85,532,745	216,172,505

The cumulative unrealised loss in fair value of available for sale investments amounts to SR 6,734,022 (31 December 2017: gain SR 1,507,192).

9. UNIT LINKED INVESTMENTS

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

	2018	2017
	SAR	SAR
Local funds	549,480,982	562,992,783
Foreign funds	10,285,047	10,723,613
	559,766,029	573,716,396

Portfolios of the funds are as follows:

	2018 SAR	2017 SAR
Al Badr Fund Saudi Riyal	227,444,566	216,423,999
Al Ghad/Al Anjal Low Risk Fund	225,374,795	244,320,531
Al Saffa Equity Fund	52,750,465	48,838,255
Al Ghad/Al Anjal Murabaha Fund	32,357,850	36,790,965
Al Badr Fund US Dollar	11,554,760	10,290,040
Money Market Fund Saudi Riyal	3,959,552	4,533,558
Al Danah GCC Equity Fund	3,601,981	4,419,078
Saudi Istithmar Fund	2,722,060	2,540,409
Al Fursan Equity Fund US Dollar	-	3,510,465
Al Naqaa Asia Growth Fund US Dollar	-	2,049,096
	559,766,029	573,716,396

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, match 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

10. PROPERTY AND EQUIPMENT

Cost:	Computer and office equipment SAR	Motor vehicles SAR	Furniture and fittings SAR	Leasehold improvements SAR	Total 2018 SAR	Total 2017 SAR
At the beginning of the year	11,851,889	969,347	6,855,217	253,544	19,929,997	17,968,634
Additions during the year	882,188	317,938	698,993	717,365	2,616,484	1,961,363
Disposals during the year	(288,935)	-	-	-	(288,935)	-
At the end of the year	12,445,142	1,287,285	7,554,210	970,909	22,257,546	19,929,997
Accumulated depreciation:						
At the beginning of the year	9,345,281	969,346	5,969,150	11,024	16,294,801	15,579,259
Charge for the year (Note 20)	1,237,531	11,760	320,442	111,594	1,681,327	715,542
Disposals during the year	(288,935)	-	-	-	(288,935)	-
At the end of the year	10,293,877	981,106	6,289,592	122,618	17,687,193	16,294,801
Net book value at 31 December 2018	2,151,265	306,179	1,264,618	848,291	4,570,353	
Net book value at 31 December 2017	2,506,608	1	886,067	242,520		3,635,196

11. 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 income on the deposit as at 31 December 2018 is SR 1,090,636 (31 December 2017: SR 817,056) and has been disclosed in assets as "Accrued income on statutory deposit" and the corresponding commission is shown in liabilities as "Accrued commission income payable to SAMA". 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 "BBB+" by Standard and Poor's and Moody's ratings methodology.

12. TECHNICAL RESERVES

12.1 Net outstanding claims and reserves

Net outstanding claims and reserves comprise of the following:

	2018 SAR	2017 SAR
Gross outstanding claims	374,034,564	280,334,769
Less: Realizable value of salvage and subrogation	(39,662,082)	(42,969,483)
	334,372,482	237,365,286
Claims incurred but not reported	200,132,876	197,176,081
Premium deficiency reserves	4,852,555	10,717,152
Additional premium reserves	1,006,819	1,317,438
Unit linked liabilities	557,723,772	573,051,956
	1,098,088,504	1,019,627,913
Less:		
- Reinsurers' share of outstanding claims	(269,420,744)	(196,869,565)
- Reinsurers' share of claims incurred but not reported	(99,412,249)	(85,853,718)
	(368,832,993)	(282,723,283)
Net outstanding claims and reserves	729,255,511	736,904,630

12.2 Movement in unearned premiums

Movement in unearned premiums comprise of the following:

	2018 (SAR)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	415,612,645	(180,184,370)	235,428,275
Premium written during the year	870,716,183	*(264,590,355)	606,125,828
Premium earned during the year	(895,906,493)	295,863,582	(600,042,911)
Balance as at the end of the year	390,422,335	(148,911,143)	241,511,192

*This amount includes SR 243,423,381 for reinsurance premium ceded abroad, SR 16,561,189 for reinsurance premium ceded locally and SR 4,605,785 for excess of loss expenses.

	2017 (SAR)		
	Gross	Reinsurance	Net
Balance as at the beginning of the year	459,257,288	(236,460,497)	222,796,791
Premium written during the year	925,536,707	*(274,685,644)	650,851,063
Premium earned during the year	(969,181,350)	330,961,771	(638,219,579)
Balance as at the end of the year	415,612,645	(180,184,370)	235,428,275

*This amount includes SR 255,476,651 for reinsurance premium ceded abroad, SR 13,850,000 for reinsurance premium ceded locally and SR 5,358,993 for excess of loss expenses.

12.3 Movement in deferred policy acquisition costs

	2018 SAR	2017 SAR
Balance as at the beginning of the year	23,866,281	22,089,024
Incurred during the year	57,381,813	59,649,076
Amortized during the year	(54,245,801)	(57,871,819)
Balance as at the end of the year	27,002,293	23,866,281

13. ACCRUED AND OTHER LIABILITIES

	2018 SAR			2017 SAR		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Payables to policyholders	52,350,308	-	52,350,308	39,321,155	-	39,321,155
Commission payable	34,232,981	-	34,232,981	28,370,698	-	28,370,698
Accrued third party administrator fees	24,977,201	-	24,977,201	10,558,429	-	10,558,429
Accrued bonus	4,256,191	-	4,256,191	6,921,409	-	6,921,409
Inspection and supervision fees	1,185,966	-	1,185,966	2,876,543	-	2,876,543
Others	8,020,191	336,810	8,357,001	4,917,476	268,366	5,185,842
	125,022,838	336,810	125,359,648	92,965,710	268,366	93,234,076

14. SURPLUS DISTRIBUTION PAYABLE

	2018 (SAR)	2017 (SAR)
Balance at the beginning of the year	9,582,216	7,736,872
Total income attributed to the insurance operations during the year	3,438,289	3,350,399
Surplus paid to policyholders	(675,632)	(1,505,055)
Balance at the end of the year	12,344,873	9,582,216

15. UNEARNED REINSURANCE COMMISSION

	2018 (SAR)	2017 (SAR)
Balance at the beginning of the year	10,813,751	11,951,608
Commission received during the year	13,374,586	24,580,335
Commission earned during the year	(16,579,057)	(25,718,192)
Balance at the end of the year	7,609,280	10,813,751

16. EMPLOYEES' END OF SERVICE BENEFITS

a) The movement in provision for employees' end of service benefits for the years ended 31 December are as follows:

	2018 (SAR)	2017 (SAR)
Defined benefit obligation at the beginning of the year	15,457,826	12,828,431
Provided during the year:		
Current service cost	4,401,028	2,751,185
Interest cost	526,559	481,735
	4,927,587	3,232,920
Paid during the year	(2,328,923)	(1,368,829)
Actuarial reserve for employee benefits	(1,306,141)	765,304
Defined benefit obligation at the end of the year	16,750,349	15,457,826

b) Principal actuarial assumptions:

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	2018	2017
Discount rate used for valuation	4.40%	4.00%
Salary increase rate	6.50%	6.00%
Duration (years)	8.63	8.39

c) Sensitivity analysis

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	2018 (SAR)	2017 (SAR)
Valuation discount rate		
• Increase by 1%	1,674,201	1,161,795
• Decrease by 1%	1,152,989	1,435,515
Future salary growth		
• Increase by 1%	1,188,822	1,472,217
• Decrease by 1%	1,732,456	1,218,729
Mortality rate		
• Increase by 1 year	361,782	45,241
• Decrease by 1 year	383,818	24,992
Withdrawal rate		
• Increase by 10%	823,516	35,078
• Decrease by 10%	147,524	35,078

17 ZAKAT AND INCOME TAX

A summary of the Company's share capital and percentages of ownership are as follows:

	31 December 2018		31 December 2017	
	SAR	%	SAR	%
Non-Saudi Shareholders	106,180,000	53.09%	85,240,000	42.62%
Saudi and GCC Shareholders	93,820,000	46.91%	114,760,000	57.38%
Total	200,000,000	100%	200,000,000	100%

The Company's zakat and income tax calculations and corresponding accruals and payments of zakat and income tax are based on the mentioned ownership percentages in accordance with the relevant provisions of the Saudi Arabian zakat and income tax regulations. The provision for zakat and income tax for the year is set out below:

	2018 (SAR)	2017 (SAR)
Provision for zakat	3,949,319	4,294,733
Provision for income tax	4,017,388	3,289,263
	7,966,707	7,583,996

(a) Zakat

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

	2018 (SAR)	2017 (SAR)
Opening share capital	200,000,000	200,000,000
Reserves and opening provisions	139,737,339	99,689,499
Closing value of long term assets	(54,838,426)	(51,751,675)
	284,898,913	247,937,824
Zakatable income for the year	48,663,275	51,451,011
Zakat base	333,562,188	299,388,835
Total Saudi share of zakat base	157,972,778	171,789,314
Zakat due at 2.5% on Saudi shareholding	3,949,319	4,294,733

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:

	2018 (SAR)	2017 (SAR)
Net income for the year	40,488,346	38,268,626
Add: Inadmissible expenses	12,247,219	15,708,545
Less: Admissible expenses	(4,072,290)	(2,526,160)
Adjusted income	48,663,275	51,451,011
Non-Saudi shareholders	24,343,985	21,928,421
Adjustment of brought forward losses	(4,257,046)	(5,482,105)
Adjusted income attributed to non-Saudi shareholders	20,086,939	16,446,316
Provision for income tax (20%)	4,017,388	3,289,263

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

	2017 (SAR)	2016 (SAR)
Opening balance of zakat and tax payable	21,416,946	16,065,894
Provided during the year – zakat	3,949,319	4,294,733
Provided during the year – income tax	4,017,388	3,289,263
Payment made during the year – zakat	(779,956)	(1,831,587)
Payment made during the year – income tax	(4,757,023)	(401,357)
Closing balance of zakat and tax payable	23,846,674	21,416,946

(d) Status of assessments

The Company has filed tax and zakat declarations for the years ended 31 December 2008 to 31 December 2017 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 and the statutory deposits from zakat base for the years 2010 to 2013. The Company has accounted for the additional zakat provision in the financial statements, however has not paid the same. The finalisation of the assessment is not expected to have material impact on the financial statements. The Company is in the process of filing tax and zakat returns for the year ended 31 December 2018 with the GAZT.

18. 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 2017: 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 general public.

On 25 October 2017, Allianz Europe BV (a 100% subsidiary of Allianz SE) entered in a legally binding agreement with Banque Saudi Fransi (BSF) to purchase from BSF, 57% of its shareholding in the Company, representing 18.5% of the share capital of the Company. This agreement received SAMA's no-objection and was completed by Allianz Europe BV on 29 March 2018. Accordingly, Group holds 51.0% of the share capital of Allianz Saudi Fransi Cooperative Insurance Company (Allianz Europe BV holds 18.5%, Allianz France International holds 16.25% and Allianz Mena Holding Bermuda holds 16.25%) and BSF holds 14.0% of the share capital. Shareholding structure of the Company is as below. The shareholders of the Company are subject to zakat and income tax.

24. Statutory Reserve

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company is required to establish a statutory reserve by appropriating 20% of annual net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution.

	2018 (SAR)	
	No. of shares	Authorized, issued and paid up capital
Allianz Europe BV	3.70 Million	37 Million
Allianz France International	3.25 Million	32.5 Million
Allianz Mena Holding Bermuda	3.25 Million	32.5 Million
Banque Saudi Fransi	2.80 Million	28 Million
Public	7.00 Million	70 Million
	20 Million	200 Million

	2017 (SAR)	
	No. of shares	Authorized, issued and paid up capital
Banque Saudi Fransi	6.50 Million	65 Million
Allianz France International	3.25 Million	32.5 Million
Allianz Mena Holding Bermuda	3.25 Million	32.5 Million
Public	7.00 Million	70 Million
	20 Million	200 Million

The Board of Directors in its meeting on 4 June 2018 recommended to increase the Company's share capital through rights issue with a total value of SR 400,000,000, subject to the approval of the regulatory authorities and the Extraordinary General Assembly. The Company has received SAMA non-objection through letter no. 89/18551 dated 22/03/1440H corresponding to 30 November 2018 on the Company's proposed capital increase from SR 200,000,000 to SR 600,000,000 through rights issue. The Company is in the process of submitting application to Capital Management Authority (CMA)

19 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 Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

As per guidelines laid out by SAMA in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

The Company is in compliance with all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2018 consists of paid-up share capital of SR 200 million, share premium of SR 22.7 million, statutory reserves of SR 14.4 million and retained earnings of SR 41.6 million (31 December 2017: paid-up share capital of SR 200 million, share premium of SR 22.7 million, statutory reserves of SR 7 million and retained earnings of SR 19.9 million) in the statement of financial position. The Company has fully complied with the externally imposed capital requirements during the reported financial year.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2018			2017		
	SAR			SAR		
	Insurance operations	Shareholders' operations	Total	Insurance operations	Shareholders' operations	Total
Employees' costs	60,352,873	547,144	60,900,017	60,262,579	-	60,262,579
Consultation fees	9,073,448	-	9,073,448	9,220,471	-	9,220,471
Employees' end of service indemnities (Note 16)	4,927,587	-	4,927,587	3,232,920	-	3,232,920
Rent	4,040,347	-	4,040,347	3,212,072	-	3,212,072
Repairs and maintenance	4,001,831	-	4,001,831	3,634,192	-	3,634,192
Postage and telephone	3,149,516	-	3,149,516	1,375,244	-	1,375,244
Insurance expenses	3,142,112	-	3,142,112	3,088,225	-	3,088,225
Advertisement and promotion	2,005,547	-	2,005,547	4,163,634	-	4,163,634
Depreciation (Note 10)	1,681,327	-	1,681,327	715,542	-	715,542
Board expenses	986,967	246,742	1,233,709	908,574	876,537	1,785,111
Travel and transportation	1,034,080	-	1,034,080	849,715	-	849,715
Others	4,302,597	-	4,302,597	2,809,667	-	2,809,667
	98,698,232	793,886	99,492,118	93,472,835	876,537	94,349,372

21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management and Board of Directors. Transactions with related parties are conducted on similar terms and conditions as compared with external parties and on arm's length basis. The following are the details of the major related party transactions during the year and the related balances:

	Transactions during the year		Balance as at	
	2018 SAR	2017 SAR	2018 SAR	2017 SAR
Major shareholders				
Insurance premium written	133,629,181	111,686,186		
Claims paid	46,924,991	37,164,753		
Commission expense	3,509,743	4,444,600		
Premium receivable, net			24,739,135	25,452,683
Outstanding claims			29,355,121	39,957,886
Cash and cash equivalents			70,449,496	98,627,702
Unit linked investments managed by related party (including receivable for unit linked investments)			568,707,440	581,409,845
Entities controlled, jointly controlled or significantly influenced by related parties				
Insurance premium ceded	32,944,529	62,420,083		
Reinsurers' share of claims paid	69,655,682	25,268,439		
Commission income	3,368,737	5,567,446		
Third party administrator expenses/ Saudi NextCare	5,238,850	6,232,748		
Accrued third party administrator			8,457,690	6,753,903
Reinsurance balance payable, net			13,907,150	23,030,670
Investments in equity of Saudi NextCare			800,000	800,000

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 NextCare, Saudi Fransi Capital.

During the year, Banque Saudi Fransi a shareholder of the Company has disposed 18.5% interest in the Company, which resulted the shareholder lost the significant influence over the Company.

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.

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and top 5 executives for the year ended 31 December 2018 and 2017:

2018	BOD members SR	Top executives including the CEO and CFO SR
Salaries and compensation	-	5,945,484
Allowances	279,000	-
Annual remuneration	764,219	-
End of service indemnities	-	456,532
Total	1,043,219	6,402,016

2017	BOD members SR	Top executives including the CEO and CFO SR
Salaries and compensation	-	6,108,232
Allowances	142,500	-
Annual remuneration	696,493	-
End of service indemnities	-	333,486
Total	838,993	6,441,718

Also refer notes 4, 6, 7, and 8 for balances with related parties.

22. 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. The IBNR estimate pertains to claims liability for the periods beginning from year 2014 onwards whose claim experience has not been fully developed. Claims triangulation analysis by accident years for the last five years is set out below:

a) Claims triangulation analysis – Gross basis

2018 Accident Year	2014 and earlier	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:						
At the end of accident year	619,148,728	387,505,257	316,095,677	524,842,372	680,917,432	-
One year later	752,303,412	401,202,916	420,666,359	480,599,190	-	-
Two years later	720,871,909	403,744,616	338,086,182	-	-	-
Three years later	716,179,289	362,609,684	-	-	-	-
Four years later	687,551,435	-	-	-	-	-
Current estimate of cumulative claims	687,551,435	362,609,684	338,086,182	480,599,190	680,917,432	2,549,763,923
Cumulative payments to date	(633,191,416)	(332,585,544)	(319,827,566)	(404,725,013)	(324,929,026)	(2,015,258,565)
Liability recognised in statement of financial position	54,360,019	30,024,140	18,258,616	75,874,177	355,988,406	534,505,358
Premium deficiency reserve						4,852,555
Outstanding claims and reserves						539,357,913

2017 Accident Year	2013 and earlier	2014	2015	2016	2017	Total
Estimate of ultimate claims cost:						
At the end of accident year	301,622,709	317,526,019	387,505,257	316,095,677	524,842,372	-
One year later	338,700,516	413,602,896	401,202,916	420,666,359	-	-
Two years later	332,078,904	388,793,005	403,744,616	-	-	-
Three years later	316,855,740	399,323,549	-	-	-	-
Four years later	318,418,725	-	-	-	-	-
Current estimate of cumulative claims	318,418,725	399,323,549	403,744,616	420,666,359	524,842,372	2,066,995,621
Cumulative payments to date	(311,503,980)	(329,043,708)	(351,637,228)	(323,101,746)	(317,167,592)	(1,632,454,254)
Liability recognised in statement of financial position	6,914,745	70,279,841	52,107,388	97,564,613	207,674,780	434,541,367
Premium deficiency reserve						10,717,152
Outstanding claims and reserves						445,258,519

b) Claims triangulation analysis – Net basis

2018 Accident Year	2014 and earlier	2015	2016	2017	2018	Total
Estimate of ultimate claims cost:						
At the end of accident year	297,612,094	146,996,450	200,630,919	374,692,166	366,981,967	-
One year later	315,315,351	163,278,601	240,449,122	352,875,506	-	-
Two years later	310,885,436	166,635,230	233,401,315	-	-	-
Three years later	310,341,010	160,168,149	-	-	-	-
Four years later	310,063,853	-	-	-	-	-
Current estimate of cumulative net claims	310,063,853	160,168,149	233,401,315	352,875,506	366,981,967	1,423,490,790
Cumulative payments to date	(301,994,258)	(153,347,709)	(225,042,081)	(330,099,607)	(247,334,770)	(1,257,818,425)
Net liability recognised in statement of financial position	8,069,595	6,820,440	8,359,234	22,775,899	119,647,197	165,672,365
Premium deficiency reserve						4,852,555
Outstanding claims and reserves						170,524,920

2017 Accident Year	2013 and earlier	2014	2015	2016	2017	Total
Estimate of ultimate claims cost:						
At the end of accident year	120,625,501	176,986,593	146,996,450	200,630,919	374,692,166	-
One year later	134,302,221	181,013,130	163,278,601	240,449,122	-	-
Two years later	133,421,984	177,463,452	166,635,230	-	-	-
Three years later	131,515,203	178,825,807	-	-	-	-
Four years later	130,456,835	-	-	-	-	-
Current estimate of cumulative net claims	130,456,835	178,825,807	166,635,230	240,449,122	374,692,166	1,091,059,160
Cumulative payments to date	(128,921,027)	(171,293,358)	(155,174,295)	(223,586,916)	(260,265,480)	(939,241,076)
Net liability recognised in statement of financial position	1,535,808	7,532,449	11,460,935	16,862,206	114,426,686	151,818,084
Premium deficiency reserve						10,717,152
Outstanding claims and reserves						162,535,236

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The management assessed that cash and cash equivalents, accruals and other liabilities and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1** quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
- Level 2** quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3** valuation techniques for which any significant input is not based on observable market data.

a) Carrying amounts and fair value

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

1. Insurance operations

SR 31 December 2018	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Unit linked investments	559,766,029	559,766,029	-	-	559,766,029
Available for sale investments measured at fair value					
Bonds and Sukuks	110,542,279	95,959,746	-	14,582,533	110,542,279
Mutual Funds	4,664,240	4,664,240	-	-	4,664,240
Unit linked liabilities	(557,723,772)	(557,723,772)	-	-	(557,723,772)
	117,248,776	102,666,243	-	14,582,533	117,248,776

SR 31 December 2017	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Unit linked investments	573,716,396	573,716,396	-	-	573,716,396
Available for sale investments measured at fair value					
Bonds and Sukuks	104,687,976	99,687,976	-	5,000,000	104,687,976
Mutual Funds	4,736,140	4,736,140	-	-	4,736,140
Unit linked liabilities	(573,051,956)	(573,051,956)	-	-	(573,051,956)
	110,088,556	105,088,556	-	5,000,000	110,088,556

2. Shareholders' operations

SR 31 December 2018	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments measured at fair value					
Bonds and Sukuks	208,190,856	125,881,189	-	82,309,667	208,190,856
Mutual Funds	4,758,571	4,758,571	-	-	4,758,571
Equities	3,223,078	-	-	3,223,078	3,223,078
	216,172,505	130,639,760	-	85,532,745	216,172,505

SR 31 December 2017	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Available for sale investments measured at fair value					
Bonds and Sukuks	191,515,967	114,515,967	-	77,000,000	191,515,967
Mutual Funds	4,886,259	4,886,259	-	-	4,886,259
Equities	3,223,078	-	-	3,223,078	3,223,078
	199,625,304	119,402,226	-	80,223,078	199,625,304

There were no transfers between Level 1 and Level 3 fair value measurements during the year ended 31 December 2018 and 31 December 2017.

b) Measurement of fair values

Valuation technique for unquoted debt and equity securities

The Discounted Cash Flow Model (DCF) has been used to determine the fair value of debt securities and sukuk of both insurance operations and shareholders' operations under level 3. This model considers the present value of net cash flows to be generated from the debt securities and sukuk discounted at the market yield of treasury bills having similar terms and adjusted for the effect of non-marketability of the debt securities and sukuk which includes Saudi sovereign curve yield and risk premium prevailing in the Saudi market.

Description	Fair value as at Dec 31, 2018 (SR)	Unobservable Inputs	Range of inputs 2018	Relationships of unobservable inputs to fair value
Unquoted Bonds and Sukuk	96,892,200	Risk adjusted discount rate	4.53% - 4.97%	Increase risk premium of 10 bps will have a change in fair value of these debt securities of SR 0.358 million.

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

Insurance operations	2018 SR	2017 SR
Opening balance	5,000,000	5,000,000
Purchases	10,061,207	-
Unrealized loss on fair value of available for sale investments	(478,674)	-
Closing balance	14,582,533	5,000,000

Shareholders' operations	2018 SR	2017 SR
Opening balance	80,223,078	65,223,078
Purchases	10,098,000	20,000,000
Disposal	-	(5,000,000)
Unrealized loss on fair value of available for sale investments	(4,788,333)	-
Closing balance	85,532,745	80,223,078

Sensitivity analysis of Level 3 investments is as follows:

31 December 2018	Sensitivity factor	Impact on fair value due to increase in sensitivity factor SR	Impact on fair value due to decrease in sensitivity factor SR
Insurance operations			
Bonds and sukuk	+/- 1% change in risk adjusted discount rate	709,614	651,032
Shareholder's operations			
Bonds and sukuk	+/- 1% change in risk adjusted discount rate	7,269,422	6,489,511
31 December 2017			
Insurance operations			
Bonds and sukuk	+/- 1% change in risk adjusted discount rate	-	-
Shareholder's operations			
Bonds and sukuk	+/- 1% change in risk adjusted discount rate	3,656,603	3,887,482

24. BASIC AND DILUTED EARNINGS PER SHARE

	2018	2017
Net income for the year before zakat and tax (SR)	37,050,057	34,918,227
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic and diluted earnings per share (SR)	1.85	1.75

There are no dilutive potential shares during 2018 and 2017.

31. Risk Management

Risk management strategy

The Company's activities expose it to a variety of financial risks. 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 risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Ethical and business standards; and
- Risk mitigation policies and procedures.

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.

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 classes except for long term engineering policies 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. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management.

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, morbidity (permanent or temporary disability) of the insured and policyholder behavior risk.

Mortality risk

Actual policyholder death experience on life insurance policies is higher than expected.

Morbidity risk

Policyholder health-related claims are higher than expected.

Policyholder behavior risk

Policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of contracts is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and therefore reduce the future positive cash flows from the business written, potentially affecting Company's ability to recover deferred acquisition expenses.

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 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

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 appropriate 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

Property

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 appropriate reinsurance cover for such damage to limit losses for any individual claim. These are covered under proportional and non-proportional treaties.

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. Selection of risks and proper underwriting are the criteria for this line of business. The Company has appropriate reinsurance cover for such risks to limit losses for any individual claim. These are covered under engineering proportional and non-proportional treaties.

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 appropriate 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:

Impact of change in claim ratio by + / - 5%	Effect on income	Effect on income
	2018 SAR	2017 SAR
Motor	19,012,863	20,058,704
Engineering	518,817	731,760
Medical	2,961,583	2,692,997
Property	1,217,581	1,159,778
Other general	1,036,115	1,205,775
Protection and saving	5,255,186	6,061,965
	30,002,145	31,910,979

Impact of change in average claim cost + / - 5%	Effect on income	Effect on income
	2018 SAR	2017 SAR
Motor	13,805,474	15,468,012
Engineering	51,366	134,261
Medical	2,429,493	2,290,460
Property	361,351	139,075
Other general	305,785	7,549
Protection and saving	6,347,306	6,897,166
	23,300,775	24,936,523

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.

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the statement of financial position date.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral reasonable estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques such as Chain ladder method, Bornhuetter - Ferguson method and Expected Loss Ratio Method.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further

analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve in result of liability adequacy test) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as at the statement of financial position date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

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 obligation and commitments associated with financial liabilities when they fall due. The Company has a proper cash management system, where daily cash collection and payments are monitored and reconciled on regular basis. The Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

Maturity profile

The table below summarises the expected utilisation or settlement of financial assets and liabilities including receivables/ payables from insurance related assets and liabilities.

Maturity analysis on expected maturity bases		31 December 2018 SAR	
Assets	Less than one year	More than one year	Total
Cash and cash equivalents	93,134,538	-	93,134,538
Prepaid expenses and other assets	46,272,419	-	46,272,419
Reinsurers' balance receivable, net	71,653,440	-	71,653,440
Premiums receivable, net	408,903,758	-	408,903,758
Reinsurers' share of outstanding claims	269,420,744	-	269,420,744
Available for sale investments	21,133,329	310,245,695	331,379,024
Financial assets at fair value through statement of income (unit linked investments)	559,766,029	-	559,766,029
	1,470,284,257	310,245,695	1,780,529,952
Liabilities			
Accrued and other liabilities	125,359,648	-	125,359,648
Surplus distribution payable	12,344,873	-	12,344,873
Reinsurers' balances payable	144,725,743	-	144,725,743
Outstanding claims	334,372,482	-	334,372,482
Unit linked liabilities	557,723,772	-	557,723,772
	1,174,526,518	-	1,174,526,518

31 December 2017 SAR			
Assets	Less than one year	More than one year	Total
Cash and cash equivalents	133,330,865	-	133,330,865
Prepaid expenses and other assets	46,566,347	-	46,566,347
Reinsurance balances receivable, net	72,541,695	-	72,541,695
Premiums receivable, net	367,024,921	-	367,024,921
Reinsurers' share of outstanding claims	196,869,565	-	196,869,565
Available for sale investments	40,289,544	268,759,876	309,049,420
Financial assets at fair value through statement of income (unit linked investments)	573,716,396	-	573,716,396
	1,430,339,333	268,759,876	1,699,099,209
Liabilities			
Accrued and other liabilities	93,234,076	-	93,234,076
Surplus distribution payable	9,582,216	-	9,582,216
Reinsurance balances payable	181,657,278	-	181,657,278
Outstanding claims	237,365,286	-	237,365,286
Unit linked liabilities	573,051,956	-	573,051,956
	1,094,890,812	-	1,094,890,812

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on residual maturities. 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, reinsurance share of unearned premiums and deferred policy acquisition costs 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 2018 SAR					
	On Demand	Up to 1 year	2-5 years	More than 5 years	Total
Assets					
Cash and cash equivalents	93,134,538	-	-	-	93,134,538
Prepaid expenses and other assets	-	46,272,419	-	-	46,272,419
Reinsurance balances receivable, net	-	71,653,440	-	-	71,653,440
Premiums receivable, net	-	408,903,758	-	-	408,903,758
Reinsurers' share of outstanding claims	-	269,420,744	-	-	269,420,744
Unit linked investments	559,766,029	-	-	-	559,766,029
Available for sale investments	-	21,133,329	134,231,804	176,013,891	331,379,024
	652,900,567	817,383,690	134,231,804	176,013,891	1,780,529,952
Liabilities					
Accrued and other liabilities	-	125,359,648	-	-	125,359,648
Surplus distribution payable	12,344,873	-	-	-	12,344,873
Reinsurance balances payable	-	144,725,743	-	-	144,725,743
Outstanding claims	-	334,372,482	-	-	334,372,482
Unit linked liabilities	557,723,772	-	-	-	557,723,772
	570,068,645	604,457,873	-	-	1,174,526,518
Total liquidity gap	82,831,922	212,925,817	134,231,804	176,013,891	606,003,434

31 December 2017 SAR					
Assets	On Demand	Up to 1 year	2-5 years	More than 5 years	Total
Cash and cash equivalents	103,330,865	30,000,000	-	-	133,330,865
Prepaid expenses and other assets	-	46,566,347	-	-	46,566,347
Reinsurance balances receivable, net	-	72,541,695	-	-	72,541,695
Premiums receivable, net	-	367,024,921	-	-	367,024,921
Reinsurers' share of outstanding claims	-	196,869,565	-	-	196,869,565
Unit linked investments	573,716,396	-	-	-	573,716,396
Available for sale investments	-	40,289,544	105,592,044	163,167,832	309,049,420
	677,047,261	753,292,072	105,592,044	163,167,832	1,699,099,209
Liabilities					
Accrued and other liabilities	-	93,234,076	-	-	93,234,076
Surplus distribution payable	9,582,216	-	-	-	9,582,216
Reinsurance balances payable	-	181,657,278	-	-	181,657,278
Outstanding claims	-	237,365,286	-	-	237,365,286
Unit linked liabilities	573,051,956	-	-	-	573,051,956
	582,634,172	512,256,640	-	-	1,094,890,812
Total liquidity gap	94,413,089	241,035,432	105,592,044	163,167,832	604,208,397

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements.

The assets with maturity less than one year are expected to realize as follows:

- Available for sale investments include investments in mutual funds and sukuk and are held for cash management purposes and expected to be matured/settled within twelve months from the reporting date.
- Cash and bank balances are available on demand.
- Reinsurers' share of outstanding claims majorly pertain to property segment and are generally realized within three to six months based on settlement of balances with reinsurers.

The liabilities with maturity less than one year are expected to settle as follows:

- Reinsurers' balances payable are settled as per terms of reinsurance agreements.
- Majority of gross outstanding claims are expected to be settled within two months in accordance with statutory timelines for payment.
- Accrued and other liabilities are expected to settle within a period of twelve months from the period end date.

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 available for sale investments mainly comprise of debt securities and sukus. 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.
- The Company's unit linked investments comprise of mutual funds. The Company does not have an internal grading mechanism for mutual funds. The Company limits its credit risk on mutual funds by setting out a minimum acceptable security rating level for such investments. For unit linked business, the policyholder bears the direct market and credit risk on investment assets in the unit funds and the Company's exposure to credit risk is limited to the extent of the income arising from asset management charges based on the value of assets in the fund.
- Statutory deposit is maintain with a local bank. Accordingly, as a pre-requisite, the bank with whom statutory deposit are maintained are required to have a minimum acceptable security rating level affirming their financial strength.

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

	Note	2018 SAR		
		Insurance Operations	Shareholders' Operations	Total
Cash and cash equivalents	4	47,722,503	45,412,035	93,134,538
Reinsurance balances receivable, net	6(a)	71,653,440	-	71,653,440
Premiums receivable, net	7	408,903,758	-	408,903,758
Reinsurers' share of outstanding claims	12.1	269,420,744	-	269,420,744
Reinsurers' share of claims incurred but not reported	12.1	99,412,249	-	99,412,249
Available for sale investments	8(a)	115,206,519	216,172,505	331,379,024
Statutory deposit	11	-	20,000,000	20,000,000
Accrued income on statutory deposit	11	-	1,090,636	1,090,636
		1,012,319,213	282,675,176	1,294,994,389

	Note	2017 SAR		
		Insurance Operations	Shareholders' Operations	Total
Cash and cash equivalents	4	107,246,209	26,084,656	133,330,865
Reinsurance balances receivable, net	6(a)	72,541,695	-	72,541,695
Premiums receivable, net	7	367,024,921	-	367,024,921
Reinsurance share of outstanding claims	12.1	196,869,565	-	196,869,565
Reinsurers' share of claims incurred but not reported	12.1	85,853,718	-	85,853,718
Available for sale investments	8(a)	109,424,116	199,625,304	309,049,420
Statutory deposit	11	-	20,000,000	20,000,000
Accrued income on statutory deposit	11	-	817,056	817,056
		938,960,224	246,527,016	1,185,487,240

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure.

Credit ratings of investments

Following are the credit ratings of available for sale investments:

Credit quality	Credit Rating Agency	Financial Instrument	2018 SR	2017 SR
AA	S&P/ Moody's	Bonds / Sukuks	11,576,025	12,021,188
+A	S&P/ Moody's	Bonds / Sukuks	149,544,150	108,344,778
-A	S&P/ Moody's	Sukuks	60,720,758	93,837,977
Unrated	N/A	Equities/Sukuks/Mutual Funds	109,538,091	94,845,477
			331,379,024	309,049,420

Concentration of credit risk and credit ratings are also mentioned in notes 4, 6, and 7.

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 2018. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2018 would impact special commission income by approximately SR 570,000 (2017: SR 707,120) 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.

The currency exposures of available-for-sale investments are set out below:

Insurance Operations	2018 SR	2017 SR
Saudi Arabian Riyals	14,582,533	5,000,000
US Dollars	100,623,986	104,424,116
	115,206,519	109,424,116

Shareholders Operations	2018 SR	2017 SR
Saudi Arabian Riyals	85,532,747	80,223,078
US Dollars	130,639,758	119,402,226
	216,172,505	199,625,304

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 for unit linked investments since any change in the NAV of the funds will affect the change in unit linked liabilities 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. The direct market risk is borne by the policyholders.

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 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. The Company also has unquoted equity instruments carried at cost or indicative selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of income will be impacted.

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

	Change in market price	Effect on statement of changes in equity SR
2018	%+1	6,542,696
	%-1	(6,542,696)
2017	%+1	2,238,263
	%-1	(2,238,263)

26. CONTINGENCIES AND COMMITMENTS

a) The Company's contingencies are as follows:

	2018 SR	2017 SR
Letters of guarantee	11,760,000	1,680,000

b) 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.

c) Operating lease commitments

Operating lease commitment represent rental payable by the Company for office spaces in various locations. The total future minimum lease payments due under these arrangements amounted to SR 4,781,124 for the year ended 31 December 2018 (2017: SR 3,791,990).

27. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in their function as chief operating decision maker in order to allocate resources to the segments and to assess its performance.

Transactions between the operating segments are on normal commercial terms and conditions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Segment assets and liabilities comprise operating assets and liabilities.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2017.

Segment assets do not include cash and cash equivalents, prepaid expenses and other assets, available for sale investments, reinsurance balances, property and equipment, statutory deposit and accrued income on statutory deposit. Accordingly, they are included in unallocated assets. Segment liabilities do not include accrued and other liabilities, surplus distribution payable, reinsurers' balances payable, premium deficiency reserve, additional premium reserve, end-of-service indemnities, zakat and income tax and accrued income payable to SAMA. 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.

The segment information provided to the Company's Board of Directors for the reportable segments for the Company's total assets and liabilities as at 31 December 2018 and 31 December 2017, its total revenues, expenses, and net income for the year then ended, are as follows:

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

As at 31 December 2018	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Insurance' Operations	Shareholders' Operations	Total
Saudi Riyals									
Assets									
Premiums receivable, gross	278,281,828	45,354,454	67,812,105	65,656,889	1,843,564	2,721,347	461,670,187	-	461,670,187
Provision for doubtful debts	-	-	-	-	-	-	(52,766,429)	-	(52,766,429)
Reinsurers' share of outstanding claims	5,266,013	55,699,081	-	152,488,834	52,806,480	3,160,336	269,420,744	-	269,420,744
Reinsurers' share of claims incurred but not reported	13,659	9,562,150	28,575,680	51,117,182	3,771,143	6,372,435	99,412,249	-	99,412,249
Reinsurers' share of unearned premiums	274,316	45,387,550	24,855,760	51,043,077	20,987,043	6,363,397	148,911,143	-	148,911,143
Deferred policy acquisition costs	17,058,008	5,653,343	2,387,484	(618,894)	2,953,418	(431,066)	27,002,293	-	27,002,293
Financial assets at fair value through statement of income ((unit linked investments	-	-	-	-	-	559,766,029	559,766,029	-	559,766,029
Unallocated assets	-	-	-	-	-	-	277,148,573	297,220,627	574,369,200
Total assets									2,087,785,416
Liabilities									
Outstanding claims	47,878,413	59,816,836	315,383	160,899,866	59,755,788	5,706,196	334,372,482	-	334,372,482
Claims incurred but not reported	71,555,354	10,369,732	49,601,253	53,579,178	5,606,390	9,420,969	200,132,876	-	200,132,876
Unearned premium	187,177,858	50,980,988	51,571,511	59,832,007	30,749,764	10,110,207	390,422,335	-	390,422,335
Unearned reinsurance commission	17,831	3,159,160	-	3,311,637	829,624	291,028	7,609,280	-	7,609,280
Unit linked liabilities	-	-	-	-	-	557,723,772	557,723,772	-	557,723,772
Unallocated liabilities	-	-	-	-	-	-	304,703,177	25,274,120	329,977,297
Equity							(4,399,121)	271,946,495	267,547,374
Total liabilities and equity									2,087,785,416

For the year ended 31 December 2018	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Insurance' Operations	Shareholders' Operations	Total
Saudi Riyals									
Gross written premiums – retail	12,361,819	-	-	-	1,487,306	74,840,322	88,689,447	-	88,689,447
Gross written premiums – corporate	384,614,971	52,354,837	108,642,210	136,800,496	53,694,376	43,703,323	779,810,213	-	779,810,213
Gross written premiums – small and (medium sized enterprises (SMEs	-	-	2,216,523	-	-	-	2,216,523	-	2,216,523
Reinsurance premiums ceded	(328,280)	(41,901,947)	(56,075,851)	(116,283,251)	(31,267,408)	(14,127,833)	(259,984,570)	-	(259,984,570)
Excess of loss expenses	(3,617,995)	(325,410)	-	(310,282)	(352,098)	-	(4,605,785)	-	(4,605,785)
Fee income from unit linked investments	-	-	-	-	-	1,110,990	1,110,990	-	1,110,990
Net written premiums	393,030,515	10,127,480	54,782,882	20,206,963	23,562,176	105,526,802	607,236,818	-	607,236,818
Changes in unearned premiums, net	(12,773,252)	248,865	4,448,781	4,144,659	(2,839,879)	687,909	(6,082,917)	-	(6,082,917)
Net premiums earned	380,257,263	10,376,345	59,231,663	24,351,622	20,722,297	106,214,711	601,153,901	-	601,153,901
Reinsurance commissions	21,339	2,063,420	-	12,110,491	2,344,375	39,432	16,579,057	-	16,579,057
Net claims and other benefits paid	(274,459,673)	(733,618)	(44,287,705)	(2,752,689)	(3,930,800)	(125,998,170)	(452,162,655)	-	(452,162,655)
Changes in outstanding claims, net	(18,662,685)	(751,190)	(315,383)	(2,979,768)	(1,501,541)	(245,450)	(24,456,017)	-	(24,456,017)
Changes in premium deficiency reserve	5,315,543	-	549,054	-	-	-	5,864,597	-	5,864,597
Changes in additional premium reserve	-	310,619	-	-	-	-	310,619	-	310,619
Changes in claims incurred but not reported, net	17,012,869	457,496	(3,986,765)	(1,496,013)	(683,367)	(702,484)	10,601,736	-	10,601,736
Unrealized gain on unit linked investments	-	-	-	-	-	17,020,972	17,020,972	-	17,020,972
Change in unit linked liabilities	-	-	-	-	-	15,328,184	15,328,184	-	15,328,184
Policy acquisition costs	(27,972,070)	(4,156,357)	(4,691,640)	(10,039,255)	(5,227,070)	(2,159,409)	(54,245,801)	-	(54,245,801)
Inspection and supervision fees	-	-	-	-	-	-	(4,918,091)	-	(4,918,091)
Net underwriting income							131,076,502	-	131,076,502
Provision of doubtful debts							(5,638,305)	-	(5,638,305)
General and administrative expenses							(98,698,232)	(793,886)	(99,492,118)
Investment income							3,892,776	6,899,344	10,792,120
Other income							3,750,147	-	3,750,147
Net income for the year before surplus, zakat and tax									40,488,346

As at 31 December 2017	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Insurance' Operations	Shareholders' Operations	Total
Saudi Riyals									
Assets									
Premiums receivable, gross	148,967,389	37,452,121	75,908,071	43,746,537	109,395,301	328,635	415,798,054	-	415,798,054
Provision for doubtful debts	-	-	-	-	-	-	(48,773,133)	-	(48,773,133)
Reinsurers' share of outstanding claims	3,869,594	82,714,668	-	57,412,861	49,704,745	3,167,697	196,869,565	-	196,869,565
Reinsurers' share of claims incurred but not reported	75,186	36,002,101	20,927,177	12,683,380	11,106,298	5,059,576	85,853,718	-	85,853,718
Reinsurers' share of unearned premiums	274,316	66,580,146	36,185,210	45,532,072	25,058,951	6,553,675	180,184,370	-	180,184,370
Deferred policy acquisition costs	13,641,088	2,946,128	2,482,196	4,491,210	1,398,241	(1,092,582)	23,866,281	-	23,866,281
Financial assets at fair value through statement of income ((unit linked investments	-	-	-	-	-	573,716,396	573,716,396	-	573,716,396
Unallocated assets	-	-	-	-	-	-	316,510,602	273,606,727	590,117,329
Total assets									2,017,632,580
Liabilities									
Outstanding claims	27,819,309	86,081,233	-	62,844,125	55,152,512	5,468,107	237,365,286	-	237,365,286
Claims incurred but not reported	88,629,751	37,267,178	37,965,985	13,649,364	12,258,178	7,405,625	197,176,081	-	197,176,081
Unearned premium	174,404,606	72,422,449	67,349,742	58,465,661	31,981,793	10,988,394	415,612,645	-	415,612,645
Unearned reinsurance commission	17,831	4,856,394	-	4,560,308	1,089,144	290,074	10,813,751	-	10,813,751
Unit linked liabilities	-	-	-	-	-	573,051,956	573,051,956	-	573,051,956
Unallocated liabilities	-	-	-	-	-	-	311,697,620	22,502,368	334,199,988
Equity									
Total liabilities and equity							(1,691,486)	251,104,359	249,412,873
									2,017,632,580

For the year ended 31 December 2017	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Insurance' Operations	Shareholders' Operations	Total
Saudi Riyals									
Gross written premiums – retail	22,763,705	-	-	-	2,411,670	88,970,261	114,145,636	-	114,145,636
Gross written premiums – corporate	405,383,048	50,418,661	104,321,220	130,424,339	73,186,277	47,647,966	811,381,511	-	811,381,511
Gross written premiums – small and (medium sized enterprises (SMEs	-	-	9,560	-	-	-	9,560	-	9,560
Reinsurance premiums ceded	(337,780)	(39,962,431)	(57,424,011)	(103,788,800)	(52,378,726)	(15,434,903)	(269,326,651)	-	(269,326,651)
Excess of loss expenses	(4,377,254)	(333,752)	-	(282,183)	(365,804)	-	(5,358,993)	-	(5,358,993)
Fee income from unit linked investments	-	-	-	-	-	1,111,151	1,111,151	-	1,111,151
Net written premiums	423,431,719	10,122,478	46,906,769	26,353,356	22,853,417	122,294,475	651,962,214	-	651,962,214
Changes in unearned premiums, net	(22,257,640)	4,512,731	6,944,454	(3,157,404)	1,270,412	55,963	(12,631,484)	-	(12,631,484)
Net premiums earned	401,174,079	14,635,209	53,851,223	23,195,952	24,123,829	122,350,438	639,330,730	-	639,330,730
Reinsurance commissions	50,538	5,434,862	-	14,924,706	4,940,136	367,950	25,718,192	-	25,718,192
Net claims and other benefits paid	(271,487,998)	(2,463,218)	(48,955,933)	(2,339,267)	(2,714,027)	(137,621,737)	(465,582,180)	-	(465,582,180)
Changes in outstanding claims, net	3,370,713	500,252	-	(200,111)	2,218,985	1,318,369	7,208,208	-	7,208,208
Changes in premium deficiency reserve	-	-	(4,639,430)	-	-	-	(4,639,430)	-	(4,639,430)
Changes in additional premium reserve	-	(1,317,438)	-	-	-	-	(1,317,438)	-	(1,317,438)
Changes in claims incurred but not reported, net	(41,242,955)	(722,258)	3,146,728	(242,129)	344,071	(1,639,946)	(40,356,489)	-	(40,356,489)
Unrealized gain on unit linked investments	-	-	-	-	-	16,571,858	16,571,858	-	16,571,858
Change in unit linked liabilities	-	-	-	-	-	20,654,616	20,654,616	-	20,654,616
Policy acquisition costs	(29,401,362)	(4,730,880)	(4,331,966)	(9,735,166)	(4,972,364)	(4,700,081)	(57,871,819)	-	(57,871,819)
Inspection and supervision fees	-	-	-	-	-	-	(6,091,164)	-	(6,091,164)
Net underwriting income							133,625,084	-	133,625,084
Provision of doubtful debts							(11,908,374)	-	(11,908,374)
General and administrative expenses							(93,472,835)	(876,537)	(94,349,372)
Investment income							2,303,955	5,641,167	7,945,122
Other income							2,956,166	-	2,956,166
Net income for the year before surplus, zakat and tax									38,268,626

28. SUPPLEMENTARY INFORMATION

a) Statement of financial position

	31 December 2018			31 December 2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
ASSETS						
Cash and cash equivalents	47,722,503	45,412,035	93,134,538	107,246,209	26,084,656	133,330,865
Prepaid expenses and other assets	47,297,623	5,243,586	52,541,209	42,589,444	8,153,653	50,743,097
Reinsurers' balance receivable, net	71,653,440	-	71,653,440	72,541,695	-	72,541,695
Premiums receivable, net	408,903,758	-	408,903,758	367,024,921	-	367,024,921
Reinsurers' share of outstanding claims	269,420,744	-	269,420,744	196,869,565	-	196,869,565
Reinsurers' share of claims incurred but not reported	99,412,249	-	99,412,249	85,853,718	-	85,853,718
Reinsurers' share of unearned premiums	148,911,143	-	148,911,143	180,184,370	-	180,184,370
Deferred policy acquisition costs	27,002,293	-	27,002,293	23,866,281	-	23,866,281
Financial assets at fair value through statement of income (unit linked investments)	559,766,029	-	559,766,029	573,716,396	-	573,716,396
Available for sale investments	115,206,519	216,172,505	331,379,024	109,424,116	199,625,304	309,049,420
Property and equipment	4,570,353	-	4,570,353	3,635,196	-	3,635,196
Statutory deposit	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Accrued income on statutory deposit	-	1,090,636	1,090,636	-	817,056	817,056
Due to/from insurance operation/shareholders operation*	(9,301,853)	9,301,853	-	(18,926,058)	18,926,058	-
TOTAL ASSETS	1,790,564,801	297,220,615	2,087,785,416	1,744,025,853	273,606,727	2,017,632,580
LIABILITIES						
Accrued and other liabilities	125,022,838	336,810	125,359,648	92,965,710	268,366	93,234,076
Surplus distribution payable	12,344,873	-	12,344,873	9,582,216	-	9,582,216
Reinsurers' balances payable	144,725,743	-	144,725,743	181,657,278	-	181,657,278
Unearned premiums	390,422,335	-	390,422,335	415,612,645	-	415,612,645
Unearned reinsurance commission	7,609,280	-	7,609,280	10,813,751	-	10,813,751
Outstanding claims	334,372,482	-	334,372,482	237,365,286	-	237,365,286
Claims incurred but not reported	200,132,876	-	200,132,876	197,176,081	-	197,176,081
Premium deficiency reserve	4,852,555	-	4,852,555	10,717,152	-	10,717,152
Additional premium reserves	1,006,819	-	1,006,819	1,317,438	-	1,317,438
Unit linked liabilities	557,723,772	-	557,723,772	573,051,956	-	573,051,956
End-of-service indemnities	16,750,349	-	16,750,349	15,457,826	-	15,457,826
Zakat and income tax	-	23,846,674	23,846,674	-	21,416,946	21,416,946
Accrued income payable to SAMA	-	1,090,636	1,090,636	-	817,056	817,056
TOTAL LIABILITIES	1,794,963,922	25,274,120	1,820,238,042	1,745,717,339	22,502,368	1,768,219,707
EQUITY						
Share capital	-	200,000,000	200,000,000	-	200,000,000	200,000,000
Share premium	-	22,711,315	22,711,315	-	22,711,315	22,711,315
Statutory reserve	-	14,393,656	14,393,656	-	6,983,645	6,983,645
Retained earnings	-	41,575,546	41,575,546	-	19,902,207	19,902,207
Actuarial reserve for end-of-service indemnities	540,837	-	540,837	(765,304)	-	(765,304)
Fair value reserve on investments	(4,939,958)	(6,734,022)	(11,673,980)	(926,182)	1,507,192	581,010
TOTAL EQUITY	(4,399,121)	271,946,495	267,547,374	(1,691,486)	251,104,359	249,412,873
TOTAL LIABILITIES AND EQUITY	1,790,564,801	297,220,615	2,087,785,416	1,744,025,853	273,606,727	2,017,632,580

* These items are not included in the statement of financial position.

b) Statement of income

	31 December 2018			31 December 2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
REVENUES						
Gross premiums written	870,716,183	-	870,716,183	925,536,707	-	925,536,707
Reinsurance premiums ceded abroad	(243,423,381)	-	(243,423,381)	(255,476,651)	-	(255,476,651)
Reinsurance premiums ceded locally	(16,561,189)	-	(16,561,189)	(13,850,000)	-	(13,850,000)
Excess of loss expenses	(4,605,785)	-	(4,605,785)	(5,358,993)	-	(5,358,993)
Fee income from unit linked investments	1,110,990	-	1,110,990	1,111,151	-	1,111,151
Net premiums written	607,236,818	-	607,236,818	651,962,214	-	651,962,214
Changes in unearned premiums	25,190,310	-	25,190,310	43,644,643	-	43,644,643
Changes in reinsurers' share of unearned premiums	(31,273,227)	-	(31,273,227)	(56,276,127)	-	(56,276,127)
Net premiums earned	601,153,901	-	601,153,901	639,330,730	-	639,330,730
Reinsurance commissions	16,579,057	-	16,579,057	25,718,192	-	25,718,192
NET REVENUES	617,732,958	-	617,732,958	665,048,922	-	665,048,922
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(461,485,386)	-	(461,485,386)	(427,044,351)	-	(427,044,351)
Surrenders and maturities	(119,572,693)	-	(119,572,693)	(149,946,002)	-	(149,946,002)
Expenses incurred related to claims	(38,163,937)	-	(38,163,937)	(27,020,921)	-	(27,020,921)
Reinsurers' share of claims paid	167,059,361	-	167,059,361	138,429,094	-	138,429,094
Net claims and other benefits paid	(452,162,655)	-	(452,162,655)	(465,582,180)	-	(465,582,180)
Changes in outstanding claims	(97,007,196)	-	(97,007,196)	2,053,226	-	2,053,226
Changes in reinsurers' share of outstanding claims	72,551,179	-	72,551,179	5,154,982	-	5,154,982
Change in premium deficiency reserve	5,864,597	-	5,864,597	(4,639,430)	-	(4,639,430)
Changes in additional premium reserve	310,619	-	310,619	(1,317,438)	-	(1,317,438)
Changes in claims incurred but not reported	(2,956,795)	-	(2,956,795)	(50,464,441)	-	(50,464,441)
Changes in reinsurers' share of claims incurred but not reported	13,558,531	-	13,558,531	10,107,952	-	10,107,952
Net claims and other benefits incurred	(459,841,720)	-	(459,841,720)	(504,687,329)	-	(504,687,329)
Unrealized gain on unit linked investments	17,020,972	-	17,020,972	16,571,858	-	16,571,858
Changes in unit linked liabilities	15,328,184	-	15,328,184	20,654,616	-	20,654,616
Policy acquisition costs	(54,245,801)	-	(54,245,801)	(57,871,819)	-	(57,871,819)
Inspection and supervision fees	(4,918,091)	-	(4,918,091)	(6,091,164)	-	(6,091,164)
TOTAL UNDERWRITING COSTS AND EXPENSES	(486,656,456)	-	(486,656,456)	(531,423,838)	-	(531,423,838)
NET UNDERWRITING INCOME	131,076,502	-	131,076,502	133,625,084	-	133,625,084
OTHER (EXPENSES) / INCOME						
Provision of doubtful debts	(5,638,305)	-	(5,638,305)	(11,908,374)	-	(11,908,374)
General and administrative expenses	(98,698,232)	(793,886)	(99,492,118)	(93,472,835)	(876,537)	(94,349,372)
Investment income	3,892,776	6,899,344	10,792,120	2,303,955	5,641,167	7,945,122
Other income	3,750,147	-	3,750,147	2,956,166	-	2,956,166
TOTAL OTHER EXPENSE	(96,693,614)	6,105,458	(90,588,156)	(100,121,088)	4,764,630	(95,356,458)
NET INCOME FOR THE YEAR BEFORE SURPLUS, ZAKAT AND TAX	34,382,888	6,105,458	40,488,346	33,503,996	4,764,630	38,268,626
Net surplus transferred to shareholders' operation	(30,944,599)	30,944,599	-	(30,153,597)	30,153,597	-
Net income for the year after shareholders' appropriations before zakat and tax	3,438,289	37,050,057	40,488,346	3,350,399	34,918,227	38,268,626

c) Statement of comprehensive income

	31 December 2018			31 December 2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
Net income for the year before surplus, zakat and tax						
Other comprehensive income	3,438,289	37,050,057	40,488,346	3,350,399	34,918,227	38,268,626
Items that will not be reclassified to statement of income in subsequent years						
• Re-measurement of defined benefit liability – end-of-service indemnities	1,306,141	-	1,306,141	(765,304)	-	(765,304)
Items that are or may be reclassified to statements of income in subsequent years						
Available for sale investments						
• Net change in fair value	(4,013,778)	(8,241,212)	(12,254,990)	(522,052)	2,415,842	1,893,790
Total comprehensive income for the year	730,652	28,808,845	29,539,497	2,063,043	37,334,069	39,397,112

d) Statement of cash flows

	31 December 2018			31 December 2017		
	Insurance Operations	Shareholders' Operations	Total	Insurance Operations	Shareholders' Operations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the year before surplus, zakat and tax	3,438,289	37,050,057	40,488,346	3,350,399	34,918,227	38,268,626
Adjustments for non-cash items and other items:						
Depreciation of property and equipment	1,681,327	-	1,681,327	715,542	-	715,542
Loss on sale of available for sale investments	-	-	-	283,306	-	283,306
Amortization of investments premium	265,026	639,341	904,367	688,909	824,688	1,513,597
Provision for doubtful reinsurance receivables	1,259,482	-	1,259,482	1,555,413	-	1,555,413
Gain on sale of property and equipment	(3,150)	-	(3,150)	-	-	-
Provision for doubtful receivables/write-offs	3,993,296	-	3,993,296	9,439,366	-	9,439,366
Provision for end-of-service indemnities	4,927,587	-	4,927,587	3,232,920	-	3,232,920
Unrealized gain on unit linked investments	(17,020,972)	-	(17,020,972)	(16,571,858)	-	(16,571,858)
Shareholders' appropriation from insurance operations' surplus*	30,944,599	(30,944,599)	-	30,153,597	(30,153,597)	-
	29,485,484	6,744,799	36,230,283	32,847,594	5,589,318	38,436,912
Changes in operating assets and liabilities:						
Reinsurers' balance receivable	(371,227)	-	(371,227)	8,087	-	8,087
Premium receivable	(45,872,133)	-	(45,872,133)	32,808,594	-	32,808,594
Reinsurers' share of unearned premiums	31,273,227	-	31,273,227	56,276,127	-	56,276,127
Reinsurers' share of outstanding claims	(72,551,179)	-	(72,551,179)	(5,154,982)	-	(5,154,982)
Reinsurers' share of claims incurred but not reported	(13,558,531)	-	(13,558,531)	(10,107,952)	-	(10,107,952)
Deferred policy acquisition costs	(3,136,012)	-	(3,136,012)	(1,777,257)	-	(1,777,257)
Unit linked investments	30,971,339	-	30,971,339	35,507,116	-	35,507,116
Prepaid expenses and other assets	(4,708,179)	2,910,067	(1,798,112)	533,521	(5,981,568)	(5,448,047)
Accrued expenses and other liabilities	32,057,128	68,444	32,125,572	22,862,927	218,001	23,080,928
Reinsurers' balances payable	(36,931,535)	-	(36,931,535)	(37,097,463)	-	(37,097,463)
Unearned premiums	(25,190,310)	-	(25,190,310)	(43,644,643)	-	(43,644,643)
Unearned reinsurance commission	(3,204,471)	-	(3,204,471)	(1,137,857)	-	(1,137,857)
Unit linked liabilities	(15,328,184)	-	(15,328,184)	(20,654,616)	-	(20,654,616)
Outstanding claims	97,007,196	-	97,007,196	(2,053,226)	-	(2,053,226)
Claims incurred but not reported	2,956,795	-	2,956,795	50,464,441	-	50,464,441
Premium deficiency reserve	(5,864,597)	-	(5,864,597)	4,639,430	-	4,639,430
Additional premium reserves	(310,619)	-	(310,619)	1,317,438	-	1,317,438
	(3,275,808)	9,723,310	6,447,502	115,637,279	(174,249)	115,463,030
End-of-service indemnities paid	(2,328,923)	-	(2,328,923)	(1,368,829)	-	(1,368,829)
Surplus paid to policyholders	(675,632)	-	(675,632)	(1,505,055)	-	(1,505,055)
Zakat and income tax paid	-	(5,536,979)	(5,536,979)	-	(2,232,944)	(2,232,944)
Net cash generated from (used in) operating activities	(6,280,363)	4,186,331	(2,094,032)	112,763,395	(2,407,193)	110,356,202
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions in available for sale investments	(10,061,207)	(56,020,254)	(66,081,461)	(61,161,308)	(38,501,262)	(99,662,570)
Proceed from sale of available for sale Investments	-	30,592,500	30,592,500	10,384,321	20,720,694	31,105,015
Proceeds from sale of property and equipment	3,150	-	3,150	-	-	-
Additions in property and equipment	(2,616,484)	-	(2,616,484)	(1,961,363)	-	(1,961,363)
Net cash used in investing activities	(12,674,541)	(25,427,754)	(38,102,295)	(52,738,350)	(17,780,568)	(70,518,918)
CASH FLOWS FROM FINANCING ACTIVITY						
Due from / to (insurance operations / shareholder operations)*	(40,568,802)	40,568,802	-	(30,000,000)	30,000,000	-
Net cash used in financing activities	(40,568,802)	40,568,802	-	(30,000,000)	30,000,000	-
Net change in cash and cash equivalents	(59,523,706)	19,327,379	(40,196,327)	30,025,045	9,812,239	39,837,284
Cash and cash equivalents, beginning of the year	107,246,209	26,084,656	133,330,865	77,221,164	16,272,417	93,493,581
Cash and cash equivalents, end of the year	47,722,503	45,412,035	93,134,538	107,246,209	26,084,656	133,330,865
NON-CASH INFORMATION:						
Change in fair value of available for sale investments	(4,013,778)	(8,241,212)	(12,254,990)	522,052	(2,415,842)	(1,893,790)

* These items are not included in the statement of cash flows.

29. COMPARATIVE FIGURES

The following reclassifications have been made to the prior year figures to conform to the current year presentation. The impact of these reclassifications is not considered significant.

- Certain 'Premiums receivable, net' balance as at December 31, 2017 totalling to SR 23,856,892 was reclassified to 'Prepaid expenses and other assets'.
- Certain 'Accrued and other liabilities' balance as at December 31, 2017 totalling to SR 28,370,698 was reclassified to 'Premiums receivable, net'.

Further, refer note 2(a) for the changes in the primary statements.

30 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 21 Rajab 1440 H, corresponding to 28 March 2019 G.