

MetLife – AIG – ANB Cooperative Insurance Company

Report of the Board of Directors For the Year Ending 31 December 2016

MetLife – AIG – ANB Cooperative Insurance Company

Al-Ibdaa Tower - King Fahed Road - Olaya District

P.O. Box: 56437, Riyadh 11554

Kingdom of Saudi Arabia

For more information, please contact us at: info@metlifeaiganb.com

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Message from the Chairman of the Board of Directors:

A year can make a lot of difference. While 2015 was our first full year of operations, 2016 was a milestone year for us as we had obtained the approvals for most of our key products and thus had in our possession a truly diverse product mix to serve our customers with as we originally planned. This in turn allowed the management team to focus on achieving the Company's financial goals for the year. 2016 has also been a major transitional year in the Saudi economy. We have seen the country and businesses adjust to a new modus operandi as everyone adapts to the implications of implementing the Vision 2030 plan in terms of expenditure rationalization as well as more efficiencies and accountability scheduled to change the way businesses and governments conduct their operations.

As in any transitional period, we see moments of uncertainty and it will be those businesses that can rapidly adjust to change, which will do well going forward. The insurance industry in Saudi Arabia has also had its own fair bit of adjustments with SAMA taking on further proactive regulatory measures in support of their strategy of strengthening the industry as a whole and raising the quality of the available products and services in the market with the aim of providing greater value for the customer base. We believe that as a Company we are very well positioned to succeed in this period of flux. We have focused over the past three years on building the Company's infrastructure both, human and in terms of systems to excel in providing our products and services to the market and we have seen our clients reward us for the focus on delivering excellence to them, resulting in us gaining market share at the expense of both large and small operators alike in the insurance industry. We believe that this trend will continue as some of our competitors are forced to downsize, merge, or exit the market as a whole.

Backing our claims are the numbers that we have seen in the Company's performance for 2016. We started the year by successfully applying for and obtaining the regulator's approval to increase the Company's capital which was required to meet more stringent financial ratios that the regulators felt would be in the best interest of all stakeholders of the Company. This could not have happened without the commitment of all our shareholders, small and large and their belief in the Company's future potential as it grows to become a major player in the market.

Despite what continues to be a very competitive and economically challenging environment, our management and operational teams were able to increase gross written premiums from approximately SAR 145 million to approximately SAR 208 million while almost quadrupling underwriting revenue from SAR 40 million to SAR 162 million. This commendable increase in top line figures was coupled with a much lower increase in Company expenses, which increased from SAR 35 million to SAR 43 million. The net result has been a decrease in Company losses from SAR 32 million to SAR 22 million.

While the path to stronger operations, balance sheet and profits is still far from over, we are proud to say that the Company has been progressively moving towards achieving its ultimate goal in terms of achieving breakeven in 2018.

Most importantly, we continue to draw on and benefit from the composition of the major shareholders we have in the Company, specifically, The Arab National Bank, Metlife and AIG. Each of these shareholders have added significant value since the inception of the Company and continue to nourish its development and hold each other accountable to deliver the best outcome for our shareholders. This journey has not taken place without its challenges as we continue to focus on growing the Bancassurance business to creating a balanced and efficiently priced underwriting practice and adapting to a dynamic local environment that requires more tailoring of products and services. I cannot at this occasion but thank our strategic shareholders for holding the Company's best interest in the highest regards and working jointly to build on each other's areas of strength where the whole is better than the sum of its parts.

We also extend our gratitude to the rest of our shareholder base for the confidence they have placed in the Company.

My best regards to all the stakeholders and gratitude to our regulators and leadership in Saudi Arabia who are equally looking at the long term potential success that we are jointly working on.

Sincerely,

Ramzi Abukhadra

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Message from the Chief Executive Officer

It is my pleasure to present the Annual Report for 2016, which include the Board of Directors Report, the Auditors' Report, and the Audited Financial Statements for the year ended December 31, 2016.

As we are starting a new year, and concluding a challenging year, I would like to thank each and every team member for the commitment, hard work and dedication they showed in 2016. Our long term Vision to become the market preferred Insurer and leaders in Protection & Saving, Group Health and Specialty General insurance, moved steadily and confidently toward our final goal.

Due to unprecedented economic challenges, the implementation of various new regulations (such as Motor regulations) and harsh competition; 2016 was the year where being disciplined was even more critical. Disciplined in our approach to risk, in the business we write, the launch of new channels and on the expense side. In addition to that, we had to keep our relentless attention on strict compliance with regulation, strong control through Compliance & Risk management, Underwriting for Profit; and investing and improving our processes to try to Make Things Easier to our Customers and Partners.

With all challenges we faced we did not let the economic situation overshadow the existing market potential and derail us from our goals. I am happy to say that we met most of our planned targets; noting that we are ahead of our approved plan, moving faster to reach our Break-even point and start generating profits to our shareholders.

I would like to give an update on some strategic projects we started in 2015 and additional projects initiated in 2016.

- The Company opened a regional office in Khobar, approved by SAMA on August 28, 2016, to service the Eastern region. This regional office is fully operational now.
- The license of additional 6 products were secured over and above the 35 products already approved in General Insurance, Health and Group Life Insurance. It is to be noted that securing Motor by 2015 year end enabled Motor to play an important role in the year 2016 sales numbers and shall continue to play an important role in 2017.
- Reinforcement of existing team through attracting best technical skills in the Saudi market to ensure strong and sound foundation for the years to come.
- Online service for E-marine and Travel are now live
- A new front end Motor online solution was initiated and is expected to launch during 2017.

Health Insurance was again the major contributor in 2016 and improved significantly our gross Margins. Motor Insurance started generating a good contribution and shall improve in 2017 to become the second largest contributor. Overall the company achieved 208 million Riyals in Gross Written Premiums and 145 million Riyals in Net Earned Premiums, while total net claims incurred were 124 million Riyals, and the Net loss from insurance operations 26 million Riyal. Shareholders' funds income investments was 6 million Riyals, as for the net loss of shareholders reached 22 million Riyals.

2017 will be a very important and major milestone in our journey. With most of our products approved and all the operational work that took place in the past two years, we believe we are in the right place to unlock the potential.

Finally, I would like to avail the opportunity to thank all those who supported MetLife-AIG-ANB Cooperative Insurance Company, the Shareholders, the customers, and our partners for giving us their confidence and for their great contribution to support the Company. I also thank and appreciate the members of the Board of Directors and members of the Committees honorees and all the employees who have made sincere efforts in light of the all the challenges facing by the Company. I would also like to thank all Saudi regulatory bodies for their continuous support and guidance.

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1.Principle Activities

The objective of the Company is to transact cooperative insurance operations and related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations applicable in the Kingdom of Saudi Arabia. Its principal lines of business include individual and group life, accident and health and all classes of general insurance. The Company' shares were listed on the Saudi Arabian Stock Exchange ("Tadawul") on 23 Muharram 1435H (corresponding to 26 November 2013).

The initial authorized and issued Capital of the Company was SAR 175 million. In March 2016, the Company increased its capital through rights issue. The share capital of the Company became SAR 350 million consisting of 35 million shares.

2.Financial Performance

2.1 Financial Position Summary

Insurance Operations

Assets (SAR Thousands)	31 December 2016	31 December 2015	31 December 2014
Cash and cash equivalents	44,785	64,689	2,238
Premiums receivable, net	53,391	35,661	3,422
Reinsurance Share of Technical Reserves	297,239	299,201	3,751
Other Assets	69,021	32,850	11,492
Total Assets	464,436	432,402	20,903

Liabilities (SAR Thousands)	31 December 2016	31 December 2015	31 December 2014
Gross Technical Reserves	412,785	383,338	5,497
Reinsurance Payables & Unearned reinsurance commission	25,245	33,629	3,809
Payables, Accruals & others	26,406	15,435	11,597
Total Assets	464,436	432,402	20,903

Shareholders' Operations

Assets (SAR Thousands)	31 December 2016	31 December 2015	31 December 2014
Cash and cash equivalents	104,002	66,315	11,158
Investments & Deposits	136,999	30,849	105,675
Other Assets	750	945	5,142
Total Assets	241,751	98,109	121,975

Liabilities & Equity (SAR Thousands)	31 December 2016	31 December 2015	31 December 2014
Liabilities			
Zakat	524	615	-
Other Liabilities	4,143	8,918	1,286
Total Liabilities	4,667	9,533	1,286
Shareholder's Equity			
Share Capital	350,000	175,000	175,000
Accumulated Deficit	(112,915)	(86,424)	(54,311)
Total Shareholders' Equity	237,085	88,576	120,689
Total Shareholders ' Liabilities & Equity	241,751	98,109	121,975

2.2 Business Results Summary

Particular (SAR Thousands)	For the year ended 31 December 2016	For the year ended 31 December 2015	29 August 2013 to 31 December 2014
Gross Written Premiums	208,090	144,741	5,741
Net Earned Premiums	145,094	33,715	299
Underwriting Revenue	161,773	40,299	471
Net Claims Incurred	(124,012)	(30,965)	(288)
Underwriting Expenses	(146,039)	(36,425)	(554)
Underwriting Results	15,734	3,873	(82)
General & Administrative Expenses – Insurance Operations	(43,497)	(35,305)	(20,203)
Insurance Operating Results	(27,764)	(31,431)	(20,286)
Special commission income – Insurance Operations	1,445	156	-
Net deficit from Insurance Operations and transferred to Shareholders Operations	(26,318)	(31,275)	(20,286)
General & Administrative Expenses – Shareholders' Operations	(1,412)	(1,185)	(12,843)
Special commission income & Dividends – Shareholders' Operations	5,875	963	793
Pre-incorporation expenses	-	-	(11,336)
Net Loss (Shareholders) before Zakat	(21,855)	(31,498)	(43,671)

2.2.1 Gross Written Premiums (GWP) & Net Earned Premiums (NEP):

Insurance Business (SAR Thousands)	For the year ended 31 December 2016		For the year ended 31 December 2015		29 August 2013 to 31 December 2014	
	GWP	NEP	GWP	NEP	GWP	NEP
Health	127,312	127,234	90,989	27,871	974	79
Protection & Savings	24,199	6,614	16,658	4,091	-	-
Property	18,904	57	3,475	23	720	1
Motor	13,572	7,864	190	20	-	-
Accident & Liabilities	13,085	1,746	5,929	1,015	2,343	46
Energy & Engineering	7,937	25	24,015	6	316	-
Marine	1,708	265	2,083	172	-	-
Others	1,374	1,290	1,402	517	1,388	172
Total	208,090	145,094	144,741	33,715	5,741	299

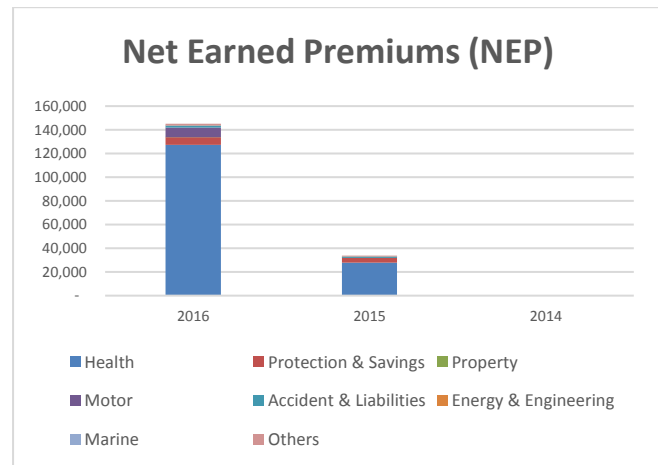
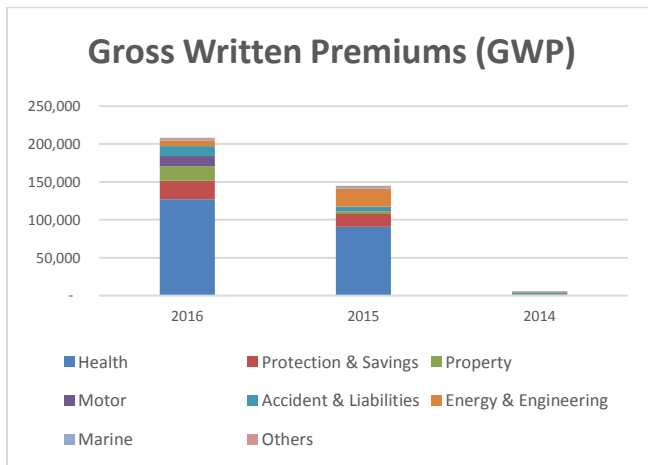
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Gross Written Premiums has increased in 2016 by 44% compared to 2015 due to the significant growth achieved in Health Insurance which grew from SAR 90.1 million in 2015 to SAR 127.3 million in 2016. Additionally, the Company has started selling Motor Insurance product during fourth quarter 2015 after receiving SAMA's approval and managed to achieve around SAR 13.6 million in 2016.

Net Earned Premiums has increased from SAR 33.7 million in 2015 to SAR 145.1 million in 2016 as a result of the increase in Net Earned Premiums for Health Insurance from SAR 27.9 million to SAR 127.2 million which is driven by the growth in Gross Written Premiums in addition to the high premium retention level for this line of business.

2.2.1.1 Gross Written Premiums and Geographical Analysis

Region (SAR Thousands)	For the year ended 31 December 2016	For the year ended 31 December 2015	29 August 2013 to 31 December 2014
Central	91,613	129,541	5,741
Western	60,377	15,200	-
Eastern	56,100	-	-
Total	208,090	144,741	5,741

The company has opened two regional branches in addition to the main branch in Riyadh; one branch was opened in Jeddah during 2015 and the second branch was opened in Khobar during 2016.

2.2.2 Underwriting Revenue

Particular (SAR Thousands)	For the year ended 31 December 2016	For the year ended 31 December 2015	29 August 2013 to 31 December 2014
Net Earned Premiums	145,094	33,715	299
Reinsurance commission earned	10,733	4,651	172
Other underwriting income	5,946	1,933	5
Total Underwriting Revenue	161,773	40,299	471

Underwriting revenue has increased significantly in 2016 versus 2015 due to the significant increase in business volumes which resulted in higher earned premiums and higher reinsurance commissions which includes also the reinsurance commissions received from MetLife on ALICO Run-off portfolio which is reinsured 100% to MetLife. The company is also compensated by MetLife for all expenses incurred by the Company in servicing ALICO Run-off portfolio in a form of administration fees which is booked under "Other underwriting income".

The Company has also participated in the Manafeth agreement between Tawuniya and the majority of the insurance companies in Saudi Arabia effective 01 January 2015 for co-insuring cars entering into Saudi Arabia from all Saudi borders (except the border with Bahrain). Based on this agreement, all insurance companies participating in this coverage will have an equal share of the net result of this portfolio after allowing for all expenses related to managing this portfolio by Tawuniya. This deal is for three years starting from 01 January 2015 and is expected to renew at same terms. The income related to this portfolio is included in the statement of insurance operations under "Other underwriting income".

2.2.3 Net Claims Incurred

Insurance Business <i>(SAR Thousands)</i>	For the year ended 31 December 2016	For the year ended 31 December 2015	29 August 2013 to 31 December 2014
Health	108,485	25,753	62
Protection & Savings	7,863	3,608	-
Property	99	36	1
Motor	7,546	174	-
Accident & Liabilities	40	788	44
Energy & Engineering	64	27	9
Marine	5	131	-
Others	(91)	447	181
Total	124,012	30,965	288

Net claims incurred has increased significantly in 2016 compared to 2015 due to the significant increase in business volumes and net earned premiums under Health, Protection & Savings and Motor Insurance. Despite the significant increase in Net Claims Incurred during 2016, Net Loss Ratio for total lines has decreased from 91.8% in 2015 to reach 85.5% in 2016.

2.2.4 Underwriting Expenses

Particular <i>(SAR Thousands)</i>	For the year ended 31 December 2016	For the year ended 31 December 2015	29 August 2013 to 31 December 2014
Net claims incurred	124,012	30,965	288
Commissions incurred	15,490	3,285	137
Inspection and supervisory fees	2,319	548	38
Other direct underwriting expense	1,247	395	-
Doubtful debt expense	2,971	1,232	91
Total Underwriting Expenses	146,039	36,425	554

Total Underwriting Expenses has increased significantly due to the significant increase in Net Claims Incurred and Commissions Incurred as a result of the growth in Net Earned Premiums.

2.2.5 Total Expenses

Particular (SAR Thousands)	For the year ended 31 December 2016	For the year ended 31 December 2015	29 August 2013 to 31 December 2014
General and administration expenses – Insurance Operations	43,497	35,305	20,203
General and administration expenses – Shareholders Operations	1,412	1,185	12,843
Pre-incorporation expenses, net	-	-	11,336
Total Expenses	44,909	36,490	33,046
Particular (SAR Thousands)	For the year ended 31 December 2016	For the year ended 31 December 2015	29 August 2013 to 31 December 2014
Employees' costs	31,329	23,844	13,650
Legal and professional fees	2,462	2,614	2,707
Rent	2,204	1,014	3,319
Depreciation	2,452	2,734	3,379
Information technology expenses	3,013	2,460	2,441
Travel and lodging expenses	515	914	1,569
Board expenses	1,003	1,018	1,085
Others	1,931	1,891	1,262
Total General and Administration	44,909	36,490	33,046

Total general and administration expenses have increased by 23% mainly due to the increase in employee's costs as a result of hiring more people to support the Insurance Operations with the increase in business volume.

Despite the growth in total amount of expenses, the expense ratio (General and Administrative Expenses / Net Earned Premiums) has decreased from 108% in 2015 to reach 31% in 2016.

2.2.6 Insurance Operating Results:

Particular (SAR Thousands)	For the year ended 31 December 2016	For the year ended 31 December 2015	29 August 2013 to 31 December 2014
Underwriting Revenues	161,773	40,299	471
Underwriting Expenses	(146,039)	(36,425)	(554)
Underwriting Results	15,734	3,873	(82)
General & Administrative Expenses – Insurance Operations	(43,497)	(35,305)	(20,203)
Insurance Operating Results	(27,764)	(31,431)	(20,286)

Insurance Operating Results has improved in 2016 compared to 2015 due to the increase in underwriting results by SAR 11.9 million which exceeded the increase in General & Administrative Expenses by SAR 8.2 million and resulted in improvement in Insurance Operating Results by SAR 3.7 million.

2.3 Capital Increase:

The Board of Directors recommended in its meeting convened on 08/07/1436H (corresponding to 27/04/2015G) to increase the Company's Share Capital from one hundred seventy five million Saudi Riyals (SAR 175,000,000) to three hundred fifty million Saudi Riyals (SAR 350,000,000) after obtaining the necessary regulatory approvals. The Company received SAMA approval to increase its Share Capital via letter No. 361000144425, dated 16/11/1436H (corresponding to 01/09/2015G).

The Company's Extraordinary General Meeting ("EGM") held on Monday 13/05/1437 H (corresponding to 22/02/2016 G), has approved the increase of Share Capital through rights issue ("Rights Issue"). The Rights Issue consists of the issuance of seventeen million five hundred thousand (17,500,000) Ordinary New Shares (the "New Shares" or "Rights Issue Shares") at an Offer Price of ten Saudi Riyals (SAR 10) per share ("Offering Price") to increase the Company's Share Capital from one hundred seventy five million Saudi Riyals (SAR 175,000,000) to three hundred fifty million Saudi Riyals (SAR 350,000,000), divided into thirty five million (35,000,000) Ordinary Shares at a nominal value of ten Saudi Riyals (SAR 10) per share.

The Company completed successfully the Capital Increase through Rights Issue before the end of March 2016 and the proceeds from Capital Increase amounted to SAR 175 million. Total direct and indirect cost related to Capital Increase amounted to approximately SAR 4.2 million. Net proceeds from the Capital Increase amounted to SAR 170.8 million and was allocated as follows:

1. SAR 17.5 million was added to the Statutory Deposit to align the Statutory Deposit with Capital Increase
2. SAR 153.3 million was invested in fully admissible investments to fulfil the solvency margin requirements.

3. Significant Plans, Decisions and Future Prospects

In 2017, our key plans are to:

- Achieve a healthy business growth from Brokers channel by adopting a focused and proactive engagement with Brokers that fit their knowledge, expertise & services.
- Continue to focus on building the Bancassurance business by following a phased approach and focus on the most effective sales models that will fit each distribution channel in the bank.
- Continue to grow our operations in the three regions, to be able to better support our partners and clients.
- Continue growing sales of our Medical insurance through our Bank partner, existing broker relationships and new brokers
- Grow Motor insurance, which will contribute positively to the overall company sales performance
- Continue introducing new General insurance products to the market, that will allow us to provide a more complete solution to our clients

Company Future Outlook:

We expect to continue organically growing the Company's total premiums over the course of the coming 3 years to reach SAR687 million by 2019. We also expect the Company to breakeven in 2018 and then go on to achieve profits for its shareholders (after taxes and zakat) in the region of SAR16 million by 2019.

4. Risk Management

Risk Strategy

The Company has adopted an enterprise risk management approach to manage its enterprise risks. The current risk management framework supports value creation by enabling the company to deal effectively with future events that create uncertainty and to respond in a prompt, efficient and effective manner to protect company stakeholders. The risk management process is integrated with company strategy formulation and business planning processes and managed through setting an effective risk appetite and sound risk governance.

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Risk Appetite

Risk appetite is considered to be an integral part of our risk management framework. The Company's risk appetite framework has been developed to enable effective risk management at the company and to comply with the Saudi Arabian Monetary Authority ("SAMA") rules and regulations. The company benefits from global risk management expertise that is derived from its strategic partners, MetLife and AIG.

Risk Governance

The Company has adopted "three lines of defense" model that aims to increase the efficiency of risk data flow through the company and to establish a sound understanding of the roles and responsibilities of the Board, management, and employees toward risk management practice.

Company Risks Summary

The Company is exposed to different types of risks. These risks are managed and classified into the following categories:

Strategic Risks: The Company seeks to limit strategic risk exposure that is attributed from strategic planning, product development, reputation, corporate governance and country risk.

Overall, strategic risk is actively managed and controlled by monitoring key risk indicators on a regular basis. The strategic key risk indicators include deviation from planned earning, solvency margin level and accumulated losses of paid-up capital. The company also has adopted balance score card technique to manage and monitor its reputation risk exposure.

Insurance Risks: The Company actively monitors and reduce insurance risk exposure that resulted from insurance operations. Insurance risk category includes underwriting, claim handling, reinsurance and pricing. The company is not seeking higher risks opportunities, driven by the opportunity of higher returns. Insurance risk is managed in accordance with the company appointed actuary by setting robust underwriting controls and effective claim management. The company also monitor key insurance risk indicators (i.e., net loss ratio and retention ratio) on regular basis.

Financial Risks: The Company regularly monitors and controls financial risk that is attributed by credit risk, market risk and liquidity risk.

- **Credit Risk:** The Company will undertake credit risk with approved entities by dealing with its reinsurers in settling claims due, banks to honor their commitments and customers in paying receivables due. The company put in place a credit policy to manage credit exposure related to customers and bank exposure. The risk exposure from reinsurer insolvencies will be minimized by evaluating the financial condition of the company's reinsurers and by monitoring the concentrations of credit risk arising from similar geographic regions, activities and economic characteristics of reinsurers.
- **Market Risk:** The Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices and real estate prices. The company has an investment policy in place to control Market risk
- **Liquidity Risk:** The Company at all times will maintain sufficient liquidity to meet its foreseen and contingent obligations. The company has low appetite for being in tight liquidity position at any point in time, in which case the Company will not undertake discretionary expenses. Asset-liability management ("ALM") framework is implemented to manage liquidity and investment risks.

Operational Risks: The Company does not seek to take on operational risk but accepts it as integral part of its insurance business. There are different types of operational risk and are classified as follows:

- Money laundering
- Legal
- Information technology
- Human resource
- Sales
- Non-compliance

The company approach to operational risk is to manage it to an acceptable level through a combination of sound corporate and risk governance, strong systems and controls, strong resource management and where appropriate limit and tolerance structures. The company also implemented a process for identifying and assessing operational risk. Risk Control and Self-Assessment("RCSA") that is completed annually.

The operational risk is actively monitored on regular basis. The company sets risk thresholds on selected key operational areas. These are deviation from sales target, total value of operational losses, number of successful business continuity tests, number of non-compliance fines and number of fraud events.

Risk Management Activities

- The company appointed risk officer which has been approved by SAMA in 2016.
- The Board of Directors has formed a Risk Management Committee consisted of 3 Board members in 2016.
- The Company initiated the development of Risk Appetite Framework in 2016.
- The Company held a two-day workshop of risk management appetite framework to increase the staff risk awareness across Company
- The Company is planning to start another Risk control and self-assessment project by mid of 2017

5.Accounting Standards

The Company adheres to International Financial Reporting Standards (IFRS) and the relevant International Accounting Standards (IAS) in the preparation of its financial statements, as required by the Saudi Arabian Monetary Agency (SAMA). It does not follow the accounting standards generally followed in the Kingdom of Saudi Arabia (SOCPA). The external auditors have modified their audit report to include an emphasis of matter paragraph addressing this issue.

We also draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

6.Dividend Policy

The Company adopts a policy accredited by Board of Directors to distribute dividends as per the bylaws, summarized as follows:

The shareholders' profits shall be distributed as follows:

1. After paying the Zakat and income tax
2. After allocating (20%) from profits to be statutory reserve, and the Ordinary General Assembly may stop this allocation whenever the said reserve reached the total paid capital.
3. The Ordinary General Assembly may, based on a suggestion from the Board, allocate a percentage from net annual profits to be a Surplus reserves and allocating it for a specific purposes determined by the General Assembly.
4. They shall distribute from the remaining a first payment to the shareholders not less than (5%) of the paid in capital.
5. The remaining shall be distributed to the shareholders as a share in profits or to be transferred to retained profits statement.
6. The board of directors may, distribute a periodic profit to be deducted from the annual profits specified in article (4) above according to the rules regulating these matters and issued from the competent authorities.
7. The Capital Market Authority shall be notified, at once, of any decisions for distributing shares or recommending that. The profits shall be paid to shareholders in the date and place specified by the Board of Directors according to instructions set out by the Ministry of Industry and Commerce after obtaining the prior consent of SAMA.

7. Interest, Options and Subscription Rights

A description of any interest, contractually based securities, and subscription rights of the issuer's directors, senior executives and their relatives in the shares or debt instruments of the issuer or any of its subsidiaries, together with any change to such interest and rights during the last financial year:

To whom interest belongs	Beginning of the year		End of the year		Net Change	Owner-ship Pct.	Change Pct.
	No. shares	Debt Instrument	No. shares	Debt Instrument			
Suliman Saud Al Sayyari	5000	0	10,000	0	5000	0.0286%	100%
Ramzi Kanan Abukhadra	0	0	100	0	100	0.00029%	100%
Khalid Hamad Al Yahya	0	0	100	0	100	0.00029%	100%
Abdul Mohsen Ibrahim Altouq	0	0	20	0	20	0.000057%	100%

Significant Shareholders and their ownership in the Company:

As of Date	Investor Name	Current Balance	Ownership Percentage
31/12/2016	American Life Insurance	10,500,000	30%
31/12/2016	Arab National Bank	10,480,000	29.94%
31/12/2016	AIG MEA Investments AND Services LLC	3,500,000	10%

8. Significant Interest in a Class of Voting Shares

There is no person who owns 5% or more of MetLife AIG ANB Cooperative Insurance Company shares and no person who owns 5% and has notified the issuer about his interest in class of voting shares during the financial year 2016.

9. Borrowings, Issue / Redemption of Securities

During 2016, there are no loans, whether payable on demand or otherwise, and the Company did not pay any amount in settlement of loans.

During 2016 the Company completed its Capital increase by way of Rights Issue as explained in section 2.3 Capital Increase.

There is no redemption or purchase, or cancellation by the Company of any redeemable debt instruments or the amount of such securities outstanding

10. Related Party Transactions

During 2016 some contracts have been convened /renewed where the Company was a party and some Board members have an interest as representatives of founding shareholders or their subsidiaries. It is confirmed that these contracts have been convened without preferential terms and per the Board of Directors recommendation and Saudi Arabia Monetary Agency (SAMA) approval:

Non Insurance Contracts:

#	Type of the Contract	Duration	Value	Transaction amount in 2016	Related party	Interest person
1	Master Facultative Reinsurance Agreement	Effective on 1/1/2015 and remains in force until termination	Value of contract depends on the size of business and product type	Reinsurance Premium: SR 2,599,670 Reinsurance commission SR 419,974 Reinsurance share of paid claims SR 1,339,336	Delaware American Life Insurance Company	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian.
2	Accident & Health reinsurance agreement	Effective on 1/1/2015 and remains in force until termination	Value of contract depends on the size of business and product type.	Reinsurance premiums SR 131,617 Reinsurance commission SR 14,575		
3	Catastrophe Reinsurance agreement	Effective on 1/6/2016 and remains in force until termination	Value of contract depends on the size of business and product type	Reinsurance Premium: SR 44,966	Metropolitan Tower Life Insurance Company, of Newark, Delaware	

4	Proportional Reinsurance Agreement	Effective from 1/4/2014 on continuous basis until it is terminated by both parties	Value of contract depends on the size of business and product type.	-Reinsurance Premium: SR11,310,509 -Reinsurance commission SR2,992,036 -Reinsurance share of paid claims SR 531,192	American Home Assurance Company, New Hampshire Insurance Company, And National Union Fire Insurance Company Of Pittsburgh, PA	Board Member: Asif Iqbal
5	Working Excess of Loss Reinsurance Agreement	One year effective 1/4/2016	Value of contract depends on the size of business and product type	Reinsurance Premium: SR743,435		
6	Catastrophe Excess of Loss Reinsurance Agreement	Valid up to 31/3/2016	Value of contract depends on the size of business and product type	Reinsurance Premium: SR92		
7	Facultative reinsurance	As per cover notes duration	Value of contract depends on the size of business and product type.	-Reinsurance Premium: SR3,135,352 -Reinsurance commission SR672,661 -Reinsurance share of paid claims SR 158,850	American International Group (AIG) or any of its subsidiaries or sister companies	
8	Portfolio Transfer Agreement & Reinsurance Agreement	Effective 1/4/2015	Depends on the size of business and product type.	-Reinsurance premiums SR 14,799,727 -Reinsurance commission SR 2,643,120 -Reinsurance share of paid claims SR 27,668,020 -Administration fees income SR1,570,831	American Life Insurance Company "ALICO"	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian.

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9	Technical Service Agreement	5 years effective 21/10/2014	Up to USD 1,000,000 per annum	SR300,000 (SR150,000 against Q3/Q4-2015)	American Life Insurance Company	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian.
10	Technical Service Agreement	5 years effective 21/10/2014	Up to USD 1,000,000 per annum	SR 237,053	AIG MEA Investments AND Services LLC	Board Member: Asif Iqbal
11	Trade mark agreement	Will continue as long as the shareholders: American Life Insurance, American International Group, Arab National Bank remains in the company or cancel by mutual agreement	Without license fees	-	American Life Insurance Company or any of its subsidiaries or sister companies, American International Group (AIG) or any of its subsidiaries or sister companies, Arab National Bank or any of its subsidiaries or sister companies	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian, Asif Iqbal, Robert Eid, Nizar Al Tuwajri

12	Bancassurance Distribution Agreement	continues as long as the company exist or cancel by mutual agreement	Value of contract depends on the size of business and product type	Gross Written Premium: SR 11,938,623 Commissions SR SR1,644,812	Arab National Bank and ANB Insurance Agency	Board Members: Robert Eid, Nizar Al Tuwijri
13	Financial Guarantees	Depends on the type of Guarantees	Depends on the type of Guarantees	SR3,473,849	Arab National Bank or any of its subsidiaries or sister companies	
14	Time Deposits	Short term	Depends on the deposit volume	SR53,062,500	Arab National Bank or any of its subsidiaries or sister companies	

Insurance Contracts:

#	Type of contract	Cover	Sum Insured	Gross Premium	Duration	Related Parties/ Interested person
1	Directors and Officers Liability Policy	Directors and Officers Liability	SR 200,000,000	SR 370,000	One year effective 1/7/2016	Related party: Arab National Bank Interest persons: Robert Eid, Nizar Al Tuwijri
2	Marine Cargo Open Cover Policy	The Cargo of the Letter of Credit Clients of Arab National Bank.	SR 45,000,000	SR 1,210,463	One year effective 8/3/2016	
3	Property All Risk Policy and Business Interruption	Property all risk	SR 2,696,253,173	SR 959,346	One year effective 1/5/2016	
4	Comprehensive General Liability	Public Liability	SR 50,000,000	SR 28,500	One year effective 1/5/2016	
5	Auto Motor Fleet	Auto Motor	SR 4,251,000	SR 150,107	One year effective 1/4/2016	
6	Group Life Insurance	Life and Disability insurance for ANB staff		SR 3,218,408	One year effective 1/4/2016	

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There are no cases of conflict of interest, however, any of the business cases with the related 3rd parties disclosed in the table above may pose potential for a conflict of interest. In order to address this risk, business with related 3rd parties is conducted with the utmost transparency and no special privileges or arrangements are granted in favor of the related party. Prior to entering into any and all business with related 3rd parties, such business is disclosed to both the Board of Directors and all shareholders in addition to ensuring the appropriate approvals are obtained through General Assembly. Before renewal of any business with a related 3rd party can take place, approvals are again sought through the Board of Directors and the General Assembly.

11. Statutory Dues and Payments

There were outstanding statutory payments, distributed as follows:

Description	Reasons	2016 SAR	2015 SAR
Saudi Arabian Monetary Agency (SAMA)	Supervision fees	300,716	168,686
Council of Cooperative health Insurance (CCHI)	Supervision fees	430,773	909,892
Social Organization for Social Insurance	December – 2016 subscription payable	120,649	117,047
Department of Zakat and Income Tax	Suppliers' withheld tax payable	772,162	64,126

During 2016, the Company paid the following:

Description	Reasons	2016 SAR	2015 SAR
Saudi Arabian Monetary Agency (SAMA)	Supervision fees	907,892	574,689
Council of Cooperative health Insurance (CCHI)	Supervision fees	1,752,234	9,743
Council of Cooperative health Insurance (CCHI)	Renewal of Accreditation 25Oct16 to 25Oct17	50,000	0
Social Organization for Social Insurance	GOSI subscriptions during 2016	1,701,027	1,195,461
Department of Zakat and Income Tax	Withholding tax on payments during 2016	876,257	766,612
Department of Zakat and Income Tax	2016 Zakat	481,598	0

12. Employees Benefits

The Company confirms the following benefits are provided to all Company employees:

- Full medical insurance coverage grade VIP for each employee and their dependents
- Life insurance for each employee at the value of 36 basic salaries with a maximum cover of SAR 1.5 million and with a minimum cover of SAR 350 thousand
- A discount of up to 15% on the purchase of fully comprehensive motor insurance for the employees personal vehicle
- The Company also provisions for the End of Service of its Employees as per the Saudi Labor Law

13. Statements of Affirmation

The Company Confirms that:

- 1) During the year,
 - The Company has maintained proper books of accounts.
 - The System of internal control is sound in design and has been effectively implemented.
 - There are no significant doubts concerning the Company's ability to continue as a going concern.
- 2) During 2016, there are no Subsidiaries, accordingly there are no issued share and debt instruments issued to any subsidiary.
- 3) There are no convertible debt instruments, options, warrants or similar rights issued or granted by the Company during 2016 with the exception of the rights issued as disclosed in section 2.3 Capital Increase.
- 4) There are no conversion or subscription rights under any convertible debt instruments, options, warrants or similar rights issued or granted by the Company and still outstanding as of 31 December 2016.

14. Continuation of External Auditors

Upon the expiration of external audit engagements with PKF Al-Bassam & Al-Nemer Allend Accounts and Aldar Audit Bureau Abdullah Al Basri &Co. for the year ending 31 December 2015 and for the first quarter of 2016, the Company has appointed PKF Al-Bassam & Al-Nemer Allied Accountants and Abdulaziz A. Alnaim Certified Public Accountants during 2016 after obtaining General Assembly approval in its meeting held on 11-May-2016 (correspondent 4-Shaban-1437H) to handle the external audit of the Company for the following periods:

1. Quarterly Financial Statements starting from 2nd Quarter 2016 up to 1st Quarter 2017
2. Annual Financial Statement for 2016

15. Corporate Governance

15.1 CMA Corporate Governance Regulation:

All applicable provisions of the CMA Corporate Governance Regulations were implemented during the year except the following:

1. The General Assembly shall approve the dividends and the date of distribution [Article#7 (b)]: given the fact that the reporting year is the third financial year and the Company did not generate any net profits, the Company did not distribute any dividends.
2. Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments [Article#6 (d)]: The Company's is

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not a judicial persons acting on behalf of others. Therefore, this requirement is not related to the Company.

3. Judicial person who is entitled under the Company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors [Article#12 (i)]: this non-mandatory clause is not applicable to the Company as the Article of Association of the Company did not entitle any rights to any Judicial person to appoint representatives in the Board of Directors. Therefore, this clause is not being implemented.

15.2 SAMA Insurance Corporate Governance Regulation:

All provisions of SAMA Insurance Corporate Governance Regulations were implemented during the year.

15.3 Corporate Governance Manual of MetLife AIG ANB:

All provisions of the Corporate Governance Manual of MetLife AIG ANB were implemented during the year except the following:

1. The General Assembly shall approve the dividends and the date of distribution (Article#2.6): given the fact that the reporting year is the third financial year and the Company did not generate any net profits, the Company did not distribute any dividends
2. MetLife-AIG-ANB is committed to adopting and implementing ERM (Section#6.5): Part of the Risk Management Strategy was not implemented due to the vacant position. However, the position was filled on Dec.28, 2016.
3. MetLife-AIG-ANB should implement the rules relevant to the recommendations published by the Financial Action Task Force (FATF), and should include detailed commitments and measures which must be taken by the MetLife-AIG-ANB to prevent money laundering and terrorist financing (Section#6.12): Part of the Anti-Money Laundering Strategy was not implemented due to the absence of dedicated MLRO. The company confirms that the current available resources and controls within the company over the ML and TF are sufficient and in line with the size of the business, types of products, and types of targeted clients.
4. Checklists in the Appendix B of the Manual were not used: The Checklists are not applicable to the company and are not required in the insurance market. Accordingly, they will be removed from the manual upon obtaining the General Assembly approval on the updated manual.

16. Members of the Senior Management Team

Carl Tachdjian	
Date of Appointment:	November 2013G
Position:	Managing Director and Chief Executive Officer
Age	41
Nationality	Lebanese
Education:	<ul style="list-style-type: none"> > Master's degree in Business Administration in 2000G from Thunderbird, School of Global Management, Arizona, USA > Bachelor's degree in Business Administration in 1997 from American University of Beirut, Beirut, Lebanon
Work Experience:	<ul style="list-style-type: none"> > Chief Executive Officer and Managing Director of MetLife AIG ANB Cooperative Insurance Company (a Saudi publicly listed company engaged in offering insurance products and services), Saudi Arabia since 2013G > General Manager (designate) of MetLife AIG ANB Cooperative Insurance Company (a Saudi publicly listed company engaged in offering insurance products and services), Saudi Arabia from 2012G to 2013G > Director, Bancassurance for Gulf Region of American Life Insurance Company, Dubai (a DIFC based branch of American Life Insurance Company - a limited liability corporation and wholly owned subsidiary of MetLife Inc., which is engaged in insurance business globally) from 2008G to 2012G > Manager, Bancassurance for Gulf Region at AIG's operations in Dubai (a US based publicly listed holding company offering insurance products and services globally) from 2005G to 2008G > Regional Business Development Manager, Bancassurance for AIG's operations in Dubai (a US based publicly listed holding company offering insurance products and services globally) from 2004G to 2005G > Management Associate at AIG, Dubai (a US based publicly listed holding company offering insurance products and services globally) from 2002G to 2004G > Management Associate at AIG, USA (a US based publicly listed holding company offering insurance products and services globally) from 2000G to 2002G

Osama Younis Al Khatib	
Date of Appointment:	2013G
Position:	Deputy CEO - General Insurance
Age:	50
Nationality:	Lebanese
Education:	<ul style="list-style-type: none"> > Advanced Diploma in 2014G from Chartered Insurance Institute (CII), London, United Kingdom > Professional Insurance Certificate in 2013G from Bahrain Institute of Banking and Finance, Bahrain > Bachelor's degree in Physics in 1994G from Lebanese University, Beirut, Lebanon
Work Experience:	<ul style="list-style-type: none"> > General Manager, AIG (a US based public listed holding company with more than 88 million customers in 130 countries), Saudi Arabia from 2009G to 2013G > Western Area Manager, AIG (a US based public listed holding company with more than 88 million customers in 130 countries), Saudi Arabia from 2008G to 2009G > Operations Manager at Arabia Insurance International Company (a branch of Arabic Insurance Company, Lebanon), Riyadh from 2007G to 2008G > Branch Manager at (a branch of Arabic Insurance Company, Lebanon), Riyadh from 2003G to 2006G > Assumed several positions at (a branch of Arabic Insurance Company, Lebanon), Riyadh from 1995G to 2003G > P&C Underwriting Audit on KSA branches of Arabia Insurance Company, Lebanon (an insurance company registered in Lebanon and obtained license in Saudi under new SAMA regulations and today known as Arabia Insurance Cooperative Company) from 1993G to 1995G

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Tarek Fouad Al Chami	
Date of Appointment:	2013G
Position:	Board Secretary & Chief Operating Officer
Age	50
Nationality	Lebanese
Education:	<ul style="list-style-type: none"> > Fellow of Life Management Institute, LOMA, US since 2004G > Bachelor's degree in Health Sciences in 1989G from American University of Beirut, Beirut, Lebanon
Work Experience:	<ul style="list-style-type: none"> > Chief Operating Officer of MetLife AIG ANB Cooperative Insurance Company (a Saudi publicly listed company engaged in offering insurance products and services), Saudi Arabia since 2013G > Chief Operating Officer of American Life Insurance Company (a wholly owned subsidiary of MetLife and a global leader in protection and savings insurance incorporated in 1921G), based in Saudi Arabia from 2007G to 2013G > Chief Operating Officer for Gulf Region of American Life Insurance Company (a wholly owned subsidiary of MetLife and a global leader in protection and savings insurance incorporated in 1921G), based in Dubai from 2006G to 2007G > Held various positions in administration and operations in the Gulf Region of American Life Insurance Company (a wholly owned subsidiary of MetLife and a global leader in protection and savings insurance incorporated in 1921G), Dubai from 1997G to 2005G

Saif Sami Abbasi	
Date of Appointment:	2014G
Position:	Chief Financial Officer
Age:	38
Nationality:	Jordanian
Education:	<ul style="list-style-type: none"> > Bachelor's degree in Accounting in 2000G from University of Jordan, Amman, Jordan
Work Experience:	<ul style="list-style-type: none"> > Chief Financial Officer of MetLife (a US based public listed holding company for Metropolitan Life Insurance Company), Jordan & PNA from 2010G to 2013G > Internal Auditor at MetLife (a US based public listed holding company for Metropolitan Life Insurance Company), Jordan & PNA from 2002G to 2010G

Mazin Abdullah Al-Faris	
Date of Appointment:	2013G
Position:	Chief Compliance Officer
Age:	45
Nationality:	Saudi
Education:	<ul style="list-style-type: none"> > Certified Compliance Officer by American Academy of Financial Management since 2008G > Bachelor's degree in Banking and Finance in 2003G from University of Bahrain, Bahrain
Work Experience:	<ul style="list-style-type: none"> > Chief Compliance Officer of Saudi United Cooperative Insurance Company (Wala'a) (a Saudi listed entity engaged in providing insurance products and services) from 2008G to 2013G > Held positions as Patient Relations Manager and Senior Accountant at Mouwasat Hospital (a Saudi listed entity engaged in providing health care services), Qatif from 2003G to 2007G > Head of Dammam International Trade Center in Arab National Bank (a major commercial bank based in Riyadh, Saudi Arabia and listed on the Saudi Stock Exchange), Dammam from 2001G to 2001G > Held various position (Manager Trade Products Division, Assistant Manager Trade Products, Supervisor LC's unit. etc.) at Samba Financial Group (a major commercial bank based in Riyadh, Saudi Arabia and listed on the Saudi Stock Exchange) from 1990G to 2000G

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Mohammed Bakhurji	
Date of Appointment:	2013G
Position:	Project Manager
Age:	33
Nationality:	Saudi
Education:	<ul style="list-style-type: none"> > Bachelor of Engineering with Honors in Aircraft Engineering in 2006G from Kingston University, London, United Kingdom
Work Experience:	<ul style="list-style-type: none"> > Reliability Manager and Deputy Engineering Manager at NASTech (a subsidiary of NAS Holding, a closed joint stock company engaged in providing Aviation Engineering and Maintenance solutions and services), Saudi Arabia from 2011G to 2013G > Senior Systems Engineer at BAE Systems Saudi Arabia (a limited liability company responsible for all aspects of BAE Systems PLC's activities in Saudi Arabia) from 2008G to 2011G > Support Engineer at BAE Systems Saudi Arabia (a limited liability company responsible for all aspects of BAE Systems PLCs' activities in Saudi Arabia) from 2007G to 2008G

Diana M. Orabi	
Date of Appointment:	2013G
Position:	Director, Human Resource
Age:	43
Nationality:	Saudi
Education:	<ul style="list-style-type: none"> > Bachelor's degree in Business Administration in 2011G from British Open University, United Kingdom > Diploma in Business Administration in 1994G from Al-Khaleejia Institute, Riyadh
Work Experience:	<ul style="list-style-type: none"> > Divisional HR Manager for HLG Leighton, Middle East (a limited liability company engaged in construction and contracting services), Saudi Arabia from 2012G to 2013G > Director HR at Alfaisal University (a private, non-profit and research university based in Riyadh), Saudi Arabia from 2006G to 2012G > Design & Construction Supervisor at Kingdom Holding Company (a diversified investment conglomerate listed on Saudi Stock Exchange) from 2005G to 2006G > Manager Human Resource & Administration at Sima Malak & Al Samoure Design Associates (a limited liability company engaged in design consultancy), Saudi Arabia from 2000G to 2005G > Held other executive administrative positions at Al Nahda Society (a non-profit organization for empowering women through financial & social support), Riyadh from 1997G to 1999G

17. Offices Held by Company's Directors in JSC's & Board of Directors Composition

No	Member name	Responsibilities	Classification	Directorships
1	Ramzi AbuKhadra	Chairman	Independent	1. MetLife AIG ANB Cooperative insurance Company
2	Lama Al hajj Ibrahim	Vice Chairman	Non-Executive	1. MetLife AIG ANB Cooperative insurance Company
3	Julio Garcia Villalon	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative insurance Company
4	Youil Homs	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative insurance Company
5	Carl Tachdjian	Board Member	Executive	1. MetLife AIG ANB Cooperative insurance Company
6	Robert Eid	Board Member	Non-Executive	1. Arab National Bank- Saudi Arabia. 2. Saudi Home Loans 3. Arab National Investment Company – Saudi Arabia 4. MetLife AIG ANB Cooperative insurance Company
7	Nizar Al Twaijri	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative Insurance Company. 2. Al Arabi Heavy Equipment Leasing Company
8	Suliman Al Sayyari	Board Member	Independent	1. MetLife AIG ANB Cooperative insurance Company
9	Abdul Mohsen Al Touq	Board Member	Independent	1. Saudi Company for Hardwares (SACO) 2. MetLife AIG ANB Cooperative insurance Company
10	Khalid Al Yahya	Board Member	Independent	1. Al Rajhi Capital 2. MetLife AIG ANB Cooperative insurance Company
11	Asif Iqbal	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative insurance Company

*The term of Board of Directors was started on 29/8/2016 and continues for 3 years.

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18. Board and Committees

Board of Directors Meeting for 2016 and attendance sheet:

Board of Directors held 4 meetings starting from 16th of Feb, 2016 till end of 2016, the attendance sheet as follows:

Member Name	2016				Total 2016
	1st Meeting 16/2/2016	2nd Meeting 19/4/2016	3rd Meeting 6/9/2016	4th Meeting 23/11/2016	
Ramzi AbuKhadra	✓	✓	✓	✓	4
Lama Al hajj Ibrahim	✓	✓		✓	3
Julio Garcia Villalon	✓	✓	✓	✓	4
Youil Homsy	✓	✓	✓		3
Carl Tachdjian	✓	✓	✓	✓	4
Robert Eid	✓	✓			2
*Nizar Al Twaijri				✓	1
Suliman Al Sayyari	✓	✓	✓	✓	4
Abdul Mohsen Al Touq	✓	✓		✓	3
Khalid Al Yahya	✓	✓	✓	✓	4
Asif Iqbal			✓	✓	2

* Has been appointed on 29th of Aug 2016

Executive Committee:

The Executive Committee comprises of five (5) members of Board of Directors and its quorum is completed in the case of the presence of at least three of the five members of the Committee.

The duties and responsibilities of the Executive Committee include the following:

- Make recommendations to the Board of Directors in regards to the topics raised by the executive management of the Company, and determines which of those shall be referred to the Board.
- Review the annual Business Plan and budgets of the Company before submission to the Board for approval.
- Approve the organization chart of the CEO, the Two Deputy CEOs and their direct reports.

During the period of this report, the Committee met six (6) times, as shown in the below table:

Committee Members	Role	No. of meetings Attended during 2016
Julio Garcia Villalon	Chairman / Non Executive	6
Carl Tachdjian	Member / Executive	6
*Robert Eid	Member / Non Executive	3
**Nizar Al Twaijri	Member / Non Executive	0
Asif Iqbal	Member / Non Executive	4

*3rd meeting was partially attended.

** Has been appointed on 6/9/2016.

Nomination and Remuneration Committee:

Nomination and Remuneration Committee comprises of Five (5) members from Board of Directors and its quorum shall consist of three (3) of its members, attending in person or by proxy.

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

- Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards. The committee shall ensure that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership.
- Review annually the requirement of suitable skills for membership of the Board of Directors and preparation of the required capabilities and qualifications for such membership.
- Review the structure of the Board and recommend change.
- Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the Company's interest.
- Ensure on annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another Company.

During the period of this report, the Committee met two (2) times as shown in the below table:

Committee Members	Role	No. of meetings Attended during 2016
Khalid Al Yahya	Chairman / Independent	2
Youil Homsy	Member / Non Executive	2
Asif Iqbal	Member / Non Executive	2
Ramzi Abu Khadra	Member / Independent	2
*Nizar Al Twaijri	Member / Non Executive	0

*Has been appointed on 6/9/2016

Audit Committee:

The Audit Committee comprises of Three (3) members and its quorum shall not be less than two (2) members of the Committee.

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

- Supervise the Company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- Recommend to the Board of Directors the appointment and remuneration of external auditors. Upon any such recommendation, considerations must be made to their independence.
- Review the interim and annual financial statements prior to presentation to the Board of Directors, and give opinion and recommendations with respect thereto.
- Review the accounting policies in force and advise the Board of Directors of any related recommendation.

During the period of this report, the Committee met Six (6) times, as shown in the below table:

Committee Members	Role	No. of meetings Attended during 2016
*Husain Al Ajmi	Chairman/ Independent	3
Suliman Al-Sayyari	Member / Independent	6
**Abdulla Al Anizi	Member / Independent	3

*Has been appointed by the Board on 7/4/2016

**Has been appointed by the Board on 5/5/2016

Risk Management Committee:

The Risk Management Committee comprises of Three (3) members and its quorum shall not be less than two (2) members of the Committee

The duties and responsibilities of the Risk Management Committee include the following:

- Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- Review promptly all reports on the Company from the Chief Risk Officer;
- Review and monitor management's responsiveness to the findings and recommendations of the Chief Risk Officer;
- Review the objectives of the Enterprise Risk Management and the Chief Risk Officer.

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During the period of this report, the Committee met Two (2) times, as shown in the below table:

Committee Members	Role	No. of meetings Attended during 2016
Youil Homsy	Chairman/ Non- executive	2
Asif Iqbal	Member/ Non- executive	2
*Nizar Al Twaijri	Member/ Non- executive	0

*Has been appointed on 6/9/2016.

Investment Committee:

The Investment Committee comprises of Three (3) members and its quorum is at least 2/3 of the Committee members are present, attending in person or by proxy

The duties and responsibilities of the Risk Management Committee include the following:

- Ensuring compliance with the provisions as stated in the Company's Articles as well as the applicable provisions of the prevalent laws, rules and regulations in all investment activities undertaken by the Company;
- Approving investment and reinvestment of the funds. The Investment Committee may delegate investment functions to officers and employees of the Company, and to external investment managers;
- Developing selection criteria, identifying and selecting the Company's Investment Managers / consultants and periodically reviewing their performance and also approve their termination
- Evaluating investment performance of the fund based on a comparison of actual returns with the Company's absolute return objective, and with such other benchmarks as the Board or Investment Committee may from time to time select. The evaluation will take into account compliance with investment policies, guidelines and risk levels;

During the period of this report, the Committee met Two (2) times, as shown in the below table:

Committee Members	Role	No. of meetings Attended during 2016
Abdul Mohsen Al Touq	Chairman/ Independent	2
Carl Tachdjian	Member/ executive	2
*Nizar Al Twaijri	Member/ Non- executive	1

*Has been appointed on 6/9/2016.

19. Compensation Paid to Directors and Senior Executives

Annual general assembly meeting held on 11-May-2016 (correspondent 04-08-1437 H) approved payments to Board of Directors and its committees which represent the setting fees and annual remuneration for the period from 01-January-2015 up to 31-December- 2015 and expenses of 2016 that paid in 2016, detailed as follows:

Name	Position	Annual Fees	Attendance fees	Expenses	Total Paid in 2016
Ramzi Abukhadra	Chairman	180,000	12,000	24,989	216,989
Lama Al Hajj Ibrahim	Board Member	120,000	9,000	0	129,000
Suliman Al-Sayyari	Board Member	120,000	15,000	0	135,000
Abdul Mohsen Altouq	Board Member	120,000	6,000	0	126,000
Khalid Alyahya	Board Member	120,000	13,500	21,354	154,854
Julio Garcia Villalon	Board Member	0	0	6,464	6,464
Youil Homsy	Board Member	0	0	7,228	7,228
Asif Iqbal	Board Member	0	0	15,187	15,187
Carl Tachdjian	Executive Board Member	0	0	0	0
Nizar Al Twaijri	Board Member	0	0	0	0
Robert Eid	Board Member	0	0	0	0
Total Paid in 2016		660,000	55,500	75,222	790,722

Additionally, the total compensation paid to Executive Board members who are also members of the management team or workforce during 2016 is SAR 1,737,157.

There is an agreement under which directors and senior executives who are working with the founding shareholders have waived the Board membership annual remuneration and meeting attendance allowance for Board of Directors and Board Committees members as shown below:

		Names	Annual Remuneration	Meeting Attendance Allowance(per meeting)
Board of Directors	Chairman of the Board	Ramzi AbuKhadra	180,000	3000
	Board of Directors members non-working with the founding Shareholders	Lama Al hajj Ibrahim, Suliman Al Sayyari, Abdul Mohsen Al Touq, Khalid Al Yahya	120,000	3000
	Board of Directors members working with the founding Shareholders	Julio Garcia Villalon, Youil Homs, Carl Tachdjian, Robert Eid, Nizar Al Twaijri, Asif Iqbal	0	0
Board Committees	Executive Committee(All members are working with the founding shareholders)	Julio Garcia Villalon, Carl Tachdjian, Robert Eid, Nizar Al Twaijri ,Asif Iqbal	0	0
	Audit Committee-independent members non Board of Directors	Husain Al Ajmi	100,000	1500
		Abdulla Al Anizi	75,000	1500
	Audit Committee-independent members from Board of Directors	Suliman Al Sayyari	0	1500
	Nomination and Remuneration Committee - independent members from Board of Directors	Khalid Al Yahya, Ramzi Abukhadra	0	1500
	Nomination and Remuneration Committee -members working with the founding shareholder	Youil Homs, Asif Iqbal, Nizar Al Twaijri	0	0
	Risk Management Committee (All members are working with the founding shareholders)	Youil Homs, Nizar Al Twaijri , Asif Iqbal	0	0
	Investment Committee-independent members from Board of Directors	Abdul Mohsen Al Touq	0	1500
	Investment Committee-members working with the founding shareholder	Carl Tachdjian, Nizar Al Twaijri	0	0

Additionally, there are no arrangements or agreements under which a shareholder of the issuer has waived any rights to dividends.

The following table details the compensation and remuneration paid to the Top five executives including the Chief Executive Officer & the Chief Financial Officer during 2016:

Description	Top Five Senior Executives (including CEO and CFO)
Salaries	3,539,892
Allowances	1,068,700*
Bonuses	947,743

*The CEO's housing is covered by the Company

20. Penalty / Preventive Restriction

During 2016, there was no penalties imposed on the Company.

21. Internal Control

The Board is responsible for promoting the long term success of the company for the benefit of its shareholders. Part of this is ensuring the company has an appropriate system of governance in place including frameworks for risk management and internal control using the 'five lines of defense' model.

The internal control procedures and their effectiveness are of prime importance and play a central role in assisting the company to achieve its strategic objectives. In depth monitoring of the establishment and operation of prudent effective controls in order to assess and manage the risks associated with the company's operations is delegated to the Audit Committee which reports regularly to the Board. However, the Board retains ultimate responsibility for the company's systems of internal controls and their effectiveness.

The company maintains an Internal Controls Manual, which includes detailed procedures in relation to Risk Management, Internal Audit, Compliance and the Audit Committee. This manual covers the company's procedures in relation to Ethical Conduct, Anti-Fraud, Anti-Money Laundering and Combatting Terrorist Financing, in addition to dealing with securities and confidential reporting practices.

Management is responsible for the application of the risk management framework, for implementing and monitoring the operation of the system of internal control and for providing assurance to the Audit Committee and the Board. The Chief Executive Officer (CEO) is responsible for the implementation of the strategies, plans and policies, the monitoring of the operational and financial performance and assessment and control of financial, business and operational risks and the maintenance and ongoing development of a robust control framework and environment within the company.

Management oversees the quantitative and qualitative oversight and challenge of the identification, measurement, monitoring and reporting of significant risks and for continued development of the risk management framework. This is primarily through the regular senior management meeting chaired by the CEO.

The Internal Control structure also includes the Compliance and Actuarial functions. The Actuarial function is responsible for the company's actuarial methodology, reporting on the adequacy of reserves and capital requirements and on the adequacy of the underwriting and re-insurance arrangements. The Compliance function supports and advises the business on the identification, measurement and management of its regulatory, financial crime and conduct risks. In addition, the Compliance function is accountable for maintaining the compliance standards and framework within which the company operates and monitoring and reporting on its compliance risk profile.

The Internal Audit function provides independent and objective assessment on the robustness of the risk management framework and the appropriateness and effectiveness of internal control to the Audit Committee.

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The following are the key duties performed by the Audit Committee in the year:

1. The Audit Committee undertook its role in respect of the following main areas:
 - Financial statements and accounting policies
 - Internal controls
 - Oversight of the Internal Audit function, and,
 - Oversight of the External Audit function.
2. The Audit Committee reviewed the key assumptions used in preparing the financial statements and challenged those subjective assumptions having a material impact on the financial statements and financial reporting by the company. The Audit Committee placed particular emphasis on the fair presentation, reasonableness of the judgment factors applied, and the appropriateness of significant accounting policies used in their preparation.
3. The Audit Committee received, reviewed and discussed the risk control self-assessment for all activities of the company, challenging the level of risk associated with individual risks identified and the completeness of the main risks. This formed the basis for the annual internal audit plan which was discussed, challenged and adopted.
4. The Audit Committee received and reviewed reports covering the 2016 annual audit plan, discussed the key findings and challenged management with respect to the remedial action and planned timeframe to resolve the issues raised by internal audit.
5. The Audit Committee received and reviewed reports from the Compliance Function and monitored the clearance of issues raised in the reports.
6. The Audit Committee submitted the minutes of the meetings to the Board of Directors. The Audit Committee also reported that it was satisfied that the company's internal control procedures are based on a solid and professional framework that is being implemented efficiently and that all necessary actions have been or are being taken as remedial measures to rectify failings and weaknesses reported to it during the year.