

Metlife – AIG – ANB Cooperative Insurance Company

Report of the Board of Directors For the Year Ending 31 December 2014

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@anbinsurance.com.sa

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Message from the Chairman of the Board of Directors:

Dear Shareholders;

Our first year of full operations has come to a close and I am happy to share with you our financial and operational results for the year. 2014 has not been without its challenges, however, under the auspices of an active board and more importantly the careful guidance of a proactive and hard-working management team we have been able to better equip the Company with the arsenal it needs to establish it as one of the key insurance providers in the Saudi market.

The challenges this year varied from needing to obtain the necessary regulatory licenses to fully operate in the country, to finding, attracting and engaging the best talent to help us with the execution of our business plan. We have made progress on the regulatory front, however, continue to work closely with SAMA to obtain approvals for the wide range of products that we plan to offer in the market in the near future. We have also been successful with our recruitment goals, having engaged a selection of the industries brightest professionals that we are confident will position the Company for a successful 2015. I am also glad to highlight the advancement achieved with our Saudization strategy and that our rate is in line with initial recruitment targets and that we are striving to increase it going forward. This is testimony to our commitment to the local market and reinforces our long term vision of recruiting and developing the best Saudi workforce as we energetically stride towards building a world-class management and execution team under the leadership of our Saudi talent.

After temporarily relocating our offices as a result of a necessary evacuation from our permanent offices due to 2 successive fires and an extensive repair program of the building, our permanent offices on King Fahd Highway are once again operational and all essential personal have relocated back to the original headquarters of the Company.

We have fallen short of our sales targets for 2014, however, this has been attributed predominantly to the timing of receiving the necessary product approvals from the regulatory authority despite SAMA working actively with our team to finalize all requirements related to our diverse product portfolio. We have also continued to refine and adjust our sales strategies to cater to a highly fluid market environment where product pricing is in a state of flux as it reacts to SAMA's revised actuarial requirements which necessitate the establishment of stringent parameters aimed at curbing excessive price cutting by insurance companies. This phenomenon has worked in our favor as we are a recent entrant into this market and have a clean balance sheet. Our proactive management team have also applied strict measures towards spending throughout the year, managing to significantly reduce expenses to levels well below those initially budgeted and preserving as much of the Company's capital as possible.

As we embark on 2015, we will continue to face challenges; however, the Company is better equipped to handle these challenges as a result of the upfront work achieved in 2014. Our aim is to position the Company as a leader in product innovation and quality of service. We intend to provide value to our clients by being selective ensuring their interests are safeguarded while protecting our financial performance. We believe that our management, as the primary tool of execution, is well equipped to handle the challenges of 2015.

The new, more stringent regulations under implementation by SAMA which aims to ensure that all insurance companies build a stronger balance sheet to protect both the Company's shareholders and its stakeholders is another key shareholder item that we will also consider in 2015 after completing our analysis of the business going forward.

In conclusion, I want to thank you for being part of our Company and hope that our endeavors to date and going forward will best serve your longer term interests as shareholders in the Company. Our gratitude also goes to the various regulators in the country and SAMA specifically for continuing to back our efforts. Most importantly we thank the government and leaders of the Kingdom of Saudi Arabia for providing us with the opportunity and environment to serve the country and its needs in the insurance industry.

My best regards and hopes for a successful and prosperous 2015.

Ramzi Abukhadra

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Message from the Chief Executive Officer

It is my pleasure to present the Annual Report for 2014, which include the Board of Directors Report, the Auditors' Report, and the audited Financial Statements for the period ended in December 31, 2014.

2014 was a significant year for the Company at all levels, specifically in building the foundation of the Company. In spite of the internal and external challenges the Company was able to implement most of its approved plans for this year, first of which getting the license to sell 24 insurance products including General Insurance, Health Insurance and Group Life Insurance. The Company received the Saudi Arabian Monetary Agency approval on 03/04/2014 for the General Insurance products and on 11/09/2014 for Health Insurance and Group Life products and eventually the Company was granted the CCHI approval to sell Group Health Insurance on 06/11/2014

During 2014 many strategic projects and initiatives were implemented, including:

- Building up a strong team through attracting the best technical skills in the Saudi market and from the founding shareholders to ensure the readiness of the Company and set up a successful 2015
- Adoption of the updated Strategy and Business Plan for 2015-2018
- The adoption of the investment policy of the Company in accordance with the requirements of the Saudi Arabian Monetary Agency.
- Reviewing of the capital requirements to maintain the solvency margin required by regulators.
- Evaluation of technical reserves and the financial position of the Company.

With regard to operating activities, the Company signed, during 2014, the contracts with accredited providers of local medical services, and developed the medical insurance IT systems. The Company also signed contracts with most of the approved insurance brokers in KSA, and the Arab National Bank Insurance Agency as key distributor. The Company is currently working on strengthening the relationship with these insurance intermediaries, and continues enhancing their awareness of our products that have been approved for selling. The Company also got SAMA approval to open a regional office in Western Region at Jeddah on 09/12/2014 and currently working on obtaining SAMA approval to open another regional office in Eastern Region at Al-Khobar.

Due to the intensity of competition in the market prices and the lack of Motor insurance products, the Company has not been able to achieve the expected sales volume. As for the Health Insurance, the Company has received approval from CCHI at the end of the fourth quarter and the Company did not have enough time to start selling. Despite these challenges, the Company has been able, from the date of products approval by regulators until the end of the year, to achieve written insurance premiums 5.7 million Riyals, while net claims incurred 288 thousands Riyals, and the net loss from insurance operations 20 million Riyal. The Company's investments were 91 million Riyals with an average rate of 0.62% and shareholders' funds income investments was 793 thousand Riyals, as for the net loss of shareholders reached 44.9 million Riyals.

2015 will be a year of growth and we expect the Company to have greater market share, based on the plans that have been set to strengthen the Company's position and support excellence both at the level of products and services. Among these plans is to get the approval from the Saudi Arabian Monetary Agency for new insurance products, most of which is the Auto Insurance and individual Protection and Savings Insurance and to activate the bancassurance for both individual and corporate clients in addition to strengthening the Company's relationships with insurance brokers working in KSA.

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 challenges facing the Saudi insurance industry. 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 their related investment activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations applicable in the Kingdom of Saudi Arabia.

2.Financial Performance

Assets and Liabilities as at 31st December, 2014 (First Financial Year)

	<u>SR</u>
INSURANCE OPERATIONS' ASSETS	
Cash and cash equivalents	2,238,414
Premiums receivable, net	3,421,552
Reinsurers' commission receivable	1,016,704
Reinsurers' share of unearned premiums	3,374,580
Reinsurers' share of outstanding claims	499,799
Deferred policy acquisition costs	469,688
Prepaid expenses and other assets	2,844,286
Property and equipment, net	8,054,849
TOTAL INSURANCE OPERATIONS' ASSETS	<u>21,919,872</u>
SHAREHOLDERS' ASSETS	
Cash and cash equivalents	11,157,980
Due from insurance operations	5,028,658
Prepaid expenses and other assets	113,623
Time deposits	85,000,000
Available for sale investments	3,175,163
Statutory deposit	17,500,000
TOTAL SHAREHOLDERS' ASSETS	<u>121,975,424</u>
TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS	<u>143,895,296</u>
INSURANCE OPERATIONS' LIABILITIES	
Gross unearned premiums	4,709,142
Outstanding claims	787,530
Payables, accruals and others	4,362,884
Reinsurance balances payable	3,944,417
Unearned reinsurance commission income	881,472
Due to related parties	1,822,887
Due to shareholders' operations	5,028,658
Employees' terminal benefits	382,882
TOTAL INSURANCE OPERATIONS' LIABILITIES	<u>21,919,872</u>
SHAREHOLDERS' LIABILITIES AND EQUITY	
SHAREHOLDERS' LIABILITIES	
Zakat	-
Payables, accruals and others	1,286,173
TOTAL SHAREHOLDERS' LIABILITIES	<u>1,286,173</u>

SHAREHOLDERS' EQUITY

Share capital	175,000,000
Accumulated deficit	<u>(54,310,749)</u>
TOTAL SHAREHOLDERS' EQUITY	120,689,251
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	121,975,424
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY	143,895,296

SUMMARY INCOME STATEMENT

For the period from 29 August 2013 to 31 December 2014

SR

Gross written premiums	5,741,138
NET EARNED PREMIUMS	298,571
UNDERWRITING REVENUE	471,110
NET CLAIMS INCURRED	(287,731)
General and administration expenses	(20,294,150)
NET DEFICIT FOR THE PERIOD FROM INSURANCE OPERATION	(20,285,809)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(44,913,809)

SEGMENT INFORMATION

For the period from 29 August 2013 to 31 December 2014

	<i>Accident and Liability SR</i>	<i>Property SR</i>	<i>Engineering SR</i>	<i>Other General Insurance SR</i>	<i>Health Insurance SR</i>	<i>Total SR</i>
Gross written premiums	2,343,127	719,460	316,350	1,387,934	974,267	5,741,138
Reinsurance premiums ceded	<u>(2,166,408)</u>	<u>(716,459)</u>	<u>(313,977)</u>	<u>(895,292)</u>	<u>(15,869)</u>	<u>(4,108,005)</u>
Net written premiums	176,719	3,001	2,373	492,642	958,398	1,633,133
Net changes in unearned premiums	<u>(130,673)</u>	<u>(1,704)</u>	<u>(2,362)</u>	<u>(320,197)</u>	<u>(879,626)</u>	<u>(1,334,562)</u>
Net earned premiums	46,046	1,297	11	172,445	78,772	298,571
Reinsurance commission income	123,061	47,887	439	-	652	172,039
Other income, net	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total underwriting revenue	<u>169,107</u>	<u>49,684</u>	<u>450</u>	<u>172,445</u>	<u>79,424</u>	<u>471,110</u>
Changes in outstanding claims	(401,523)	(140,963)	(1,142)	(181,067)	(62,835)	(787,530)
Reinsurers' share of outstanding claims	<u>357,943</u>	<u>139,745</u>	<u>1,133</u>	<u>-</u>	<u>978</u>	<u>499,799</u>
Net claims incurred	(43,580)	(1,218)	(9)	(181,067)	(61,857)	(287,731)
Policy acquisition costs	(73,841)	(28,031)	(228)	(34,489)	-	(136,589)
Inspection and supervisory fees	<u>(11,716)</u>	<u>(3,597)</u>	<u>(1,582)</u>	<u>(6,940)</u>	<u>(14,614)</u>	<u>(38,449)</u>
Total underwriting expenses	<u>(129,137)</u>	<u>(32,846)</u>	<u>(1,819)</u>	<u>(222,496)</u>	<u>(76,471)</u>	<u>(462,769)</u>
Underwriting result	<u>39,970</u>	<u>16,838</u>	<u>(1,369)</u>	<u>(50,051)</u>	<u>2,953</u>	8,341
Unallocated expenses						<u>(20,294,150)</u>
Net deficit for the period from insurance operations						<u>(20,285,809)</u>

3. Significant Plans, Decisions and Future Prospects

As the Company is still in its early operational stage, opening three branches in the main regions in 2015 is a key plan to allow for growth and better customer service. The management seeks to leverage the approval it recently received to sell group medical benefits and increase its market share in this line. In order to do so the Company will have dedicated regional sales managers focusing on the Group sales. In addition, having the Motor insurance approved will contribute positively to the overall Company sales performance.

The bank retail sales is a key channel for the insurance Company and the management is keen on developing this channel once it receives the Protection and Savings (P&S) product approval. The management is working closely with the bank agency and the retail bank management to establish all needed infrastructure that will support the retail business.

4. Risks Faced by the Company

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

1) Financial risk: Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and cash equivalents, receivables, investment and accrued income. Its financial liabilities consist of accrued expenses, other liabilities gross outstanding claims.

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest..

The fair value of the Company's cash and cash equivalents, time deposits and accrued expenses and other payables are not materially different from their carrying values.

2) 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 recognized, 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 ongoing basis in order to reduce the Company's exposure to bad debts.
- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's investments mainly comprise of time deposits with local commercial banks with investment grade credit rating. The Company does not have an internal grading mechanism for investments. The Company limits its credit risk on investments by setting out a maximum exposure limit for each bank based on its credit rating.

3) Liquidity risk: Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All liabilities on the Company's statement of financial position, other than employees' terminal benefits, are contractually payable on a current basis.

4) Market price 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 available for sale investments whose values will fluctuate as a result of changes in market prices.

- 5) Commission rate risk: Special commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant exposure to special commission rate risk.
- 6) Foreign 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 to the Saudi Riyal. Foreign exchange gains and losses are not significant and have not been disclosed separately.

- 7) 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 accident and liability, property, marine, engineering, energy, extended warranty and health insurance. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia. The Company's insurance business is managed and priced at head office level. The Company undertakes a quarterly review of their insurance risks of all line of business. The Executive Team monitors and develops the management of insurance risk in the insurance business, and assesses the aggregate risk exposure. In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes.

- 8) Capital management: Objectives are set by the Company to maintain healthy 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.

In the opinion of the board of directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

- 9) Strategic risk: Strategic risk is explicitly considered throughout strategic review and planning process. The Company closely monitors regulatory, legal and fiscal developments as well as actively engaging with external bodies to share the benefit of expertise in supporting responses to emerging risks to challenge developments that could be damaging to business and the industry as a whole.
- 10) Operational risk: Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

11) Regulatory risk: The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

12) Tertiary Risk: Major risk the Company is facing is the delay in product approval and further delays will reduce the insurance Company capabilities in utilizing multiple distribution channel to diversify its product portfolio.

5. Geographical Operations

The Company has transacted insurance business in the Central region only.

6. Material Variations from the Previous Year

As the Company was incorporated on August 29th 2013 and received its insurance license from SAMA on March 3rd 2014 there is no available comparative information from the previous year.

7. 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.

8. 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 profits 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.

9. 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 Al Sayyari	0	0	5000	0	5000	0.028%	100%

10. Significant Interest in a Class of Voting Shares

There is no person who owns 5% or more from 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 last financial year 2013/2014

11. Borrowings, Issue / Redemption of Securities

During 2014, there are no loans, whether payable on demand or otherwise, and the Company did not pay any amount in settlement of loans.

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

12. Related Party Transactions

During 2014 there were some contracts where the Company was a party and some Board members have an interest as representative 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 Contract:

Type and duration of the Contract	Value	Related Parties	Interested person
Reinsurance Treaties for one year	Value of contract depends on the size of business and product type	Delaware American Life Insurance Company , American International overseas Association, National union fire insurance Company of Pittsburgh New Hampshire Insurance Company , American Home Insurance Company	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian, Asif Iqbal
Technical Service Agreement for 5 years	Up to USD 1,000,000 per annum each	American Life Insurance Company , Chartis Mems Holdings Inc	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian, Asif Iqbal
Bancassurance Distribution Agreement and will continue as long as the Company exist or cancel by mutual agreement	Value of contract depends on the size of business and product type	Arab National Bank ANB Insurance Agency	Board Members: Robrt Eid, Abdulla Al Khalifa
Trade mark agreement and will continue as long as	Free contract	Metropolitan Life Insurance Company and American Life	Vice Chairman: Lama Al Hajj

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the Company exist or cancel by mutual agreement		insurance Company or any of their subsidiaries or sister companies, American international Group or any of its subsidiaries or sister companies, Arab National Bank or any of its subsidiaries or sister companies	Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian, Asif Iqbal, Robrt Eid, Abdulla Al Khalifa
Computer Technical Software License Agreement	USD 250,000	American Life Insurance Company or any of its subsidiaries or sister companies	Vice Chairman: Lama Al Hajj Ibrahim Board Members: Julio Garcia Villalon, Youil Homs, Carl Tachdjian

13. Statutory Dues and Payments

There were outstanding statutory payments by end of 2014, distributed as follows:

Description	Reasons	SR
Saudi Arabian Monetary Agency (SAMA)	Supervision fees	18,765
Council of Cooperative health Insurance (CCHI)		9,743
Social Insurance – GOSI	December – 2014 GOSI payable	72,934

14. Employees Benefits

The Company confirms that there were no investments made or any other reserves established for the benefit of the employees for the subject year.

15. Statements of Affirmation

METLIFE, AMERICAN INTERNATIONAL GROUP AND ARAB NATIONAL BANK COOPERATIVE

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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 2014, 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 2014.

- 4) There are no conversion or subscription rights under any convertible debt instruments, options, warrants or similar rights issued or granted by the Company during 2014.

16. Continuation of External Auditors

The board of directors did not recommend that the external auditors should be changed before the elapse of the term it is appointed for.

17. Corporate Governance

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

- 1- *Accumulative voting method for nomination of board members in the General Assembly [Article#6 (b)]:* The method of voting for nomination of the board members is specified in the Company's articles of association to be the Accumulative voting method, however, this was not applied as the current Board of Directors is the first appointed Board of Directors for the Company in its first financial year. The Company confirms that accumulative voting method will be applied at the General Assembly in voting for the nomination to the board members upon expiration of current Board of Directors term of office.

- 2- *The General Assembly shall approve the dividends and the date of distribution [Article#7 (b)]:* given the fact that the reporting year is the first financial year and the Company did not generate any net profits, the Company did not distribute any dividends.

- 3- *Company's Auditors report of the activities and contracts in respect of which a Board member may have a personal interest [Article#18 (a)]:* The Company's auditors issue their report at the end of the financial period while the notification of the related party transaction took place in the General Assembly conducted during the financial period. The auditor's report will be attached in the renewal of the General Assembly approval.

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

No	Member name	Responsibilities	Classification	Board of other companies
1	Ramzi AbuKhadra	Chairman	Independent	1. The Kuwait Company for Process Plant Construction & Contracting (KCPC) 2. Mayasem Al Khaleej 3. 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 Homsj	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 2. Saudi home Loans 3. ANB Invest 4. MetLife AIG ANB Cooperative insurance Company

7	Abdullah Al Khalifa	Board Member	Non-Executive	1. MetLife AIG ANB Cooperative Insurance Company
8	Suliman Al Sayyari	Board Member	Independent	1. Swicorp, Riyadh 2. Arab-German Chamber of Commerce & Industry 3. MetLife AIG ANB Cooperative insurance Company
9	Abdul Mohsen Al Touq	Board Member	Independent	1. Saudi Fransi Capital 2. Dar Al Tamleek 3. Saudi Company for Hardwares (SACO) 4. 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

19. Board and Committees

Board of Directors Meeting for 2013 -2014 and attendance sheet:

Board of Directors held 5 meetings starting from Nov 6, 2013 till end of 2014, the attendance sheet as follows:

Member Name	2013	2014				Total 2013,2014
	1 st Meeting 06/11/2013	2 nd Meeting 26/03/2014	3 rd Meeting 18/06/2014	4 th Meeting 9/9/2014	5 th Meeting 1/12/2014	
Ramzi AbuKhadra	✓	✓	✓	✓	✓	5
Lama Al hajj Ibrahim	✓	✓	X	✓	✓	4
Julio Garcia Villalon	✓	✓	✓	✓	✓	5
Youil Homsy	✓	✓	✓	✓	X	4
Carl Tachdjian	✓	✓	✓	✓	✓	5
Robert Eid	✓	✓	X	✓	✓	4
Abdullah Al Khalifa	✓	X	✓	✓	✓	4
Suliman Al Sayyari	✓	✓	✓	✓	✓	5
Abdul Mohsen Al Touq	✓	✓	✓	X	✓	4
Khalid Al Yahya	✓	X	✓	X	✓	3
Asif Iqbal*	X	X	✓	✓	X	2

*has been appointed in 31/03/2014

Executive Committee:

The Executive Committee comprises of five (5) members of Board of Directors and its quorum shall consist of at least 2/3 of the Committee members attending.

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
Julio Garcia Villalon	Chairman	6
Carl Tachdjian	Member	6
Robert Eid	Member	4
Abdullah Al Khalifa	Member	4
Asif Iqbal*	Member	3

*has been appointed in 31/03/2014

Nomination and Remuneration Committee:

Nomination and Remuneration Committee comprises of three (3) members from Board of Directors and its quorum shall consist of a majority 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 three (3) times as shown in the below table:

Committee Members	Role	No. of meetings Attended
Abdullah Al Khalifa	Chairman	3
Youil Homsy	Member	3
Asif Iqbal	Member	3

Audit Committee:

The Audit Committee comprises of five (5) members and its quorum shall not be less than three (3) members, attending in person or by proxy.

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 two (2) times due to official approval from regulator on the formation of the committee received on June30, 2015, as shown in the below table:

Committee Members	Role	No. of meetings Attended
Khalid Al Yahya	Chairman	2
Majid Al Issa	Member	2
Abdul Mohsen Al Rayes	Member	1
Carol Glynn	Member	2
Arif AbdulAziz	Member	2

20. Compensation Paid to Directors and Senior Executives

The following table details the compensation and remuneration paid to the Top five executives including the CEO & the CFO

Total Paid Salaries & Compensation Allowances*	Total Paid Bonuses
5,960,912 - SAR	546,486 - SAR

The Company also confirm that no compensation and remuneration paid during the reporting year to the Chairman and members of the Board of Directors.

There is also 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, Abdullah Al Khalifa ,Asif Iqbal	0	0
Board Committees	Executive Committee(All members are working with the founding shareholders) Julio Garcia Villalon, Carl Tachdjian, Robert Eid, Abdullah Al Khalifa ,Asif Iqbal	0	0
	Audit Committee-independent members non Board of Directors Majid Al Issa	50,000	1500
	Audit Committee-independent members from Board of Directors Khalid Al Yahya	0	1500
	Audit Committee - members working with the founding Shareholders Arif AbdulAziz, Abdul Mohsen Al Rayes, Carol Glynn	0	0
	Nomination and Remuneration Committee (All members are working with the founding shareholder) Abdullah Al Khalifa, Youil Homs, Asif Iqbal	0	0

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

21. Penalty / Preventive Restriction

During 2014, there was no punishment, penalty or statutory or reserve restriction imposed on the Company by the Capital Market Authority (CMA) or any other supervisory, regulatory or judicial authority.

22. Internal Control

Results of the annual audit for the effectiveness of the internal control procedures:

The internal control procedures and their effectiveness are of great importance and play a crucial role in accomplishing the Company's overall short and long term strategic objectives. This is achieved by building an effective internal control system and monitoring and improving it continuously in line with the Company's performance and operations. Therefore, the Company has worked during its first financial year to develop an Internal Control Procedures Manual, which includes an array of detailed procedures related to Risk Management, Internal Audit, Compliance, and the Audit Committee. Furthermore, the Internal Control Procedures Manual includes procedures related to Ethical Conduct and Anti-Fraud and Anti-Money Laundering, in addition to dealing with securities and confidential reporting practices.

Despite the fact that the Company commenced its insurance business during the second quarter of 2014, the internal control activities commenced from day one of the Company's association by establishing the policies, framework, and programs of the Compliance, Internal Audit, and Risk Management departments in addition to establishing the Company's Corporate Governance Manual.

The Audit Committee has reviewed the subject policies and procedures with assistance from the Executive Committee and has recommended them to the Board of Directors for their approval and further referral to the General Assembly. This process was completed during the subject financial year.

The Compliance department has submitted its reports to the Audit Committee, which included some low risk findings that were addressed to senior management and subsequently rectified.

The following is a summary of the most important duties performed by the Audit Committee during the financial year:

- 1- Revision of the related parties' contracts; and
- 2- Revision of and approval of the compliance plan; and
- 3- Revision of the management Authority manual; and
- 4- Submission of the committee meeting minutes to the Board of Directors; and
- 5- Revision of the effectiveness of the internal control procedures that resulted in the committee's confidence of the internal control system and its environment. The committee also confirmed that the internal control procedures were built on a solid and professional basis and are being implemented efficiently.