

Allianz Saudi Fransi

Annual Report 2014

Chairman's Statements

Dear Shareholders,

It is my privilege to present, on behalf of the Board of Directors, the 7th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2014.

By capitalizing on our global expertise and local knowledge, we have always been focusing on profitable development. Such goal can only be achieved by maximizing the market opportunities and expanding our services to better serve our customers' needs.

During 2014, the Saudi insurance market witnessed intense competition among the market players and pricing factors were influential for the business activities. Despite this competitive environment, Allianz Saudi Fransi focused on profitable developments and succeeded in achieving the highest level of profitability in the history of the company.

The Company showed a Net Income of SAR 15.7 Million representing a 23% Growth compared to 2013, and this is result of a prudent and efficient underwriting policy as well as marketing and services initiatives that helped us attract new key customers.

Allianz Saudi Fransi was entrusted as one of the Riyadh Metro Project insurers. The company covers Phases 1 and 2 of the project. This demonstrates the trust of our local capabilities combined with the strength of renowned brands such as Allianz and Banque Saudi Fransi.

Thanks to the support of Banque Saudi Fransi, our Corporate Bancassurance channel showed important developments in terms of business and in terms of regional expansion. Such development allowed Allianz Saudi Fransi to strengthen the service provided to the bank's customers.

With respect to specialty business, the company focused on developing its capabilities in terms of Credit Insurance. Double-digit growth was recorded in that line of business thanks to the improvement of our sales capacity especially in Eastern and Western regions.

In 2015 the company will further focus on developing its distribution channels including digital services. Our plans are focusing on profitable growth development to be amongst one of the leading Insurance companies in the Kingdom. We aim at fulfilling Retail and Corporate customer needs with modern and innovative insurance solutions in various lines of business and through easy access to customers by various channels of distribution and highly motivated employees.

I would like to express my deepest condolences to the citizens of Saudi Arabia on the death of King Abdullah Bin Abdulaziz Al Saud, and also convey my support to the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al Saud and his Crown Prince wishing them success and prosperity.

I would also like to thank the Saudi Arabian Monetary Agency, the Council of Cooperative Health Insurance, the Capital Market Authority and the Ministry of Commerce & Industry. I take this opportunity to thank the Board of Directors, the Management and the Staff for their support and dedication.

Chairman

The Board of Directors' Report

The Board of Directors (BOD) of Allianz Saudi Fransi Cooperative Insurance Company has the pleasure to present to the shareholders, the Company's 7th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2014.

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

1. Introduction

Allianz Saudi Fransi Cooperative Insurance Company is a joint stock company, founded upon the decision of the Council of Ministers No. 233 dated 16/9/1427 H, 9th October 2006 and the Royal Decree No. 60/M dated 18/09/1427 H, 11th October 2006.

The initial authorized and issued Capital of the Company was SAR 100 million. In April 2010, the Company increased its capital through rights issue. The share capital of the Company became SAR 200 million consisting of 20 million shares. The ownership of Allianz Saudi Fransi's shares as of 31st December 2014 is as follows:

- 32.50% Banque Saudi Fransi (BSF)
- 16.25% Allianz France – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
- As of 31st December 2014, within the remaining 35% public shareholders, no one owns more than 1% share.

The Company has received its operational license (Ref: TMN/11/20083) from the Saudi Arabian Monetary Agency (SAMA) on 30/02/1429 H, 8th March 2008 and has successfully renewed it on 30/02/1432 H– 5th February 2011 and on 29/02/1435 H - 1st January 2014 for another 3 years period.

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

Our Vision is

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

Our Mission Statement is

Create Trust – Deliver Excellence from A to z

Our Strategy is

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

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

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

Our Values are

Expertise, Integrity and Sustainability.

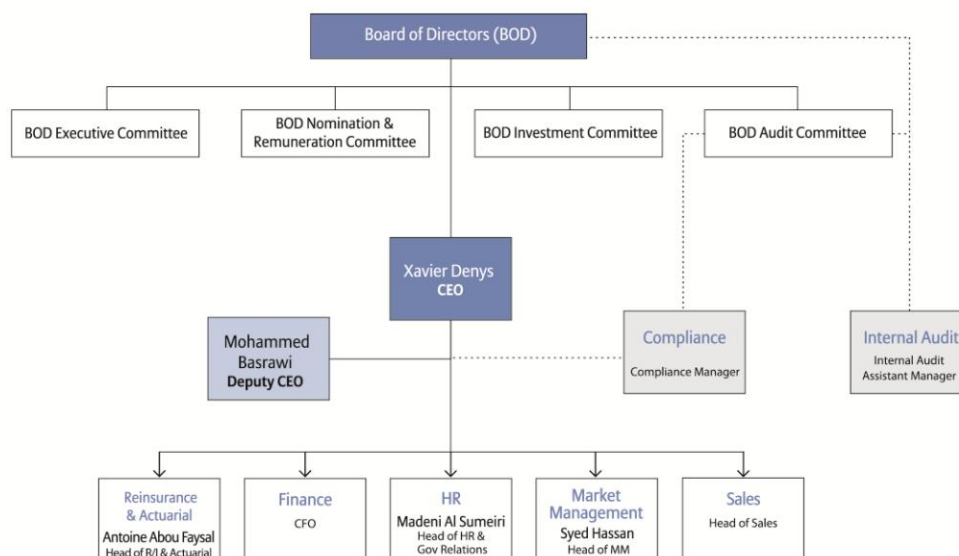
3. Allianz Saudi Fransi Key Dates and Developments

Allianz Saudi Fransi witnessed since its incorporation many significant developments:

- **October 2006** The founders received the authorization to establish the Company as per Royal Decree No. 60/M
- **March 2007** The Company went public through an Initial Public Offering.
- **June 2007** The Constituting General Assembly was held.
- **March 2008** The operational license from SAMA (Ref: TMN/11/20083) was obtained.
- **September 2008** The Company moved to the New Head Office in Riyadh and received its first products' approval.
- **November 2008** SAMA approved the transfer of Insaudi portfolio subject to no goodwill.
- **January 2009** Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009.
- **March 2009** The individual Protection & Savings products approvals were received.
- **November 2009** Banque Saudi Fransi Bancassurance Protection & Savings products approvals are received.
- **April 2010** The Company completed its 10 million shares rights issue and the Capital became SAR 200 Million.
- **November 2010** Banque Saudi Fransi Bancassurance Portfolio transfer was completed.
- **February 2011** The Company obtained from SAMA the renewal of its operational license for another 3 years.
- **June 2011** The Company launched the Sharia Compliant Protection & Savings "Gold" Products.
- **January 2012** The Company restructured its Direct Sales Force for Retail Business as well as its branches.
- **August 2012** The Company restructured its Corporate Sales Force to better serve corporate and commercial customers.
- **January 2013** Launched common workflow platform for all Sales Channels including Sales Support function.
- **August 2013** Xavier Denys succeeded Antoine Issa as Chief Executive Officer.
- **January 2014** The Company obtained from SAMA the renewal of its operational license for 3 years.
- **May 2014** Mr. Ammar Al Khudairy appointed as new Chairman of the Company
- **September 2014** D&O Liability and Medical Malpractice Insurance Products approved by SAMA
- **November 2014** Mr. Oliver Bäte, Future CEO of Allianz SE (Effective 7th of May 2015) visited the company.

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2013 is shown here below:



5. Top Management

The members of the Top Management of the Company are:

Name	Position	Year of Birth	Latest Degree
Xavier Denys	Chief Executive Officer	1968	Masters of Commercial Engineering
Mohammed Basrawi	Deputy Chief Executive Officer	1957	Masters of Science, BA Civil Engineering,
Madeni Al Sumeiri	Head of HR & Gov. Relations	1963	Bachelor of Business Administration
Syed Hassan	Head of Market Management	1957	Masters of Science
Abdullah Mansury*	Chief Financial Officer	1970	Doctoral thesis in financial statements, Master degree in Management, MBA in Finance
Khaled Ibrahim**	Head of Sales	1978	Masters of Business Administration
Antoine Abou Faisal	Head of Reinsurance and Actuarial	1982	Bachelors Degree in Insurance and Actuarial Science

* Resigned (Effective from 12/11/2014)

** Resigned (Effective from 5/6/2014)

6. Human Resources

Our employees' exceptional commitment and willingness to provide excellent service to our customers are crucial to our success. We place great emphasis and investment on fostering outstanding leadership, continuous talent and personal development. Developing employees' potential is key in order to achieve our primary goal of being a reliable partner to our customers. In 2014 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2014 the percentage of Saudi nationals within the company represented %56.

7. Geographical Presence

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

Office	Address	Telephone & Fax
Head Office- Riyadh	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh – KSA P.O. Box 3540, Riyadh 11481	Tel: +966 (11) 874 9700 Fax: +966 (11) 874 9799
Jeddah	Suite 102, 1st Floor, Ewan Center, Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Tel: +966 (12) 283 0229 Fax: +966 (12) 283 2589
Madinah	Office No. 501, 5th Floor, Abo Ouf Plaza Tower, Airport Road, Opposite to Badr Market	Tel: +966 (14) 834 0627 Fax: +966 (14) 834 3788
Dammam	Business City Building, King Abdulaziz Street, Dammam, KSA	Tel: +966 (13) 831 5600 Fax: +966 (13) 831 5609

8. The Company's Products and Services

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

The Company provides corporate and individual solutions as listed hereunder:

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

9. Financial Highlights

a) Gross Written Premiums

The Gross Written Premiums amounted to SAR 725.1 Million for the twelve months ended December 2014 against SAR 745.9 Million for the twelve months ended December 2013 showing a decrease of 2.8%. The split per line of business is as follows:

SAR Million	2014	2013	2012	2011	2010
▪ Property, Casualty & Health:	546.3	568.3	416.6	510.8	468.7
a) Motor	155.2	153.5	85.1	86.3	84.9
b) Engineering	116.6	152.9	75.6	69.4	77.3
c) Medical:	55.3	61.6	82.3	134.7	158.1
d) Other General	219.2	200.3	173.6	220.4	148.4
▪ Protection & Savings:	178.8	177.6	204.6	172.9	54.7

Property, Casualty and Health Gross Written Premiums declined by 3.9% compared to previous year (2013), while Protection & Savings Gross Written Premiums increased by 0.7% compared to previous year (2013).

Although all the premiums are booked in the Head Office in Riyadh, the sales process is decentralized in the various offices in the Kingdom of Saudi Arabia.

The volumes generated in each region are summarized below:

SAR Million	2014	2013	2012	2011	2010
Central Region:	455.4	469.0	385.1	410.7	255.6
Western Region:	111.3	146.6	149.1	193.8	170.2
Eastern Region:	158.4	130.3	87.0	79.2	97.6

b) Net Premiums Earned

The Net Premiums Earned calculated after deducting the premiums ceded to reinsurers and the reserves for unearned premiums, amounted to SAR 420.6 Million for the twelve months ended December 2014 against SAR 354.5 Million for the twelve months ended December 2013.

Net Premium Earned increased by 18.6% compared to previous year 2013 due to the fact that an important part of the business of 2013 was produced in the second half of the year and therefore generated earned premium in 2014. Net Earned Premiums represents 58% of the Gross Written Premiums for the current year compared to 48% for the previous year.

c) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR (17.5) Million for the twelve months ended December 2014 against SAR (41.7) Million in 2013 due to the net impact of written premiums, Surrenders and revaluation of Unit Link Investments.

The unrealized gain on unit-linked investment related to Protection & Savings products amounted to SAR 9.4 Million for the twelve months ended December 2014 against SAR 15.0 Million in 2013.

d) Other Income

Other Income represents the income generated from the available for sale investments allocated to insurance operations and administrative charges in Protection & Savings business, amounted to SAR 3.2 Million in 2014 against SAR 1.8 Million in 2013.

This is due to the change in the size of available for sale investments under the insurance operation assets. These investments have increased by 66.9% during 2014.

e) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (316.7) Million for the twelve months ended December 2014 against SAR (233.0) Million for the twelve months ended December 2013, representing an increase of 35.9%.

This is mainly driven by the motor net incurred claims which increased from SAR 81.5 Million in 2013 to SAR 158.8 Million in 2014.

f) Net Commissions

The commissions paid to producers, net of the commissions received from reinsurers amounted to SAR (18.2) Million for the twelve months ended December 2014 against SAR (9.2) Million for the twelve months ended December 2013.

This is mainly due to the decrease in the amount of reinsurance commission earned from SAR 27.7 Million in 2013 to 21.9 Million in 2014. This is also due to the increase in the commission incurred from SAR 36.9 Million in 2013 to SAR 40.1 Million in 2014, reflecting the correlation with the increase in net earned premium.

g) Premium Deficiency Reserve

In 2013, the Company has set up a Premium Deficiency Reserve (PDR) of SAR (0.9) Million for Health business, to cover the risks related to premiums written in the year 2013. Health business underwritten in 2014 has improved and hitherto resulted to a Combined Ratio below 100% as of 31 December 2014, and therefore the PDR was released.

h) General Expenses

The Company has incurred during 2014 insurance operations expenses of SAR (68.8) Million, against insurance operations expenses of SAR (77.2) Million during 2013. In addition, the Company incurred during 2014 expenses of SAR (0.7) Million allocated to the shareholders operations against expenses of SAR (0.8) Million during 2013.

Cost efficiency measures are explaining the 11% decrease of the general expenses in 2014 compared to 2013.

i) Net Surplus from insurance operations

The technical result before shareholder investment income and before shareholder general expenses is showing a Net Surplus of SAR 12.9 Million for the twelve months ended December 2014 against a Net Surplus of SAR 9.3 Million for the twelve months ended December 2013, representing an increase by 38.2% of that result.

This is owed to the increase in net earned premium which has compensated the combined increase in Net Incurred Claims and Mathematical reserve. The decrease in general expenses by 11% has

contributed significantly in the improvement of Net Surplus of insurance operation compared to prior year.

j) Investments

The Company investments excluding investments from unit-linked Protection & Savings products as of December 2014 are summarized here below.

SAR Million	2014	2013	2012	2011	2010
Cash & cash equivalents:	68.6	52	33.3	74.6	42.3
Sukuk/Funds:	213.5	183.9	172.1	127.0	98.0
Subscription in Najm & NextCare Companies:	3.2	3.2	3.2	3.2	3.2
Held to maturity	-	-	-	-	-

The investment income excluding unrealized gain on investments from unit-linked Protection & Savings products and excluding Other Income amounted to SAR 5.0 Million as of December 2014 against SAR 5.2 Million as of December 2013.

k) Net Income (Profit)

The result for the twelve months ended 31st December 2014 (the 7th fiscal year) is a Net Income of SAR 15.9 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 1.3 Million against a Net Income of SAR 12.8 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 0.9 Million for the twelve months ended 31st December 2013. This increase in Net Income is due to above mentioned cost efficiency improvements and the focus on profitable segments. The earnings per share as of December 2014 are equivalent to SAR 0.79 against SAR 0.64 as of December 2013.

l) Assets

The total Assets of the Company as of 31st December 2014 amounted to SAR 1,607 Million split as follows:

SAR Million	2014	2013	2012	2011	2010
Insurance Operations' Assets	1,411.5	1,295.1	949.3	911.0	779.2
Shareholders' Assets	195.5	180.4	171.4	163.8	162.1

m) Shareholder's Equity

The Shareholder's Equity as of 31st December 2014 amounted to SAR 184.8 Million, split as follows:

SAR Million	2014	2013	2012	2011	2010
Share Capital	200.0	200.0	200.0	200.0	200.0
Accumulated Losses	(38.1)	(49.6)	(58.4)	(65.6)	(65.2)
Other Reserves	22.9	22.5	25.3	23.6	23.6

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

The Company confirms that it does not have any loans as of 31st December 2014.

n) Profit Distribution Strategy

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

- Zakat & Tax allocations are to be withheld.
- As per bylaws of the Company, the company shall allocate 20% of the Net Income of each period to the statutory reserve. The Company has not transferred any amounts to the statutory reserve due to accumulated losses as of 31st December 2014.
- The Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of net profits to build up reserves allocated for specific purposes.
- The remainder shall be distributed to shareholders as share profits or to be transferred to retained profits account.
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

As a cooperative insurance company, Allianz Saudi Fransi will distribute on a yearly basis 10% of the annual Net Surplus arising from its insurance operation to the policyholders in accordance with the rules and regulations applicable to cooperative insurance companies. This 10% of Net Surplus, if any, will be calculated at the end of each fiscal year, audited and distributed upon approval of the Saudi Arabian Monetary Agency (SAMA). For the year ending 2014, the company is having a Net insurance operations surplus after shareholders' appropriation of SAR 1.3 Million.

o) Financial highlights

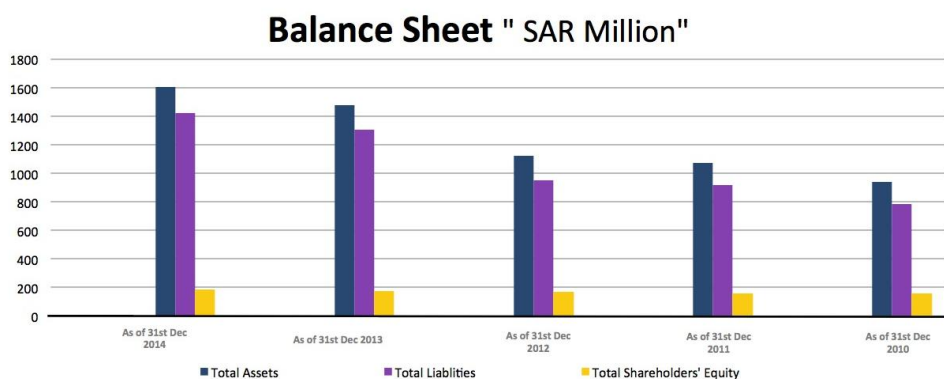
The following is a summary of the most important indicators for the past five years:

SAR Million	2014	2013	2012	2011	2010
Gross Written Premium	725.1	745.9	621.2	683.7	523.4
Net Premium Earned	420.6	354.5	351.8	354.7	233.2
Mathematical Reserve Change	(17.5)	(41.7)	(61.8)	(46.3)	(26.8)
Unrealized gain on UL	9.4	15.0	7.4	0.8	1.8
Other Income	3.2	1.8	1.1	1.2	0.7
Net Incurred Claims	(316.7)	(233.0)	(203.5)	(221.4)	(134.6)
Net Commissions	(18.2)	(9.2)	(8.9)	(13.8)	(12.2)
Premium Deficiency Reserve	0.9	(0.9)	-	-	-
General Expenses Insurance operations	(68.8)	(77.2)	(80.0)	(75.5)	(70.7)
Net Surplus for the year	12.9	9.3	6.1	(0.3)	(8.6)
Net insurance operations surplus after shareholders' appropriation for the year	(1.3)	(0.9)	(0.6)	-	-
Investment Income Shareholders	5.0	5.2	5.4	2.2	0.8
General Expenses Shareholders	(0.7)	(0.8)	(0.6)	(0.3)	(0.6)

Net Income – Profit *	15.9	12.8	10.3	1.6	(8.4)
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** After surplus distribution, before Tax and Zakat.

Balance Sheet "SAR Million"	2014	2013	2012	2011	2010
Total Assets	1,607.0	1,480.8	1,120.7	074.8	941.3
Total Liabilities	1,422.2	1,307.9	953.8	916.8	782.9
Total Shareholders' Equity	184.8	172.9	166.9	158.0	158.4



10. Corporate Governance, Regulations & Committees

a) Compliance with Corporate Governance

In 2014, Allianz Saudi Fransi was in full compliance with the CMA corporate governance regulations and SAMA guidelines except in the following minor issue:

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

b) Board of Directors

At the Ordinary General Assembly held on 29 April 2013, for a new Board of Directors have been elected effective as of 08 August 2013 for a period of three years:

- 2 representing Banque Saudi Fransi (BSF)
- 2 representing Allianz France & Allianz MENA Holding Bermuda
- 2 independents, including the Chairman

Name of the Board Members	No. of Shares beginning of year	No. of Shares end of year	Change in No. of Shares*	Board Member**	Rep.	Member Classification
Ammar Alkhudairy, (replacing Abdullah Alabdelgader with effect from 24.04.2014) Chairman	1,000	1,000	Nil	Banque Saudi Fransi Al Tayyar Travel Group Al Hokair Company	Public	Independent
Alwaleed Al Dryaan	1,000	1,000	Nil	Alkhaleej Training & Education Co.	Public	Independent
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	Nil	Nil	Nil	Banque Saudi Fransi	BSF	Non Executive
Patrice Couvignes	Nil	Nil	Nil	Banque Saudi Fransi	BSF	Non Executive
Hugues de Roquette Buisson	Nil	Nil	Nil	Nil	Allianz France	Non Executive
Heinz Dollberg	Nil	Nil	Nil	Nil	Allianz MENA Holding Bermuda	Non Executive

* Owned by BOD members, their spouses or their children in Allianz Saudi Fransi.

** In other companies in KSA

Members of the Top Management		X. Denys	M. Basrawi	M. Sumeiri	S. Hassan	A. Mansury*	K. Ibrahim**	A. Abou Faysal**
Number of Shares* **	beginning of year	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	End of year	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Resigned (Effective from 12/11/2014)

** Resigned (Effective from 5/6/2014)

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

c) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of Board Members and Top Executives (including the CEO, his Deputy, CFO, Head of Human Resource and Head of Market Management) during the 7th fiscal year ending 31st December 2014 were:

	2014				2013			
	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 7 Exec**	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 7 Exec**
Salaries & Remunerations	0	0	0	4,280,641	0	0	0	4,714,839
Allowances / Attendance fees	25,500	79,500	0	505,000	36,000	81,000	0	335,000
Bonuses	0	0	0	1,580,281	0	0	0	1,839,094
Other Expenses	0	137,437	0	0	0	64,531	0	0
Other Benefits*	0	0	0	442,603	0	0	0	721,700
Total	25,500	216,937	0	6,808,525	36,000	145,531	0	7,610,633

* Other benefits include Global equity Incentive plan and other benefits such as Insurance.

** Including Chairman

*** Two members (Antoine Abou Faysal and Khaled Ibrahim) were inducted as Top Executives effective 1/08/2013 – Salaries and remunerations are for full year.

Furthermore, one Top Executive received an advance from the Company during November 2014 amounting to SAR 100,290 with a last payback installment due in October 2015.

The annual Remunerations of the Board Members are distributed as follows:

Name of the Board Members	2014	2013
	Subject to the Approval of the upcoming GA	Approved by Shareholders
Ammar Alkhudairy, (replacing Abdullah Alabdelgader with effect from 24.04.2014) Chairman	108,743	0
Alwaleed Al Dryaan	72,495	0
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	72,495	0
Patrice Couvignes	72,495	0
Hugues de Roquette Buisson	72,495	0
Heinz Dollberg	72,495	0
Total	4,712,218	0

d) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2014 there was no contract in which the Company was a party and it's Chief Executive Officer, Chief Financial Officer, Board Members or any other person who

may have a relationship with any of them benefited from it. Moreover, there are no arrangements or agreements by which any of the members of the Board of Directors or any of the top executives or any of the shareholders of Allianz Saudi Fransi waived their interests or rights to receive dividends.

The Related-Party transactions and balances of shareholders and related affiliates during 2014 are related to the following activities:

- Insurance contracts with Banque Saudi Fransi and its related affiliates at best quotes.
- Fund Management with Banque Saudi Fransi and its related affiliates at best quotes.
- Re-insurance contracts with Allianz Group and its related affiliates at best quotes.
- Third-Party administration of Medical Insurance Claims with Nextcare SA

e) Regulatory Status

The Company enjoys a healthy relationship with the Regulators and appreciates their continuous support and guidance. However, the Company incurred during 2014 a penalty from CMA amounting to SAR 10,000 due to its violation of clause (A) of Article (46) of Financial Market Regulations and clause (A) of Article (41) of listing and Registration Rules. This is due to one late publication of Product Approval Tadawul.

f) BOD Committees

BOD Executive Committee

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

Main responsibilities include:

- Representing the Board of Directors in day-to-day management
- Supervising the organization of the Board's meeting
- Executing the Board's decisions in accordance with the CEO and the Company's management
- Proposing/setting up the general company policy, objectives and strategy
- Studying the budget and following up the performances and achievements versus the plan
- Undertaking and supervising the progress of the operation and project's development

The Committee comprises the following members:

BOD Executive Committee	As of 31 Dec 2014
Patrice Couvignes	Chairman
Heinz Dollberg	Member
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	Member
Hugues de Roquette-Buisson	Member

The BOD Executive Committee met four times during 2014 with 70% attendance (95% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
18/02/2014	Patrice Couvignes, Heinz Dollberg.	50%	100%

14/04/2014	Patrice Couveignes, Heinz Dollberg.	50%	75%
29/04/2014	Patrice Couveignes, Heinz Dollberg, Hugues de Roquette-Buisson	75%	100%
05/06/2014	Abdulrahman Al Sughayer, Patrice Couveignes, Heinz Dollberg, Hugues de Roquette-Buisson.	100%	100%
11/11/2014	Abdulrahman Al Sughayer, Patrice Couveignes, Hugues de Roquette-Buisson.	75%	100%

BOD Audit Committee

The BOD Audit committee is responsible for discharging the Board's duties related to the supervision of the Company's financial reporting and evaluating the adequacy of internal and external audit processes. The Committee also evaluates and monitors Allianz Saudi Fransi's control environment and risk management processes.

Duties and responsibilities of the Audit Committee include the following:

- Develop a detailed plan stating its roles, responsibilities and mandate, provided that the plan is approved for implementation by a Board decision.
- Submit recommendations to the Board to a) approve the appointment or reappointment, dismissal and remuneration of external auditors, b) appoint the manager of the compliance control department or the compliance officer, c) appoint the manager of the internal audit department or the internal auditor, d) appoint the actuary. Above-mentioned recommendations require having obtained SAMA's non-objection in writing.
- Supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it.
- Ensure the independence of the a) external auditors from the Company, the Board members and the senior management of the company, b) internal audit department or the internal auditor in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work, c) compliance control department or the compliance officer in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work.
- Ensure the Company's compliance with the actuary suggestions and recommendations.
- Determining the monthly salary and bonus of the compliance control department manager or the compliance officer after obtaining the Board's written approval.
- Determining the monthly salary and bonus of the internal audit department manager or the internal auditor after obtaining the Board's written approval.
- Reviewing the audit plan of the internal and external auditors.
- Reviewing the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.
- Coordinating between internal and external auditors.
- Supervising the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- Reviewing the external auditors reports and reports of the internal audit department or the internal auditor and submits the related recommendations to the Board.
- Pursues the implementation of the corrective measures in respect of the comments included in the reports.
- Reviewing the reports of the compliance control department or the compliance officer including any high risk for fraud findings and submits the related recommendations to the Board.
- Reviewing the actuary reports and submits the related recommendations to the Board.
- Reviewing the comments of SAMA and the related supervisory and control entities and submits the related recommendations to the Board.

- Reviewing the internal and external auditors' assessment of the internal control Saudi Arabian Monetary Agency Insurance Supervision Department processes.
- Assessing the competence level, efficiency and objectivity of the external auditors, the internal audit department or the internal auditor, and the compliance control department or the compliance offer.
- Following up on the reports issued by SAMA and the related supervisory and control entities in addition to any international developments such as the guidelines of the International Association of Insurance Supervisors and submits the related recommendations to the Board.
- Reviewing and recommending the approval of the annual and quarterly financial statements to the Board of Directors.
- Discussing the annual and quarterly financial statements with the external auditors and the company's management before issuing them.
- Reviewing the external auditor's comments on the financial statements and follow up actions taken about them.
- Following up on the important lawsuits filed by or against the company and submits the related periodic reports to the Board.
- Ensure that all financial transactions are according to the local rules and regulations.
- The Audit Committee members are accountable to SAMA, the Company's shareholders and the Board for implementing the articles of SAMA's "Audit Committee Regulation in Insurance and/or Reinsurance Companies" and executing the committee's action plan issued by a Board's decision.
- The committee members should, while performing their tasks, give priority to the company's interest against any other considerations that might affect their work or decisions.

The Committee comprises the following members:

BOD Audit Committee	As of 31 Dec 2014
Hugues de Roquette Buisson	Chairman
Yousef Al Mobarak	Member
Vacant	

The Committee's Chairman is a Non- Executive board member.

The Audit Committee met five times during 2014 with 67% attendance (67% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
13/04/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
05/06/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
15/07/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
22/10/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
11/11/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%

There is no financial or family relationship between the BOD members and the Audit Committee.

The above Audit Committee meetings covered the following major tasks:

- Met with the external auditors to discuss their Management Report and recommendations.

- Reviewed and recommended the quarterly and annual financial reports, including the Actuary and Risk management reports and the external auditors' reports and submitted the recommendations to the Board of Directors.
- Reviewed the Internal Audit Plan 2015 and 5-years long term Audit Plan.
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.
- Reviewed the Compliance Activity Reports including the findings and corrective actions as well as complaints and legal cases.
- Reviewed the Compliance Plan.
- Reviewed the activities of the Internal Auditors and Compliance Team and ensured their independency.
- Updated the Internal Audit Manual and Procedures, added tasks & responsibilities in particular to the charter, and submitted same to the Board of Directors for approval.
- Reviewed important correspondences with authorities including their comments and submitted related actions to the Board of Directors.
- Reviewed external contracts including external auditors, lawyer and consulting actuary and recommended the approval of the contracts to the Board of Directors.
- Reviewed the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.

The Internal Audit Department has performed 3 regular missions and 16 ad-hoc missions during 2014 and has issued the corresponding reports including recommendations and agreed actions. These missions have covered most of the procedures in various company departments including Operations, Finance, Human Resources, Sales, Market Management and Reinsurance & Actuarial as well as subunits. The Audit Mission Reports did not show any significant or high risk findings but improvements needed that are already solved or under the process of completion as per the agreed time frame. The reports and implementation progress are regularly reviewed by the Audit Committee.

The Company has also implemented a Governance, Risk and Control Committee (GRC) mainly responsible for monitoring the activities of the Company related to Governance, Risks, Audit, Compliance, Anti Money Laundry, Anti Fraud, Code of Conduct and Anti Corruption. The GRC is purely an internal committee that is not derived from the BOD. It comprises of Top Management members, Risk Officers and the Internal Audit Team. The GRC met 11 times during 2014 and the outcome did not show any major weakness but regular improvements needed that are already addressed or under completion.

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

BOD Investment Committee members

The Investment Committee shall prepare, review, and approve the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and in line with SAMA's regulations.

Duties and responsibilities of the Investment Committee include:

- Assess the investment recommendation made by the top management
- Prepare and review the investment policy of the Company on a regular basis
- Set the investment strategy in accordance with the investment policy approved by the BoD
- Ensure the proper implementation of the investment policy/strategy
- Establishing and reviewing Investment guidelines for the Company
- Establishing and reviewing quality criteria for the Company's investment strategy
- Establishing and reviewing guidelines for the Company's portfolio structure
- Reviewing the Financial markets' analysis prepared by the Investment department and the asset manager
- Investment income and performance review against the plan

The Committee comprises the following members:

BOD Investment Committee	As of 31 Dec 2014
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	Chairman
Alwaleed Al Dryaan	Member
Heinz Dollberg / Hugues de Roquette-Buisson	Member

The investment committee met two times during 2014 with 100% attendance (100% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
17/07/2014	Abdulrahman Al Sughayer, Alwaleed Al Dryaan, Heinz Dollberg, Hugues de Roquette-Buisson	100%	100%
11/11/2014	Abdulrahman Al Sughayer, Alwaleed Al Dryaan, Hugues de Roquette-Buisson	100%	100%

Nomination & Remuneration Committee

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

- Recommend appointments of membership to the Board of Directors and of Top Executives in accordance with the approved policies and standards. The Committee shall ensure that no person who has been previously convicted or any offense affecting honour or honesty is nominated for such membership.
- Review the structure of the Board of Directors and recommend changes.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in the Board of Directors.
- Determine strengths and weaknesses in the BOD and recommend remedies.
- Prepare description of required capabilities and qualifications for membership in the BoD, including the time that a Board member should reserve for the activities of the Board
- Carve clear policies regarding the indemnities and remuneration of the Board Members and Top Executives; in laying down such policies, the standards related to performance shall be followed
- Approve and evaluate the compensation plans, policies and programs of the Company

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

BOD Nomination & Remuneration Committee	As of 31 Dec 2014
AlWaleed Al Dryaan	Chairman
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	Member
Heinz Dollberg	Member

The N&R committee met three times during 2014 with 67% attendance (78% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
18/02/2014	Alwaleed Al Dryaan, Heinz Dollberg	67%	67%

14/04/2014	Alwaleed Al Dryaan, Heinz Dollberg	67%	67%
11/11/2014	Alwaleed Al Dryaan, Abdulrahman Al Sughayer	67%	100%

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

- Reviewed the new Board members qualifications and profiles
- Reviewed the remuneration of Board Members that remained unchanged as well as the Independent Members and submitted the recommendations to the Board of Directors.
- Reviewed the remuneration of Top Executives for 2014 as well as the remuneration adjustment mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the remuneration and employee benefits
- Reviewed the updates on the Company structure as well as the recruitment of new executives and key positions.
- Consistently monitored the Saudization status.
- Policy and Procedure for ASF Appointments to Senior Positions.

g) BOD Meetings

The BOD met four times during the year ended 31st December 2014 with attendance of 84% (96% with proxies).

BOD #	Date	Attendance	Percentage	Percentage with Proxy
30	18/02/2014	Abdullah Alabdulgader, Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvignes,	67%	100%
31	29/04/2014	Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvignes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson	84%	84%
32	17/07/2014	Ammar Alkhudairy, Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvignes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson	100%	100%
33	11/11/2014	Ammar Alkhudairy, Alwaleed Al Dryaan, Patrice Couvignes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson	84%	100%

The above BOD meetings covered the following major tasks:

- Regularly analysed the Company performance and achievement versus plan including analysis of market information and Company Strategic positioning.
- Approved the Reinsurance Strategy for the year including the modification of terms.
- Approved the recommendations of the Nomination & Remuneration Committee concerning the Company Structure, the remuneration and bonuses of top executives as well as the remunerations and bonuses for the Company.
- Approved the strategy and the business plan for the following years.
- Discussed Human Resources and Talent Management.
- Approved the updates on the Company Manuals and Procedures following the Committee recommendations; during 2014 those updates mainly referred to Corporate Governance.
- Approved the recommendations of the Committees regarding external contracts including external auditors, tax consultant, legal consultant and external appointed actuary noting that the company doesn't have any other management or technical agreement.
- Followed the activities of the various Committees including the Executive Committee, the Audit Committee, The Investment Committee and the Nomination & Remuneration Committee.
- Updated the Nomination & Remuneration Committee Charter.
- Approved the new policy related to the Appointment to Senior Positions Policy & Procedure.

h) Risk Management

During 2014, Allianz Saudi Fransi succeeded in aligning risk management activities with corporate strategy and objectives to preserve the shareholders' value.

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

The Risks are mentioned here below:

Operational/ Process Risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and 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.

Liquidity Risk

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Interest Rate Risk

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

Currency Exchange Risk

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

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

Fund Price Risk

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

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

Capital management

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

Fair Value of Financial Instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

k) Zakat, Legal Payments, and Loans

Allianz Saudi Fransi allocated SAR 4,363,308 for Zakat and Tax in 2014 against SAR 4,052,118 allocated in 2013. There were no loans by the Company. The following table shows a list of legal payments and provisions for the year 2014 compared to the year 2013 and 2012 and 2011 and 2010.

SAR Million	2014	2013	2012	2011	2010
Customs Expenses	-	-	-	-	-
Zakat & Tax	4.4	4.0	3.0	1.8	0.1
GOSI Expenses	2.5	2.3	2.0	1.8	1.9
Visa & Passports	0.3	0.4	0.4	0.7	0.6
Inspection & Supervision Fees	4.2	4.3	3.9	4.7	4.2
Total	11.4	11.0	9.3	9.0	6.8

11. Future Plans

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

Direct Sales Force: In 2015, the Company will focus on growth in terms of number of sales people as well as points of sales. The Company will therefore expand its reach to various customer segments and continue to provide training to the sales force in order to ensure high level of service quality.

Bancassurance: In 2015, the focus of the Company will be on further improving the productivity of the Bancassurance agency and corporate business by leveraging the strong relations of our partner Banque Saudi Fransi with its corporate and commercial client base.

Corporate: Corporate Business continues to remain a priority of the Company. In 2015, the Company will further increase the number of preferred Brokers and focus on global business lines such as credit insurance.

Operations: We will further align the Corporate and Retail Underwriting with the Company's strategy. Additionally, its claims handling capabilities will be streamlined to enhance customer satisfaction and contribute to increasing the persistency of the portfolio.

Actuarial: In line with its Risk Strategy for 2015, the Company will continue to apply high-level technical standards and guidelines. It will review profitability per Line of Business and adjust the pricing strategy accordingly. Furthermore, the Company will ensure sound and prudent technical reserving practices.

Talent Management: During 2015 the company will continue its investments in human resources to attract and develop young talents and prepare future managers. The company builds on defining career paths and training programmes to achieve satisfaction and effectiveness among all employees.

12. External Independent Auditors and Accounting Standard

In 2014, the Ordinary General Assembly approved the BOD recommendation of renewing "Ernst and Young" and appointment of "Aldar Audit Bureau" as joint external auditors for the fiscal year ended 31st December 2014. The external auditors mandate has been renewed as per the board approval following biddings submitted by 5 firms, as well as the company's General Assembly approval.

The financial statements as at 31st December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS). The external independent auditors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2014 in accordance with the International Financial Reporting Standards (IFRS).

13. Shariah Committee

The Company has a Shariah Committee composed of:

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

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

14. Board of Directors Declaration

The Board of Directors confirms the following:

- Proper accounting books have been maintained.
- The system of internal control is sound in design and has been effectively implemented.

- There are no doubts concerning the Company's ability to continue as a going concern.