

Allianz Saudi Fransi

Annual Report 2015

Chairman's Statements

Dear Shareholders,

It is my privilege to present, on behalf of the Board of Directors, the 8th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2015.

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.

Our business model and balanced portfolio allowed us to generate overall positive development. This helped the Company to achieve a Net Profit - before zakat and tax - of SAR 23.8 Mn, the highest since the establishment of the Company in 2007. This profit represents a growth of 50% compared to 2014 and is a result of the efficiency of our underwriting policy as well as marketing and service initiatives that helped us attracting more profitable business.

Moreover, Allianz Saudi Fransi reinforced the distribution channels by restructuring branches, recruiting new talents and training current employees to further empower them. This allowed the company to be among the leaders in its targeted market segments being the P/C and the Protection and Saving businesses which supported the achievement of aforementioned results.

For 2016 we will continue following our profitable growth plan with the aim to be amongst one of the leading insurance companies in the Kingdom 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.

We will therefore focus on reviewing our services and developing new ones with the aim to ensure that, throughout the organization, our offerings are truly customer centric. Technical excellence will remain at the forefront of our priorities, it is about understanding the risk customers are facing throughout their lives and offering the right product at the right price via the right channel. We will need therefore to ensure that digitalization capabilities are embedded into each and every approach so that smart and secure services can be offered.

All of this can only be achieved if we ensure on daily basis that our culture is the one where people and performance matter without excluding any one.

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

Ammar Al Khudairy
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 8th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2015.

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 2015 is as follows:

- 32.50% Banque Saudi Fransi (BSF)
- 16.25% Allianz France – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
- Within the remaining 35% public shareholders, the following owns more than 1% share:
 - 4.8% Ms. Hayfa Al Mhnaa
 - 3.0% Prince Badr Abdullah Al-Saud
 - 2.9% Royal Highness Prince Bander Al-Saud
 - 1.8% Royal Highness Prince Badr Al-Saud
 - 1.6% Sanad Investment Company

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

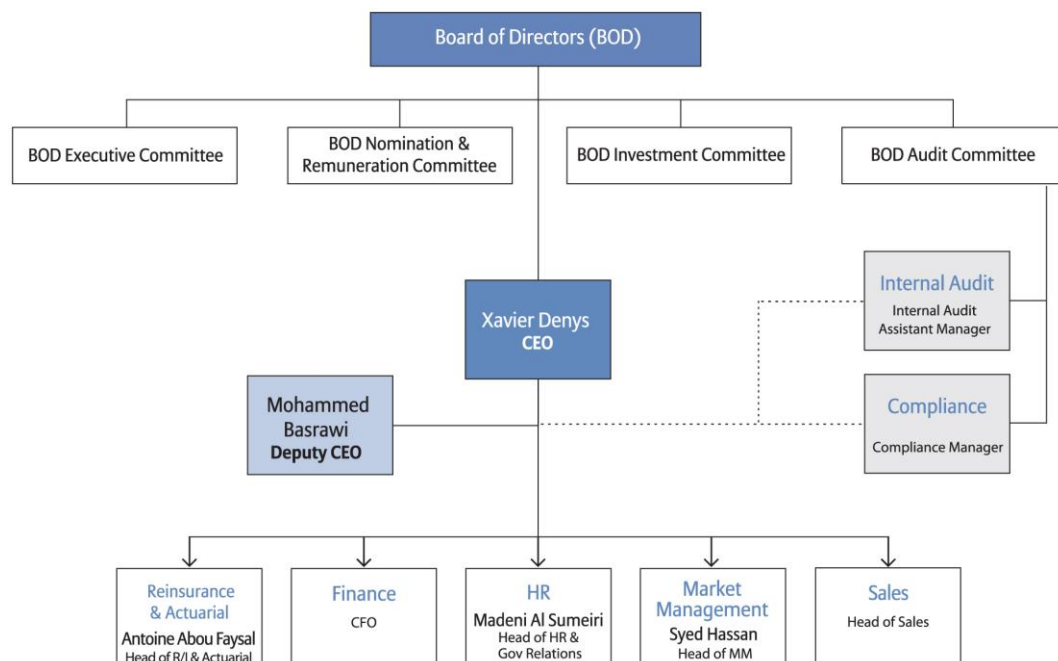
Allianz Saudi Fransi witnessed since its incorporation many significant developments:

- **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.

- **September 2015** Mr. Sergio Balbinot, Member of Allianz SE Board of Management, Insurance Western & Southern Europe, Middle East, Africa, India visited the company.
- **October 2015** The Company obtained from SAMA the Visitor insurance product approval.
- **October 2015** Claims Workflow launched in the H.O. and Branches
- **November 2015** Launching the new strategic initiatives (Renewal Agenda).
- **December 2015** The Company achieved the highest Net Profit - before zakat and tax since the establishment.

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2015 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
Antoine Abou Faisal	Head of Reinsurance and Actuarial	1982	Bachelors Degree in Insurance and Actuarial Science

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 2015 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2015 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
Al Hassa	1 st Floor, Al Harshan Tower, Dahrnan Road, Mubarranz-Al Shorufiyah District	Tel: +966 (13) 531 4521 Fax: +966 (13) 5828118

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

9. Financial Highlights

a) Gross Written Premiums

The Gross Written Premiums amounted to SAR 803.2 Million for the twelve months ended December 2015 against SAR 725.1 Million for the twelve months ended December 2014 showing an increase of 11%. The split per line of business is as follows:

SAR Million	2015	2014	2013	2012	2011
▪ Property, Casualty & Health:	632.2	546.3	568.3	416.6	510.8
a) Motor	199.0	155.2	153.5	85.1	86.3
b) Engineering	107.2	116.6	152.9	75.6	69.4
c) Medical:	103.1	55.3	61.6	82.3	134.7
d) Other General	222.9	219.2	200.3	173.6	220.4
▪ Protection & Savings:	171.0	178.8	177.6	204.6	172.9

Property, Casualty and Health Gross Written Premiums increased by 15.7% compared to previous year (2014), while Protection & Savings Gross Written Premiums declined by 4.4% compared to previous year (2014).

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	2015	2014	2013	2012	2011
Central Region:	582.6	455.4	469.0	385.1	410.7
Western Region:	126.1	111.3	146.6	149.1	193.8
Eastern Region:	94.5	158.4	130.3	87.0	79.2

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 388.2 Million for the twelve months ended December 2015 against SAR 420.6 Million for the twelve months ended December 2014.

Net Premium Earned declined by 7.7% compared to previous year 2014 due to the fact that an important part of the business of 2015 was produced in the second half of the year. Net Earned Premiums represents 48% of the Gross Written Premiums for the current year compared to 58% for the previous year.

c) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR 0.8 Million for the twelve months ended December 2015 against SAR (17.5) Million in 2014 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 0.7 Million for the twelve months ended December 2015 against SAR 9.4 Million in 2014.

d) Other Income

Other Income represents the income generated from the available for sale investments allocated to insurance operations, amounted to SAR 6.4 Million in 2015 against SAR 3.2 Million in 2014.

This is due to higher yield generated from the available for sale investments and to the return from strategic investment (Najem) which was nil in previous years.

e) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (278) Million for the twelve months ended December 2015 against SAR (316.7) Million for the twelve months ended December 2014, representing a decrease of 12.3%.

This is mainly driven by excellent performance of our P&C business with a net loss ratio of 63.6% in 2015 compared to 74.2% in 2014.

f) Net Commissions

The commissions paid to producers, net of the commissions received from reinsurers amounted to SAR (20.1) Million for the twelve months ended December 2015 against SAR (18.2) Million for the twelve months ended December 2014.

This is mainly due to the decrease in the amount of reinsurance commission earned from SAR 21.9 Million in 2014 to 18.8 Million in 2015.

g) General Expenses

The Company has incurred during 2015 insurance operations expenses of SAR (75.6) Million, against insurance operations expenses of SAR (68.8) Million during 2014. In addition, the Company incurred during 2015 expenses of SAR (0.8) Million allocated to the shareholders operations against expenses of SAR (0.7) Million during 2014.

This hike is due to the normalization of expenses in 2015 after the extra ordinary cost control measures taken during the second half of 2014.

h) Net Surplus from insurance operations (Operating Results)

The technical result before shareholder investment income and before shareholder general expenses is showing a Net Surplus of SAR 22.5 Million for the twelve months ended December 2015 against a Net Surplus of SAR 12.9 Million for the twelve months ended December 2014, representing an increase by 74% of that result.

This is owed to the excellent performance in the general insurance lines of business with a combined ratio of 92.9% as of December 31, 2015 compared to 97.2% as of December 31, 2014 driven by the decrease in net incurred claims by 12.3%. The major development in terms of incurred claims was mainly in motor business where the incurred claims in 2015 amounted to SAR 118.3 million vs. SAR 158.9 million in 2014.

Note: The operating result announced on Tadawul represents the operating results explained above and amounting to SAR 22.5 Million, minus the revaluation of the policyholders' investments amounting to SAR 0.7 Million in 2015 & SAR 9.4 Million in 2014.

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

i) Investments

The Company investments excluding investments from unit-linked Protection & Savings products as of December 2015 are summarized here below.

SAR Million	2015	2014	2013	2012	2011
Cash & cash equivalents:	56.8	68.6	52	33.3	74.6
Sukuk/Funds:	226.6	213.5	183.9	172.1	127.0
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 7.4 Million as of December 2015 against SAR 6.4 Million as of December 2014. The shareholders' share of the investment income is SAR4.5 Million as of December 2015 compared to SAR 5.0 Million as of December 2014.

j) Net Income before Zakat and Tax

The result for the twelve months ended 31st December 2015 (the 8th fiscal year) is a Net Income before zakat & tax of SAR 23.8 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 2.2 Million against 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 for the twelve months ended 31st December 2014. This increase in Net Income is driven by the excellent operating result which is explained above in paragraph (h). The earnings per share as of December 2015 are equivalent to SAR 1.19 against SAR 0.79 as of December 2014.

k) Assets

The total Assets of the Company as of 31st December 2015 amounted to SAR 1,908.3 Million split as follows:

SAR Million	2015	2014	2013	2012	2011
Insurance Operations' Assets	1,692.4	1,536.1	1,295.1	949.3	911.0
Shareholders' Assets	215.9	195.5	180.4	171.4	163.8

l) Shareholder's Equity

The Shareholder's Equity as of 31st December 2015 amounted to SAR 200.9 Million, split as follows:

SAR Million	2015	2014	2013	2012	2011
Share Capital	200.0	200.0	200.0	200.0	200.0
Accumulated Losses	(19.5)	(38.1)	(49.6)	(58.4)	(65.6)
Other Reserves	20.4	22.9	22.5	25.3	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 2015.

m) Profit Distribution Strategy

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

- Zakat & Tax allocations are to be withheld.
- As per bylaws of the Company, the company shall allocate 20% of the Net Income of each period to the statutory reserve. The Company has not transferred any amounts to the statutory reserve due to accumulated losses as of 31st December 2015.
- 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 2015, the company is having a Net insurance operations surplus after shareholders' appropriation of SAR 2.2 Million.

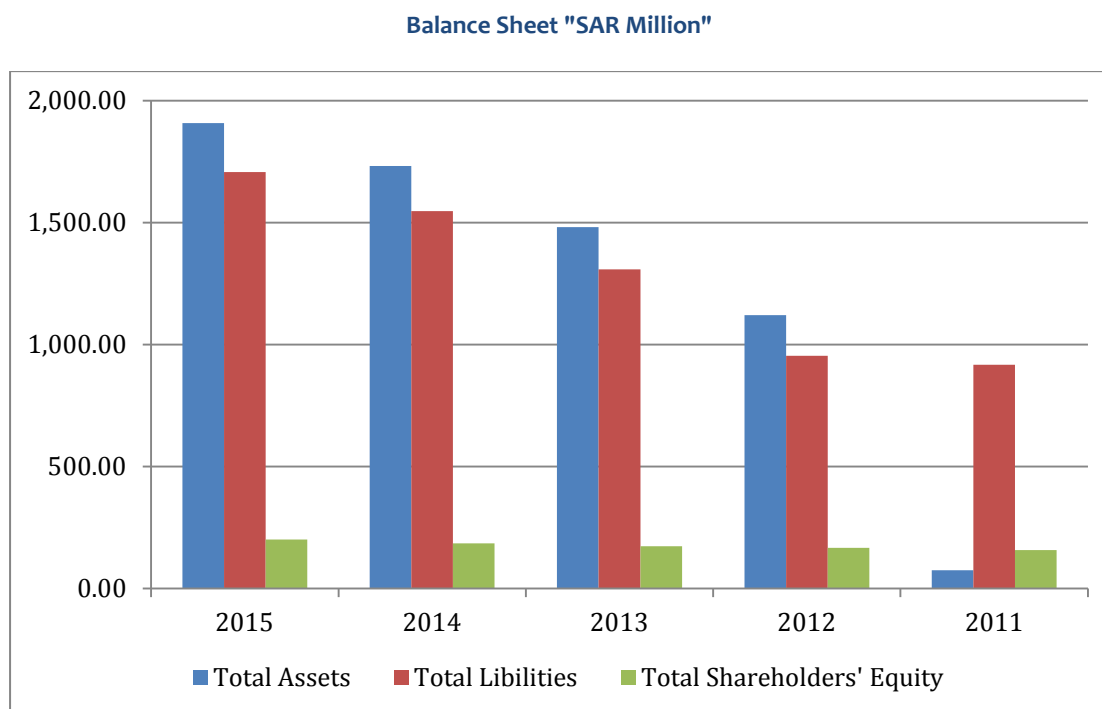
n) Financial highlights

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

SAR Million	2015	2014	2013	2012	2011
Gross Written Premium	803.2	725.1	745.9	621.2	683.7
Net Premium Earned	388.2	420.6	354.5	351.8	354.7
Mathematical Reserve Change	0.8	(17.5)	(41.7)	(61.8)	(46.3)
Unrealized gain on UL	0.7	9.4	15.0	7.4	0.8
Other Income	6.4	3.2	1.8	1.1	1.2
Net Incurred Claims	(278)	(316.7)	(233.0)	(203.5)	(221.4)
Net Commissions	(20.1)	(18.2)	(9.2)	(8.9)	(13.8)
Premium Deficiency Reserve	-	0.9	(0.9)	-	-
General Expenses Insurance operations	(75.6)	(68.8)	(77.2)	(80.0)	(75.5)
Net Surplus for the year	22.5	12.9	9.3	6.1	(0.3)
Net insurance operations surplus after shareholders' appropriation for the year	(2.2)	(1.3)	(0.9)	(0.6)	-
Net Investment Income Shareholders	4.5	5.0	5.2	5.4	2.2
General Expenses Shareholders	(0.8)	(0.7)	(0.8)	(0.6)	(0.3)
Net Income – Profit *	23.8	15.9	12.8	10.3	1.6

* * After surplus distribution, before Tax and Zakat.

Balance Sheet "SAR Million"	2015	2014	2013	2012	2011
Total Assets	1,908.3	1,731.6	1,480.8	1,120.7	74.8
Total Liabilities	1,707.4	1,546.8	1,307.9	953.8	916.8
Total Shareholders' Equity	200.9	184.8	172.9	166.9	158.0



10. Corporate Governance, Regulations & Committees

a) Compliance with Corporate Governance

In 2015, 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.

Certain paragraphs from the CMA regulations (listed below), are not applicable and accordingly no further disclosure is required on the related topics:

- Article 43 of the listing rules paragraphs (7),(8),(13),(14),(15), and (19)
- Article 6 of the Corporate Governance Regulations paragraph (d)

b) Board of Directors

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:

- 3 representing Banque Saudi Fransi (BSF) including the Chairman (*)
- 2 representing Allianz France & Allianz MENA Holding Bermuda
- 1 independent,

Name of the Board Members	No. of Shares beginning of year**	No. of Shares end of year**	Change in No. of Shares	Board Member	Rep.	Member Classification
Ammar Alkhudairy, Chairman	1,000	1,000	Nil	Banque Saudi Fransi Amwal Al Khaleej Al Hokair Company	Public	Non Executive
Alwaleed Al Dryaan	1,000	1,000	Nil	Alkhaleej Training & Education Co. Arabian Cement	Public	Independent
Abdulrahman Al Sughayer	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	To be Confirmed	Allianz France	Non Executive
Heinz Dollberg ***	Nil	Nil	Nil	Bajaj Allianz Life, Bajaj Allianz General, Allianz Lanka Limited, Allianz EFU, Allianz Life Indonesia, Allianz C.P., Allianz China Life	Allianz MENA Holding Bermuda	Non Executive

* The Chairman was independent at the time of his appointment as Board Member of Allianz Saudi Fransi.

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

*** Resigned effective from 5th Jan. 2016.

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

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

c) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of Board Members and Top Executives (including the CEO, his Deputy, CFO, Head of Human Resource and Head of Market Management) during the 8th fiscal year ending 31st December 2015 were:

	2015				2014			
	Indp Board Members **	Non-Exec Board Members **	Exec Board Members **	Top 5 Exec	Indp Board Members **	Non-Exec Board Members **	Exec Board Members **	Top 7 Exec
Salaries & Remunerations				3,624,244				4,280,641
Allowances / Attendance fees	25,500	105,000		529,945	25,500	90,000	0	688,040
Bonuses				1,439,898	0	0	0	1,580,281
Other Expenses		49,604			0	137,437	0	0
Other Benefits*				228,131	0	0	0	259,563
Total	25,500	154,604	0	5,822,217	25,500	227,437	0	6,808,526

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

** Including Chairman

Furthermore, one Top Executive received an advance from the Company during November 2015 amounting to SAR 100,000 with a last payback installment due in October 2016.

Subject to the approval of the General Assembly, the 2015 annual Remunerations of the Board Members to be paid in 2016 are distributed as follows:

Name of the Board Members	Member Classification	2015	2014
		Subject to the Approval of the upcoming GA	Approved by Shareholders
Ammar Alkhudairy, Chairman	Non Executive	180,000	108,743
Alwaleed Al Dryaan	Independent	120,000	72,495
Abdulrahman Al Sughayer	Non Executive	120,000	72,495
Patrice Couvignes	Non Executive	120,000	72,495
Hugues de Roquette Buisson	Non Executive	120,000	72,495
Heinz Dollberg	Non Executive	120,000	72,495
Total	-	780,000	471,218

d) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2015 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 2015 are related to the following activities:

Related party	Relation Nature	Amount "SAR"	Period	Description
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrhman Al Sughayer & Mr. Patrice Couvignes	594,978,798	N.A	Portfolio Asset management based on best quotes provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrhman Al Sughayer & Mr. Patrice Couvignes	250,116,762	N.A	Banking & Asset Custody balances. The relation is based on best quotes & services provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrhman Al Sughayer & Mr. Patrice Couvignes	70,825,634	Annual	Insurance contract mainly in Motor & Life based on best quotes provided by the company
Allianz Group & its affiliates	Allianz France owns 16.25% & is represented by Mr. Hugues de Roquette-Buisson. Allianz MENA Holding Bermuda owns 16.25% & is represented by Mr. Heinz Dollberg	133,918,675	Annual	Reinsurance contracts based on best quotes provided by Allianz entities.
Nextcare	Allianz Saudi Fransi is a shareholder in Next Care Saudi Arabia	2,535,263	N.A	Claims Management "Medical"

e) Regulatory Status

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

f) BOD Committees

BOD Executive Committee

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

Main responsibilities include:

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

The Committee comprises the following members:

BOD Executive Committee		As of 31 Dec 2015
Patrice Couvignes	Chairman	
Heinz Dollberg	Member	
Abdulrahman Al Sughayer	Member	
Hugues de Roquette-Buisson	Member	

The BOD Executive Committee met six times during 2015 with 75% attendance (96% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
18/02/2015	Patrice Couvignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	75%	100%
29/04/2015	Patrice Couvignes, Hugues de Roquette-Buisson, Heinz Dollberg.	75%	100%
18/06/2015	Patrice Couvignes, Heinz Dollberg, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	100%	100%
15/07/2015	Abdulrahman Al Sughayer, Heinz Dollberg, Hugues de Roquette-Buisson.	75%	75%
19/10/2015	Patrice Couvignes, Heinz Dollberg.	50%	100%
30/11/2015	Abdulrahman Al Sughayer, Patrice Couvignes, Heinz Dollberg.	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 no-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 officer.
- Following up on the reports issued by SAMA and the related supervisory and control entities in addition to any international developments such as the guidelines of the International Association of Insurance Supervisors and submits the related recommendations to the Board.
- Reviewing the annual and quarterly financial statements and recommend it to the Board of Directors after discussing it with the external auditors and the company's management.
- 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 2015
Hugues de Roquette Buisson	Chairman
Yousef Al Mobarak	Member
Mohammed Al Shawabkeh*	Member

* Appointed on 5th October 2015 by the Board of the Company after receiving No objection from SAMA.

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

The Audit Committee met seven times during 2015 with 76% attendance (76% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
19/01/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
18/02/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
13/04/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
29/04/2015	Hugues de Roquette-Buisson, Mohammed AlShawabkeh.	67%	67%
14/07/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
14/10/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak, Mohammed AlShawabkeh.	100%	100%
09/12/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak, Mohammed AlShawabkeh.	100%	100%

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 statements and reports, including the Actuary and Risk management reports and the external auditors' reports and submitted the recommendations to the Board of Directors.
- Reviewed the Internal Audit Plan 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 20 missions (5 regular and 15 ad-hoc) during 2015 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 once during 2015 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 2015
Abdulrahman Al Sughayer	Chairman
Alwaleed Al Dryaan	Member
Heinz Dollberg / Hugues de Roquette-Buisson	Member

The investment committee met one time during 2015 with 67% attendance (67% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
19/10/2015	Alwaleed Al Dryaan, Hugues de Roquette-Buisson	67%	67%

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 honor 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 2015
AlWaleed Al Dryaan	Chairman
Abdulrahman Al Sughayer	Member
Heinz Dollberg	Member

The N&R committee met three times during 2015 with 78% attendance (89% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
28/01/2015	Alwaleed Al Dryaan, Abdulrahman Al Sughayer	67%	100%
16/02/2015	Alwaleed Al Dryaan, Heinz Dollberg, Abdulrahman Al Sughayer.	100%	100%
30/04/2015	Alwaleed Al Dryaan, Heinz Dollberg.	67%	67%

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 2015 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 five times during the year ended 31st December 2015 with attendance of 74% (100% with proxies).

BOD #	Date	Attendance	Percentage	Percentage with Proxy
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34	18/02/2015	Ammar Alkhudairy, Abdulrahman Al Sughayer, Patrice Couveignes, Hugues de Roquette-Buisson.	67%	100%
35	30/04/2015	Ammar Alkhudairy, Heinz Dollberg, Patrice Couveignes, Hugues de Roquette-Buisson.	67%	100%
36	15/07/2015	Ammar Alkhudairy, Heinz Dollberg, Patrice Couveignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer, Alwaleed Al Dryaan.	100%	100%
37	19/10/2015	Ammar Alkhudairy, Heinz Dollberg, Patrice Couveignes, Alwaleed Al Dryaan.	67%	100%
38	30/11/2015	Ammar Alkhudairy, Heinz Dollberg, Patrice Couveignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	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.
- Reviewed and approved the quarterly and annual financial statements based on the audit committee recommendations (Q4 2014 and Q1 2015 approved by circulation).
- Approved the Reinsurance Strategy for the year including the modification of terms.
- Approved the recommendations of the Nomination & Remuneration Committee concerning the Company Structure, the remuneration and bonuses of top executives as well as the remunerations and bonuses for the Company.
- Approved the strategy and the business plan for the following years.
- Discussed Human Resources and Talent Management.
- Approved the updates on the Company Manuals and Procedures following the Committee recommendations; during 2015 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 2015, Allianz Saudi Fransi succeeded in aligning risk management activities with corporate strategy and objectives to preserve the shareholders' value.

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

The Risks are mentioned here below:

Operational/ Process Risk

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

Liquidity Risk

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

Credit Risk

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

Interest Rate Risk

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

Currency Exchange Risk

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

Market Risk

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

Fund Price Risk

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

Insurance Risk

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

Capital management

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

Fair Value of Financial Instruments

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

k) Zakat, Legal Payments, and Loans

Allianz Saudi Fransi allocated SAR 5,255,887 for Zakat and Tax in 2015 against SAR 4,363,308 allocated in 2014. There were no loans by the Company.

The following table shows a list of legal expenses for the year ended December 31st, 2015 (The amounts charged in 2015 & the related paid amounts as at December 31st, 2015).

SAR Million	2015		2014	2013	2012	2011
	Paid	Charged				
Customs Expenses	-	-	-	-	-	-
Zakat & Tax	-	5.2	4.4	4.0	3.0	1.8
GOSI Expenses	3.6	2.5	2.5	2.3	2.0	1.8
Visa & Passports	0.4	0.4	0.3	0.4	0.4	0.7
Inspection & Supervision Fees	2.8	4.0	4.2	4.3	3.9	4.7
Total	6.8	12.1	11.4	11.0	9.3	9.0

*Charged amounts represent the amounts due as at December 31st 2015, plus any amounts paid related to 2015, in other words it is the gross amounts expensed for the year ended December 31st, 2015 (Paid and Due).

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 2016, 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 2016, 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 2016, the Company will further increase the number of preferred Brokers and focus on global business lines such as credit insurance.

Digitalization & Automation: In 2016 Digital initiatives will be streamlined to enhance customer satisfaction and ensure a better customer experience, which should contribute to increasing the persistency of the portfolio.

Motor and Health Profitability and development : In line with its Risk Strategy for 2016, 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 2016 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 2015, the Ordinary General Assembly approved the BOD recommendation of renewing “Aldar” and appointment of “KPMG” as joint external auditors for the fiscal year ended 31st December 2015. 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 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and not in accordance to the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by the Saudi Organization of Certified Public Accountants (SOCPA).

The external independent auditors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2015 and the result of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

13. Shariah Committee

The Company has a Shariah Committee composed of:

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