




شركة الأهلي للتكافل
ALAHLI TAKAFUL COMPANY

ATC Annual Board of Directors Report



2018



Al Ahli Takaful Board of Directors is pleased to present to the shareholders of the Company the Annual Report of the Board of Directors for the financial year 2018.

The report has been prepared as per the requirements of the Companies law, the Corporate Governance Regulations and the guidelines issued by the Board of Directors of the Capital Market Authority.

The report provides detailed information on the company's activities, achievements and results of operations during the fiscal year, together with the annual report of the Company's auditors and financial statements with its notes for the financial year ended 31 December 2018.

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1. AlAhli Takaful Company Background

AlAhli Takaful Company "ATC", (The Company), affirmed by Royal Decree No. M/70 dated 22.11.1427H (Corresponding to 13.12.2006) and incorporated by Ministerial Resolution No.262 dated 20.11.1427H. (Corresponding to 11.12.2006), as a Saudi Joint Stock Company registered in Jeddah under Commercial Registration No. 4030171573 dated 21.07.1428H (Corresponding to 04.08.2007). The Company operates under Saudi Arabian Monetary Agency's (SAMA) (insurance regulator) license no. TMN/7/20079 dated 29.08.1428H (corresponding to 11.09.2007) in accordance with the Cooperative Insurance Regulations issued by (SAMA).

2. The Company's Core Operations

The Company conducts insurance operations in accordance with the Cooperative Insurance Regulations issued by (SAMA). The Company's principal activity is to provide protection and saving products through insurance solutions for individuals and groups.

2.1 Retail

The Company provides insurance solutions for individuals to satisfy their present and future requirements through the following ATC's Shari'a compliant protection and saving products:

- AlAhli Protection and Savings Plan.
- AlAhli Education Plan.
- AlAhli Marriage Plan.
- AlAhli Retirement Plan.

2.2 Group

ATC provides Shari'a compliant insurance solutions for collaborators of companies and enterprises through the following products:

- AlAhli Group Care Protection.
- AlAhli Group Credit Protection.

3. Company's Mission

The Company strives to be a Saudi Insurance Company that implements the highest international standards in order to provide world class insurance products based on Shari'a values and principles and aims to continue developing optimal solutions to meet the needs and expectations of both, customers and partners alike.



4. Capital and Floated Shares

The authorized and issued share capital of the Company is SR 166,666,670 divided into 16,666,667 ordinary shares of SR 10 each.

The statement.	Number of shares / Amount
Authorized capital	SAR 166,666,670
Number of shares issued	16,666,667 shares
Floated shares	10,354,167 shares
Paid-up capital	SAR 166,666,670
Nominal value per share	SAR 10
Paid-up amount per share	SAR 10

5. Main Shareholders

In accordance with registration and listing articles the table below gives a description of any interest of share category with voting power attributable to persons (excluding Directors and Key Executives) controlling (5%) or more together with any change in the related rights during the year:

Shareholder name	Nationality	Number of shares at the beginning of 2018	Ownership at the beginning of 2018	Number of shares at the end of 2018	Ownership at the end of 2018	Difference %
National Commercial Bank (NCB)	Saudi Company	5,000,000	29.99%	5,000,000	29.99%	0 %
International Finance Corporation (IFC)	International Organization	1,370,834	8.23%	1,370,834	8.23%	0%
FWU AG	German Company	1,331,367	7.99%	1,331,367	7.99%	0%
VHV	German Company	839,600	5.04%	0	0%	(100%)

6. Competitive Advantages

AlAhli Takaful Company (ATC) has various competitive advantages compared to its peers in the Saudi Insurance Market, which are as follows:

- ✿ The strategic partnership with National Commercial Bank (NCB) allows ATC access to a wide customer base (6.7 million clients and customers throughout the Kingdom of Saudi Arabia at end of the year 2018) via NCB's Branch network. This gives the Company the opportunity to significantly eliminate undue expenses necessary to establish its own distribution network considered to be the most important factor of success in the insurance industry.
- ✿ ATC's products and business operations are Shari'a compliant.
- ✿ Advanced technical infrastructure to ensure the company providing its products across the branches of National Commercial Bank around the Kingdom through automated setup to its customers to ensure that customers are getting the insurance products smoothly and easily.






- The company offers innovative insurance products that cover all customer needs from different segments.
- The company has a high financial solvency margin, which helps the company to achieve continuous growth of its business.

7. ATC's Most Significant Decisions and Events for 2018

- On 24th of Rajab 1439H, corresponding to 10/04/2018, The Board of Directors proposed to distribute cash dividends for the year ended 31/12/2017 by SR 0.75 per share with total amount of SR 12.5 million to its shareholders. This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on 7th of Sha'ban 1439H, corresponding to 23/04/2018. Accordingly, the dividend payment was made on 21st of Shab'an 1439H, corresponding to 07/05/2018.
- Both Mr. Bleihid Nasser Al Bleihid and Mr. Faisal Omar Al Sakkaf resigned from the Board of Directors on 29 May 2018. Both resignations were accepted by the Board of Directors on 30 May 2018.
- AlSharif Khalid AlGhalib has joined the Board of Directors on 3rd of Dhul Hijah 1439H, corresponding to 14/08/2018 and named Chairman of the Board on 25th of Dhul Hijah 1439H corresponding to 05/09/2018.
- Mr. Khalid Mohammed Bashnini was appointed on the 4th of Dhul Qadah 1439H, corresponding to 17/07/2018 as a member of the Board of Directors. He also joined the Investment Committee on the 25th of Dhul Hijah 1439H, corresponding to 05/09/2018.
- On 17/07/2018, Mr. Hamed Fayez was appointed as Non-Executive member of the Board of Directors (Representing the National Commercial Bank in ATC's Board of Directors). Mr. Fayez, thereafter, submitted his resignation on 02/08/2018 due to the generous royal trust of his appointment as Deputy Minister of Culture and was approved on the same.
- The Extraordinary General Assembly has approved in its meeting held on the 7th of Sha'ban 1439H, corresponding to 23/04/2018 to the proposed amendment of article 32 of the Article of Association concerning the quorum of the assembly.
- For the fourth consecutive year, Al Ahli Takaful Company was awarded with the best Takaful Company in the Kingdom of Saudi Arabia for the year 2017 by "International Takaful Summit".



8. Expectations and future plans

-  The Company is aiming to enhance the current sales channels in order to improve the quality of selling process by conducting a proper training program for concerned staff, improving all relevant services and maintaining professional and high-quality relationship with customers.
-  The Company aims volume growth of the insurance portfolio through activating the direct sales channels, banking insurance, for companies' group insurance products.
-  The Company aims to introduce new insurance solutions complying with Shari'ah requirements for its customers which enabling it to acquire a big market share of new customers segments in the community.

9. Financial Results

AlAhli Takaful Company ended the fiscal year 2018 with a net profit of SAR 10.42 million before zakat compared to a net profit of SAR 38.53 million for the prior year, i.e. A decline of 73% comparing to 2017. Also, the Company has achieved gross written contributions for 2018 amounted to SAR 338.35million compared to gross written contributions amounting to SAR 353.11 million for 2017, i.e. A decline of 4.2% comparing to the prior year.

10. ATC's Annual Performance for Fiscal Year 2018

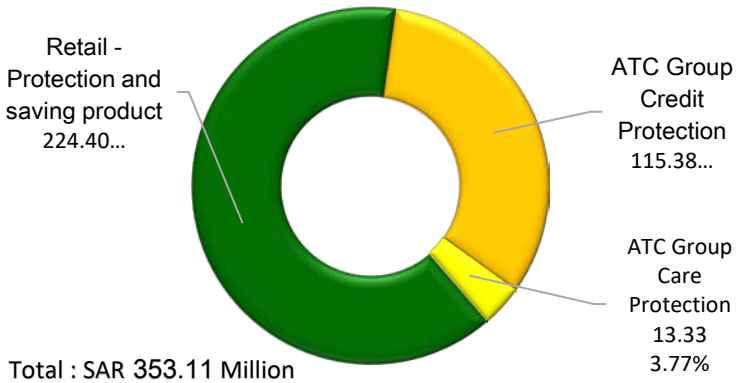
Description	SAR Million					Difference amount (2018 / 2017)	Difference % (2018 / 2017)
	2018	2017	2016	2015	2014		
Gross Written contributions	338.35	353.11	356.28	361.05	340.51	(14.76)	(4%)
Surplus for the year from Insurance Operations	13.12	43.02	40.92	43.45	37.91	(29.89)	(69%)
Cash at bank	18.87	26.67	19.03	40.13	102.82	(7.80)	(29%)
Unit-linked investments for policyholders	647.08	694.41	749.77	778.67	703.57	(47.33)	(7%)
FVIS investments	286.61	321.07	294.30	234.48	130.78	(34.46)	(11%)
Gain on FVIS investment	5.98	7.62	6.13	1.20	2.12	(1.64)	(22%)
Technical reserve for Insurance Operations	661.42	716.89	767.61	798.13	730.73	(55.47)	(8%)
Net Income/(loss) for the Year before Zakat	10.42	38.53	33.34	34.40	30.25	(28.11)	(73%)
Total Shareholders' Equity	234.74	241.10	215.71	194.17	165.55	(6.36)	(2.64%)
Total Assets	1,098.62	1,109.51	1,184.37	1,125.53	997.56	(10.89)	(1%)
Total Liabilities	863.88	868.41	968.66	931.36	832.01	(4.54)	(1%)



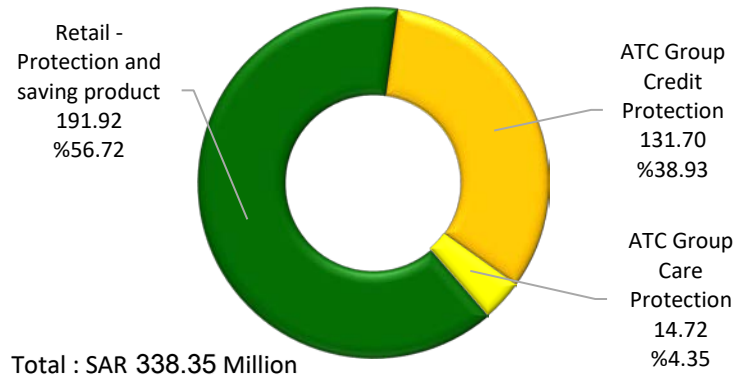
- ❁ The decline in gross written contributions in 2018 compared to the year 2017 was due to decline in gross written contributions for the retail sector during the year by 14.5% compared to the previous year as the gross written contributions for retail sector were amounted SAR 191.91 million for 2018 compared to SAR 224.40 million for 2017 . While the gross written contributions of groups sector were increased 13.8% compared with the previous year as the gross written contributions of groups sector were amounted SAR 146.42 million for the 2018 compared to the amount SAR 128,71 million for the 2017.
- ❁ Reason for the decline in the surplus from insurance operations for the current year 2018, compared to the previous year 2017 in general was due to increase in the net claims incurred for group products.
- ❁ The reason for decline in the balance of cash at bank was due to increase in the net claims incurred
- ❁ The reason for decline in the value of unit-linked investments for policyholders during the year 2018 was due to decline of the gross written contributions.
- ❁ The decrease in the value of investments at fair value through income statement (FVIS) during the year 2018 was due to Investment recoveries amounting to SR 40 million.
- ❁ The reason for decline in the gain on investments at fair value through income statement (FVIS) during the year 2018 was due to decline in the return on investments as a result of market considerations.
- ❁ The reason for decline in technical reserve for insurance operations was due to decline in investment contributions of the policyholders as a result of the decrease in the insurance portfolio of the retail sector for the year 2018. Technical reserve is made by the Company for total investment contributions of the policyholders.
- ❁ The decrease in net profit before Zakat during the current year compared to last year was mainly due to the company has booked amount of SAR 14.86 million as an additional provision against outstanding claims. in addition due to a decrease of 72% in the surplus of insurance operations of this year which was due to the 216% increase in the net incurred claims which resulted from carrying an additional burdens on one of its group products, the Group Credit Protection. Also, the gross written premiums for the current year decreased by 4% compared to the last year and the net profit of shareholders capital investment and policy holders investment for the current year decreased by 35% and 12% respectively compared to the last year.
- ❁ The decrease in total Shareholders' Equity for 2018 compared to 2017 in general to decline in profit of year In addition to a dividend of SR 12.5 million.
- ❁ The reason for decrease in total assets for 2018 compared with 2017 was due to the decrease in the balance of investments.
- ❁ The decrease in total liabilities for 2018 compared to 2017 in general was due to the decrease in the technical reserve.



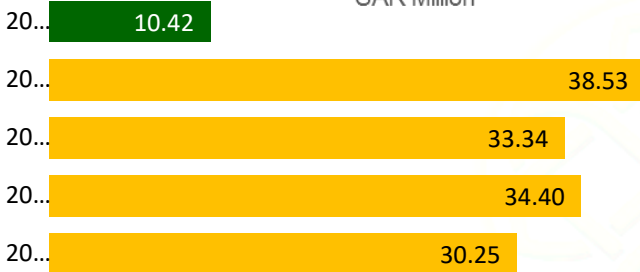
Gross Written Contribution Product Wise for 2017
SAR Million



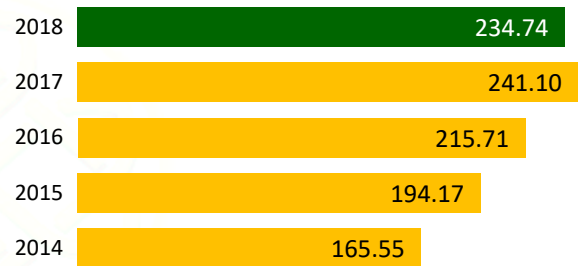
Gross Written Contribution Product Wise for 2018
SAR Million



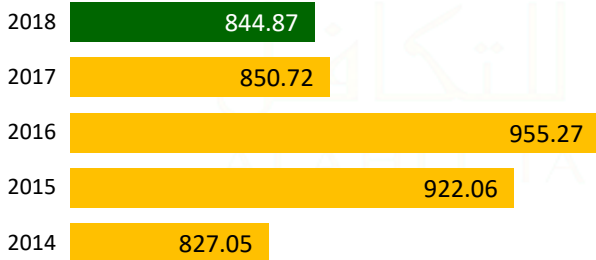
Net Income for the year before Zakat
SAR Million



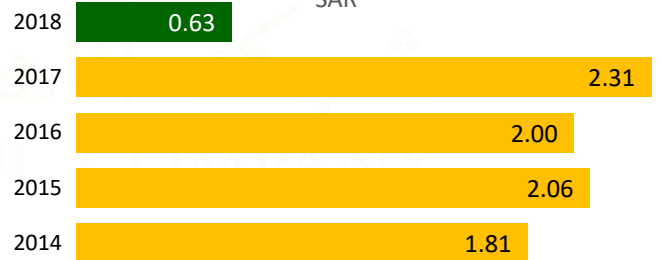
Total Shareholders' Equity
SAR Million



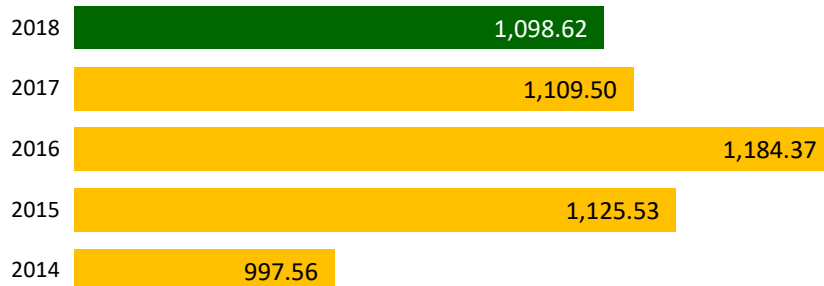
Total Liabilities
SAR Million



Earnings Per Share
SAR



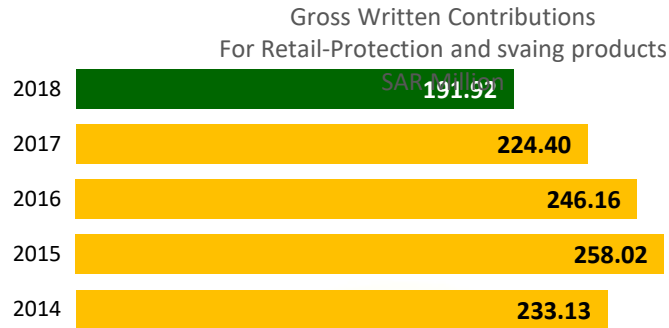
Total Assets
SAR Million



11. Segmental Performance

11.1 Retail – Protection and Saving Products

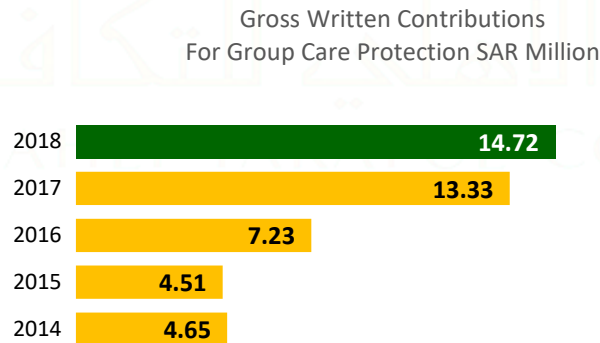
Regular gross contributions for retail protection and saving products for the period from 1 January to 31 December 2018 amounted to SAR 191.92 million a decrease of 14.5 % compared to SAR 224.40 million for 2017. This was due to decline in sales of the retail protection and saving products.



11.2 Group Products

11.2.1 ATC Group Care Protection

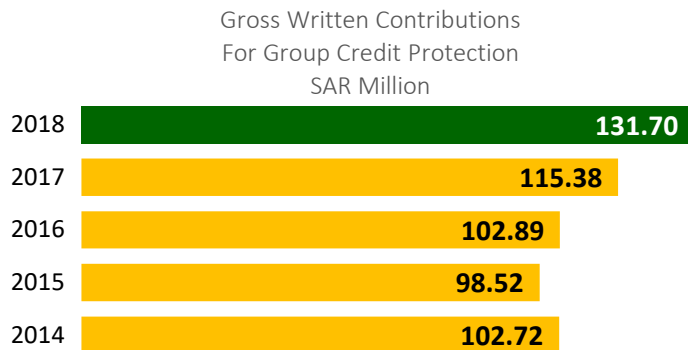
The total gross written contributions amounted to SAR 14.72 million for 2018 compared to SAR13.33 million for 2017, an increase of 10.43% due to the high sales of the product in addition to the growth of insurance portfolio for this product.



11.2.2 ATC Group Credit Protection

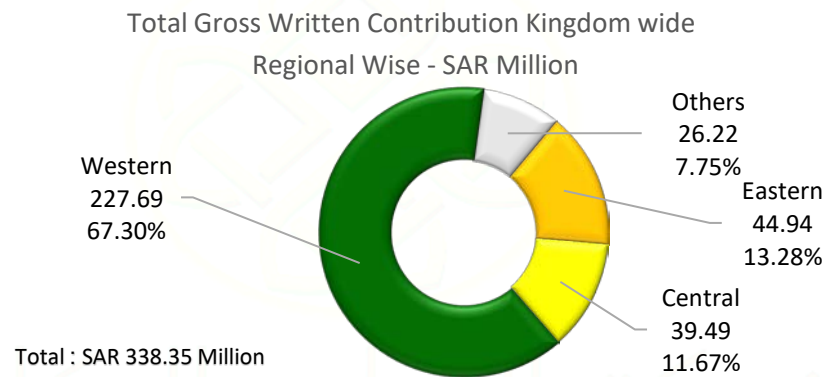
Gross Written Contributions from ATC Group Credit Protection amounted to SAR 131.70 million for the year ended 31 December 2018 compared to SAR 115.38 million for 2017, an increase of 14.14% resulting from growth of insurance portfolio for this product.





12. Geographical Analysis of Consolidated Revenue

ATC operates solely in the Kingdom of Saudi Arabia. The Company has no subsidiaries or other branches inside or outside the Kingdom. The chart below illustrates the geographical analysis of consolidated revenue (Gross Written Contributions) for the year ended 31 December 2018.



13. Accounting Standards Followed for Reporting

The Company's Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS). In this respect the Company assures that there are no material differences or negative financial effects on the Financial Statements due to its preparation in accordance with IFRS compared with the accounts established with the standards issued by the Saudi Arabian Organization for Certified Public Accountants. The BOD represents that the Company kept proper accounting records.

14. Dividends Distribution Policy

- The Company's Policy is based on the dividends distribution to Shareholders (after deducting Zakat, income tax, and the expenses and rights of policyholders), in order to enhance the investment return for the partners on an annual basis based on the Company's income and financial position, market conditions, general economic conditions, further to other conditions, including availability of investment opportunities and requirements for



reinvestment, cash and financial requirements, trade expectations, and other regulatory considerations.

✿ Although the Company expects to distribute annual dividends to the Shareholders, there are no guarantees for the actual distribution of dividends and there is no guarantee of the amounts to be distributed in any future year. The distribution of dividends shall be subject to the provisions of Article (45) of the Articles of Association stating that the net dividends of the Company shall be distributed as follows:

1. Provision for Zakat and income tax to be provided.
2. Transfer 20% of the net profit to the statutory reserve. The General Assembly may suspend this reserve when the said reserve reaches the amount of the total Paid-up Capital.
3. The Ordinary General Assembly, on the proposal of the BOD, may reserve a certain percentage of the annual net profit to form and allocate to an additional reserve for a specific purpose determined by the General Assembly.
4. Then a payment shall be distributed from the remaining profit to the Shareholders, at least 5% of the Paid-up Capital,
5. After the above, a percentage not exceeding 10% of the remaining profits shall be allocated to the remuneration of the BOD members, subject to the regulations and instructions issued by the competent authorities and the Saudi Arabian Monetary Authority (SAMA).
6. The then remaining profit will then be distributed to the Shareholders as additional dividends or transferred to retained earnings.

Dividends distributed to the shareholders during the year 2018 pertaining to the financial year 2017:

The Board of Directors proposed to distribute cash dividends for the year ended 31/12/2017 of SR 0.75 per share with total amount of SR 12.50 million to its shareholders on the 24/07/1439H, corresponding to 10/04/2018. This dividend proposal was approved by the shareholders in the Ordinary General Assembly Meeting held on the 7th of Sha'ban 1439H, corresponding to 23/04/2018. Accordingly, the dividend payment was made on 21st of Shab'an 1439H, corresponding to 07/05/2018.



Description	2018
Total amount distributed	SAR 12,500,000
Distribution amount per share	SAR 0.75
Distribution ratio of the nominal share value	7.5%
Eligibility of profits distributed - the due date	23 Apr 2018
Distribution date	07 May 2018
Distribution Method	Direct transfer to shareholder's bank account

15. Shares Owned by Directors / First Degree Relatives and Related Changes

Following are the details listed for the number of shares held by the Board of Directors during their current term in 2018:

Director's Name	Membership title	Membership Classification	Number of shares 01.01.2018	Number of shares 31.12.2018	Difference
AlSharif Khalid AlGhalib	Chairman	Non-Executive	-	-	-
Eng. Saleh Ahmed Hefni	Deputy Chairman	Independent	1000*	1000*	0%
Amr Mohammed Khashoggi	Member	Independent	1000	1000	0%
Abdullah Ali AlFarraj	Member	Non-Executive	1000*	1000*	0%
Khalid Mohammed Bashnini	Member	Non-Executive	-	-	-
Jamal Jameel Malaikah	Member	Independent	1000*	1000*	0%
Dr. Manfred Joseph Dirrheimer	Member	Non-Executive	1000**	1000**	0%
Mohammed Owais Ansari	Member	Non-Executive	1000**	1000**	0%
Wolfgang Gemünd	Member	Non-Executive	1000***	-	(100%)

* Shares blocked in favor of the Board Member from NCB Portfolio.

** Shares blocked in favor of the Board Member from FWU Portfolio.

*** Shares blocked in favor of the Board Member from VHV Portfolio.

The amended Companies Law (Decree No. 30 of 28/1/1437H, and Royal Decree No. M / 3 dated 28/1/1437H), did not mention the need to own private security shares as members of the Board of Directors as in the previous Companies Law.

There are no option right to any share, investments or other reserves to the interest of directors, key executives, employees or their families.

Treasury shares held by the Company and details of the uses of these shares:

There are no treasury shares held by the Company during 2018.

16. Board of Directors

The main duty of the Board of Directors is to develop and ensure the implementation of the Company's overall plans and policies and set its financial goals. All financial allocations and budgets are approved by the Board. Further, the Board follows through the BOD's various committees the work in progress and to what extent the goals are being adhered and achieved. In addition, the BOD is willing to protect the interest of shareholders and other stakeholders through ensuring full compliance with applicable rules and Bylaws as set out in the Company's Articles of Association and its Corporate Governance Regulations.



16.1 BOD's Formation, Membership and Representation

The BOD comprises of nine members. The Directors have been elected for the new term on 26 June 2016, so the current term of the BOD Members ends on 25 June 2019.

AlSharif Khalid AlGhalib has joined the Board of Directors on the 3rd of Dhul Hijah, corresponding to 14/08/2018. Mr. Khalid Mohammed Bashnini also has joined the Board of Directors on the 4th of Dhul Qadah 1439H, corresponding to 17/07/2018.

The following table shows the composition of present BOD in terms of title, classification, the party the Director represents and the Director's current and former membership in the board of directors of other Companies:



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Director's Name	Membership title	Membership Classification	Representation in the company	Current membership in other companies BoD	Inside/ Outside the Kingdom	The company's legal status	Former membership in other companies BoD	Inside/ Outside the Kingdom	The company's legal status
Blehid Nasser Al Blehid (Until 30.05.2018)	Former Chairman	Non-Executive	NCB, one of the founding shareholders of ATC	BACO W.L.L	Bahrain	Limited Liability	-	-	-
AlSharif Khalid AlGhalib (Effective from 14.08.2018)	Chairman	Non-Executive	NCB, one of the founding shareholders of ATC	King Abdul Aziz Endowment (Al Ain Al Azziziyah)	Saudi Arabia	Endowment	Turkey Finance Bank	Turkey	Listed Company
				Rua Al Madinah Holding	Saudi Arabia	Real Estate Development Co. owned by Saudi PIF	Saudi Authority for Industrial Cities and Tech. Zones (MODON)	Saudi Arabia	Governmental Entity
Eng. Saleh Ahmed Hefni	Deputy Chairman	Independent	-	Halawani Brothers Company	Saudi Arabia	Listed Company	Tihama Advertising and Public Relations Company	Saudi Arabia	Listed Company
				Halawani Brothers Company	Egypt	Closed Joint Stock			
				Middle East Healthcare Co.	Saudi Arabia	Listed Company			
				Saudi Industrial Services Co. (SISCO)	Saudi Arabia	Listed Company			
				Logipoint Co.	Saudi Arabia	Limited Liability			
				Saudi Export Development Authority (SEDA)	Saudi Arabia	Government Entity			
Kindasa Water Services	Saudi Arabia	Closed Joint Stock							
Amr Mohammed Khashoggi	Member	Independent	-	United Sugar	Saudi Arabia	Limited Liability	National Gypsum Company	Saudi Arabia	Listed Company
				Amr Khashoggi Trading Company	Saudi Arabia	Limited Liability			
				Qadiroon Network for Handicap Employers Ltd.	Saudi Arabia	Limited Liability			
				Global Gypsum Company	Saudi Arabia	Limited Liability			
Abdullah Ali Al Farraj	Member	Non-Executive	NCB, one of the founding shareholders of ATC	-	-	-	Najm Insurance Services Company	Saudi Arabia	Closed Joint Stock
Faisal Omar AlSakkaf (until 30.05.2018)	Member	Non-Executive	NCB, one of the founding shareholders of ATC	Middle East Paper Co. (MEPCO)	Saudi Arabia	Listed Company	NCB Capital	Saudi Arabia	Closed Joint Stock
				Bank of Turkey Finance Cataileem	Turkey	Turkish Closed Joint Stock	East Gate Capital Group	United Arab Emirates	UAE Limited Liability
				MEMAR for Construction Equipment and Trading Company	Saudi Arabia	Limited Liability			



				Mohamed Ahmed Saleh Baeshen & Co.	Saudi Arabia	Closed Joint Stock			
				SMT Saudi Arabia General Contracting and Construction Company	Saudi Arabia	Limited Liability			
Jamal Jameel Malaikah	Member	Independent	-	GPCA	United Arab Emirates	Association	-	-	-
				The National Company for Petrochemical Industries NATPET	Saudi Arabia	Limited Liability			
				PMC	Saudi Arabia	Association			
Dr. Manfred Joseph Dirrheimer	Member	Non-Executive	FWU Company, one of the founding shareholders of ATC	FWU Life Insurance Lux S.A	Luxembourg	Limited Liability Company	Melitta North America	USA	Limited Liability Company
				FWU Life Insurance Austria AG	Austria	Closed Joint Stock Company	National Union Life Insurance (AIG)	USA	Listed Stock
				FWU Invest S.A	Luxembourg	Limited Liability Company			
				FWU Takaful GmbH	Germany	Limited Liability Company			
				FWU AG	Germany	Limited Liability Company			
Mohammed Owais Ansari	Member	Non-Executive	FWU Company, one of the founding shareholders of ATC	FWU Life Insurance Lux SA	Luxembourg	Limited Liability Company	-	-	-
				FWU Invest SA	Luxembourg	Limited Liability Company			
				FWU Takaful GmbH	Germany	Limited Liability Company			
				FWU AG	Germany	Limited Liability Company			
				Pak Qatar Family Takaful Company	Pakistan	Public unlisted Company			
Wolfgang Gemünd	Member	Non-Executive	VHV, one of the founding shareholders of ATC	Européenne	Belgium	Listed joint stock	Nationale Suisse	Switzerland	Listed joint stock
				Immobilière Joseph II	Belgium	SPRL	Nationale Suisse S.A. France	France	Closed joined stock
							Nationale Suisse S.A. Belgium	Belgium	Closed joint stock
Khalid Mohammed Bashnini (Effective 17.06.2018)	Member	Non-Executive	NCB, one of the founding shareholders of ATC				-	-	-



16.2 Board Meetings

The Board of Directors has held five (5) meetings during 2018 from the date of last General Assembly Meeting held on 31 December 2017. The table below shows the BOD Meetings during 2018 and the number of meetings attended by each Board Member:

Director's Name	Membership title	Membership Classification	First Meeting 19 February 2018	Second Meeting 23 April 2018	Third Meeting 06 August 2018	Fourth Meeting 29 October 2018	Fifth Meeting 17 December 2018	Number of meetings attended by the Member
AlSharif Khalid Al Ghalib *	Former Chairman	Non-Executive	-	-	-	✓	✓	1
Blehid Nasser Al Blehid***	Chairman	Non-Executive	✓	✓	-	-	-	2
Eng. Saleh Ahmed Hefni	Deputy Chairman	Independent	✓	✓	✓	✓	✓	5
Amr Mohammed Khashoggi	Member	Independent	✓	✓	✓	✓	✓	4
Abdullah Ali Al Farraj	Member	Non-Executive	✓	✓	✓	✓	✓	5
Faisal Omar Al Sakkaf***	Former Member	Non-Executive	✓	✓	-	-	-	1
Khalid Mohammed Bashnini**	Member	Non-Executive	-	-	✓	✓	✓	3
Jamal Jameel Malaikah	Member	Independent	✓	✓	✓	✓	✓	5
Dr. Manfred Joseph Dirrheimer	Member	Non-Executive	✓	✓	✓	✓	✓	2
Mohammed Owais Ansari	Member	Non-Executive	✓	✓	✓	✓	✓	5
Wolfgang Gemünd	Member	Non-Executive	✓	✓	✓	✓	✓	4
Percentage of the total attendance of the members of the Board meetings			89%	67%	100%	67%	89%	82.4%

* AlSharif Khalid AlGhalib named Chairman of the Board on 05.09.2018

** Mr. Khalid Bashnini joined the board on 17.05.2018

***Both Mr. Blehid Nasser Al Blehid & Mr. Faisal Al Sakkaf have resigned from the board on 30.05.2018

16.3 Board of Directors, Committees and Senior Executives' remunerations and fees

Annual remunerations, attendance fees and other related expenses are paid to Directors and Board Committees Members in accordance with Company's By-laws and other related regulations. Senior Executives' compensations are paid by the Company in accordance with the contract of employment made with the particular Senior Executive, Remuneration of Board, and Committees Members and Senior Executives has been paid in accordance with Remuneration policy for Board, Committees and Senior Executives.

A- Board of Directors Remunerations and fees

Board of Directors, and Committees members and Executive Management Remuneration policy was approved by the Ordinary General Assembly held on 12th Rab'Al Awal, corresponding to 30.12.2017.

The table below shows details of the remuneration and fees paid to the members of committees:



		SAR Thousand							
Director's Name	Membership title	Fixed remunerations			Sub Total	Variable remunerations	End of service benefits	Gross Total	Compensation for travelling and hotel expenses
		Remuneration for Chairman and Member	BoD Meetings Attendance fee	Amount received by the member for technical or administrative or consulting works					
First: Independent members of the Board									
Eng. Saleh Ahmed Hefni	Deputy Chairman	150	25	-	175	-	-	175	-
Amr Mohammed Khashoggi	Member	150	20	-	170	-	-	170	-
Jamal Jameel Malaikah	Member	150	25	-	175	-	-	175	-
Total		450	70	-	520	-	-	520	-
Second: Non-executive members of the Board									
Bleihad Nasser Al Bleihad	Former Chairman	92.4	10	-	102.4	-	-	102.4	4.9
AlSharif Khalid Al Ghalib	Chairman	86.3	5	-	91.3	-	-	91.3	-
Abdullah Ali Abdullah Al Farraj	Member	150	25	-	175	-	-	175	6.5
Faisal Omar Al Sakkaf	Former Member	61.6	5	-	66.6	-	-	66.6	-
Khalid Mohammed Bashnini	Member	69	15	-	84	-	-	84	-
Dr. Manfred Joseph Dirrheimer	Member	150	10	-	160	-	-	160	-
Mohammed Owais Ansari	Member	150	25	-	175	-	-	175	3.3
Wolfgang Gemünd	Member	150	20	-	170	-	-	170	147.1
Total		909.3	115	-	1,024	-	-	1,024	-
Gross total		1,359	185	-	1,544	-	-	1,544	162

B- Members of Committees remuneration and fees

The table below shows details of the remuneration and fees paid to the members of committees:

			SAR Thousand				
Member's Name	Membership title	Membership Classification	Fixed remuneration (except Meetings Attendance Fees)	Attendance Fees	Amount received by the member for technical or administrative or consulting works	Total	Compensation for travelling and hotel expenses
First: Executive Committee							
Eng. Saleh Ahmed Hefni	Chairman	Independent	75	35	-	110	-
Abdullah Ali Al Farraj	Member	Non-Executive	50	35	-	85	-
Mohammed Owais Ansari	Member	Non-Executive	50	35	-	85	-
Wolfgang Gemünd (Effective from 27.05.2018)	Member	Non-Executive	30	15	-	45	49
Total			205	120	-	325	49
Secondly: Audit Committee							
Dr. Salah Khaled Al Bakhit Al Taalib	Chairman	Non-BoD Member	90	30	-	120	28.2
Saeed Ahmed Al Ghamdi	Member	Non-BoD Member	75	30	-	105	12.5
Jamal Jameel Malaikah	Member	Independent	75	25	-	100	-
Total			240	85	-	325	40.7
Thirdly: Nominations and Remuneration Committee							
Amr Mohammed Khashoggi	Chairman	Independent	55	15	-	70	-
Engr. Saleh Ahmed Hefni	Member	Independent	70	15	-	85	-
Mohammed Owais Ansari	Member	Non-Executive	50	15	-	65	-
Total			175	45	-	220	-



Fourthly: Investment Committee							
Amr Mohammed Khalid Khashoggi	Chairman	Independent	75	20	-	95	-
Faisal Omar Abbas Al Sakkaf (Resigned on 30.05.2018)	Member	Non-Executive	20.5	10	-	30.5	-
Jamal Jameel Saleh Malaikah	Member	Independent	50	15	-	65	-
Khalid Mohammed Bashnini (Effective from 05.09.2018)	Member	Non-Executive	16.1	10	-	26.1	-
Total			161.1	55	-	216.6	-
Fifthly: Risk Management Committee							
Faisal Omar Abbas Al Sakkaf (Resigned on 30.05.2018)	Former Chairman	Non-Executive	30.8	5	-	35.8	-
Wolfgang Gemünd (Effective from 05.09.2018)	Chairman	Non-Executive	58	20	-	78	49
Husain Feroz Ali	Member	Non-BoD Member	50	20	-	70	-
Abdullah Ali Al Farraj (Effective from 05.09.2018)	Member	Non-Executive	16.1	15	-	31.1	-
Total			154.9	60	-	214.9	49
Gross Total			936	365	-	1,301	138.7

C- Senior executives' remunerations

The Company's policy in the remuneration of senior executives are as follows:
The Board of Directors shall, upon the recommendation of the Remuneration and Nomination Committee, determine the remuneration of Senior Executives in which includes the following:

- 1- Fixed amount paid as salary and allowances. The allowances include housing, transportation, annual tickets and any other allowances proposed by the Remuneration and Nominations Committee and approved by the Board of Directors.
- 2- An annual bonus linked to performance indicators in accordance with the annual assessment done for this regard.
- 3- Plans, policies and types of bonuses for employees and Senior Executives are approved by the Board of Directors upon the recommendation of the Remuneration and Nominations Committee.
- 4- The Nominations and Remuneration Committee should oversee the implementation of the policy of the staff bonuses and Senior Executives in the light of the plans, programs and general instructions approved by the Board of Directors.

The following statement shows the remunerations and benefits received by five Senior Executives of the company including the Chief Executive Officer and Chief Financial Officer within the approved policies for the year 2018

	SAR Thousand
Description	2018
Salaries	2,176
Allowances	942
Periodic Bonuses	544
End of service benefits	145
Total	3,807

No loans arranged by any director with a third party is guaranteed by the Company.



16.4 CV's summary of Board of Directors and Committees members those are Non-BoD members and senior executives of the company:

First: Members of Board of Directors:

Name of member	Current Occupation	Previous Occupation	Qualifications	Experiences
Al Sharif Khalid AlGhalib	Senior Executive Vice President - Head, Retail Banking Group (NCB)	Senior Executive Vice President – Head of Corporate Banking (NCB) Senior Vice President – Head of Retail Banking (NCB)	AlSharif holds both Bachelor & Master's degrees in Business Administration from Notre Dame College - USA.	Has held many leadership positions in NCB, with over 30 years of experience in the financial and banking fields.
Eng. Saleh Ahmed Hefni	Managing Director and CEO of Halwani Brothers	Managing Director and Chief Executive Officer of Saudi Industrial Services Company (SISCO).	Eng. Saleh holds a Bachelor degree in Civil Engineering - USA. He holds a Master of Philosophy in Human Resources - UK.	His experience spanning more than 20 years in the field of engineering, industrial and food products industry.
Amr Mohammed Khashoggi	CEO of Omar Kassem Al-Esayi & Partners Ltd. Chairman of the Board of Directors of Global Gypsum co. LTD.	Vice President for Group Affairs - Zahid Company. Member of the Board of Directors of National Gypsum Company.	Mr. Amr holds both Bachelor & Master's degrees in Business Administration from Bell University in America.	His experience extends over 40 years in industry and commerce.
Abdullah Ali Al Farraj	Executive Vice President of Finance of Saudi Public Transport Company "SAPTCO"	CFO of Saudi Ground Services	Mr. Abdullah holds Master's in Accounting from American University, Washington. He also holds a Bachelor in Accounting from Imam Muhammad bin Saud Islamic University in Qassim.	His experience spanning more than 25 years in banking, insurance and public services.
Jamal Jameel Malaikah	President and Chief Operating Officer of National Petrochemicals Company. Member of the Board of Directors of Gulf Petrochemicals & Chemicals Company. Member of the Board of Directors of NATPET. Member of the Board of Directors of the Petrochemical Company.	Vice President (Marketing and Sales). Deputy General Manager. General Director. First General Manager of National Petrochemicals Company.	Mr. Jamal holds a Bachelor degree in Industrial Management.	His experience spanning more than 25 years in administrative work and oil companies.
Dr. Manfred Joseph Dirrheimer	Chairman of FWU. Chairman of FWU Life Insurance Company LLC. CEO of FWU. Managing Directors of FWU Takaful.	Senior Research Officer at the Institute of Management (IIM) Berlin, Professor at the University of Dallas, USA.	Dr. Manfred holds a PhD in Economics from the University of Constance, Germany. He holds Master's in economics, from the University of Constance, Germany. He holds a BA in Economics from the University of Constance, Germany.	He has over 35 years of experience in various sectors such as economy, investment, insurance and takaful and has held many positions in these sectors.
Mohammed Owais Ansari	Vice Chairman of FWU. Member of the Board of Directors of FWU Takaful.	Director of Actuarial Services - Pakistan. Actuarial Manager - SABB Takaful Company. Insurance Advisor - Saudi Arabian Monetary Authority. Senior Consultant - PricewaterhouseCoopers UK.	Mr. Mohammed holds a BA degree in Science from Karachi.	His experience spanning more than 15 years in various fields such as insurance and takaful as well as an actuarial expert.
Wolfgang Gemünd	Lawyer	Chief Executive of various insurance companies.	Mr. Wolfgang holds a Slak degree in Law.	His experience spanning more than 40 years in insurance sector.
Khalid Mohammed Bashnini	Head, Commercial Banking Division of NCB	Head, Transaction Banking of NCB.	Master of Islamic Finance from The Arab Academy for Banking and Financial Services in Jordan.	Experience spanning more than 15 years in financial and banking fields



Head, Corporate Business Banking of NCB.
Western Region Manager, Islamic Finance Group of NCB.

Bachelor of Accounting from King Abdul-Aziz University.

Second: Members of committees those are Non-BoD members:

Name of member	Current Occupation	Previous Occupation	Qualifications	Experiences
Dr. Salah Khaled Al Bakhit Al Taalib	Advisor to the President of the General Authority for Tourism and National Heritage. Chairman of the Board of Directors of the Saudi Heritage Hospitality Company.	Vice President, General Supervisor of the Comprehensive Development Program. Vice President of Tourism Investment and Development.	PhD in Accounting and Finance - George Washington University, USA. Master of Accounting - University of Miami, Florida - USA.	His experience spanning over 25 years in accounting, auditing and management.
Saeed Ahmed Saed Al Ghamdi	Consultant at PEC	Financial Adviser	Master of Accounting. Bachelor of Accounting.	He has over 25 years of experience in accounting, auditing and financial consulting.
Husain Feroz Ali	Head of Actuarial Services at FWU Global Takaful Solutions Company	Senior Manager of Sidat Hyder Morshed Associates Pvt. Limited - Pakistan	Fellowship of the Association of Actuaries.	His experience spanning more than 15 years in insurance and actuarial services.

Thirdly: Senior Executives of the Company:

Name of executive	Current Occupation	Previous Occupation	Qualifications	Experiences
Abdulrahman Saleh Al Obrah	Chief Executive Officer (CEO). Chairman of the Protection and Savings Committee of Insurance Companies. Member of the Executive Committee of Insurance Companies	Executive Vice President of Sales and Distribution Channels at Al Jazira Takaful Company.	Bachelor's degree in Economics from King Saud University, Riyadh.	His experience extends to more than 15 years in the field of insurance
Hani Fareed Damra	Chief Financial Officer (CFO)	Finance Manager of Al Mahmal Trading Company	He holds a master's degree in Finance and Banking from the Arab Institute for Banking and Financial Studies in Amman, Jordan and a bachelor's degree in Business Administration from King Abdulaziz University in Jeddah. He is a Certified Arab Accountant from the Arab International Institute of Chartered Accountants in Jordan.	His experience spanning over 26 years in financial management and accounting.
Mohammed Hassan Aqeel	Chief Operating Officer (COO)	Licensing Officer (In-Charge) in the Saudi Stock Exchange (Tadawul).	Master of Financial Risk Management from Simon Fraser University, Canada, Bachelor of Science, Accounting Department, King Saud University, Riyadh.	His experience spanning more than 10 years in accounting, finance, capital markets and SAMA regulations.
Leena Jalal El Qaisi	VP - Head of Corporate Governance & Board Secretary	Manager – Corporate Governance of Bupa Arabia	Masters' and Bachelor of Finance from UBT, Saudi Arabia. CME 1-2 & CCO Certified	More than 6 years of experience in CG and Investors Relations
Mahmoud Moahed Al Sawwaf	Head of HR & Administration	General Manager in DAMCO	Bachelor of Islamic Studies from King Abdul-Aziz University. High Diploma in Human Resource Development from King Abdul-Aziz University. Holds several professional certificates in human resources management	Experience spanning more than 10 years in Human Resource Management and Administration.
Essam Ahmed Mohamed	Head of Corporate Sales	Head of Sales Unit at Derayah Insurance Company	Bachelor of Accounting	He has over 18 years' experience in sales, brokerage and life insurance.
Mohammed Osman	Head of Information Technology	IT manager In Weqaya Insurance Company.	Bachelor of Commerce and Computer Science from the Osmania University in Hyderabad, India.	His experience spanning more than 33 years in the field of IT in many sectors such as healthcare and distribution, financial



				institutions, banks and insurance companies (life /non-life).
Abeer Mohammed Bafel	Head of Compliance & Anti-Money Laundering	Compliance & Corporate Governance Manager in Saudi Enaya Insurance Co.	Bachelor in French Literature, Certified Compliance Officer	Her experience spanning more than 10 years in previous insurance companies.
Dareen Khalaf Al Mutairi	Head of Customer Care	Agents Unit Officer in Tawuniya.	Bachelor of Sociology.	Her experience spanning more than 10 years in the field of customer service and brokerage in previous insurance companies.

16.5 BOD Committees

The Board of Directors approved the formation of several committees to assist in performing its duties and promote supervision, control and decision-making controls in compliance with the Corporate Governance Framework. The different committees comprise Directors and other members, as detailed below:

16.5.1 Executive Committee (EC)

The role of the Executive Committee is to oversee the Company's daily activities and monitor the strategic initiatives set by the BOD. The Committee also develops the Company's financial and commercial plans in accordance with the Company's strategy.

During 2018, the Executive Committee held seven (7) meetings. The Committee comprises members of the BoD chaired by Eng. Saleh Ahmed Hefni and the membership of Mr. Abdullah Ali Al Farraj, Mr. Mohammed Owais Ansari and Mr. Wolfgang Gemünd (who joined the committee in 27.05.2018). The following table shows the EC's Members and their attendance on the Committees' meetings during the year 2018 where attendance ratio reached to 96.4%:

Name of member	Membership title	Membership Classification	First Meeting 15 Jan 2018	Second Meeting 05 March 2018	Third Meeting 07 May 2018	Fourth Meeting 06 Aug 2018	Fifth Meeting 17 Sep 2018	Sixth Meeting 29 Oct 2018	Seventh Meeting 04 Dec 2018	Number of meetings attended by the Member
Eng. Saleh Ahmed Hefni	Chairman	Independent	√	√	√	√	√	√	√	7
Abdullah Ali Al Farraj	Member	Non-Executive	√	√	√	√	√	√	√	7
Mohammed Owais Ansari	Member	Non-Executive	√	√	√	√	√	√	√	7
Wolfgang Gemünd (Effective May 27, 2018)	Member	Non-Executive	-	-	-	√	√	√	X	3

Mrs. Leena Jalal El Qaisi (VP - Head of Corporate Governance & Board Secretary) serves as Secretary of the Committee.

16.5.2 Audit Committee (AC)

The AC assists the BOD in performing its duties in respect of assessment, control, internal control structure, reporting, disclosure, accuracy of financial information, adequacy of internal/external audit activities, auditor's qualifications of internal/external auditors, its independence, and its recommendations as well as in the evaluation of business and operational risks. In addition, the AC reviews the accounting policies and makes recommendations as necessary to the BOD in this respect.



As during the year the Committee, in satisfaction of its duties to assist the BOD in developing the Company, held a series of meetings with internal and external auditors and reviewed all the Company's financial matters throughout the year to ensure compliance with the disclosure requirements before filing the same with the regulating authorities and before publishing the results. The Committee reported its activities to the BOD and Company's management. The AC assisted also the Board in nominating the external auditors, and the Committee ensured the implementation of remedial actions proposed by the audit report.

The Audit Committee comprises 3 (Three) members chaired by Dr. Salah Khaled Al Bakhit and the membership of Mr. Saeed Ahmed Saeed Al Ghamdi and Mr. Jamal Jameel Saleh Malaikah. The Ordinary General Assembly held on 07 Shawwal 1437H (corresponding to 12.07.2017) has approved the formation of the Committee for its new term which started on 26.06.2016 for 4 (Three) years.

All Committee Members have extensive financial and accounting experience and as such they are an added value to ATC assets. The Audit Committee confirms that it does not have a conflict between its resolutions and decisions of the Board of Directors.

During the year 2018, the Committee held six (6) including attending the board meeting held on 17.12.2018 to present the AC framework and its notes. The tables below show the Members and their attendance on the Committee's Meetings where attendance ration reached to 100%:

Name of member	Membership title	Membership Classification	First Meeting 24 January 2018	Second Meeting 20 February 2018	Third Meeting 30 April 2018	Fourth Meeting 25 July 2018	Fifth Meeting 24 October 2018	Sixth Meeting 17 December 2018	Number of meetings attended by the Member
Dr. Salah Khaled Al Bakhit Al Taalib	Chairman	Non-BoD Member	√	√	√	√	√	√	6
Saeed Ahmed Al Ghamdi	Member	Non-BoD Member	√	√	√	√	√	√	6
Jamal Jameel Malaikah	Member	Independent	√	√	√	√	√	√	6

Mr. Waleed Bamarouf (Head of Internal Audit) serves as Secretary of the Committee.

16.5.3 Nomination and Remuneration Committee (NRC)

The NRC assists the BOD to ensure the admission of the best suitable and capable individuals to the BOD. NRC also assists in appointing qualified Key Executives and ensures that the procedures necessary for the assessment of the compensations to managers, Committee Members and the Company's employees are in place and respected.



On its meeting held on 26.06.2016, the BoD has voted to approve the formation of the NRC for its new term starting from 26.06.2016 to serve for 3 (Three) years. The committee comprises three (3) members from the BoD chaired by Mr. Amr Mohammed Khashoggi and the membership of Eng. Saleh Ahmed Hefni and Mr. Mohammed Owais Ansari, where the committee was reformed during the year of 2018, Mr. Amr Mohammed Khashoggi was named Chairman of the NRC effective from 18.10.2018 until the end of the current term which will end on 25.06.2019.

The Committee held three (3) meeting during the year 2018. The table below shows the number of members and their attendance on the meeting where attendance ratio reached to 100%:

Name of member	Membership title	Membership Classification	First Meeting 12 Feb 2018	Second Meeting 6 June 2018	Third Meeting 12 Dec 2018	Number of meetings attended by the Member
Amr Mohammed Khashoggi	Chairman	Independent	√	√	√	3
Eng. Saleh Ahmed Hefni	Member	Independent	√	√	√	3
Mohammed Owais Ansari	Member	Non-Executive	√	√	√	3

Mrs. Leena Jalal El Qaisi (VP - Head of Corporate Governance & Board Secretary) serves as Secretary of the Committee.

16.5.4 Investment Committee (IC)

The IC's responsibility is to assist the BOD in developing the policies and strategies for the investment of ATC's and policy holders' assets, to monitor investment performance, ensuring compliance of investments with Shari'a and Saudi Arabian applicable regulations and related Bylaws. Mr. Khalid Mohammed Bashnini has joined the committee replacing Mr. Faisal Omar Abbas Al Sakkaf effective from 05.09.2018. The IC consists of Mr. Amr Mohammed Khalid Khashoggi as Chairman, while Mr. Khalid Mohammed Bashnini and Mr. Jamal Jameel Saleh Malaikah are Members. All members have distinctive experience in investment and finance. In addition, the IC Members are familiar with Shari'a controls related to investments.

The Committee reviewed the existing investment guidelines and strategies with a view to promote investment performance. The Board of Directors has approved in their meeting held on 26.06.2016 to renew the membership of the Committee for the new term, which starts from 26.06.2016 for three years. The IC holds four (4) meetings during the year of 2018. The table below shows the number of members and attendance of committee meetings where attendance ration reached to 92%:



Name of member	Membership title	Membership Classification	First Meeting 11 March 2018	Second Meeting 13 May 2018	Third Meeting 13 Sep 2018	Fourth Meeting 10 Dec 2018	Number of meetings attended by the Member
Amr Mohammed Khashoggi	Chairman	Independent	√	√	√	√	4
Faisal Omar Al Sakkaf	Member	Non-Executive	√	√	-	-	2
Jamal Jameel Malaikah	Member	Independent	√	√	X	√	3
Khalid Mohammed Bashnini	Member	Non-Executive	-	-	√	√	2

Mrs. Leena Jalal El Qaisi (VP - Head of Corporate Governance & Board Secretary) serves as Secretary of the Committee.

16.5.5 Risk Management Committee (RMC)

This Committee was created during 2016 in accordance with Article No. (107) of the Insurance Corporate Governance Regulation. The Board of Directors has approved in their meeting held on 26.06.2016 the formation and membership of the Committee for the term, which starts from 26.06.2016 for three years. The Risk Management Committee is responsible for identifying risks that may imperil the Company and maintaining an acceptable risk profile for the Company also overseeing the risk management system and assessing its effectiveness in addition defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on a regular basis and reporting to the Board details of risk exposures and recommended actions to mitigate the risks or manage them. Mr. Abdullah Ali Al Faraj has joined the Committee effective from 05.09.2018.

The RMC consists of Mr. Wolfgang Gemünd as Chairman, Mr. Abdullah Ali Al Faraj and Mr. Mr. Husain Feroz Ali as Members.

The RMC held four (4) meetings during the year 2018. The table below shows the number of members and attendance of Committee meetings where attendance ratio reached to 92%:

Name of member	Membership title	Membership Classification	First Meeting 19 February 2018	Second Meeting 17 Sep 2018	Third Meeting 28 Oct 2018	Fourth Meeting 17 Dec 2018	Number of meetings attended by the Member
Faisal Omar AlSakkaf	Former Chairman	Non-Executive	√	-	-	-	1
Wolfgang Gemünd	Current Chairman	Non-Executive	√	√	√	√	4
Husain Feroz	Member	Non-BoD Member	√	X	√	√	3
Abdullah Ali Al Faraj	Member	Non-Executive	-	√	√	√	3

Mr. Anas Ali Basudan (Risk Mgmt. Dep. Supervisor) serves as Secretary of the Committee.

16.5.5 Shari'a Committee (SC)

The Shari'a Committee plays an important role in providing the Shari'a consultancy as needed by the Company. The annual Shari'a review of the



products approved by the SC has demonstrated the products' compliance with the Committee's resolutions and no significant violations of Committee's resolutions has been detected. The Committee consisting of four of the most prominent and well-respected scholars in the Kingdom is chaired by Sheikh Abdullah Bin Sulaiman Al Maneea. The other three members of the Committee are Sheikh Dr. Abdullah Bin Abdulaziz Al Musleh, Sheikh Dr. Abdulla Bin Mohammed Al Mutlaq and Dr. Mohammed Ali Al Gari.

17. Transactions and balances with related parties

Related parties represent major shareholders, directors, key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. All transactions with such related parties are conducted on normal terms and conditions, which are approved by the management.

17.1 Following are the details of related parties' transactions during the years ended 31 December 2018:

Related Party Name	Board Member representative for the Party	Relationship nature	Nature of transactions	Nature as per account register	SAR Thousand	
					Transaction amount	Contract duration
National Commercial Bank	Bleihid Nasser Al Bleihid (until 30 May 2018)	Shareholder	Gross group insurance contribution	Insurance operations	137,150	One Year
	Abdullah Ali Al Farraj					
	Faisal Omar ALSakkaf (until 30 May 2018)		Gross claims paid	Insurance operations	106,137	One Year
	AlSharif Khalid AlGhalib Khalid Mohammed Bashnini					
Al Ahli Insurance Marketing Services Company Limited	Bleihid Nasser Al Bleihid (until 30 May 2018)	Subsidiary of a shareholder	Agency commissions and sales campaigns	Insurance operations	432	Ten Years
	Abdullah Ali Al Farraj					
	Faisal Omar ALSakkaf (until 30 May 2018)					
	AlSharif Khalid AlGhalib Khalid Mohammed Bashnini					
FWU	Dr. Manfred Joseph Dirrheimer Mohammed Owais Ansari	Shareholder	Administration fee	Insurance operations	1,888	Indefinite
NCB Capital	Bleihid Nasser Al Bleihid (until 30 May 2018)	Subsidiary of a shareholder	Recovered portion of investment fund management fees	Insurance operations	5,096	Indefinite
	Abdullah Ali Al Farraj					
	Faisal Omar ALSakkaf (until 30 May 2018)					
	AlSharif Khalid AlGhalib Khalid Mohammed Bashnini					
Key management personnel	-	Company employees	Short-term benefits	Insurance operations	3,662	One Year
			End of service benefits	Insurance operations	145	Indefinite



17.2 Balance receivable from / (payable to) the related parties as at 31 December 2018 which have not been disclosed in detail in the financial statements are as follows:

Related Party Name	Board Member representative for the Party	Relationship nature	Nature of the balance	Nature as per account register	SAR Thousand	
					Balance receivable from/ (payable to)	Contract duration
National Commercial Bank	Bleihad Nasser Al Bleihad (until 30 May 2018)	Shareholder	Net Insurance Contributions receivable	Insurance operations	66.932	One Year
	Abdullah Ali Al Farraj					
	Faisal Omar AlSakkaf (until 30 May 2018)					
	AlSharif Khalid AlGhalib					
	Khalid Mohammed Bashnini					
Al Ahli Insurance Marketing Services Company Limited	Bleihad Nasser Al Bleihad (until 30 May 2018)	Subsidiary of a shareholder	Agency commissions due for products distributing and sales campaigns	Insurance operations	(2,206)	Ten Years
	Abdullah Ali Al Farraj					
	Faisal Omar AlSakkaf (until 30 May 2018)					
	AlSharif Khalid AlGhalib					
	Khalid Mohammed Bashnini					
FWU	Dr. Manfred Joseph Dirrheimer	Shareholder	Due administration fee	Insurance operations	(143)	Indefinite
	Mohammed Owais Ansari					
NCB Capital Related Party Name National Commercial Bank	Bleihad Nasser Al Bleihad (until 30 May 2018)	Subsidiary of a shareholder Relationship nature Shareholder	Portion of investment fund management fees receivable	The insurance operations	429	Indefinite
	Abdullah Ali Al Farraj					
	Faisal Omar AlSakkaf (until 30 May 2018)					
	AlSharif Khalid AlGhalib					
	Khalid Mohammed Bashnini					

A report on Related Parties transactions together with a special report from the external auditor was submitted to the General Assembly held on 7 May 2017. Accordingly, all Related Parties transactions between Al Ahli Takaful Company and the National Commercial Bank, AlAhli Insurance Marketing Services Company Limited, FWU and NCB Capital and all other relevant parties have been approved.



18. The following schedule shows the details of Paid and due Government/Statutory Expenses for 2018 with a brief description for each expense and their due reasons:

SAR Thousand
2018

Expenditure type	Paid amount	Due at the end of the year and did not paid	Brief description	Due reasons
Zakat	3,778	6,644	Annual Zakat, in conformity with the regulations of the General Authority for Zakat and Income tax	Includes outstanding Zakat of previous years SAR 1,04 million in accordance with Initial assessments in conformity with the regulations of the General Authority for Zakat and Income tax in addition also includes the amount of SAR 5.6 million as Zakat due for the year 2018, with note that the company has provided provision for Zakat amounts to SAR 23,55 million which enough to cover the due Zakat obligations
Income tax	1,116	634	Annual Income tax, in conformity with the regulations of the General Authority for Zakat and Income tax	Tax due for the year 2018, which will be paid during 2019.
Saudi Arabian Monetary Authority - Supervision and inspection fee	1,719	259	To be paid to Saudi Arabian Monetary Authority	Due for month of December 2018 and was paid in January 2019.
General Organization for Social Insurance	1,144	87	Social insurance contributions for company employees	Due for month of December 2018 and was paid in January 2019.
Visas and passports, fees and government	149	-	Fees for the issuance of visas, passports, and government fees for company and its employees	Paid on time (no dues)
Capital Market Authority	267	-	Listing fees in Saudi Stock Exchange and paid to Capital Market Authority	Paid on time (no dues)
Total	8,173	7,624		

19. Human Resources

Saudization rate attained was 75%. The Company was classified as a Platinum Zone according to the Ministry of Labor zone system. The female employees occupied 40% of total jobs in the company.

The company strives toward attracting and hiring Saudi calibers in various departments in parallel with developing their skills to meet the Company's senior positions hiring mechanism.

Much emphasis is placed by the Company on the skills development of the employees in order to fit with the Company's Mechanism in promoting its own junior staff to senior management positions.

The Company is also committed in the development of its employees who have shown consistency and dedication The Company provides its employees continuous professional trainings in Life Insurance such as Insurance Fundamental Competency Exam (IFCE) provided by the Saudi Institute of Finance as well as enrollment of its employees to Advanced Life Insurance Courses provided by Life Office Management Association (LOMA-



USA) to enhance ATC's human resources in the field of Life Insurance, claims, underwritings and customer care. In addition, the company is also providing all of its employees a special training course in Anti-Money Laundering and Terrorism Financing, There are no investments or reserves prepared in favor of the Company's employees.

20. Social Responsibility

The Company is aware in the need to contribute to community service, social development and to the advancement of the country and citizens through schemes intended to serve the public interest, appointment of handicapped people in suitable positions, offering students summer holiday training, in addition to cooperative training programs for university students. The Company, by training its employees, seeks to promote the culture of responsibility. In addition, the Company does not forget its responsibility towards non-profit organizations.

21. Employees' Social Benefits and Services

ATC offers a group care scheme to its employees. As per such scheme a compensation of SAR 350,000 to SAR 2,500,000 will be paid in case of employee's death or physical disability. The scheme is Shari'a compliant and relevant subscriptions are paid by the company on behalf of its employees. It is to be noted that no investments or other provisions have been made or created for employees' benefits.

22. Representations in Accordance with CMA Listing Rules and CMA Corporate Governance Regulations

- ✿ Except for what was stated above relating to the transactions with Related Parties, the Company has not entered into any contract in which any Director or other key Executive of the Company, including CEO, CFO or any other related party has or had any interest.
- ✿ The Company has fully complied with all mandatory provisions of Corporate Governance Regulations issued by CMA.
- ✿ The Company has no preferred or priority shares in respect of voting whether for shareholders, Directors or other employees, as all shares are only ordinary shares of equal nominal value with equal voting rights and other rights in accordance with ATC's Bylaws.
- ✿ Except as disclosed in the tables shown in the report hereof, the Directors, Senior Executives' their spouses and /or under aged children have no interest, option or subscription rights to any shares or debentures of the Company during 2018.
- ✿ The Company represents that it has no unpaid loans or debts.
- ✿ The Company has not issued or otherwise granted any convertible debentures or otherwise options, authorization certificates or any similar rights during the current year.
- ✿ The Company has not redeemed, purchased or cancelled any redeemable debentures.
- ✿ The company has no subsidiaries.



- The BOD represents that the Company's accounting records have been properly prepared and kept.
- The BOD represents that the internal control structures are properly prepared and implemented.
- The BOD represents that there is no doubt about the Company's ability to continue as going concern.

23. Company's Possible Risks (Insurance Activity Risks)

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company's policy is to monitor business risks through a strategic planning process.

Risk Management Structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Senior Management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's Board authorized risk appetite parameters.

Audit Committee

The Audit Committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit there-of and the soundness of the internal controls of the Company.

Internal Audit

All key operational, financial and risk management processes are audited by Internal Audit. Internal Audit examines the adequacy of the relevant policies and procedures, the Company's compliance with internal policies and regulatory guidelines. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

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



23.1 Insurance Risk

Insurance risk is the risk that actual claims payable to policyholders exceed the carrying amount of reserve for insurance activities. This is influenced by the frequency and amounts of claims paid and subsequent development of long-term claims. Therefore, the objective of the Insurance Operations is to ensure that sufficient reserves are available to cover these liabilities. The Insurance Operations manages this risk by ensuring that adequate reinsurance cover is taken to restrict the maximum loss payable for any individual claim.

Concentration of Insurance Risk

The Company's insurance risk exposure relating to contract holders is concentrated in the Kingdom of Saudi Arabia.

Key Assumptions

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risk, civil riots, etc. The Company manages these risks through conservative underwriting strategies and effective use of reinsurance arrangements.

Frequency and Amount of Claims

For individual life business, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/ consultants and comprehensive medical tests. The Company also assesses financial, lifestyle and occupational information to ascertain the degree of risk carried by the insured and to determine whether it could be classified as a standard life or not.

For group life and group credit protection, the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, e.g. employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of understanding carried out, including declaration of good health, medical questionnaire, reports from specialist/ consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual life business and group credit protection portfolios are protected through an efficient reinsurance arrangement. This protects the Company from adverse mortality/morbidity experience.



Sensitivity of Claims

Insurance claim liabilities are sensitive to the various assumptions mentioned above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. A hypothetical 5% change in the net claims' ratio, with other variables held constant, would impact income for the year by approximately SR 3,560 thousand (2017: SR 3,769 thousand) in aggregate.

23.2 Reinsurance Risk

In common with other insurance companies, in order to minimize financial exposure arising from an increase in the number of claims paid, the Insurance Operations, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Reinsurance ceded contracts do not relieve the Company from its obligations to policy holders and as a result the Company remains liable for the portion of outstanding claims reinsured.

To minimize its exposure to significant losses from reinsurance managers' insolvencies, the Insurance Operations evaluates the financial condition of its reinsurance managers. The Insurance Operations has a quota-share reinsurance arrangement with reinsurance companies based in Germany, the United States of America and Saudi Arabia having credit ratings of "AA-" or above. These reinsurance arrangements covers individual and group contracts issued by the Insurance Operations in the Kingdom of Saudi Arabia.

The exception to this rule is in respect of local companies which do not carry any such credit rating. This, however, is limited to those companies registered and approved by the Local Insurance Regulators. Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are reviewed by the Company and matched against a list of requirements pre-set by the Company's management before approving them for exchange of reinsurance business.

23.3 Regulatory Framework Risk

The operations of the Company are subject to regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Company complied with the relevant regulations.

23.4 Capital Management (solvency) Risk

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. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

As per guidelines laid out by SAMA in Article 67 of the Implementing Insurance Regulations, the Company is required to maintain a solvency margin equivalent to an aggregate of the minimum Capital requirement, 0.3% and 0.1% of capital at risk for individual life and group life policies respectively after certain deductions and subject to a cap of 50% of total Capital at risk. The Company complied with the relevant regulations.

23.5 Financial Risk

The Company's principal financial instruments are cash and cash equivalents, unit-linked investments, FVIS investments, available-for-sale investments, contribution and reinsurance receivables, gross outstanding claims, reinsurance share of outstanding claims, accrued income, other receivables, due from Insurance Operations, reinsurance balances payable/ receivable, due to/from related parties, due to Shareholders' Operations and other payables. The Company does not enter into derivative transactions.

The main risks arising from the financial instruments of the Company are market price risk, foreign currency risk, commission rate risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarized below:

Market Price Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Company is exposed to market risk with respect to their investments. The underlying investments of mutual funds and discretionary portfolios are in equities, Sukuk and Murabaha purchased in the local and international markets and the unit price of these investments is dependent on the movements in the market prices of underlying investments. The fund manager limits market risk by monitoring the developments in the relevant markets for these instruments.

A 5% increase/decrease in the value of FVIS investments of the Company, with all other variables held constant, would increase/decrease the statement of income by SR 1,497 thousand (2017: SR 3,847 thousand).



Foreign Currency Risk

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

Management believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals in Saudi Riyals and in US Dollars. The Saudi Riyal is pegged to the US Dollar so balances in US Dollar do not carry any significant foreign currency risk.

Commission Rate Risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. As the Company does not have any commission bearing assets or liabilities, the Company is not exposed to commission rate risk.

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. The Company manages credit risk by setting credit limits and monitoring outstanding receivables.

The Company issues unit linked policies. In unit linked business, the plan holder bears the investment risk on the assets held in the unit linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on the unit linked investments. The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	<i>2018</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>
Cash at bank	18,871	26,671
Reinsurance share of outstanding claims	40,690	21,094
Contributions and reinsurance receivables	74,133	14,107
Due from employees	365	563
Accrued income	429	439
Other receivables	5,461	5,107
	139,949	67,949

Concentration of Credit Risk

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



Currently credit risk of bank balance, contributions receivable concentrated in a major shareholder of a Company (National Commercial Bank) and its subsidiary.

Credit Quality

Bank balances and contribution receivable are with major shareholder of the Company (National Commercial Bank) with an A+ credit rating assigned by an international credit rating agency. Unit-linked and FVIS investments are not rated.

Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. All assets of the Company are current, except for furniture, fittings and office equipment, intangible assets and statutory deposit, which are non-current in nature.

The Company's financial liabilities consist of outstanding claims, reinsurance balances payable, amount due to related parties and other payables. All financial liabilities are non-interest bearing and are expected to be settled within 12 months from the date of statement of financial position.

24. Corporate Governance

The company has set the rules and regulations to ensure compliance with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority (CMA). An internal corporate governance policy has been adopted under the guidance of the Corporate Governance Regulations in the Kingdom of Saudi Arabia. The company applied what is stated in the regulations through the articles of association, internal regulations, procedures and the relevant regulations.

The Board of Directors oversees the Company's compliance with corporate governance standards. The Corporate Governance Department, in coordination with the Executive Management, reviews and updates corporate governance policies in order to promote a culture of transparency and compliance.

ATC has fully complied by implementing all Corporate Governance Regulations issued by Capital Market Authority (CMA). Similarly, the Company has fully complied with its internal Corporate Governance Policies and Procedures. Also, the Company's Annual Report contains all required standards and disclosures as per CMA Rules on the Offer of Securities and Continuing Obligations under Article 65 and Article 90 of CMA Corporate Governance Regulations except the following:



Article number / paragraph	Description	Reason
Article (90) / Paragraph (7)	Where the applied methods adopted by the Board of Directors for evaluation of its performance and the performance of its committees and members, the external party who perform the evaluation and its relations with the Company, if any	Work is under process to study and prepare the principles and standards for evaluating the Board of Directors and its committees for upcoming years.
Article (95)	Forming the Corporate Governance Committee	The Compliance Department is engaged in governance functions and its related works and the need to establish a Governance Committee is under study.

25. Auditor's Report

Auditor's report did not negatively qualify any matter of the Annual Financial Statements for the year 2018.

26. External Auditors

On 07 Sha'ban 1439H (corresponding to 24.04.2018 the Extraordinary General Assembly has agreed to the proposal of the Audit Committee to contract with EY and BakerTilly for joint auditing and reviewing the company's accounts for the second, third and fourth quarter of 2018 and the first quarter of 2019.

Board recommendation to replace the appointed external auditor and the reasons:

The Board didn't recommend repacing the appointed external auditor before the end of the term.

Audit Committee recommendations which are inconsistent with the decisions of the Board, or which the Board has refused to consider regarding the external auditor:

There are no recomndations.

27. Penalties Imposed by Capital Market Authority and Other Controlling Bodies

No penalty against the Company was imposed during 2018.

28. Following schedule disclose the dates of the Shareholders General Assemblies Meetings held during the fiscal year 2018 and the names of Board members attendance to these meetings

The Shareholders General Assemblies has held one (1) meeting during 2018. The table below shows the General Assemblies Meetings during 2018 and the number of meetings attended by each Board Member:



Director's Name	Membership title	Membership Classification	First Meeting of the General Assembly 24 April 2018 (Extraordinary)	Number of meetings attended by the Member
Blehid Nasser Al Blehid	Chairman	Non-Executive	√	1
Engr. Saleh Ahmed Ali Hefni	Deputy Chairman	Independent	√	1
Amr Mohammed Khalid Khashoggi	Member	Independent	-	0
Abdullah Ali Abdullah Al Farraj	Member	Non-Executive	√	1
Faisal Omar Abbas Al Sakkaf	Member	Non-Executive	-	0
Jamal Jameel Saleh Malaikah	Member	Independent	√	1
Dr. Manfred Joseph Dirrheimer	Member	Non-Executive	√	1
Mohammed Owais Ansari	Member	Non-Executive	-	0
Wolfgang Gemünd	Member	Non-Executive	-	0

Actions taken by the Board Members to brief its members on shareholders' proposals and their remarks about the Company and its performance:

The Corporate Governance Department submits a periodic reports to senior management, including a detailed report on shareholders and stock movements. The company also responds to all shareholders' queries or observations.

29. The number of company requests for shareholders register and the dates of those requests and their causes

Number of company requests for shareholders register	Date of request	Reasons for the request
Request No. 1	15 April 2018	For Company procedures
Request No. 2	23 April 2018	For General Assembly
Request No. 3	26 April 2018	For dividend distribution process
Request No. 4	02 July 2018	For Company procedures
Request No. 5	01 August 2018	For Company procedures
Request No. 6	04 October 2018	For Company procedures
Request No. 7	28 October 2018	For Company procedures

30. Findings of Annual Audit of Internal Control

During 2018, the internal audit performed periodic reviews in line with the duties assigned to the audit control department including Financial, Operational and Administrative Activities. The AC as well the Executive Management was reported accordingly including the observations and recommendations for the improvement of the internal control structure and for related procedures.

Further, external auditors performed an assessment of the effectiveness of the internal control structure in the course of their audit of the Company's final Financial Statements. Furthermore, an external risk management consultant continually assesses all types of risks and review the effectiveness of implementation of the Risk Management Committee.

The Executive Management seeks to implement remedial actions. The said audit reviews did not appear to be material in the Company's internal control system.



The results of the annual audit showed the effectiveness of the compliance and anti-money laundering procedures of the company during 2018. The company has fully strengthened the implementation procedures and sought to ensure their implementation. The Compliance and Anti-Money Laundering Department assesses the internal control systems applied in the company to ensure that the objectives and regularity with the regulations and instructions of the Kingdom of Saudi Arabia are in force.

The executive management review's and assesses the role of information systems and money laundering procedures and to make sure the effective application and the Company's commitment to all applicable related laws and regulations.

The Audit Committee pursues all actions taken by the Company management for the closure of observations and processed them in a way to ensure the same observations not recurs, and ensures to follow-up the received comments from all regulators until its closure so as to enhance the conviction of the Audit Committee effective internal control procedures of the Company.

The BOD represents that the internal control structure is prepared on a proper basis and there is no doubt to the Company's ability to continue successfully its operations.

31. Shareholders' Rights

To safeguard shareholder's rights, the BOD decided to enhance both, transparency and disclosure in the Company's Bylaws:

General rights of the Shareholders:

- The Board of Directors are committed to protect the rights of shareholders, ensuring justice and equality among them.
- The Board of Directors and executive management of the company to not discriminating between shareholders those are owners of the same category of stocks, and not block any rights of them.
- The company shall disclose in its regulations and policies, the internal regulations and the actions necessary to ensure that all shareholders are obtaining their rights.

Rights associated with the shares:

- Shareholder's right to obtain dividends approved for distribution.
- Shareholder's right to obtain the respective share of Company's assets in case of its liquidation.
- Shareholder's right to attend General Meetings and take part in discussions and vote on resolutions.
- Shareholder's right to dispose his shares



- ✿ Shareholder's right to oversee BOD's activities and lodge a claim in respect of Director's responsibility.
- ✿ The right to inquire and request information, and to request access to the company's books and documents, including data and information concerning the company's activity and its operational and investment strategy which may not harm the interests of the company and does not conflict with the companies law and capital Market Authorities Regulation and their executive regulations.
- ✿ The right for accountability of members of the Board of Directors and the filing of the claim of liability in their confrontation and appeal the invalidity of decisions of the General Assembly in accordance with the conditions and restrictions contained in the companies' law and the Company's Bylaws.
- ✿ Priority of subscription to new shares issued in cash, unless the Extraordinary General Assembly suspends the right of priority if provided in the Company's Articles of Association pursuant to Article 140 of the Companies Law.
- ✿ Restrict his shares in the Company's Shareholders Register.
- ✿ Request a copy of the company's Articles of Association and its By Laws unless published by the Company on its website.
- ✿ Nomination and election of directors.

Shareholders right of access the Information:

- ✿ The Board of Directors is committed to providing complete, clear, correct and unambiguous information to enable the shareholder to exercise his rights to the fullest extent and to provide such information in a timely manner and to be updated regularly.
- ✿ The company must provide information to the shareholder clearly, as it's shall be provided to all shareholders of the same category.
- ✿ The most effective communicating should be followed with shareholders and not to discriminating between them in providing information.
- ✿ Communicate with shareholders.
- ✿ The Board of Directors ensures that the Company and its shareholders maintain a common understanding of the Company's strategic objectives and interests.
- ✿ The Chairman and Chief Executive Officer informs other Board Members the views and opinions of the shareholders and discusses with them.
- ✿ Shareholders may not interfere in the work of the Board of Directors or the executive management of the company unless he is a member of the Board of Directors or the executive management or interfere through the General Assembly of the company in accordance with its jurisdiction or within the limits authorized by the Board of Directors.



Acknowledgments

Al Ahli Takaful Board of Directors is pleased to take this opportunity to thank all the employees and shareholders of the company.

Thank you

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ALAHLI TAKAFUL COMPANY

