

# Annual Board of Directors Report

For the year ended  
31 December 2018

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## 1. Message from the Chairman of the Board of Directors

Dear Shareholders,

I am delighted to present the report of the Board of Directors of your Company for the year 2018. During 2018, Walaa reported Gross Written Premium (GWP) of SAR 1.105 billion as against SAR 1.102 during 2017 (slight increase of 0.24%). This is a remarkable milestone that the Company has achieved as compared to a modest GWP of SAR 142m written in the year 2009. Since then, Walaa has successfully faced several challenges and today stands in the league of being one of the top-10 Insurance companies in the Kingdom in terms of GWP. The report submitted by the CEO of the Company provides more details of the operational aspects of your Company's performance which is now in its ten-year of growth and progress.

For the year 2018, the Company is pleased to report Net Income of SAR 100m. The committed efforts of the management team to achieve a healthy operational performance during challenging times helped the Company to report positive results. This has been consecutive 3<sup>rd</sup> year for the company with GWP of more than SAR 1 billion and net profit of more than or equal to SAR 100 million. The Company's performance and Shareholders' Equity is now well-positioned and is set to grow stronger in the years to come. With its improved performance, Walaa has been able to secure a better financial strength rating of A3 with stable outlook from Moody's, an internationally reputed Rating Agency in 2018. In addition to securing A rating, the Company is also proud to successfully renew its ISO 9001:2015 Certification for the year, Walaa is the first insurance company in KSA which has got ISO 9001:2015 certification. Walaa is progressing well with its customer first approach and always willing to serve policyholders beyond their expectation.

The Kingdom of Saudi Arabia has been on the forefront of an economic drive in the region with an ambitious plan known as 'Saudi Vision 2030' launched by the leadership of Saudi Arabia. This broad-based development program covers vital segments of economy, governance, human resource capital, fiscal balances among others. Walaa intends to dovetail itself into this country-wide project by presenting itself as a responsible insurer of choice and provide risk-management opportunities to its existing and prospective partners. Walaa's corporate identity in the Kingdom is now more firmly established with its strong performance and we are now seeking to work with prestigious clientele who prefer to work with reputed insurers who can provide a robust and well-devised risk-management program.

Walaa is now into fourth year after increase of its paid-up capital in 2015, Walaa has continuously maintained its capital adequacy and solvency well above the required and recommended levels. Walaa based on its consistent performance and customer centric approach has been recognized as one of the preferred insurer in KSA. As a company, Walaa aims to be known as the best governed company in the region. In this regard, Walaa is updating its own internal Corporate Governance Regulations and Codes in accordance with SAMA's Risk Based Supervisory (RBS) framework and also for best industry practices.

As a growing insurance company, we need to conserve cash to strengthen our capital base. At the same time, it is also important to share the success of the company by rewarding its shareholders. During 2018, the Company issued a 10% stock dividend as approved by General Assembly.

The Company has acquired 47 branches of its agents Al-Mayazeen during this year. Now Walaa is not working with any agent and has increased its own branch network to 60 branches across the Kingdom. This is a strategic move as Walaa is very active in retail sector, so it is good to have full control over our point of sales. Walaa has got optimistic plans to increase overall sales through these branches, we can up-sell and cross-sell other products

along with Motor to increase our sales. One of the key sales channels for Walaa have been special schemes business, where we are offering Motor Comprehensive & Third Party Liability (TPL) products to employees of other contracted companies. We are targeting to strengthen this sales channel more during 2019, as we are pitching more products to these organizations and further improving the customer experience for existing clients. Walaa has also developed its online portal, our focus is to provide a user friendly platform for customers to purchase the retail products with ease and comfort. We believe to invest in technology, as more advanced systems and services will bring a real change in the market. Walaa is keen to create a differentiation and a wow factor for its customers.

The Board of Directors likes to thank its shareholders for their trust and confidence and also the work-force of the Company for their dedicated efforts and hard-work in the year and hope that this will continue in the future.

Encouraging national employees to grow within the entity and eventually assume bigger roles of leadership and responsibility continues to be a focused area at Walaa. Employees are urged to pursue vigorously locally available training facilities as well as enrol with professional courses abroad. Walaa is proud that as at end of 2018, more than 80% of its work-force was national employees with several of them occupying Senior Executive and Managerial roles. The Board and the Management are actively working together to accomplish the Corporate Vision and Mission statements of the Company, which serve as beacons for its charted growth.

The Company also appreciates the trust and faith placed by its business partners in the course of its progress and heartily acknowledges their support. The Board looks forward to Company's growth and progress for the benefit of all stakeholders involved. On behalf of the Company's shareholders and fellow members of the Board, I wish to seize the privilege to convey our hearty gratitude and appreciation to Regulators, various officials at Ministries and Governmental Agencies who have kindly extended their support to Walaa at various stages of our operations.

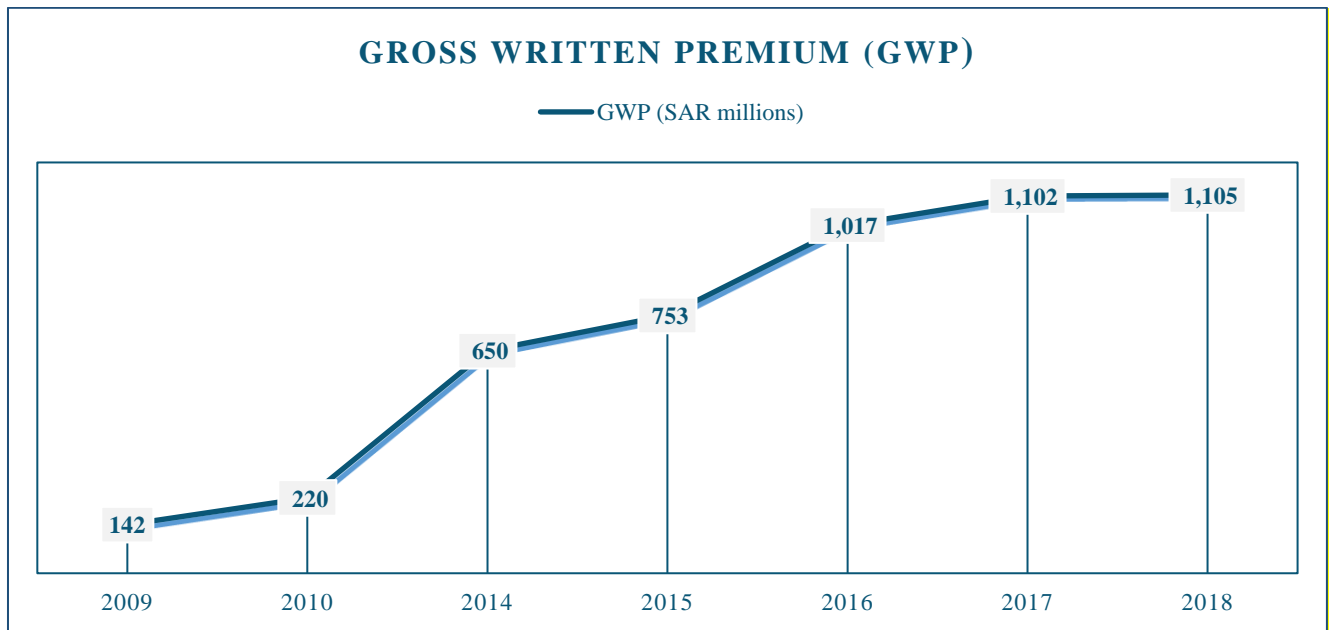
**Thank you,**  
**Sincerely,**  
*Sulaiman Abdullah Al-Kadi*

## 2. Message from the Chief Executive Officer

Dear Shareholders,

With pride and privilege that the 11<sup>th</sup> Annual Report of Walaa is presented to you with satisfying results, and with a prospect of sustained growth expected in the forthcoming years. As the Company is in the threshold of stepping into the next decade of progress, Walaa is pleased to secure its place into the prestigious league of **'Billion-Riyal' insurer**.

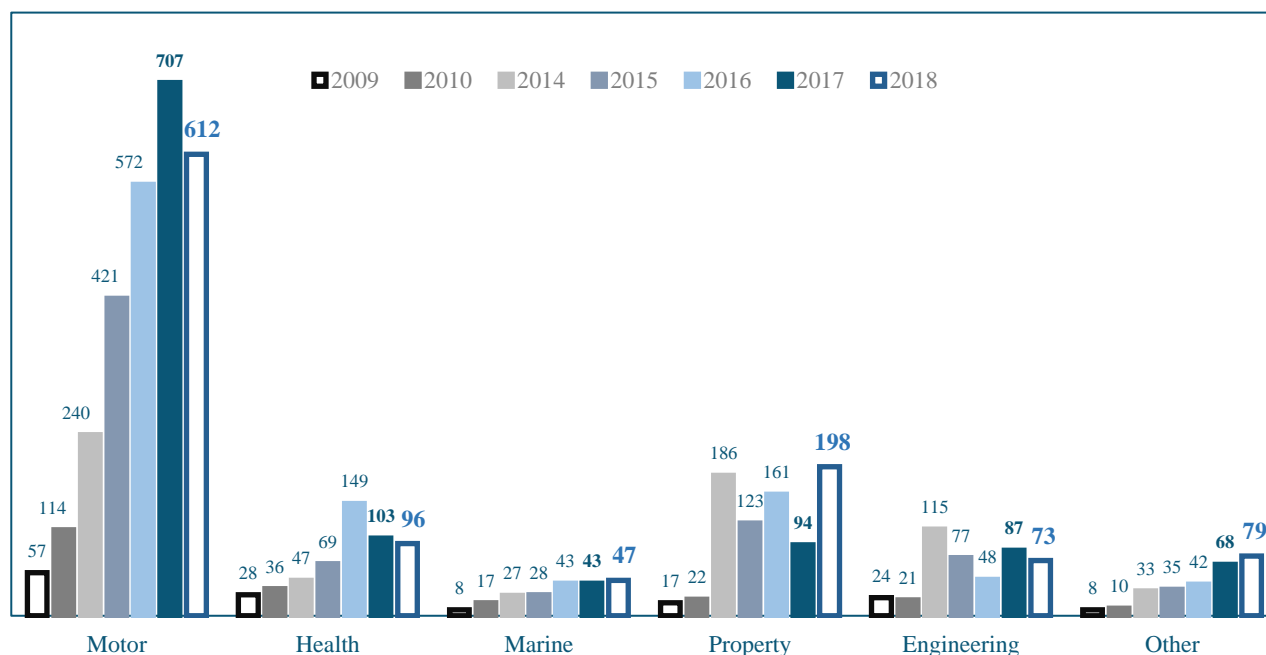
### 2.1 Company's progress in Gross Written Premiums (GWPs) and lines of business



From a modest GWP of SR 142m in its first year of reported operation, Walaa has grown and consolidated its position as a responsible insurer in the Kingdom with a carefully designed plan for sustained growth.

Walaa reached the mark of SR 1-billion in the year 2016 and continues its march with a stable growth.

### Gross Written Premium (GWP) (Line of business, GWP in SAR m)



Walaa being a non-life insurer in the Kingdom's insurance market, writes major lines and growth that has been achieved over the years across these lines as shown in the above chart. While it is quite natural that compulsory lines – Motor and Health – occupy higher focus, other lines are also showing satisfying progress over these years.

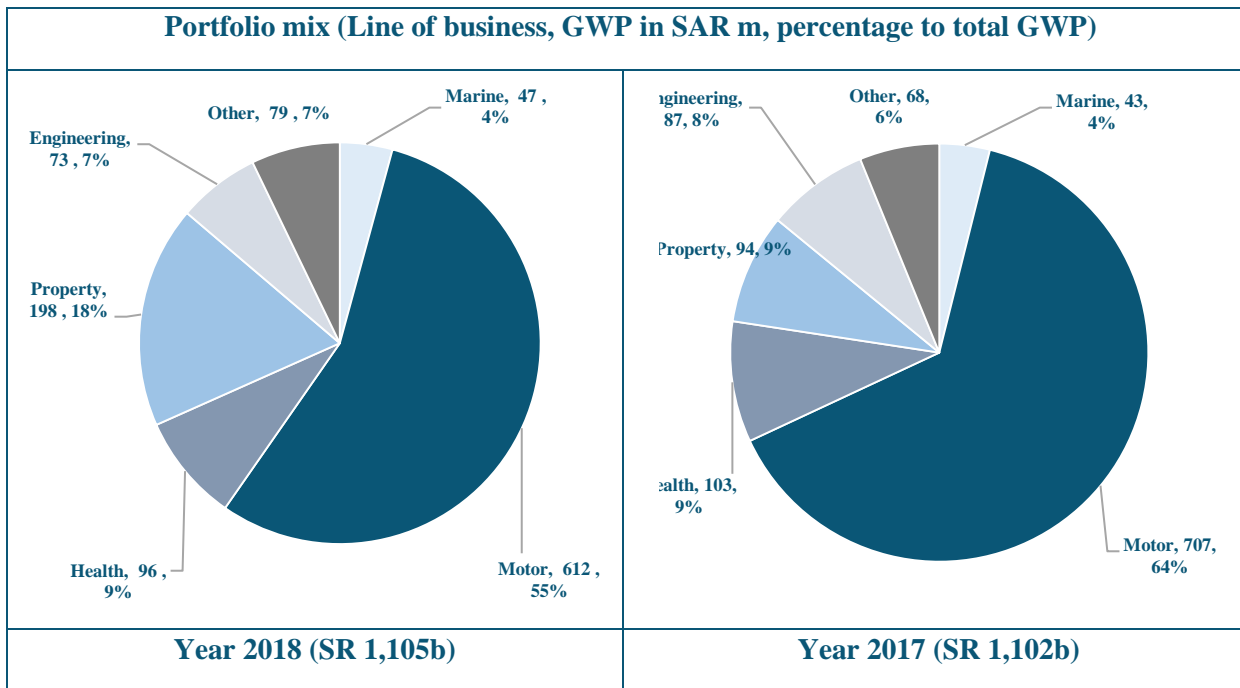
Walaa has made a modest entry into aviation segment in the last two year, and is confident of pursuing other lines going forward.

## 2.2 Line of Business Portfolio Mix

Walaa has been consciously maintaining a mix between compulsory lines (Motor and Health) and other lines over the years. The plans conceived by the Management recognize the importance of maintaining this mix for a wholesome growth of the premium book as also profitability. A modest increase in Property and an entry has been made into Aviation segment in the year 2018.



The portfolio mix for the past two years is demonstrated in the following diagram:



The year under review started off with a challenging situation of having to maintain and grow over the surplus reported from prior year. The Management has worked with a committed objective of not only addressing the situation but, also improvise its performance. It is therefore with a hearty feeling we report that compared to a surplus of SAR 165m (in 2017) from insurance operations, Walaa again have reported a healthy insurance surplus of SAR 113m, and a net income of SAR 100m for 2018 (2017: SAR 142m).

**These reported results have resulted in reporting a healthy growth in the aggregate Shareholders' Equity, which was offset by a onetime expense of SR 20m from opening new branches as expanding Walaa coverage by more than 47 different locations.** The attached Financial Statements provide more details in this regard.

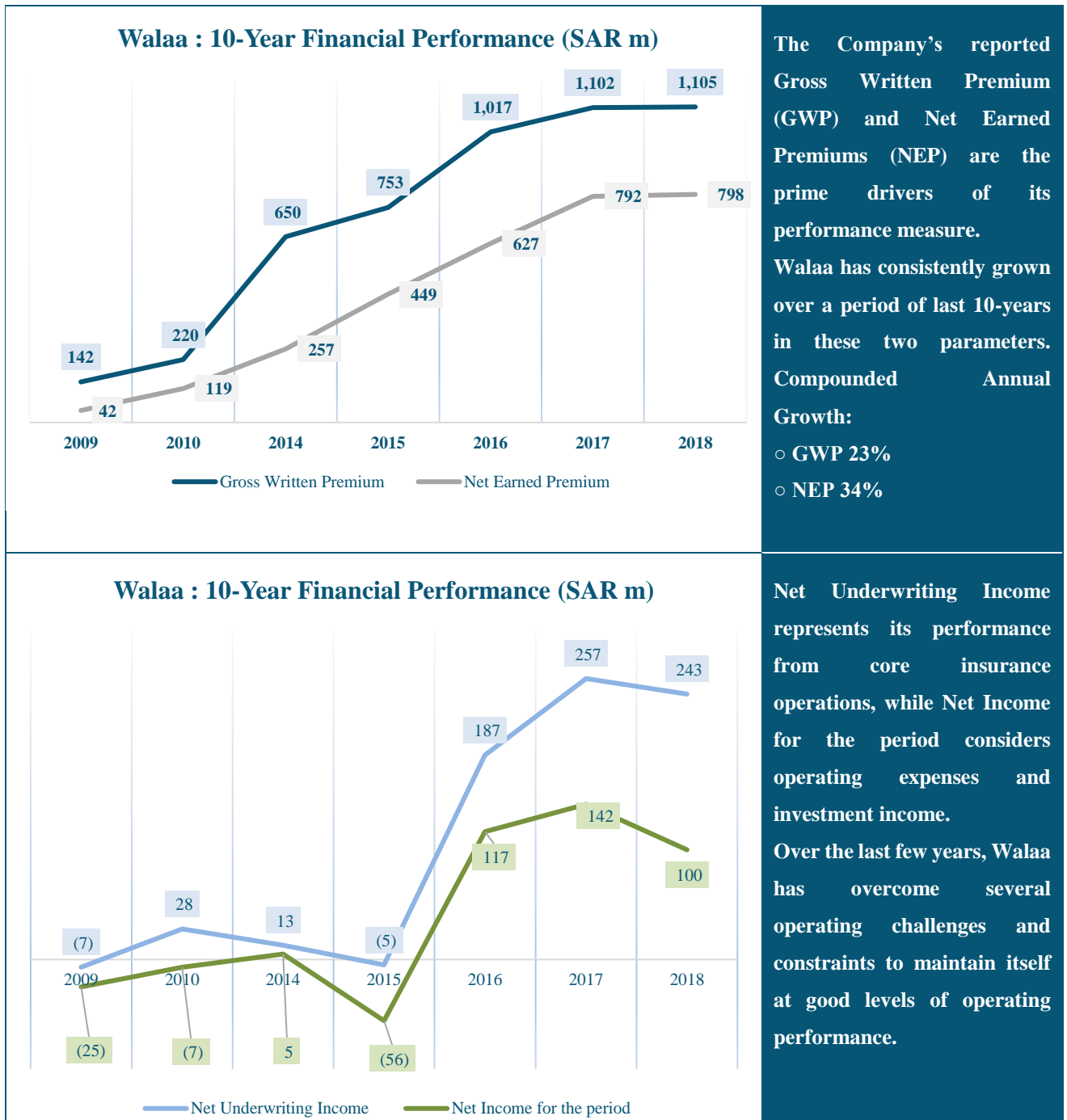
Continuing from previous years, the Kingdom's insurance industry in general is facing a situation of pricing issues, fierce competition between companies on existing accounts with a focus on price cutting. In addition, unbalanced concentration of premiums and issues relating to economies of scale when it comes to medium to smaller sized players. The need to carry additional technical reserves based on actuarial analysis continues and Walaa has adhered to the recommendations of the Reporting Actuary in this regard.

Following sections of the report summarize various performance and other aspects of the Company's operations for the twelve-month period ending 31 December 2018.

### 2.3 Financial

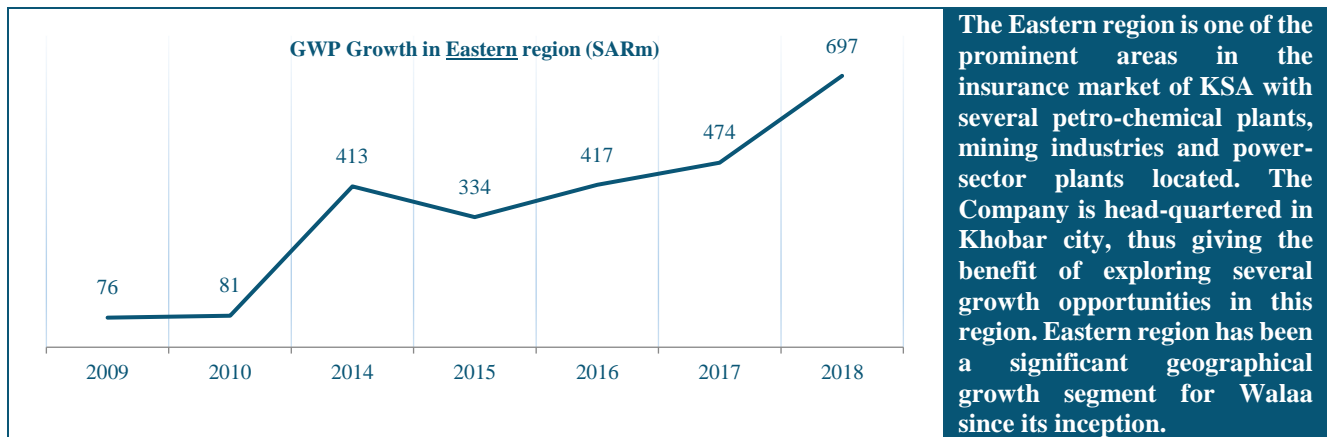
For the year 2018, the shareholders' net income stood at SAR 100m, compared to SAR 142m for the year 2017. The reduction in profits is predominantly because of the reason that margins in all lines are shrinking as the competition got tougher. In addition, there was an increase in Sales and General Administration costs due to the expansion of Walaa branches network by opening new branches.

The following charts summarize the 10-years' growth achieved by Walaa under various operating parameters:

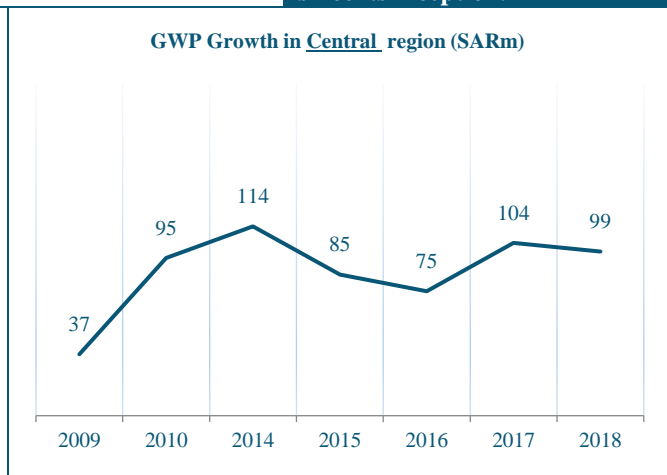
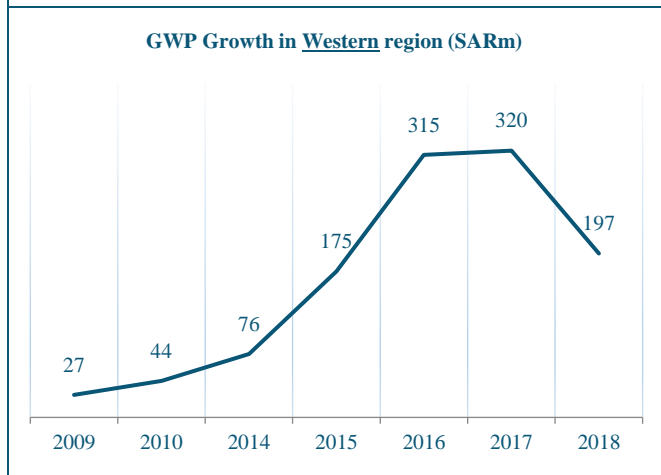


GWP for an insurance company is an important measure based on which rest of the growth parameters tend to develop. Walaa has achieved a fairly balanced growth across the regions in terms of GWP, and efforts continue to attain sustained growth in this regard.

The following combination diagrams illustrate the growth in GWP across the regions and sources that we have been operating since inception.

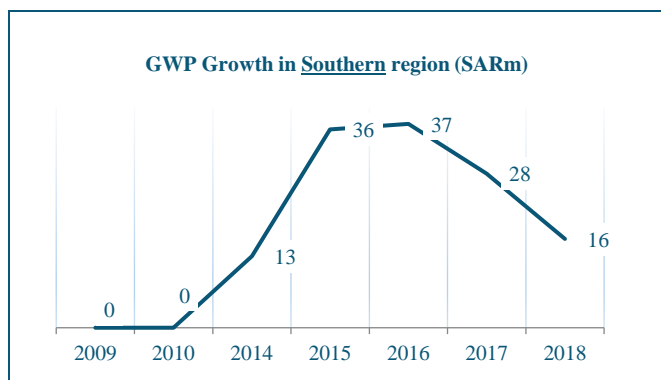


The Eastern region is one of the prominent areas in the insurance market of KSA with several petro-chemical plants, mining industries and power-sector plants located. The Company is head-quartered in Khobar city, thus giving the benefit of exploring several growth opportunities in this region. Eastern region has been a significant geographical growth segment for Walaa since its inception.

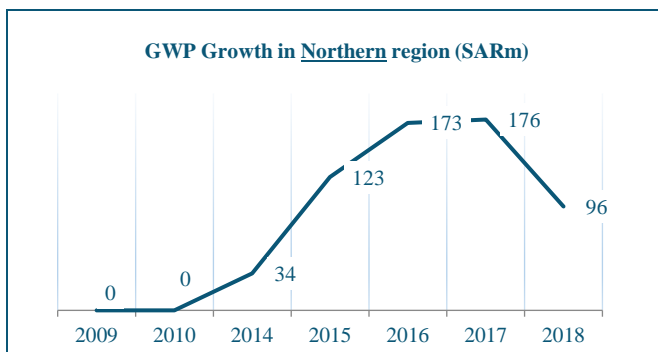


The Western region is very strategic and a prominent area in the insurance market of KSA with a huge population belt covered in this geographical segment. With places like Mecca, Medina, Abha and Yanbu located in this belt, several infra-structure, hospitality, transportation, growth and development projects are concentrated in this area. Walaa continues to explore opportunities to further its business growth in this geographical area, with high expectation in the coming 3-5 years due to the government announced projects.

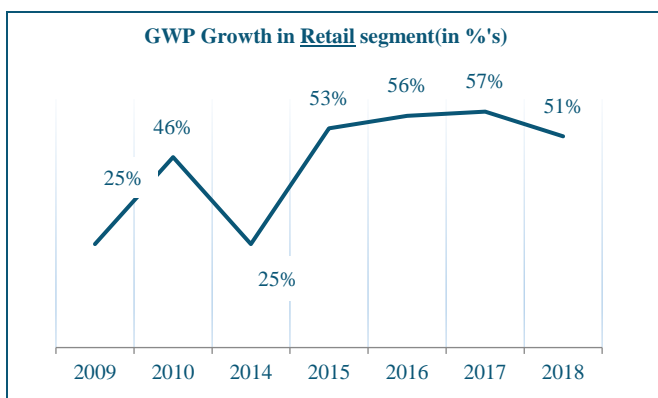
The Central region is also a very prominent area in the insurance market of KSA with several key industrial, infra-structure, energy, petro-chemical, public sector, transport, residential, health-care and other projects in progress. Walaa continues to explore opportunities to further its business growth in this geographical area. Walaa is investing additional resources and efforts in this region to secure further growth in the forthcoming years.



Similar to Northern region, the growth and expansion in Southern region has been achieved with the development of Retail presence covering remote locations. Walaa continues its efforts to enter this region which is fairly significant in its size and population support. Walaa looks to expand its other lines in addition to motor and health in both Northern and Southern regions. GWP decreased in 2018 due to the introduction of No claim Discount (NCD) and fierce price competition.



With the development of a strong Retail presence, the business has expanded selectively into Northern region and in the past two-years, the growth has been impressive. The retail branches network has played a significant role not only in policy issuance, but also in prompt service provided to claimants to attend to their business needs. Walaa continues to expand its presence in this geographical segment. GWP decreased in 2018 due to the introduction of No claim Discount (NCD) and fierce price competition.



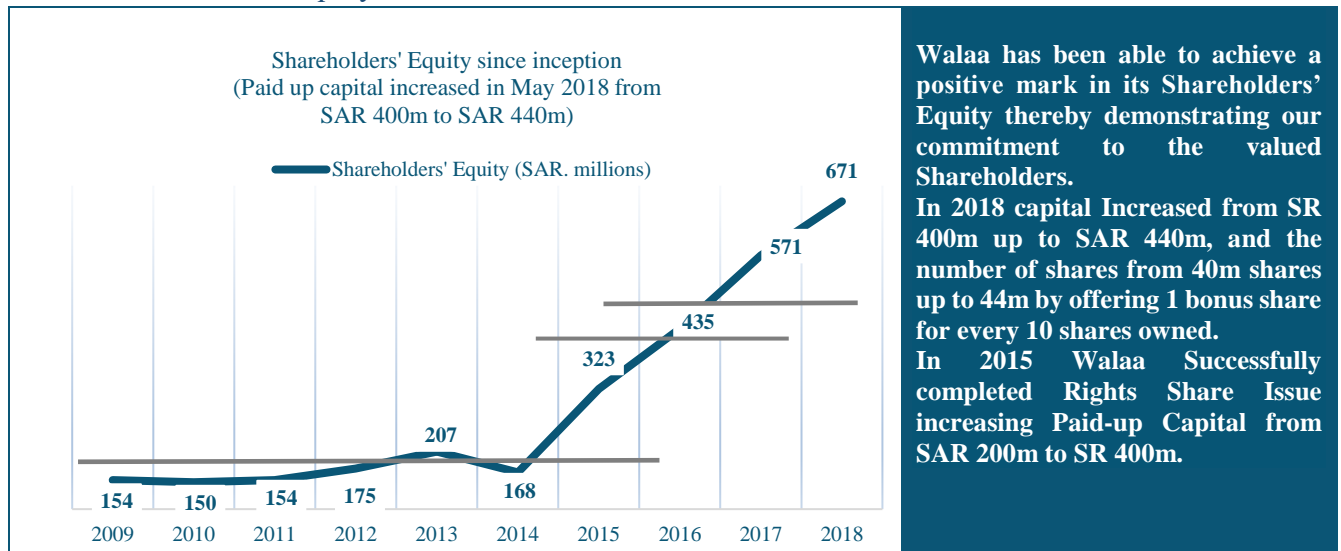
Retail business is a vital component in the insurance market of KSA. Walaa has been focussing on this line and intends to make further inroads into this segment in a significant way going forward. The Company also has very active plans to cover niche segments of clientele within the retail segment by offering friendly facilities and features which will provide increased value and service benefits as compared to a standard insurance product. Walaa considers this segment as one of the prime areas of growth in its Business Plan.

In continuation of our discussion on growth achieved during the year 2017, the Company could also achieve excellent growth in its Net Earned Premiums and exercise control over its claims incurred and operating expenses that are necessary to run its operations in a profitable manner. The Company could also ensure optimal returns from its investments made and held during the year which all have added to reporting an aggregate income of SAR 100m (2017: SAR 142m). The financial statements which have been audited by External Audit teams provide detailed information of various elements of financial performance of the Company during the year under review.

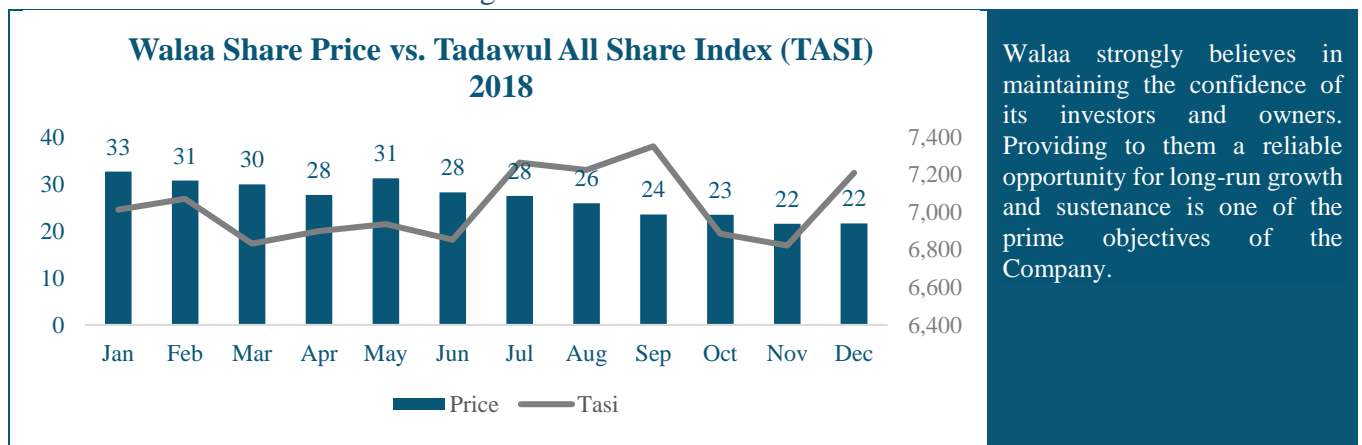
### 2.3.1 Financial Strength Rating

We are proud to inform you that Walaa has secured an international Insurance Financial Strength (IFSR) rating of **A3**, with **'stable outlook' from Moody's** and a Financial Strength Rating (FSR) of **BBB+** with **'positive outlook' from Standard & Poor's**. In addition to the global rating, Walaa has secured **gcAA+** (Gulf Cooperation Council Regional GCC scale financial strength credit rating) which is unique in the region. The rating indicates very strong risk-based capital adequacy, a satisfactory business risk profile and an overall upper adequate financial risk profile. In addition to these ratings, Walaa is the 1st and the only insurance company in Saudi with ISO 9001:2015 Quality Management System.

### 2.3.2 Shareholders' Equity: Value to shareholders



### 2.3.3 Share Price Movement During 2018



## 2.4 Growth Strategy and Marketing Initiatives

The Company has prepared a comprehensive 3-years Business Plan and submitted this as part of our application to SAMA seeking renewal of our operating license and update

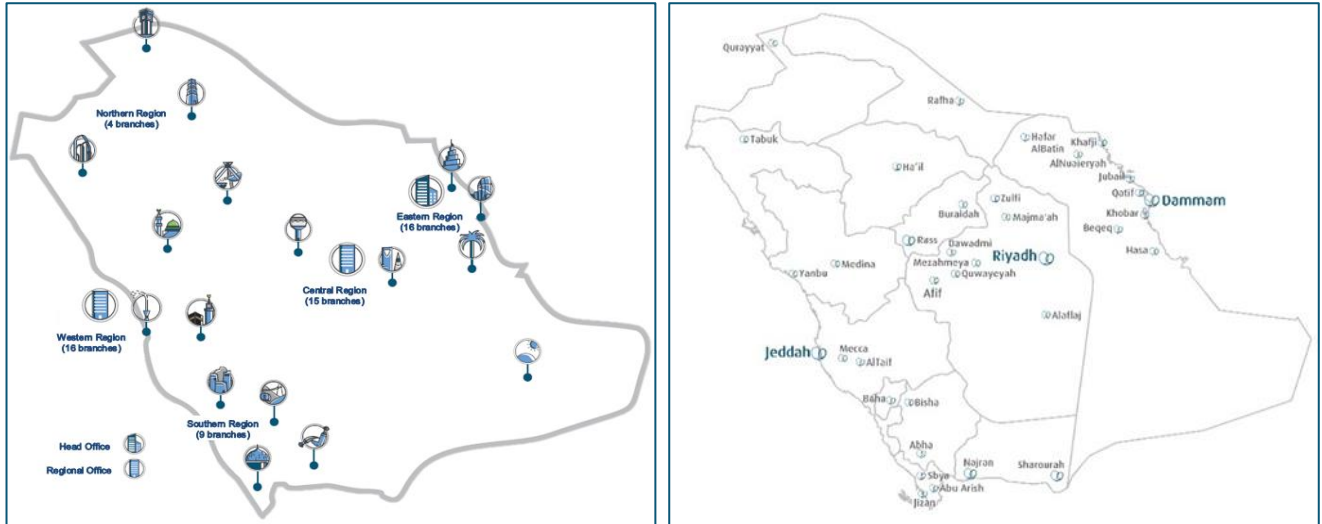
Readers of this report are kindly requested to note that references made in this message and/or other sections of this report may contain forward looking statements which are based on current plans and assumptions, and the actual position might differ from those statements.

the same on annual basis. This Plan encompasses various aspects such as 3 to 5 years financial forecasts, marketing and sales plans, developing sales channels, improving solvency, providing high-level training to employees, Saudization, succession planning and IT development. As before, our aim to achieve a balanced mix of portfolio is given prime importance even as we look at growth over the next five-year period. Developing both retail and corporate segments are given high priority in our growth matrix. The compulsory lines of Motor

and Health are still going through tremendous pressures in terms of pricing. A deserved increase in Property & Casualty insurance premium is expected to result in improved performance going forward

Our online sales portal picked up during latter half of 2018. During 2018, Walaa had introduced certain niche products such as: (*Energy & Extended Warranty for vehicles*).

## 2.5 Geographical Spread and Country-Wide Presence



Ever since Walaa commenced its operations during 2007-08, with headquarters at Al-Khobar City in the Eastern province, the Company has taken up its commitment to achieve wide geographical presence in a vast country such as Kingdom of Saudi Arabia.

In addition to Central regional office at Riyadh and Western regional office at Jeddah, Walaa has maintained its expansion plans in a steady manner backed up by a careful study of importance of various locations at which it could cater to insurance needs of our valued customer. The map illustrates various locations at which Walaa has its presence having 60 branches in 42 cities around the Kingdom.

As part of expansion plan with a renewed focus in Riyadh city, we have decided to expand our Central Region operations. In line with this strategy, company's Central Region Office will be moving to a prime location in Riyadh and the work is expected to be completed during Q2 2019.

## 2.6 Business Process and IT Improvements

In the current environment where reliance on IT is very critical, Walaa has put in place an ERP framework that is constantly kept up to date in line with technological developments. The core working modules have been integrated with other back-end support modules, after exhaustive and extensive testing by the users with live-data. The company has implemented SAMA cybersecurity framework to ensure secured IT infrastructure is well defined and set to support business need and requirements.

## 2.7 Human Resources and Saudization

We at Walaa place a high-level of importance towards developing the important asset of human resource team. Our investment in developing and training the national employees has been appreciated by team members and all employees are urged to benefit from the training program that has been structured to nurture their overall working skills. While most employees have completed the IFCE accreditation as per specified guidelines, the newly joined work force is in the process of completing initial training before appearing for examination. The Management has put in place a comprehensive Training Program with a regionally well recognized partner to provide subject-specific areas of training which will also act as a springboard for aspiring staff to progress into professional insurance qualifications. As at end of December 2018, at a Saudization level of 80% (2017: 72%) Walaa retains national employees indicated by a strong will and commitment to grow with the organization. The Management team works very closely to identify and encourage in-house talents to take up more responsible and senior positions to lead the team. At Walaa we deeply value the organizational experience and awareness which is utilized in a positive and constructive manner.

## 2.8 Corporate Governance and Risk Management

Walaa has a robust corporate governance framework that covers all areas of operation. Wherever found necessary, improvements have been introduced to keep in line with the best practices adopted in the industry. The Company's risk-appetite framework has been clearly identified, defined and well-documented in a manner which can be appreciated and understood by employees thus making it easy and friendly to follow these guidelines in an efficient manner. The risk-management framework has been further strengthened in the light of experience gained in the domain and also in accordance with SAMA's Risk Based Supervisory (RBS) framework. Walaa's Corporate Governance documents are regularly reviewed and updated to be in line with revisions issued by the Regulator.

## 2.9 Board Structure

The Company has always had the privilege of having a group of very pro-active and eminent board members drawn across from business fraternity in the Kingdom and it looks forward to working closely with them and benefiting from their experience and expertise. Members of the Board carry with them a broad spectrum of knowledge and experience which is shared with the management teams during their regular interactions. The current set of members of the Board is expected to complete their term during 2019.

## 2.10 Industry Challenges and Opportunities

The Saudi insurance industry is in a stage of continuing development and hence, has its own share of challenges. The Kingdom's insurance penetration rate is very low compared to other markets of the region, and also compared to the quantum of its own GDP. The recent infusion of funds into the economy by a Royal decree is also expected to act as a catalyst in providing growth opportunities. Walaa continues to seek opportunities and avenues to expand into this market through its well-designed and planned initiatives. The entire insurance industry and especially the medium to small-sized operators have a common issue of choosing an optimal operating model and ensure that shareholders' equity is maintained at positive levels. The changes in the Saudi regulations from increases of general expenses & utility prices, implementation of expatriate's fees, slow growth in governmental projects, market liquidity issues and the implementation of VAT have all effected the overall industry and the economy conditions at both macro and micro-levels. Women driving in Saudi have not made major improvements in number of policy sold as majority of these cars was already insured, and it was only a change status in the driver. Industry experts believe that this period of correction is expected to last for anything between 12 to 14 months. The shareholders' equity for most companies is therefore expected to regain its original levels in due course of time. Notwithstanding this, Walaa still maintained a healthy progress in its Shareholders' Equity as reported at end of the reporting year.

## 2.11 Looking Ahead

As outlined in our 5-year Business Plan, Walaa intends to attain a holistic growth in the next few years of its progress. With the availability of additional capital (available since the first half of 2015), the Company's growth and investment plans have been successfully implemented subject to availability of conducive financial market conditions. Taking a cautious and prudent view, Walaa has limited its investment to short-term deposits only and has been able to secure reasonable returns on these murabaha deposits. With improved solvency, the Company expects to achieve its business objectives as planned, despite challenging market situations. The Management has faith in the capabilities of its various functional teams in successfully attaining its perceived growth parameters.

Walaa is firmly committed to be a key 'partner in progress' in the ambitious plan '**Saudi Vision 2030**' – a broad-based initiative and plan perceived by leadership of Saudi Arabia which is poised to take the Kingdom towards strong overall growth, sustenance and development in all segments – and lead the Kingdom as an illustrious example of harmonious and holistic collective achievement. Walaa strongly believes in complete transparency, fair and honest dealing with its valued clients by providing excellent value in terms of services, quality of risk-coverage provided to its diversified client-base and at the same time, provides a feeling of pride and satisfaction to its clients and business associates for being a part of its success story. In the years to come, Walaa will explore every possible opportunity to take part in projects and programs intended to benefit the society as a whole, as part of recognizing its social responsibility. As a responsible entity, Walaa believes in its Corporate Social Responsibility and continue to contribute SAR 1 from each policy towards charity.

During the year, Walaa introduced 'WalaaDrive', a mobile application to educate about good driving habits and to improve the quality of driving on Saudi roads. Good drivers will be further encouraged by offering them additional discount, subject to meeting certain terms and conditions.

## 2.12 Acknowledgements

As always, I am grateful to the stakeholders and business partners and associates for the continuing support and contribution extended to our Company. I take this opportunity to congratulate and thank our staff members for their dedication, hard work and sincere efforts that are the cornerstones for Walaa's success as a strong and responsible business entity. It is also a privilege for me and my colleagues to thank the Chairman and members of the Board and its committees for their continuing guidance and support. We also sincerely acknowledge and appreciate the support and guidance provided by SAMA, CCHI and governmental entities in the Kingdom in achieving our objectives.

Thank you,

Sincerely,

*Chief Executive Officer*

*Johnson Varughese*



### 3. Board Members and Executive Management Information

As per the regulatory requirements, the members of the Board are selected based on their qualifications, knowledge, and skills in the various areas of the Company's business and operations.

The below shows the qualifications of each Board Member.

#### 3.1 Board of Directors

Sr.	Name	Current Positions	Previous Positions	Qualifications	Experience
1	<b>Sulaiman A. Al-Kadi</b>	<b>Chairman</b> of Wala Cooperative Insurance Company	1-CEO – Saudi Electricity Company 2-General Manager – Saudi Aramco	Bachelor of Petroleum Engineering – University of Texas	<b>Over 50 years of experience in leadership positions in large organizations.</b>
2	<b>Khalid A. S. Al-Rajhi</b> <sup>1</sup>	<b>1-Chairman</b> – Saudi Cement Company <b>2-CEO</b> – Abdulrahman S. Al-Rajhi Co	1-CEO- Al-Rajhi Trading Company 2-Chairman – ProCare Hospital	Bachelor's in Finance - KFUPM	<b>Participated as a Board of member in many well-known companies.</b>
3	<b>Wasef S. A. Jabsheh</b>	<b>CEO &amp; Founder</b> – International General Insurance Company	Held senior positions at “Abu Dhabi National Insurance Company”	Bachelor of Economy & Business Administration – American University in Cairo	<b>Years of experience in the insurance field. He is also the founder of Middle East Insurance Brokers Co. &amp; International Marine and General Insurance Co.</b>
4	<b>Walid S. Al-Shoabi</b>	<b>CEO</b> – Shoabi Group Companies	1-Treasurer/Credit Analyst - Houston National Bank 2-Highway Design Engineer – Brown & Root/Texas	i- Master's in Business Administration - University of Houston ii- Bachelor's in Civil Engineering sScience – Rice University	<b>Membership in the industrial committee of the Chamber of Commerce of the Eastern Province. He also was the Vice President of the Saudi Italian Chamber.</b>
5	<b>Solaiman A. Al-Twaijri</b>	<b>CEO</b> – The Saudi Arabian Amiantit Company	General Manager – Al Othman Agriculture production Co.	i- PhD in Accounting – Case Western Reserve University ii-Master's in Accounting – University of Illinois iii-Bachelor's in Industrial Management - KFUPM	<b>More than 27 years of experience in different managerial and technical positions. He also has Auditing and Accounting related certificates.</b>
6	<b>Waleed M. Al-Jaafari</b>	<b>Partner &amp; chairman</b> of the board - Al-Dawaa Medical Services Co. Ltd.	General Manger - Gulf Stevedoring Contracting Company	Bachelor of Economy – King Saud University	<b>Participated as a Board of member in many well-known companies.</b>
7	<b>Hassan E. Kabbani</b>	<b>Chairman</b> – Isam K. Kabbani Company	Finance Manger - Issam Kabbani & Partners Co. for Construction & Maintenance	Certificate in Business Administration - Pepperdine University	<b>Has a high knowledge in Business and Management.</b>
8	<b>Abdulrahman Balghunaim</b>	<b>1-Managing Partner (Data Science Advisor)</b> – Advanced Analytics fz llc <b>2-Head of Finance and Accounting</b> - Ajda Food Commercial Company	1-Consultant – Ministry of Economy and Planning 2-Senior Data Scientist - The Center for Strategic Studies 3-Senior Credit Analyst - Saudi Industrial Development Fund	i-Master of Science, Applied Mathematics – DePaul University ii-Bachelor of Science, Finance – KFUPM	<b>Completed and passed successfully several of programs related to Finance, Economy, and Credit &amp; Risk Analysis.</b>

9	<b>Hatem Balghoneim</b>	<b>1-VP Upstream</b> – Dynamic Energy <b>2-CEO</b> – Dynamic Oil Tools Manufacturing Company	Drilling & Workover Supervisor – Saudi Aramco	Bachelor of Science, Petroleum Engineering – KFUPM	<b>Completed several Technical &amp; General courses and been in the Petroleum engineering field for years.</b>
10	<b>Abdullah M. Al-Othman</b> <sup>2</sup>	<b>Vice Chairman</b> – Al-Othman Holding	-	i-Master’s in Business Administration – American University in London ii-Bachelor’s in Industrial Management – KFUPM	<b>More than 15 years of experience in managerial and senior positions.</b>

1. Appointed as a Vice-Chairman on August 5<sup>th</sup>, 2018.

2. Resigned from the Board on August 1<sup>st</sup>, 2018.

### 3.2 Executive Management

Sr.	Name	Current Positions	Previous Positions	Qualifications	Experience
1	<b>Johnson Varughese</b>	<b>Chief Executive Officer</b> of Walaa Cooperative Insurance Company	Chief Financial Officer of Walaa Cooperative Insurance Company for 5 years (2007-2012)	i-Bachelor’s in Commerce ii-Chartered Accountant	<b>More than 30 years of experience in Managerial and Executive positions</b>
2	<b>Salah M. Al-jaber</b>	<b>Chief Operating Officer</b> of Walaa Cooperative Insurance Company	VP Sales & Marketing Walaa Insurance Company (2012-2017)	i-Bachelor’s in Marketing	<b>More than 27 years of experience, with an in depth knowledge of the Saudi insurance market.</b>
3	<b>Mohannad M. Al-Desouki</b>	<b>Acting Chief Financial Officer</b> of Walaa Cooperative Insurance Company	Finance Manager Walaa Cooperative Insurance Company & Financial Controller - Siemens	i-Master in Business Administration (MBA) [continuing] ii-Bachelor’s degree of Science – Finance	<b>More than 7 years of diversified work experience.</b>
4	<b>Wasif F. Minhas</b>	<b>Technical Vice President/ Chief Underwriting Officer</b> of Walaa Cooperative Insurance Company	-	i- Masters in Business Administration & Marketing. ii-Holder of ACII	<b>More than 20 years of experience in the Saudi insurance market</b>
5	<b>Shehail A. Al-Shehail</b> <sup>1</sup>	<b>Chief Financial Officer</b> of Walaa Cooperative Insurance Company	Risk Management Officer for a local insurance company.	i-Bachelor’s in Finance & Management Information System	<b>More than 7 years of experience in the Saudi insurance market</b>

1. Resigned on December 12, 2018.

### 3.3 Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager

Board Member Name	Name of the Company which a Board member is currently a member of their Board or if he is a manager	Inside the Kingdom / Outside the Kingdom	Type of Company	Name of the Company which a Board member was previously a member of their Board or if he was a manager	Inside the Kingdom / Outside the Kingdom	Type of Company
Sulaiman A. Al-Kadi	Basic Chemical Industries	Inside the Kingdom	Listed			
	Alawal Bank	Inside the Kingdom	Listed			
	Chemical Development Company	Inside the Kingdom	Not Listed			
Khalid A. S. Al-Rajhi	Al-Bilad Bank	Inside the Kingdom	Listed	National Shipping Company of Saudi Arabia	Inside the Kingdom	Listed
	Saudi Cement Company	Inside the Kingdom	Listed	Saudi Telecom Company	Inside the Kingdom	Listed
	Takween Advances Industries	Inside the Kingdom	Listed	NAS Corporation	Outside the Kingdom	Listed
	Tanami Holding Company	Inside the Kingdom	Not Listed	Dana Gas Company	Outside the Kingdom	Listed
				ProCare Hospital	Inside the Kingdom	LLC
				Alsalam Schools	Inside the Kingdom	LLC
	Wasef S. A. Jabsheh	International General Insurance (IGI) Company Limited	Outside the Kingdom	Not Listed		
International General Insurance (UK) Company Limited		Outside the Kingdom	Not Listed			
International General Insurance Company Limited – Labuan Branch		Outside the Kingdom	Not Listed			
International General Insurance Company (Dubai)		Outside the Kingdom	Not Listed			
North Star Underwriting Limited		Outside the Kingdom	Not Listed			
IGI Underwriting Limited		Outside the Kingdom	Not Listed			
Specialized Markets Investment Company		Outside the Kingdom	Not Listed			
IGI Services Limited		Outside the Kingdom	Not Listed			
Eastern Insurance Brokers		Outside the Kingdom	Not Listed			
International General Insurance Holdings Ltd.		Outside the Kingdom	Not Listed			
Walid S. Al-Shoaibi	Chemical Development Company	Inside the Kingdom	Not Listed			
	Kalaam Telecom B.S.C	Inside the Kingdom	Not Listed			
	Heating & Air Condition Enterprises	Inside the Kingdom	Not Listed			
	Saudi Chainlink Fence Manufacturing Company	Inside the Kingdom	Not Listed			
	Arabian Italian Chamber	Outside the Kingdom	Not listed			
	Suhayl Bin Abdulmohsen Al Shoaibi & Sons Company	Inside the Kingdom	Not listed			
	Walid Suhayl Bin Abdulmohsen Al Shoaibi & Brothers Investment Holding Company	Inside the Kingdom	Not listed			
Solaiman A. Al-Twajri	Chemical Development Company	Inside the Kingdom	Not Listed	Saudi Arabian Amiantit Co.	Inside the Kingdom	Listed
	Mulkia Investment Company	Inside the Kingdom	Listed	Electrical transforming National	Inside the Kingdom	LLC
	Tawzea Company	Inside the Kingdom	Not Listed			
	Amitech Morocco	Outside the Kingdom	Not Listed			

	International Infrastructure Management & Operation Company Ltd.	Inside the Kingdom	Not Listed			
	Amiantit Rubber Industries Ltd.	Inside the Kingdom	Not Listed			
	Amiantit Fiberglass Industries Co. Ltd.	Inside the Kingdom	Not Listed			
	Ameron Saudi Arabia Ltd.	Inside the Kingdom	Not Listed			
	Factory of Bondstrand Ltd.	Inside the Kingdom	Not Listed			
	Saudi Arabian Ductile Iron Pipes Co. Ltd.	Inside the Kingdom	Not Listed			
	Saudi Arabia Concrete Products (SACOP) Ltd.	Inside the Kingdom	Not Listed			
	Saudi Amicon Co. Ltd.	Inside the Kingdom	Not Listed			
	PWT GmbH	Outside the Kingdom	Not Listed			
	Amiantit Qatar Pipes Co. Ltd.	Outside the Kingdom	Not Listed			
	Sarplast Qatar	Outside the Kingdom	Not Listed			
	Ameron Egypt	Outside the Kingdom	Not Listed			
	Amiantit Fiberglass Egypt	Outside the Kingdom	Not Listed			
	Saudi Arabian Amiantit Management	Inside the Kingdom	Not Listed			
	Infrastructure Engineering Contracting Co. Ltd.	Inside the Kingdom	Not Listed			
	PWT KSA	Inside the Kingdom	Not Listed			
	Ductile Technology Bahrain Ltd.	Outside the Kingdom	Not Listed			
	Amiantit International Holding Ltd.	Outside the Kingdom	Not Listed			
	Amiblu	Outside the Kingdom	Not Listed			
	Subor Boru	Outside the Kingdom	Not Listed			
	Subor Gap	Outside the Kingdom	Not Listed			
	Nadic	Inside the Kingdom	Listed			
	Takween	Inside the Kingdom	Listed			
Waleed M. Al-Jaafari	Advanced Petrochemical Company	Inside the Kingdom	Listed			
	Gulf Real Estate	Inside the Kingdom	Not Listed			
	Siyaha International Company	Inside the Kingdom	Not Listed			
Hassan E. Kabbani	Aldawaa medical services co ltd	Inside the Kingdom	Not Listed			
	Isam K. Kabbani Company	Inside the Kingdom	Not Listed			
Hatem Balghonaim	Ahsa Development Company	Inside the Kingdom	Listed	C&J Saudi Arabia	Inside the Kingdom	Not Listed
	Fahad Sulaiman Balghoneim Sons Co	Inside the Kingdom	Not Listed			
	Saudi Quality and Inspection Company	Inside the Kingdom	Not Listed			
Abdulrahman Balghunaim	Advanced Analytics fz llc	Outside the Kingdom	Not Listed			
Abdullah M. Al-Othman <sup>1</sup>	Al-Othman Holding Company	Inside the Kingdom	Not Listed	Takween Advances Industries	Inside the Kingdom	Listed
	Roots Group Arabia	Inside the Kingdom	Not Listed			
	Real Estate Development Fund - Ministry of Housing	Inside the Kingdom	Not Listed			

1. Resigned from the Board on August 1<sup>st</sup>, 2018

### 3.4 Composition of the Board and classification of its members

As per the company's Bylaws article (15), the Board composition shall consist of 10 members or at least 7 members nominated by the Ordinary General Assembly for 3 years duration. The Board composition shall reflect sufficient representation of Nonexecutive Independent Members, and in all cases, Non-executive Independent Members shall not be less than two (2), or a third of the Board, whichever is greater.

Board Member Name	Type of Membership	Classification of Membership
Sulaiman A. Al-Kadi	Chairman	Independent
Khalid A. S. Al-Rajhi <sup>1</sup>	Vice Chairman	Independent
Wasef S. A. Jabsheh	Member	Non-Executive
Walid S. Al-Shoaibi	Member	Independent
Waleed M. Al-Jaafari	Member	Independent
Solaiman A. Al-Twajjri	Member	Non-Executive
Hassan E. Kabbani	Member	Non-Executive
Abdulrahman Balghunaim	Member	Independent
Hatem Balghoneim	Member	Independent
Abdullah M. Al-Othman <sup>2</sup>	Member	Independent

1. Appointed as a Vice-Chairman on August 5<sup>th</sup>, 2018.

2. Resigned from the Board on August 1<sup>st</sup>, 2018.

### 3.5 Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance

During 2018, The Company has established Investor Relation Unit to ensure and maintain the Shareholders rights. The unit seek to attach high importance and consider, whenever possible, its shareholders comments, opinions or suggestions by all means to be circulated to all Board members, if any of the member have not attend the assembly meeting himself.

Investor Relation Contact Information	
<b>Email:</b>	<a href="mailto:investors@wala.com">investors@wala.com</a>
<b>Phone Number:</b>	013-829 9405
<b>Fax:</b>	013-8652255
<b>Website:</b>	<a href="https://www.wala.com/investor-relation">https://www.wala.com/investor-relation</a>

### 3.6 Board of Directors and Committees

The Board of Directors is entrusted with effective management and control of the company which includes but not limited the following responsibilities:

1. Set the performance goals and monitor implementation and overall performance at the Company.
2. Supervise the senior management and monitor the performance of the Company compared to the performance goals determined by the Board.

3. Upgrade the level and standards of corporate governance, ensuring compliance with relevant laws and regulations at all times.
4. Approve, review and regularly update the key policies and procedures.
5. Ensure the validity of financial and accounting systems, including relevant financial reporting systems.
6. Develop policies and procedures ensuring that the Company complies with the laws and regulations and fulfils its obligation to disclose the material information of the Shareholders, creditors and other Stakeholders.
7. To supervise the management of the Company's financial affairs, cash flows and financial relations with third parties.

The Board of Directors shall conduct at least 4 meetings on annual basis as the below table shows the attendance of each Board member:

Name of Member	Total Number of Meetings: (4)				Total
	1 <sup>st</sup> Meeting 25/02/2018	2 <sup>nd</sup> Meeting 29/05/2018	3 <sup>rd</sup> Meeting 30/09/2018	4 <sup>th</sup> Meeting 07/11/2018	
Sulaiman A. Al-Kadi	√	√	√	√	4
Khalid A. S. Al-Rajhi <sup>1</sup>	√	X	√	√	3
Wasef S. A. Jabsheh	√	X	√	√	3
Walid S. Al-Shoaibi	√	√	√	√	4
Waleed M. Al-Jaafari	√	√	√	√	4
Solaiman A. Al-Twajjri	√	√	√	√	4
Hassan E. Kabbani	√	√	X	X	2
Abdulrahman Balghunaim	√	√	√	√	4
Hatem Balghoneim	√	√	√	√	4
Abdullah M. Al-Othman <sup>2</sup>	√	√	-	-	2
<b>Total Of Attendees</b>	<b>100%</b>	<b>80%</b>	<b>88.9%</b>	<b>88.9%</b>	

1. Appointed as a Vice-Chairman on August 5<sup>th</sup>, 2018.

2. Resigned from the Board on August 1<sup>st</sup>, 2018.

The Board has appointed the following committees to ensure full control and effectiveness of the management:

### 3.6.1 Executive Committee

#### Members Qualifications:

1. **Dr. Solaiman Al-Twajjri** hold a bachelor's degree in industrial management from KFUPM as well as PhD in Accounting from Case Western Reserve University, he's the CEO of The Saudi Arabian Amiantit Company. Dr. Solaiman has experience in different managerial and technical positions as he previously worked as general Manager in Al Othman Agriculture production Co.
2. **Mr. Hatem Balghoneim** hold a bachelor's degree of Science, Petroleum Engineering from KFUPM, he's currently the CEO of Dynamic Oil Tools Manufacturing Company and Vice President of Dynamic Energy Co. Mr. Hatem previously worked at Saudi Aramco as a Drilling & Workover Supervisor.

3. **Mr. Wasef Jabsheh** hold a bachelor's degree in economy & Business Administration from American University in Cairo, he's the CEO and Founder of International General Insurance Company. Mr. Wasef Held a senior position at "Abu Dhabi National Insurance Company".
4. **Mr. Abdullah Alothman** hold a bachelor's degree in Industrial Management from KFUPM as well as master's in business administration from American University in London, he's the Vice Chairman of Alothman Holding, and have More than 15 years of experience in managerial and senior positions.

The Executive Committee shall make recommendations to the Board on important topics such as strategic plans, business plans, and the Board shall delegate to the Executive Committee to carry out its functions in some cases.

Name of Member	Type of Membership	Total Number of Meetings: (6)					
		1 <sup>st</sup> Meeting in 25/02/2018	2 <sup>nd</sup> Meeting in 17/04/2018	3 <sup>rd</sup> Meeting in 27/05/2018	4 <sup>th</sup> Meeting in 30/09/2018	5 <sup>th</sup> Meeting in 07/11/2018	6 <sup>th</sup> Meeting in 16/12/2018
Solaiman Al-Twajri <sup>1</sup>	Chairman	√	√	√	√	√	√
Hatem Balghoneim	Member	√	√	√	√	√	√
Wasef Jabsheh <sup>2</sup>	Member	-	-	-	-	-	√
Abdullah Al-Othman <sup>3</sup>	Member	√	√	√	-	-	-
<b>Total Of Attendees</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>66.7%</b>	<b>66.7%</b>	<b>100%</b>

1. Appointed as the Chairman of the Committee on September 30<sup>th</sup> 2018.

2. Appointed as a member of the Committee on December 16, 2018.

3. Resigned from the Board on August 1<sup>st</sup>, 2018.

### 3.6.2 Audit Committee

#### Members Qualification:

1. **Mr. Abdulrahman Balghunaim** hold a bachelor's degree in Finance from KFUPM as well as Master of Science, Applied Mathematics from DePaul University, he's currently managing partner (Data Science Advisor) in Advanced Analytics LLC and Head of Finance and Accounting in Ajda Food Commercial Company. Mr. Abdulrahman previously worked as Senior Credit Analyst at Saudi Industrial Development Fund.
2. **Mr. Waleed Alothemeeen** hold a Bachelor of Industrial Management from KFUPM, he's currently Deputy General Manager at Saudi Gas Cylinder Factory. Mr. Waleed has nearly 30 years of experience in managerial positions as he was a manager at Eastern Petrochemical Company.
3. **Dr. Ammr Kurdi** hold a bachelor's degree in Accounting from KFUPM, master's in Accounting from University of Arizona and PhD in Accounting from University of Texas. Dr. Ammr has more than 13 years' experience in finance, accounts and auditing, he's currently work as a Chief Audit Executive at KFUPM, Financial Advisor at Khusheim Holding Group and Chief Financial Officer at The Saudi Arabian Amiantit Company.

The Audit Committee shall ensure the implementation of the Board of Directors recommendations for overseeing the company's financial reports and assess the adequacy of internal and external audits and evaluation and monitoring of the internal audit and compliance.

Name of Member	Type of Membership	Total Number of Meetings: (6)					
		1 <sup>st</sup> Meeting in 23/01/2018	2 <sup>nd</sup> Meeting in 22/02/2018	3 <sup>rd</sup> Meeting in 22/04/2018	4 <sup>th</sup> Meeting in 23/07/2018	5 <sup>th</sup> Meeting in 30/09/2018	6 <sup>th</sup> Meeting in 09/12/2018
Abdulrahman Balghunaim	Chairman	√	√	√	√	√	√
Waleed Al-Othaimen	Member	√	√	√	√	√	√
Amr Kurdi	Member	√	√	√	√	X	√
Total Of Attendees		100%	100%	100%	100%	66.7%	100%

### 3.6.3 Investment Committee

#### Members Qualifications:

1. **Mr. Khalid Al-Rajhi** hold a bachelor's degree in Finance from KFUPM, he's currently the chairman of Saudi Cement Company and the CEO Abdulrahman S. Al-Rajhi Co. Mr. Khalid participated as a Board of member in many well-known companies such as the chairman of ProCare Hospital.
2. **Mr. Walid Al-Shoaibi** hold a bachelor's degree in civil engineering science from Rice University as well as Masters in Business Administration from University of Houston, he's currently the CEO of Shoaibi Group Companies. Mr. Walid previously worked as a Highway Design Engineer in Brown & Root/Texas.
3. **Mr. Hassan Kabbani** hold a Certificate in Business Administration from Pepperdine University, he's currently the chairman Isam K. Kabbani Co. Mr. Hassan Has a high knowledge in Business and Management as he previously worked as a finance manager Issam Kabbani & Partners Co. for Construction & Maintenance.

The Investment Committee shall monitor and review the investment policy tasks and oversee the implementation and approval of investment activities and monitor the performance of investment portfolios.

Name of Member	Type of Membership	Total Number of Meetings: (4)			
		1 <sup>st</sup> Meeting in 25/02/2018	2 <sup>nd</sup> Meeting in 27/05/2018	3 <sup>rd</sup> Meeting in 30/09/2018	4 <sup>th</sup> Meeting in 12/12/2018
Khalid A. S. Al-Rajhi	Chairman	√	√	√	√
Walid S. Al-Shoaibi	Member	√	√	√	√
Hassan E. Kabbani	Member	√	√	x	√
Total Of Attendees		100%	100%	66.7%	100%



### 3.6.4 Nomination & Remuneration Committee

#### Members Qualifications:

1. **Waleed Aljaafari** hold a bachelor's degree in Economy from King Saud University, he's partner and chairman of the board of Al-Dawaa Medical Services Co. Ltd. Mr. Waleed Participated as a Board of member in many well-known companies, he also worked as General Manager at Gulf Stevedoring Contracting Company.
2. **Mr. Sulaiman A. Al-Kadi** hold a bachelor of Petroleum Engineering from University of Texas, he's currently the Chairman of Wala Cooperative Insurance Company. Mr. Sulaiman has over 50 years of experience in leadership positions in large organizations as he previously worked at Saudi Aramco as General Manger and CEO at Saudi Electricity Company.
3. **Mr. Hassan Kabbani** hold a Certificate in Business Administration from Pepperdine University, he's currently the chairman Isam K. Kabbani Co. Mr. Hassan Has a high knowledge in Business and Management as he previously worked as a finance manager Issam Kabbani & Partners Co. for Construction & Maintenance.

The Nominations and Remuneration Committee is responsible for recommendations to the Board of Directors and annual audit of appropriate skills requirements for membership of the Board, the Committee shall review the structure of the Board of Directors and make recommendations on changes that can be made, as it reviews the company structure and supervises the recruitment process.

Name of Member	Type of Membership	Total Number of Meetings: (3)		
		1 <sup>st</sup> Meeting in 29/05/2018	2 <sup>nd</sup> Meeting in 18/09/2018	3 <sup>rd</sup> Meeting in 16/12/2018
Waleed M. Al-Jaafari	Chairman	√	√	√
Sulaiman A. Al-Kadi	Member	√	√	√
Hassan E. Kabbani	Member	√	√	√
Total Of Attendees		100%	100%	100%

### 3.6.5 Risk Management Committee

#### Members Qualification:

1. **Mr. Walid Al-Shoabi** hold a bachelor's degree in Civil Engineering science from Rice University as well as master's in business administration from University of Houston, he's currently the CEO of Shoabi Group Companies. Mr. Walid previously worked as a Highway Design Engineer in Brown & Root/Texas.
2. **Wasef Jabsheh** hold a bachelor's degree in economy & Business Administration from American University in Cairo, he's the CEO and Founder of International General Insurance Company. Mr. Wasef Held senior positions at "Abu Dhabi National Insurance Company".
3. **Mr. Khalid Al-Rajhi** hold a bachelor's degree in finance from KFUPM, he's currently the chairman of Saudi Cement Company and the CEO Abdulrahman S. Al-Rajhi Co. Mr. Khalid participated as a Board of member in many well-known companies such as the chairman of ProCare Hospital.

The Risk Management Committee duties are to ensure the implementation of the Board recommendations regarding the evaluation and control of risk management and its mitigations and the efficiency of internal controls.

Name of Member	Type of Membership	Total Number of Meetings: (4)			
		1 <sup>st</sup> Meeting in 25/02/2018	2 <sup>nd</sup> Meeting in 27/05/2018	3 <sup>rd</sup> Meeting in 30/09/2018	4 <sup>th</sup> Meeting in 20/12/2018
Walid S. Al-Shoabi	Chairman	√	√	√	√
Wasef S. A. Jabsheh	Member	√	X	√	√
Khalid A. S. Al-Rajhi	Member	√	√	√	√
Total of Attendees		100%	66.6%	100%	100%

### 3.7 The means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company, if any;

The Board of Directors during 2018, appointed **Saudi Governance Centre** as an external evaluator to assist the Board and its committees. The external valuator use advanced methods for the assessment, including a specialized Mobile Application to facilitate the assessment process.

The assessment contains the following:

- Board of Directors evaluation.
- Sub-Committees evaluation.
- Board Secretary Evaluation.

### 3.8 Compensation Paid to Directors and Senior Executives

- All of the remuneration of Board of Directors and its Sub-Committees Members and directors of the Company, were disclosed in the Remuneration Policy approved by the General Assembly 29/05/2018.
- We would like also to ensure that there is not any significant deviation between the remuneration stated in the policy.

#### 3.8.1 Remunerations for 2018 payable to Directors in compliance with the company's Bylaws Article (19) and the remuneration policy:

In SAR m	Fixed remunerations				Provisions subject to GA approval	Variable remunerations		Aggregate amount
	Specific amount	Allowance for attending board meetings	Allowance for attending Committee meetings	Total Paid		Granted shares	Total	
1) Independent members								
Sulaiman Al-Kadi	0.250	0.020	0.078	<b>0.348</b>	0.223			<b>0.570</b>
Khalid Al-Rajhi <sup>1</sup>	0.135	0.015	0.135	<b>0.228</b>	0.148			<b>0.375</b>
Abdulrahman Balghunaim	0.180	0.020	0.085	<b>0.315</b>	0.215			<b>0.530</b>
Hatem Balghoneim	0.180	0.020	0.085	<b>0.285</b>	0.215			<b>0.500</b>
Waleed Al-Jaafari	0.180	0.020	0.078	<b>0.228</b>	0.273			<b>0.500</b>

Walid Al-Shoaibi	0.180	0.020	0.078	<b>0.228</b>	0.223			<b>0.500</b>
Abdullah Al-Othman <sup>2</sup>	0.090	0.010	0.043	<b>0.143</b>	0.108			<b>0.250</b>
2) Non-Executive members								
Wasef Jabsheh	0.135	0.015	0.058	<b>0.208</b>	0.168			<b>0.375</b>
Hassan Kabbani	0.090	0.010	0.078	<b>0.178</b>	0.073			<b>0.250</b>
Solaiman Al-Twajri	0.180	0.020	0.085	<b>0.285</b>	0.215			<b>0.500</b>
3) Executive members								
	None							

1. Appointed as a Vice-Chairman on August 5th, 2018.

2. Resigned from the Board on August 1st, 2018.

Note that other than the above amounts, Board members had not been granted to any in-linked benefits, remuneration for technical or consultative work, nor has the Chairman or Board Secretary received any remuneration. In addition, none of the member received a percentage of profits or periodic remuneration or short/long term incentive plans.

### 3.8.2 Remunerations paid to 5-top executives of the Company during the year 2018

(All figures are in Thousands SAR)					
	Salaries	Allowances	In-Linked Benefits	Short-Term incentive plans	Total
Remunerations of top executives including CEO and CFO	3,508,560	877,152	377,351	2,600,000	7,363,063

### 3.8.3 Remuneration to the members of Board of Directors' Sub-Committees during 2018

Sr.	Name	Fixed Remuneration (Excluding Meeting Allowances)	Meeting Attendance Allowances	Total
<b>Executive Committee</b>				
1	Solaiman A. Al-Twajri	0.070	<b>0.015</b>	<b>0.085</b>
2	Hatem Balghoneim	0.070	<b>0.015</b>	<b>0.085</b>
3	Wasef S. A. Jabsheh	0.023	<b>0.005</b>	<b>0.028</b>
4	Abdullah M. Al-Othman	0.035	<b>0.007</b>	<b>0.043</b>
<b>Audit Committee</b>				
1	Abdulrahman Balghunaim	0.100	<b>0.015</b>	<b>0.115</b>
2	Waleed Al-Othaimeen	0.100	<b>0.015</b>	<b>0.115</b>
3	Amr Kurdi	0.083	<b>0.013</b>	<b>0.096</b>
<b>Nomination &amp; Remuneration Committee</b>				
1	Waleed M. Al-Jaafari	0.070	<b>0.008</b>	<b>0.078</b>
2	Sulaiman A. Al-Kadi	0.070	<b>0.008</b>	<b>0.078</b>
3	Hassan E. Kabbani	0.070	<b>0.008</b>	<b>0.078</b>
<b>Risk Management Committee</b>				
1	Walid S. Al-Shoaibi	0.070	<b>0.008</b>	<b>0.078</b>
2	Wasef S. A. Jabsheh	0.053	<b>0.005</b>	<b>0.058</b>
3	Khalid A. S. Al-Rajhi	0.070	<b>0.008</b>	<b>0.078</b>
<b>Investment Committee</b>				
1	Khalid A. S. Al-Rajhi	0.070	<b>0.008</b>	<b>0.078</b>
2	Walid S. Al-Shoaibi	0.070	<b>0.008</b>	<b>0.078</b>
3	Hassan E. Kabbani	0.053	<b>0.006</b>	<b>0.058</b>

### 3.9 Preventive Restriction / Penalty

Based on the company's By-Law and article 14 of the Law on Supervision of Cooperative Insurance Companies issued by the Saudi Arabian Monetary Authority, the company has deposited 10% of its capital in the name of the Saudi Arabian Monetary Authority. Also, the company confirms there were no penalties imposed during the year 2018.

### 3.10 Corporate Governance

To comply with convenient governance practice, the company during 2018 has established **Corporate Governance Unit** under Compliance Department to foster the implementation of the governance rules. The unit carry out all tasks related to Shareholders, Board of Directors and Stakeholders, as well as updating the internal corporate governance framework and the corporate policies.

The Company ensure its compliance with the Insurance Companies Corporate Governance Regulations issued by Saudi Arabian Monetary Authority "SAMA" and Corporate Governance Regulations issued by Capital Market Authority "CMA", except for the below:

- Corporate Governance Regulation (CMA):

Article	Partial implemented	Not implemented	Comments
38	-	Qualifications of the Secretary	This has not been implemented being guiding article.
95	-	Formation of a Corporate Governance Committee.	This has not been implemented being guiding article.

### 3.11 Internal Control

The Board of Directors have formed an Audit Committee with a prime responsibility to oversee the company's financial reports validity and evaluate the adequacy and effectiveness of the company's audit (both internal and external). The Committee comprises of three members, two of whom are independent where the Chairman is an independent non-executive director of the company.

During 2018, the committee has conducted six meetings, and through the committee's direct supervision upon the internal audit function, and reviewing the corporate governance, risk polices, financial reports as well as the disclosures. The committee has covered the following core functions:

1. Review and approve annual and quarterly financial statements of the company.
2. Analysis the key risks that faces the company including financial, operational and legal risks. Then, review polices/actions applied by the management to determine, assess and treat these risks.
3. Review and approve the annual plan for the internal audit and compliance functions.
4. Review the procedures, reports, activities of the internal audit and compliance departments.
5. Recommend appointment of external auditors including evaluating their competence, independence and the risks generating from the any existing conflict of interest. In addition to determining their fees.
6. Coordinating between internal and external auditors.
7. Review the reports of the external auditors, internal audit department and compliance department to be recommended to the Board.
8. Assessing the efficiency, effectiveness and objectivity of work performed by the external auditors, the Internal Audit Department, and the Compliance Department.
9. Review the comments obtained from SAMA and other relevant supervisory and control entities and making recommendations thereon for the Board.
10. Review critical accounting policies and procedures as well as the modifications that might be introduced thereto.
11. Review related party agreements and provide the Board with recommendations.

12. Follow-up on the important lawsuits filed by or against the Company and submitting periodic reports thereon to the Board.
13. Determining the monthly salary, bonus and other remuneration of the Compliance Department and internal audit department In accordance with the Company's internal by-laws approved by the Board.
14. Ensuring the optimal use and controls of information technology necessary to generate accurate and reliable information and data are in place.

The Internal Audit department maintains its organization independence by functionally reporting to the audit committee as required by both the regulations and the best practices. The internal audit department have conducted its supervision upon several departments within the company pursuant to the approved audit plan. The results of the internal audit supervision are reported duly to the audit committee as the report contain the concern departments' response upon the remarks and the corrective action taken thereon.

Moreover, the role of the Compliance Department is to support the Audit Committee with regards to ensuring the company's and its affiliation in complying with regulations and related requirements in addition to the instructions issued by SAMA, CMA and other regulators in the Kingdom. The key responsibilities of the Compliance Department contain the following:

1. Develop, implement and documenting the updated regulations as well as establishing framework, policies and standards compatible with the regulations and requirement of SAMA.
2. Ensure the compliance with CMA regulations.
3. Monitoring changes in legislation for insurance and ensure that the company acts in accordance with the changed requirements.
4. Undertaking ongoing monitoring and ad hoc spot checks to assess the validity and application of internal procedures and processes and their compliance with regulations and/or directives.
5. Ensuring that the company fulfils all the conditions required by SAMA and develop and maintains a professional relationship with SAMA and other statutory bodies.
6. Working with departmental Heads to direct compliance issues to appropriate channels for investigation and resolution.
7. Consulting with the company's legal advisors as needed to resolve legal compliance issues.

Based on the above, the audit committee during the meetings has discussed all the major aspects of the internal control regulations through direct supervision upon the internal audit function as well as the compliance function. Also, the audit committee has reviewed reports concerning the effectiveness of evaluating the various operational activities, and ensure the integrity/adequacy of the operational and financial procedures and its efficiency in the internal control function in order to emphasis the adequacy and effectiveness to raise reliability of compliance with applicable laws and regulations. Therefore, the audit committee concluded that there are no major remarks or lack or observations on the internal control regulations, and the company's documents or records.

### 3.12 Company's Social Contributions

Given the eagerness of the Board towards social participation and the charity conduct and its responsibility to serve the community, the Board recommended the allocation of SAR 1 per insurance policy issued to be donated to licensed charities in the Kingdom of Saudi Arabia. In Addition, Walaa is coordinating with various universities to train more than 25 trainees/ year through Summer Internships and Cooperative Training Programme (CO-OP).

### 3.13 Dates of the General Assembly meetings and names of the Board members attended

As per the Company's Bylaws article (30), the Board on annual basis announces to its Shareholders the date, time and the location of the meeting to discuss and approve all related items to the shareholders Board members and other matter through ordinary general assembly or non-ordinary general assembly meeting.

Sr.	Name of Board Member	Attendance
		General Assembly Meeting 29/05/2018
1	Sulaiman A. Al-Kadi	√
2	Khalid A. S. Al-Rajhi	X
3	Wasef S. A. Jabsheh	X
4	Walid S. Al-Shoaibi	X
5	Waleed M. Al-Jaafari	√
6	Solaiman A. Al-Twajjri	x
7	Hassan E. Kabbani	x
8	Abdulrahman Balghoneim	√
9	Hatem Balghoneim	√
10	Abdullah M. Al-Othman <sup>1</sup>	√

1. Appointed as a Vice-Chairman on August 5<sup>th</sup>, 2018.

2. Resigned from the Board on August 1<sup>st</sup>, 2018.

### 3.14 Principal Activities

The Company is involved in cooperative insurance and reinsurance in the general and health lines of business and related investment activities. Though the company is engaged in reinsurance inward business, it does not contribute materially to the turnover and the reported surplus of the company for the year under review.

The composition of activities between major lines of business is as follows:

	2018				2017			
	Motor	Health	General	Total	Motor	Health	General	Total
Gross written premium	612	96	397	1,105	707	103	292	1,102
Net earned premium	662	102	34	798	643	109	41	792
Net technical result				243				257
Less: Operating expenses (unallocated)				(130)				(92)
Surplus / (deficit) from Underwriting operations				113				165

### 3.15 Financial Performance

<b>Income and Expenditure Statement - For the period ended on 31 Dec. 18</b>					
<b>(SAR m)</b>	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
<b>Insurance Operations:</b>					
Gross Premium Written	1,104.96	1,102.33	1,016.61	752.99	649.61
Net earned premium	798.33	792.09	627.09	435.71	269.59
Reinsurance commission	28.56	16.95	20.35	18.15	19.25
Other underwriting income	3.98	6.16	5.00	2.61	0.65
<b>Total underwriting revenue</b>	<b>830.87</b>	<b>815.20</b>	<b>652.44</b>	<b>456.47</b>	<b>289.49</b>
Net Incurred claims including reserve	(480.24)	(484.46)	(405.96)	(382.97)	(206.34)
Policy acquisition costs	(71.60)	(73.40)	(62.38)	(45.27)	(36.00)
Excess of loss protection cost *	-	-	-	-	(9.37)
Other underwriting expenses	(9.68)	(3.33)	(28.77)	(18.59)	(10.59)
Additional premium reserve	(5.33)	(2.44)	36.11	(9.50)	(14.39)
Other technical reserve	(21.06)	5.15	(4.92)	(5.15)	(0.10)
<b>Total underwriting expenses</b>	<b>(587.91)</b>	<b>(558.47)</b>	<b>(465.92)</b>	<b>(461.48)</b>	<b>(276.79)</b>
<b>Net underwriting surplus</b>	<b>242.97</b>	<b>256.73</b>	<b>186.52</b>	<b>(5.01)</b>	<b>12.70</b>
Employee cost and operation expenses	(129.50)	(91.64)	(62.52)	(54.21)	(48.82)
<b>Surplus / (deficit) from insurance operations</b>	<b>113.47</b>	<b>165.09</b>	<b>124.00</b>	<b>(59.22)</b>	<b>(36.12)</b>
Shareholder's appropriation of surplus	(11.35)	(16.51)	(12.40)	-	-
<b>Net result for the period</b>	<b>102.12</b>	<b>148.58</b>	<b>111.60</b>	<b>(59.22)</b>	<b>(36.12)</b>
<b>Net surplus from insurance operations</b>					
<b>Transferred to shareholders</b>	<b>102.12</b>	<b>148.58</b>	<b>111.60</b>	<b>(59.22)</b>	<b>(36.12)</b>
Commission income from bank deposits	10.94	4.33	6.23	1.31	0.82
Realized gains on available for sale investment	(6.44)	(4.76)	2.72	2.32	41.92
General and administrative expenses	(6.25)	(6.41)	(3.22)	(0.62)	(1.99)
<b>Net Surplus / (deficit) for the period</b>	<b>100.37</b>	<b>141.73</b>	<b>117.32</b>	<b>(56.26)</b>	<b>4.84</b>
Unrealized gain/ (loss) from investment in shares	13.94	7.15	4.50	(15.56)	(34.70)
Zakat and income tax				(4.00)	(8.53)
<b>Comprehensive surplus / (deficit) for the period</b>	<b>114.30</b>	<b>148.88</b>	<b>121.82</b>	<b>(75.82)</b>	<b>(38.39)</b>
*As of FY2017 the Excess of loss is reclassified under Ceded portion (Total Revenue)					
<b>Earning per share (SAR)</b>	<b>2.28</b>	<b>3.22</b>	<b>2.93</b>	<b>(1.65)</b>	<b>0.19</b>

## Statement Of Financial Position - As on 31 Dec. 18

(SAR m)	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
<b>Assets</b>					
<b>Insurance Operations:</b>					
Property and equipment	10.7	9.2	9.7	4.8	5.6
Insurance receivable	202.4	127.3	108.6	112.8	102.9
Reinsurer's share of unearned premium	195.6	130.2	136.6	118.4	119.0
Reinsurer's share of outstanding claims	166.2	152.7	150.8	177.0	239.8
Deferred policy acquisition costs	23.6	37.0	32.5	22.8	15.5
Due from shareholders operations	-	-	-	1.3	1.2
Prepaid expenses and other assets	34.1	28.4	43.7	33.6	10.4
Accrued interest income	1.8	3.3	-	-	0.1
Short-term deposits	431.4	400.0	-	-	-
Cash and Cash equivalents	222.7	289.5	594.4	373.2	211.0
<b>Sub-Total</b>	<b>1,288.3</b>	<b>1,177.7</b>	<b>1,076.3</b>	<b>843.9</b>	<b>705.4</b>
<b>Shareholder's operations :</b>					
Statutory deposit	44.0	40.0	40.0	40.0	20.0
Other financial assets	162.9	96.8	109.6	84.7	79.3
Short term deposits	447.7	424.8	-	-	-
Prepaid expenses and other assets	-	-	-	-	1.1
Accrued interest income on statutory deposits	4.3	3.2	2.1	1.4	-
Accrued interest income	2.7	2.1	-	0.5	1.1
Due from Insurance operations	26.5	15.1	19.9	-	-
Cash and cash equivalent	20.6	20.4	289.9	214.0	83.0
<b>Sub-Total</b>	<b>708.7</b>	<b>602.4</b>	<b>461.6</b>	<b>340.6</b>	<b>184.5</b>
<b>Total Assets</b>	<b>1,997.0</b>	<b>1,780.2</b>	<b>1,537.9</b>	<b>1,184.5</b>	<b>890.0</b>
<b>Liabilities and Shareholders' equity</b>					
<b>Insurance operations:</b>					
Technical reserves	928.3	964.9	932.8	718.8	600.1
Additional Premium reserves	8.5	3.2	0.8	36.9	27.4
Other Technical reserves	26.4	5.3	10.5	5.6	0.4
Reinsurance balances payable	140.9	61.8	15.7	10.0	24.2
End of service benefits	12.4	10.6	7.2	5.8	4.2
Accrued expenses and other liabilities	131.8	85.9	75.0	64.8	47.1
Due to shareholders	26.5	15.1	19.9	-	-
Share of Surplus	13.5	31.1	14.6	2.2	2.2
<b>Sub-Total</b>	<b>1,288.3</b>	<b>1,177.7</b>	<b>1,076.3</b>	<b>843.9</b>	<b>705.4</b>
<b>Shareholder's operations:</b>					
Due to insurance operations	-	-	-	1.3	1.2
Commission on statutory deposits Payable	4.3	3.2	2.1	1.4	-
Accrued expenses and other liabilities	33.6	27.9	23.9	15.3	15.0
<b>Sub-Total</b>	<b>37.8</b>	<b>31.0</b>	<b>26.1</b>	<b>17.9</b>	<b>16.2</b>
<b>Shareholder's equity:</b>					
Share Capital	440.0	400.0	400.0	400.0	200.0
Share Premium	30.1	30.1	30.1	30.1	-
Statutory Reserve	48.8	31.7	6.0	-	-
Retained earnings	155.3	126.9	23.9	(78.4)	(18.2)
Fair Value Reserve	(3.4)	(17.4)	(24.4)	(29.0)	(13.4)
<b>Sub-Total Equity</b>	<b>670.8</b>	<b>571.4</b>	<b>435.6</b>	<b>322.7</b>	<b>168.4</b>
<b>Total Liabilities and Equity</b>	<b>1,997.0</b>	<b>1,780.2</b>	<b>1,537.9</b>	<b>1,184.5</b>	<b>890.0</b>



### 3.16 Significant Plans, Decisions and Future Prospects

The year 2018 was a challenging year for the insurance industry, the GWP for industry has observed an inferior growth as compare to average of last 5 years. Under the challenging environment and stiff competition, Walaa has managed to finish the year with a slight increase in last year's GWP and also reported a significant profit. Walaa looks forward to a sustained growth and progress as we step into the next decade of our operations.

Walaa is proud of maintaining its position into a niche league of 'Billion-Riyal' insurer in the Kingdom's insurance market. The insurance segment in KSA is highly regulated with several onerous regulatory and disciplinary requirements imposed by the Regulators. The Company ensure its compliance with all the related laws and regulations issued by the regulatory institutions in the Kingdom. However, during 2018, the company received a letter from SAMA regarding violation of regulatory compliance and SAMA gave 20 working days to fix the issues. Walaa took the corrective actions and fulfil the regulatory requirements within specified period, and also informed SAMA accordingly.

Walaa intends to secure business opportunities across a wide geographical spectrum in the Kingdom and also be in a position of supporting its valued clients in addressing their insurance and claim requirements. It is a well-recognized fact that an insurance cover is needed by all segments of a society – be it an individual for his motor vehicle or health up to complex industries and installations where the risk-management as a function occupies a very critical position. Walaa intends to reach out to all these segments in the society by providing top-quality risk-management products, backed up by strong technical and support teams. Walaa is committed to build its own sales and marketing teams who are qualified to better understand the growing needs in the insurance market across the nation. The Company also seeks to further strengthen its working relationship with all insurance brokers functioning in the Kingdom, thereby consolidating its position as their reliable partner-in-progress.

Retail business continues to remain under high focus and management is very keen to ensure that this segment is conducted in full compliance with regulatory requirements. In order to further strengthen its Retail Setup, Walaa had obtained SAMA's approval to open 47 points of sales located around the Kingdom by letter No.6813/41 dated 03/07/2018. Opening the points of sales is expected to increase the company sales which will have a positive impact on the company financial performance starting from third quarter of year 2018. This shall also help us providing the required insurance services to Walaa's existing and potential clients throughout the Kingdom. It is major a decision for Walaa as before the company was dependent on Agent for majority of its retail business, now Walaa has got its own point of sales where the company can have better control and focus more on increasing its retail production. Regional sales teams are being strengthened to secure a higher share of corporate and SME sector of the market.

Walaa has always been focused to invest on technology and IT systems in order to bring more value for customers. During last year, Walaa revamped its website in order to make it more user friendly and also to give more options to customers. Walaa has been actively selling Motor Insurance through its web portal and there is also a facility

available for clients to submit claims through website. Walaa is continuously working to improve its customer services, and keen to provide a unique and quality experience to its customers. The Company's IT and communication system is continuously reviewed and upgraded to stay in tune with business needs and growth, and to ensure prompt service to clients' requirements. Walaa is particularly proud of its IT capabilities which include 'real-time' communication and connectivity with agencies such as Najm, Al-Elm, CCHI and Banks' portals. In addition to this, Walaa has direct connectivity with portals of Saudi NextCare and Mednet being the Third Party Administrators for medical claims. Walaa also introduced a mobile based Telematics application in order to increase awareness about good driving habits, the telematics app is available free of cost to all. The built-in scorecard is rating individuals as 1 star – 5 stars drivers on the basis of driving habits.

The Company has obtained letter from Secretary General of Council of Cooperative Health Insurance (CCHI) Walaa containing renewal of CCHI annual qualifying license for one year ending 3/5/2019.

During 2018, Walaa Cooperative insurance company started the initial understanding with Al-Sagr Cooperative Insurance Company to study the feasibility of merger between two companies. However, on 05/09/2018 it has been decided by Walaa's Board that it is not feasible to proceed further with Al-Sagr Cooperative Insurance Company.

The Company also adopted a revised pricing policy for motor and health products in accordance with regulatory requirements after conducting an actuarial review of the portfolio. Walaa had successfully implemented No Claims Discount (NCD) structure for Retail Motor during 2017, and also have enhanced it in accordance with Deep Scale NCD effective June 2018.

Walaa is proud to secure a commendable level of financial strength rating from Standard & Poors – an internationally reputed Rating Agency who is specialized in rating of financial institutions at a global level. Walaa has secured a rating of 'BBB+' with 'Positive outlook' on 30 January 2018 and also secured gcAA+ (GCC regional scale rating) – being the first company in the region with this distinction. Later in 2018, we also approached Moody's Investor Services for credit rating, and based on their analysis Moody's assigned Walaa A3 Insurance Financial Strength Rating (IFSR) with Stable Outlook on 26 November 2018.

The A3 IFSR of Walaa reflects:

- Strong market position and brand
- Strong asset quality
- Strong capital adequacy level
- Good recent profitability
- Good reserve adequacy

In addition to above ratings, during 2017 Walaa became the first Insurance Company in KSA with ISO9001:2015 certification, and the company successfully renewed its certification in 2018. With these recognitions and credentials backing us, we can now approach prestigious clients in specialized sectors – such as oil and gas,

petroleum and power – who prefer to work with a well-rated insurer to address their risk-management requirements.

During the year, Walaa successfully obtained permanent regulatory approvals for following two specialized products, Energy and Extended Warranty for vehicles. Walaa has its plans to be more active in market for niche products, the company is keen to increase its market share for specialized products such as Energy, Aviation, PI miscellaneous, Cyber and D&O.

Their main role is to study and revise the company's financial and investments activities, and review the principles of insurance mechanism, insurance programs and products to confirm their compliance with the Shariyah principles.

Walaa has appointed Shariyah Review Bureau Co. as a Shariyah review committee. Part of the committee duties is to review annually the company's products and services from an Islamic point of view and then report the review processes results periodically - after the company's execute required amendments if they exist - to the board of the Shariyah Review Bureau for certification, taking into consideration any modification as may be required by the Shariyah board in order to approve the company and its products. The Shariyah Board consists of eminent scholars as nominated by them from time-to-time.

It was decided in the Extraordinary General Assembly of Walaa Cooperative insurance company to increase its capital from 400,000,000 SAR to 440,000,000 shares by offering 1 bonus shares for every 10 shares owned. Aim of this capital increase is to reward shareholders with dividend in form of bonus shares and to preserve cash in the company which is in line with the long-term strategy.

### 3.17 Risks Faced by the Company

The Company has established a Risk Management Framework to protect the Company from events that hinder the sustainable achievement of its performance objectives, including failing to exploit opportunities.

The main risks faced by the Company can be categorized as follows:

#### 3.17.1 Strategic Risk

The risk of a loss in earnings, capital or franchise value that are created by or impact decisions relating to the business plan or strategic objectives; like the process of setting strategic and business plan objectives, specifications on how to achieve those objectives, as well as the implementation of those objectives and plans. This includes the failure to respond adequately to changing conditions. Strategic risk is explicitly considered through strategic review and planning process. The Company closely monitors regulatory, legal and fiscal developments as well as actively engaging with external bodies to share the benefit of expertise in supporting responses to emerging risks to challenge developments that could be damaging to business and the industry as a whole.

#### 3.17.1.1 *Competition Risk:*

The Company is facing an intense competition from other insurance companies. For that reason, the Company has taken a series of proactive actions based on competitive prices that were examined from a statistical and an actuarial point of view. This ensures both the safety and success of the technical capacity of underwriting the insurance policies. In addition, the Company has implemented effective prevention programs to enable growth and achievement of its goals. The Company is keen to gain competitive advantage by offering better services to all customers, and to live up to the high standards set. The Company is also investing in technology to have more efficient operations, and is developing both existing and new products to ensure that nothing but the best possible service are delivered to its customers.

#### 3.17.2 *Insurance Risk:*

The risk of loss arising from the inherent uncertainties about the occurrence, amount, and timing of insurance liabilities and premiums. Insurance risk incorporates underwriting, reserving, and reinsurance risks.

##### 3.17.2.1 *Business Concentration risk:*

The risk of having a higher reliance on one line of business, while still maintaining the limits of the portfolio mix. Due to that, the following actions have been done to evenly scatter the portfolio mix in a balanced manner:

- Increase number of branches.
- Online sales of individual products.
- Focus on niche products like, D&O, PI Miscellaneous, Travel, Cyber Crime and Extended Warranty.
- Employee Insurance program for selected large groups.

#### 3.17.3 *Compliance Risk:*

The risk of loss that might occur from lack of awareness or misunderstanding of, ambiguity in, or misapplication of, the way law and regulation apply to the Company, its relationships, processes, products and services. This includes the risk of not maintaining good regulatory relationships. The Company's management and compliance manager should ensure compliance with all regulatory requirements, initiate a timely update for regulatory changes, and enable the Company to remain compliant with all regulatory changes.

#### 3.17.4 *Operational Risk:*

The risk of potentially losing a portion of shareholder value as a result of failed internal processes, personnel, systems, or external events. This includes manual and computerized internal processes systems including IT, communications, legal, strategic, and reputational risks. Robust system and processes are in place to ensure that Operational risks are within the set appetite limits. Significant resources are devoted to maintaining efficiency and effectiveness, throughout all operations, within Company's framework of corporate responsibility, policies, and business ethics code. The Company's Executive Team oversees aggregate operational risk exposure and reports to the Board. The Company has a full-time in-house Internal Audit and Risk Management teams that oversee various controls to ensure adherence to all policies and procedures.

##### 3.17.4.1 *People Risk:*

The risk of having insufficient competent employees. The insurance market has the need for skilled teams to be familiar with insurance activities, which increases the demand for recruiting highly qualified candidates. Meanwhile, the Company is facing a resignation risk by its competent staff. However, the Company is continuing the policy of training and serious rehabilitation for both existing and new employees, which is varied to suit all management levels in the Company. The training procedure is exhibited in spite of having the chance of losing employees to other competitors, because it still remains in the interests of the country as a whole. Therefore, focusing on developing the skills of Saudi nationals will continue throughout all levels of the Company.

### 3.17.5 Counterparty Risk:

The risk of not being able to recover money owed by third parties. This includes all counterparties including reinsurers, intermediaries, and banks. This policy focuses on credit risk arising in relation to the Company's counterparties, rather than credit risk which arises in relation to individual assets like due to changes in credit spreads and defaults or downgrades.

#### 3.17.5.1 *Overdue Receivable:*

The risk of having amounts being past due by clients. Both the Investment Committee and the Risk Management Committee are responsible for reviewing the overdue receivables. The Risk Management Department is regularly monitoring and reporting the overdue receivables in accordance with set Risk Limits & Tolerance to the Risk Management Committee.

### 3.18 Geographical Operations

Company does not have any overseas subsidiaries and operates within the Kingdom of Saudi Arabia.

Geographical spread of Gross Written Premiums written within the Kingdom during various years is:

Year	Geographical spread of Gross Written Premiums					
	Eastern Province	Central Province	Western Province	North Province	South Province	Total
2018	697.29	98.92	196.69	95.96	16.10	1104.96
2017	473.58	103.90	320.41	176.32	28.12	1102.33
2016	416.74	74.89	314.84	172.77	37.36	1016.60
2015	334.15	84.61	174.82	123.29	36.12	752.99
2014	412.54	114.49	75.78	33.52	13.28	649.61
2013	235.13	54.08	57.18	0.78	-	347.17
2012	126.87	29.18	78.04	-	-	234.09
2011	134.02	78.64	65.89	-	-	278.55
2010	81.02	95.49	43.78	-	-	220.29
2009	76.44	37.44	27.34	-	-	141.22

### 3.19 Material Variations from Previous Year

Below table showing the reported operational results for the year 2018 as compared to 2017 with the explanation for variance:

Reported Line item	Year		Change in		Explanation for variance
	2018	2017	Amount	%'s	
Gross Written Premium (GWP)	<b>1,104.96</b>	1,102.33	2.6	0%	The major increase has come from Property and others lines which was offset by Motor reduction. Correspondingly, this increase results in improvements in net earned premiums.
Net Earned Premium (NEP)	<b>798.33</b>	792.09	6.2	1%	Retention under compulsory lines has helped to achieve improvement in NEP which is in line with increase in GWP.
Net Claims Incurred	<b>480.42</b>	484.46	(4.04)	-1%	A relatively marginal decrease in Net Claims incurred adequately supported by NEP. Based on Actuarial valuation favorable results and has not adversely affected the overall reported results.
Changes in Additional Premium Reserves	<b>5.33</b>	2.24	3.1	-	Based on Actuarial Computations, the changes in additional Premium Reserves has resulted in adverse variance.
Change in Other Technical Reserves	<b>21.06</b>	(5.15)	26.2	-	Based on Actuarial Computations, the changes in additional Reserves has resulted in adverse variance.
Policy Acquisition Costs	<b>71.60</b>	73.40	(1.8)	-2%	Due to decrease in Agency (Retail) business, the acquisition costs have moderately decreased in the current year.
Other Underwriting Expenses	<b>9.68</b>	3.33	6.4	191%	Due to increase in number of claims handled in the current year, the related claim administration expense (Najem) has increased.
Operating and General Expenses	<b>138.99</b>	100.58	38.4	38%	Due to a general increase in the scale of business, related expenses have increased in the year. Also, the agency branches acquisition on time expense of SR 20m incurred during this year
Commission on Bank Deposits	<b>9.49</b>	8.94	0.6	6%	Due to proper allocations & utilization of funds the commission income has been increased.
<b>Surplus / (Deficit) from Insurance Operations</b>	<b>113.47</b>	<b>165.08</b>	<b>(51.6)</b>	<b>-31%</b>	A combined resultant figure which has been negatively impacted due to various line items explained above.
Surplus transferred to insurance operations	<b>(11.35)</b>	(16.51)	5.2	-31%	
<i>Shareholders Operations:</i>					
Commission on Bank Deposits	<b>10.94</b>	<b>4.33</b>	6.6	152%	Due to proper allocations & utilization of funds the commission income has been increased.
Income / (loss) from Portfolio	<b>(6.44)</b>	<b>(4.76)</b>	(1.7)	35%	Realized impairment from Quoted Equity investments
General and administrative expenses	<b>(6.25)</b>	<b>(6.41)</b>	0.2	-3%	Minor change
<b>Net Income for the year</b>	<b>100.37</b>	<b>141.73</b>	<b>(41.4)</b>	<b>-29%</b>	A combined resultant figure which has been negatively due to various line items explained above.
Unrealized Changes In Fair Value	<b>13.94</b>	7.14	6.8	95%	Arises mainly due to movement in quoted values of Equity investments held by the Company. It is entirely on account of market movements.
<b>Total Comprehensive Income</b>	<b>114.30</b>	<b>148.88</b>	<b>(34.6)</b>	<b>-23%</b>	Arises mainly due to movement in quoted values of Equity investments held by the Company. It is entirely on account of market movements.

### 3.20 Accounting Standards

The company adheres to International Financial Reporting Standards (IFRS) and the relevant International Accounting Standards (IAS) in the preparation of its financial statements, as required by the Saudi Arabian Monetary Agency (SAMA). It does not follow the accounting standards generally followed in the Kingdom of Saudi Arabia. Based on our preliminary estimates and assessments, other than what has been recognized, the impact of adoption of IFRS on a complete basis does not have a material impact on reported results and equity of the Company.

### 3.21 Name of Affiliate Company, Its Capital, Company's Ownership Percentage, Main scope of Business, Country of Operation/incorporation

The Company does not have any affiliate company.

### 3.22 Details of Shares and Debt Instruments Issued for Each Affiliate Company

The Company does not have any affiliate company.

### 3.23 Dividend Policy

The company adopts the requirements to distribute dividends as and when declared, as per its Bylaws article (46), each shareholder is entitled to his share of the profit according to the General Assembly resolution. The Dividends resolution shall state the due and distribution dates. Moreover, the shareholders who are registered in the shareholder book/record are eligible of the profit of the determined date. The company shall notify CMA without delay of the Dividends resolution or recommendation with regards to be proceed at place and time determined by the Board and in accordance with the instructions issued by the regulators taken in consideration SAMA's approval.

### 3.24 Description of any Interest in a Class of Voting Shares Held by Persons (Other Than the Company's Directors, Senior Executives and their Relatives) who have notified the Company of Their Holdings

During 2018, there were no any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the company.

### 3.25 Interest, Options and Subscription Rights

During year 2018, details of interests, options and subscription rights of Walaa's directors, senior executives and their spouses and minor children in the Walaa shares or debt instruments are as follows:

Sr.	Name of Person of Interest	Beginning of 2018		End of 2018		Total Change	% change
		No. of Shares	debt instruments	No. of Shares	debt instruments		
1	Sulaiman A. Al-Kadi	2,000	-	2,266	-	266	13.3%
2	Khalid A. S. Al-Rajhi	1,000	-	1,100	-	100	10%
3	Wasef S. Jabsheh <sup>1</sup>	2,100,000	-	2,310,000	-	210,000	10%
4	Walid S. Al-Shoaibi <sup>2</sup>	100,000	-	110,000	-	10,000	10%
5	Solaiman A. Al-Twajjri	1,000	-	1,100	-	100	10%
6	Waleed M. Al-Jaafari	480,000	-	528,000	-	48,000	10%
7	Hassan E. Kabbani	1,000	-	1,100	-	100	10%
8	Abdulrahman Balghoneim	-	-	-	-	-	-
9	Hatem Balghunaim Balghoneim	3,200	-	3,520	-	320	10%
10	Abdullah M. Al-Othman <sup>3</sup>	1,611,000	-	1,773,200	-	162,200	10%

1. Shares is owned by International General Insurance Company Ltd.

2. Shares is owned by Suhail bin Abdulmohsen Al Shoaibi & Sons Holding Company.

3. Resigned from the Board on August 1<sup>st</sup>, 2018.

Note that Senior Executives and their spouses and minor children have no interests, options or subscriptions rights in the shares or debt instruments of the Company.

### 3.26 Borrowings, Issue / Redemption of Securities

The company has neither borrowed any funds nor issued or redeemed any securities during the year and does not have any outstanding convertible and/or redeemable debt instruments, options, warrants or similar rights.

### 3.27 Description of the Class and Number of any Convertible Debt Instruments, Contractual Securities, Pre-emptive Right or Similar Rights Issued or Granted by the Company during the Fiscal Year

During 2018, there were no any convertible debt instruments, contractual securities, pre-emptive right or similar rights issued or granted by the company.

### 3.28 Description of any Conversion or Subscription Rights Under any Convertible Debt Instruments, Contractually Based Securities, Warrants or Similar Rights Issued or Granted by the company

During 2018, there were no any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the company.

### 3.29 Description of any Redemption, Purchase or Cancellation by the Company of any Redeemable Debt Instruments and the Value of Such Securities Outstanding, Distinguishing between those Listed Securities Purchased by the Company and those Purchased by its Affiliates

During 2018, there were no any redemption, purchase or cancellation by the company of any redeemable debt instruments.

### 3.30 Shareholders Records

The shareholders records were requested by the company (9) times during 2018 as shown in the below table

Date of request	Date of the shareholders record	Reason of Request
06/12/2018	31/03/2017	Checking if any changes occur in the shareholders records and Board members ownership.
30/09/2018	30/09/2018	Checking if any changes occur in the shareholders records and Board members ownership.
30/07/2018	29/07/2018	Checking if any changes occur in the shareholders records and Board members ownership.
22/07/2018	30/06/2018	Checking if any changes occur in the shareholders records and Board members ownership.
03/06/2018	31/05/2018	Checking if any changes occur in the shareholders records and Board members ownership.
23/05/2018	23/05/2018	General Assembly Meeting
13/05/2018	13/05/2018	Checking if any changes occur in the shareholders records and Board members ownership.
19/04/2018	19/04/2018	Checking if any changes occur in the shareholders records and Board members ownership.
15/01/2018	31/12/2017	Checking if any changes occur in the shareholders records and Board members ownership.



### 3.31 Related Party Transactions

All figures are in million SAR

Related party	Board Member	Type of relationship	Type of transaction	Duration	Amount
Sulaiman Abdullah Al-Kadi	Sulaiman Al-Kadi	Chairman	Various Insurance	12-months	0.0994
Riaya Hospitals (Procure)	Khalid Al-Rajhi <sup>1</sup>	Vice Chairman	Various Insurance	12-months	0.0704
Hatem Fahad Balgoneim	Hatem Balgoneim	Member	Various Insurance	12-months	0.0162
Abdulrahman Abdulmohsen Balgunaim	Abdulrahman Balgunaim	Member	Various Insurance	12-months	0.00003
- Al-Dawaa Medical Service Co. LTD. - Mishraf Construction Development. - Waleed Mohammed Alajaafri	Waleed Al-Jaafari	Member	Various Insurance	12-months	1.9392
- Saudi Arabian Ductile Iron Pipes Co. LTD. - Amiantit Group of Companies/Saudi Arabian Amiantit. - Saudi Arabian Amiantit Co. LTD (SAAC). - Amiantit Fiberglass Industries LTD. - Saudi Arabian Ductile Iron Pipes Co. LTD (SADIP). - Amiantit YACOAT Company.	Dr. Solaiman Al- Twaijri	Member	Various Insurance	12-months	0.464
- Shoaibi Group. - Shoaibi Contracting Establishment. - International sports holding co. ltd. - Suhayl bin Abdulmohsin Alshoaibi & Sons Holding Company Limited.	Walid Al-Shoaibi	Member	Various Insurance	12-months	0.2223
- Al-Othman AGRI. Proc Co. - Tazez Advanced Industrial Company. - Alsharq Plastics.	Abdullah Alothman <sup>2</sup>	Member	Various Insurance	12-months	0.0005

**1. Appointed as a Vice-Chairman on August 5<sup>th</sup>, 2018.**

**2. Resigned from the Board on August 1<sup>st</sup>, 2018.**

### 3.32 Any Business or Contract to Which the Company Is a Party and In Which a Director of the Company, a Senior Executive or any Person Related to any of Them Is or Was Interested

During 2018 the company signed an agreement with Issam Kabbani insurance Broker in which the Mr. Hasssan Kabbani is a related party of the contract (SAR 0.0204 million). Also, the company has engaged with International General Insurance where Mr. Wasef Jabsheh is a related party (SAR 0.504 million).

### 3.33 Description of any Arrangement or Agreement under Which a Director or a Senior Executive of the Company Has Waived Any Remuneration.

There is no waiver of remuneration from any of the directors or Senior Executives.

### 3.34 Any Arrangement or Agreement under Which a Shareholder of the Company Has Waived any Rights to Dividends

There is no waiver of profits from any of the shareholders.

### 3.35 Statutory Dues and Payments

During the year 2018, the Company has made payments to various statutory agencies.

The company does not have any outstanding statutory dues as on 31 December 2018, except for the following:

Authority	2018		Description	Comments
	Paid	Outstanding (till 31 Dec 2018)		
Taxes	2.99	0.35	Withholding Tax	As per Zakat and Income Tax Laws
Zakat	12.02	14.84	Zakat and income tax	As per Zakat and Income Tax Laws
Saudi Arabian Monetary Authority	5.66	1.44	Inspection and supervision fees	As per the Law on Supervision of Cooperative Insurance Companies
General Organization for Social Insurance	6.04	0.55	Social insurance for employees	As per the Social Insurance Law
Council of Cooperative Health Insurance	1.14	0.15	Inspection and supervision fees	As per Council of cooperative health insurance
Ministry of Interior, Chamber, Labor Office, SAGIA	0.03	0	Services fees	As per the Saudi laws and regulations

### 3.36 Employees Benefits

The Company did not make any investments or set up any reserves for the benefit of the employees. The Company provides personal accident with group life insurance cover to its employees against any accidental death or disability.

### 3.37 Statements of Affirmation

During the year,

- Proper books of account have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no significant doubts concerning the company's ability to continue its activity.
- There is no conflict between the recommendations of the Audit Committee and the resolutions of the Board of Directors.

### 3.38 The External Auditor's Report

Auditors report does not contain reservations on the Annual Financial Statements.

### 3.39 Board of Directors Recommendation to Replace the External Auditor before the End of Its Term.

The Board of Directors had not recommended to replace the current external auditors.

## 4. Conclusion

The Board of Directors is keen and pleased to express its sincere appreciation and gratitude to:

- Our valued clients for their high confidence.
- Our shareholders who played a key role in the development of the company and making it progress well in the insurance market in the Kingdom.
- Our Directors, Managers and Employees for their dedicated efforts throughout this period which resulted in distinct and consistent results.