

MEDGULF
(The Mediterranean Gulf Cooperative Insurance and Reinsurance Co.)
Financial Statements
As from 1/1/2009 to 31/12/2009

BOARD OF DIRECTORS REPORT

1) Report Introduction:

1-1: The board of directors (“Board of Directors”) of The Mediterranean Gulf Cooperative Insurance and Reinsurance Co. (“Company”) is pleased to submit to its shareholders the annual report (“Report”) of the fiscal year as from 1/1/2009 to 31/12/2009 (“Fiscal Year”) attached to the annual financial statements as audited by Ernst & Young and Deloitte & Touche (Bakr AbulKhair and Co, Chartered Accountants) and accompanying notes for the said period.

1-2: This report explains the activity of the Company and its operations during the fiscal year 2009, financial status, and factors affecting the Company’s performance, that could be needed by an investor to evaluate the Company’s assets and liabilities particularly its financial status. It is worth mentioning that pursuant to SAMA’s authorization, the Company started recording insurance transactions as of 1/1/2009. Based on the above, this report does not include any information comparing insurance and reinsurance transactions (“Operating Activities”) with any of the previous years.

1-3: This report is made pursuant to applicable laws and regulations particularly Article (27) of Registration and Incorporation⁽¹⁾ issued by the Capital Market Authority, and Article (9) of Corporate Governance⁽²⁾ in the Kingdom of Saudi Arabia as issued by the Capital Market Authority (CMA).

(1) laws and regulations of Registration and Incorporation issued by CMA under Resolution No. 3-11-2004 dated 20/8/1425H corresponding to 4/10/2004 based on CMA Regulation issued by Royal Decree No. M/30, dated 2/6/1424H, as amended by CMA Resolution No. 2-128-2006 dated 22/12/1426H corresponding to 22/1/2006.

(2) Statute of Corporate Governance in the Kingdom of Saudi Arabia is issued by CMA under Resolution No. 1-212-2006 dated 21/10/1427H corresponding to 12/11/2006 based on CMA Regulation issued by Royal Decree No. M/30 dated 2/6/1424H.

2) Company Introduction:

2-1: The Mediterranean Gulf Cooperative Insurance and Reinsurance Co. is a joint stock company registered in the Kingdom of Saudi Arabia under commercial register No. 1010231925 dated 08/04/1428H corresponding to 26/04/2007Gregorian (“g”). It was established pursuant to Council of Ministers’ Resolution No. 233 dated 16/9/1427H corresponding to 9/10/2006g., and pursuant to Royal Decree No. 60/M dated 18/9/1427H corresponding to 11/10/2006g.

2-2: The Company’s postal address is P. O. Box 2302 Riyadh 11451, Kingdom of Saudi Arabia.

2-3: The Company’s Purpose is as per Article (3) of its Articles of Association, and as per the provisions of Cooperative Insurance Companies Control Law and its implementing regulations and the regulations applicable in the Kingdom of Saudi Arabia in relation to practicing activities of cooperative insurance and reinsurance and all that may be related to such activities including reinsurance, agencies, representation, communication, and brokerage. The Company may also engage in activities required to achieve its objectives either in the field of insurance, or investment of its monies, or acquisition and movement of fixed assets and cash monies or sale, exchange, or lease of its assets and monies, either directly or through affiliates or acquired companies in collaboration with third parties. The Company may also own or acquire interest or merge or associate in any way or form with the companies that practice activities similar to its activities or financial transactions or that may help it in achieving its objectives. The company shall exercise all such activities mentioned herein inside or outside the Kingdom.

2-4: Saudi Arabian Monetary Agency (SAMA) granted license to the Company to practice insurance activity in the following fields: general insurance, health insurance, and protection and saving insurance.

2-5: The Company exercises its activities within the Kingdom of Saudi Arabia through the following branches that are duly licensed by the competent authorities:

- Head office, Riyadh, Maazar St.
- Claims Dept., Riyadh, Musaed Bin Abdul Aziz St.
- Jeddah Branch, AlSitteen St, Mushrefah

- AlKhobar St., King Fahad Road.

In addition to more than 30 points of sale centers located in many regions across the Kingdom.

2-6: The Company has no affiliates in the Kingdom. Also, it has no other branches or subsidiaries outside the Kingdom.

3) Main Activities of the Company:

3-1: During the year 2009, health and car insurances formed 67% and 13% respectively of total insurance activities, while other insurance activities formed 20% of total underwritten premiums.

Total underwritten premiums Table for 2009

- Medical Insurance = 67%

- Cars Insurance = 13%

- Other Insurances = 20%

3-2: The management has adopted sectors of operations of the Company with assets and liabilities as indicated hereunder:

Table of Operational Sectors as of 31/12/2009g.
(SR 000)

Insurance Operations	Medical Insurance	Car Insurance	Other	Total
Total Underwritten Insurance Premiums	1,232,077	247,421	369,984	1,849,482
Net Underwritten Insurance Premiums	1,032,548	193,038	74,339	1,299,925
Net Underwriting Results	181,710	39,367	83,262	304,339
Unclassified Revenues	---	---	---	17,589
Unclassified Expenses	---	---	---	(168,607)
Insurance Operations Surplus	---	---	---	153,321
Insurance Operations Assets:				
Reinsurers' Share Of Non-Acquired Premiums	711	684	212,624	214,019
Postponed Underwriting Expenses	9,603	8,954	7,539	26,096
Reinsurers' Share Of Claims Under Clearance	32,257	1,106	145,747	179,110
Unclassified Assets	---	---	---	1,334,241
				1,753,466
Insurance Operations Liabilities:				
Non-acquired Insurance Premiums	526,580	104,942	262,830	894,352
Claims under Clearance	272,800	45,279	155,222	473,301
Unclassified Liabilities	---	---	---	385,813
				1,753,466

4) Important Activities:

4-1: The Company started insurance operations (“Operations”) on 1/1/2009g. It also entered into an agreement for the purchase of the insurance portfolio and net assets and liabilities related to Operating Activities of The Mediterranean Gulf Cooperative Insurance and Reinsurance Co. (MedGulf) (B.S.C.) in the Kingdom.

4-2: A Shareholders Assembly was held on 24/12/1429H corresponding to 22/12/2008g., and resolved to purchase the insurance portfolio and net assets and liabilities related to Operations as of 1/1/2009g.

4-3 A financial study (that included an evaluation of Operations) was prepared by an independent auditor and submitted to SAMA, who issued the evaluation results by virtue of a letter No. 2172/M dated 12/11/1429H corresponding to 10/11/2008g. On 29/6/1430H corresponding to 23/6/2009g., the Company declared that it had obtained SAMA’s final approval for transferring the insurance portfolio of MedGulf B.S.C. in Saudi Arabia to the Company as of 1/1/2009g.

5) Risks, Expectations, and Challenges:

5-1: The Company expects the international economy to start recovering from the international financial crisis in 2010. Therefore, it expects that the KSA’s market in general and insurance sector in particular will witness considerable improvement through a resurgence of investments in the financial market and improvement of consumer spending.

5-2: It is expected, however, that the Company will encounter certain challenges and risks such as a likely return of inflation that will arise from government spending, which will have an adverse effect on the cost of operating expenses, and an increase in competition in the insurance market. Such factors will be reflected on the Company and its operations.

For avoiding such probable risks, the Company formulated a focused comparison that will enable it to keep its leading position in the market and increase its capability of growth, and achieve its objectives through a set of controls such as providing the highest degree of service to its customers and maintaining highly efficient personnel and attracting skilled Saudi staff and expanding its training programs.

5-3: The Company has set a goal in 2010 to reach the largest number of clients through a plan of increasing the number of retail sale centers during the next two

years, in addition to approving a five-year-plan whose main feature is to develop an IT system and build a head office for the Company in Riyadh. The Company is also ambitious about participating in activities aiming at increasing the awareness of the importance of insurance in society, through organizing training programs of the Company's personnel and insurance agents and brokers whom the Company has business with.

5-4: The Company has a prime goal to attract and train Saudi professional personnel in the insurance sector as a part of the Company's commitment to abide by the Saudization Program.

6) Financial Results of the Fiscal Year 2009g.:

6-1: Assets and Liabilities of the Company and Results of Operations for the Fiscal Year 2009: Whereas the company started its operations on 1/1/2009g., it is worth noting that a high increase in the net profit of the current year compared to the profit of the previous year is due to the fact that the Company started its insurance and reinsurance operations at the beginning of the year 2009. Therefore, the financial statements of the previous year did not contain Operating Activities.

Balance Sheet (SR 000)

Description	2009	2008
	SR	SR
Insurance Operations Assets		
Investments and Cash at Banks	164,995	---
Net Receivables	822,356	---
Other Assets	766,115	---
Total Insurance Operations Assets	1,753,466	---
Shareholders Assets		
Investments and Cash at Banks	576,355	772,774
Other Assets	631,018	33,726
Shareholders Assets	1,207,373	806,500
Total Assets	2,960,839	806,500
Insurance operations liabilities		
Reinsurers Payables	79,030	---
Cash Reserves	1,411,273	---
Other Liabilities	263,163	---
Total Insurance Operations Liabilities	1,753,466	---
Shareholders Liabilities and Equity		
Shareholders Liabilities	281,906	18,566
Shareholders Equity	925,467	787,934
Total Shareholders Liabilities and Equity	1,207,373	806,500
Total Liabilities	2,960,839	806,500

Statement of Income (SR 000)

Description	2009	2008
	SR	SR
Insurance Operations Results and Surplus		
Total Underwritten Premiums	1,849,482	---
Net Underwritten Premiums	1,299,925	---
Other Insurance Revenues	54,477	---
Total Revenues	1,354,402	---
Total Paid up Claims	741,123	---
Net Incurred Claims	940,229	---
Costs of Underwriting Insurance Documents	92,244	---
Other Expenses	168,607	---
Total Costs and Expenses	1,201,080	---
Net Surplus After Shareholders Shares	15,332	---
Accrued Surplus at the End of the Period	15,332	---
Shareholders Statement of Income		
Investment Revenues and Other Revenues	11,780	29,654
Shareholders' Share from Net Surplus	137,989	---
Overhead and Administrative Expenses	3,255	24,316
Net Profit/Loss of the Period	146,514	5,338

6-2: Geographical Analysis of the Company’s Total Revenues and Total Revenues of its Affiliates Outside the Kingdom:

Whereas the company does not own any subsidiaries or affiliates outside the Kingdom, no geographical analysis was affected with respect to the premiums.

7) Generally Accepted Accounting Principles (GAAP) employed in Financial Statements:

The Company prepares its financial statements according to GAAP and those principles issued by the Saudi Organization of Chartered Accountants. The Company confirms that there has not been any material financial gap as a result of preparing these statements according to GAAP as compared to the requirements issued by the Saudi Organization of Chartered Accountants.

8) Due Statutory Payments:

8-1: Zakat and Income Tax:

8-1-1: Provision of Zakat and income tax is set aside according to Saudi tax regulations. Zakat is charged to owners of accounts of Saudi shareholders, while the income tax is charged to owners of accounts of foreign shareholders. This provision amounted, at the end of the year 2009g., SR 24,655,160. Such amounts shall be paid to the Department of Zakat and Income Tax during the year 2010.

8-2: Costs of Supervision and Control by SAMA:

8-2-1: Costs of supervision and control by SAMA amounted to SR 24,655,160 in the year 2009, which represents 0.5% of the total amount of the underwritten premiums excluding the local market share of the reinsured premiums. In accordance with the Regulations for Supervision and Inspection, issued by SAMA, such amount was paid in full.

8-3: Cooperative Medical Insurance Council Fees:

8-3-1: The fees of Cooperative Medical Insurance Council for the year 2009 amount to SR 11,186,921, which represents 1% of the total medical insurance premiums as per Cooperative Medical Insurance Council regulation, and such fees will be paid within the year 2010.

9) Notification Related to Holding Large Amount of Shares (as per provisions of Article 30 of Registration and Incorporation Regulation)

Name	Shares at the beginning	Holding percentage at the	Net change in	Change percentage during	Total shares at the end of	Total holdings percentage
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	of the year	beginning of the year	number of shares during the year	the year	the year	at the end of the year
Saudi Investment Bank	17,143,189	21.42%	1,943,189	- 2.42%	15,200,000	19%

10) Description of Interests of Board of Directors Members in Company Shares:

Name	Title	Shares at the beginning of the year	Holding percent at the beginning of the year	Net change in number of shares during the year	Change percent during the year	Total shares at the end of the year	Total holdings percent at the end of the year
Sheikh Saleh Ali AlSagri	Chairman	1,200,000	1.5%	---	---	1,200,000	1.5%
Mr. Lutfi Fadel ElZein	Director	---	---	1,000	---	1,000	---
Mr. Mohamed A.M. Hariri	Director	---	---	1,000	---	1,000	---
Mr. Ramzi Abdullah AlNassar	Director	---	---	1,000	---	1,000	---
Mr. Musaed	Director	---	---	1,000	---	1,000	---

M. AlMunifi							
Mr. Abdul Rahman A.M. AlSaleh	Director	---	---	18,000	0.02%	18,000	0.02%
Mr. Abdul Aziz AlNowaiser	Director	1,609,000	2%	-6,000	---	1,603,000	2%
Mr. Rashed AlThahean	Director	---	---	1,000	---	1,000	---
Mr. Mohammed Bashar AlZain*	Director	---	---	---	---	---	---
Mr. Nehme Sabbagh	Director	---	---	1,000	---	1,000	---

* Mr. Mohammed Bashar AlZain was appointed as member of the board by the Board of Directors as of 23/09/1430H corresponding to 13/09/2009g. SAMA approved such appointment by letter No. 1599/MT/56374 dated 28/11/1430H corresponding to 16/11/2009g., which was received on 07/12/1430H corresponding to 25/11/2009g. Such period was considered period of risk for members of the board in purchasing the Company's shares (as of 5/12/2009 up to date of initial official publishing of the advertisement of yearly results in February 2010). Therefore, It was not possible to reserve insurance shares (which are equal to ten thousand Saudi riyals) until preparation of this report.

It is worth mentioning that Article-68 of the Commerce Law states that the member of the board shall be holder of at least ten thousand Saudi riyals of the Company's shares. Such shares shall be deposited within thirty days from the date of the member's appointment into one of the banks nominated by the Minister of Commerce, and such shares shall be designated for guaranteeing responsibility of members of the board, which shares shall be held non-negotiable until expiration of the period specified for responsibility hearings stipulated in Article-77, or until such claim will be arbitrated. Unless the member of the board submits the

guarantee for his shares in time, his membership will become invalid, and the accounts auditor shall verify observance of the provisions of this article, and include any violation in this respect in his report to the General Assembly.

11) Composition of the Board of Directors:

11-1: On 14/1/1431H corresponding to 31/12/2009g., the Board of Directors was formed of ten members as follows:

Membership Category	Name of member of the board	Title	Membership in Board of Directors Committees	Other Joint Stock Companies in which he was a member of the board
Independent Members	Sheikh Saleh Ali AlSagri	Chairman of the Board		Kingdom Holding Co. , member of the board Unified National Co. for unified purchase of Medicines and medical supplies and equipment, member of the board
	Mr. Rashed AlThahen	Member of the Board	Audit Committee (Chairman)	N/A
	Mr. Abdul Rahman A.M. AlSaleh	Member of the Board	Nominations & Benefits Committee (Member)	N/A
Executive	Mr. Lutfi Fadel ElZein	Delegated member & Chief Executive Officer	Executive Committee (Chairman) & Nominations & Benefits Committee (Chairman)	N/A
	Mr. Mohammed A.M. Hariri	Member of the Board	Executive Committee (Member)	Saudi Mediterranean Investment Co.,

				Chairman of the Board
Non-Executives	Mr. Nehme Elias Sabbagh	Member of the Board	Investment Committee (Chairman) Nominations & Benefits Committee (Member)	Saudi Mediterranean Investment Co., member of the Board
	Mr. Abdul Aziz A. AlNowaiser	Member of the Board	N/A	N/A
	Mr. Musaed M. AlMunifi	Member of the Board	Investment Committee (Member) Executive Committee (Member)	N/A
	Mr. Ramzi Abdullah AlNassar	Member of the Board	N/A	N/A
	Mr. Mohammed Bashar AlZain	Member of the Board	Investment Committee (Member)	N/A

12) Changes in Membership of the Board of Directors within Fiscal Year 2009:

12-1: Mr. Saud Saleh AlSaleh resigned from membership of the Board on 23/5/1430H corresponding to 18/5/2009g. to hold his new position as general secretary of Supreme Economic Council in the rank of minister pursuant to Royal Order issued on 19/5/1430H corresponding to 14/5/2009g.

12-2: Mr. Ahmed Reda Halawani resigned from membership of the board on 23/09/1430H corresponding to 13/09/2009g.

12-3: The Board of Directors appointed Mr. Ramzi Abdullah AlNassar member of the board on 2/7/1430H corresponding to 25/6/2009g, to replace the resigned member Mr. Saud Saleh AlSaleh provided Mr. AlNassar completes the duration of his predecessor Mr. AlSaleh who had been nominated for a period of three years in the Shareholders General Assembly meeting which was held on 19/3/1428H corresponding to 7/4/2007g. Approval was issued for the appointment of Mr. AlNassar by SAMA pursuant to the letter issued by SAMA under No. 34211/MT/925 dated 07/07/1430H corresponding to 30/06/2009, which was received on 21/07/1430H corresponding to 14/07/2009g. It is expected that such appointment will be submitted to shareholders for approval in the first meeting of the Ordinary Shareholders General Assembly, which is expected to be held in the first half of the year 2010, after getting the approval of interested parties.

The office of Mr. AlNassar will end at the expiration period of the current first Board of Directors term on 21/04/1431H corresponding to 6/4/2010g.

12-4: The Board of Directors appointed Mr. Mohammed Bashar Fadel ElZain member of the board on 23/9/1430H corresponding to 13/9/2009g., to replace the resigned member Mr. Ahmed Reda Halawani provided Mr. ElZain completes the duration of his predecessor Mr. Halawani who had been nominated for a period of three years in the Shareholders General Assembly meeting which was held on 19/3/1428H corresponding to 7/4/2007g. Approval was issued for the appointment of Mr. ElZain by SAMA pursuant to the letter issued by SAMA under No. 1599/MT/56374 dated 28/11/1430H corresponding to 16/11/2009g., which was received on 07/12/1430H corresponding to 24/11/2009. It is expected that such appointment will be submitted to shareholders for approval in the first meeting of Ordinary Shareholders General Assembly, which is expected to be held in the first half of the year 2010, after getting the approval of interested parties.

The office of Mr. ElZain will end at the expiration period of the current first Board of Directors on 21/04/1431H corresponding to 6/4/2010g.

13) Meetings of the Board of Directors that were held during the Last Fiscal Year and Record of Attending Each Meeting:

13-1: The Board of Directors held four meetings during the year 2009g., the Attendance Sheet recorded the following:

Date of Meeting	Attendants
Monday 12/3/1430H corresponding to 9/3/2009g.	Sheikh Saleh Ali AlSagri, Mr. Lutfi Fadel ElZein, Mr. Mohammed A.M. Hariri, Saud Saleh AlSaleh, Mr. Rashed AlThahen, Mr. Abdul Rahman A.M. AlSaleh, and Mr. Nehme Elias Sabbagh
Tuesday 25/4/1430H corresponding to 21/4/2009g.	Sheikh Saleh Ali AlSagri, Mr. Lutfi Fadel ElZein, Mr. Mohammed A.M. Hariri, Saud Saleh AlSaleh, Mr. Musaed M. AlMunifi, Mr. Rashed AlThahen, Mr. Abdul Rahman A.M. AlSaleh, and Mr. Nehme Elias Sabbagh
Thursday 2/7/1430H corresponding to 25/6/2009g.	Sheikh Saleh Ali AlSagri, Mr. Lutfi Fadel ElZein, Mr. Mohammed A.M. Hariri, Mr. Musaed M. AlMunifi, Mr. Rashed AlThahen, Mr. Abdul Rahman A.M. AlSaleh, and Mr. Nehme Elias Sabbagh
Monday 17/09/1430H corresponding to 7/9/2009g.	Sheikh Saleh Ali AlSagri, Mr. Lutfi Fadel ElZein, Mr. Mohammed A.M. Hariri, Mr. Musaed M. AlMunifi, Mr. Rashed AlThahen, Mr. Abdul Rahman A.M. AlSaleh, Mr. Nehme Elias Sabbagh, and Mr. Ramzi Abdullah AlNassar

14) Remunerations and Allowances that are proposed to be paid to Members of the Board, and which are paid to senior executives of the Company:

	Remunerations and allowances that are paid to five senior executives in the company who received remunerations and allowances from the company, among whom chief executive officer, and financial manager	Remunerations and allowances that are proposed to be paid to independent members of the board and non-executives	Remunerations and allowances that are proposed to be paid to executive members of the board
Remunerations	7,159,378	1,128,163	120,000
Allowances	1,136,456	78,000	12,000
Periodic or Yearly Benefits related to Performance	1,375,000	---	---
Short/ long period incentive plans	---	---	---
Other In kind benefits	---	---	---
Total	9,670,834	1,206,163	132,000

14-1: The term “Remuneration and Allowances” shall mean salaries, wages, allowances, profits, and the like, and periodic or yearly benefits related to performance and short/long period incentive plans, and any other in-kind benefits.

14-2: During the year 2009g., there were no arrangements or agreements under which any of the members of the Board of Directors waived any salary or allowance.

14-3: It is worth mentioning that during the year 2009g., there were no arrangements or agreements under which any of the senior executives of the company waived any salary or allowance.

15) Board of Directors Committees:

15-1: Pursuant to applicable regulations, the Board of Directors formed four committees to assist the Board in performing its duties and tasks effectively. These committees are: the Audit Committee, the Investment Committee, the Executive Committee, and the Nominations and Remunerations Committee.

15-2: The Board of Directors follows up on the committees' work periodically to ensure performance of the work assigned to them. Also, committees periodically notify the Board of Directors on their tasks or the results or decisions taken, with full transparency. However, despite the formation of committees, the Board of Directors remains the party with the ultimate responsibility to manage the Company.

15-3: The following paragraphs shall provide a short description of the above-mentioned committees of the Board of Directors, with names of the committees, chairmen, members and meetings.

16) Audit Committee:

16-1: Committee Formation and Membership Requirements:

16-1-1: The Board of Directors shall form the Audit Committee with at least three (3) members and not exceeding five (5) members from non-executive members, provided the majority of them shall be from outside the Board of Directors, and among whom there shall be a member specialized in financial and accounting affairs. The Board of Directors shall appoint members of the Audit Committee for three years.

16-2: Objectives and Specialization of the Audit Committee:

16-2-1: The Audit Committee shall work pursuant to the provisions of applicable laws and regulations and the rules organizing the committee's work, which were approved by Board of Directors Resolution No. 15/2007 dated 11/11/1428H corresponding to 21/11/2007g.

16-2-2: The Audit Committee shall review such rules to verify relevance thereof to Company needs, and applicable regulations and statutes. The Board of Directors shall take all necessary measures to enable the committee to perform the tasks assigned to it.

16-2-3: Objectives of the Audit Committee shall be constituted of the following:

16-2-3-1: To assist the Board of Directors to fulfill the responsibilities assigned to it particularly in verifying efficiency of internal audit and performing the same effectively.

16-2-3-2: To review preliminary annual financial statements prior to approval by the Board of Directors and to publishing.

16-2-3-3: To review accounting policies adopted by the Company prior to approval and prior to any change in such policies.

16-2-3-4: To evaluate the efficiency of the Company's estimation of serious risks that the Company may be exposed to, and evaluate the measures taken by Company management for controlling and facing such risks.

16-2-3-5: To verify the effectiveness of the design of control activities in the company, and the efficiency of audit staff and internal audit.

16-2-3-6: To supervise investigations related to fraud or mistakes that may take place in the Company, or any other matters the committee may determine that it should investigate.

16-2-3-7: To review reports and notes submitted by the external auditor of the Company and other external regulatory authorities such as SAMA, Zakat and Income Tax Department, Ministry of Commerce and Industry, and Capital Market Authority, and other related agencies, for the purpose of taking the adequate measures to address the issues raised by the reports and related notes. The committee shall be the link between the external auditor and the Board of Directors.

16-2-3-8: To appoint an external auditor for the Company pursuant to selection terms determined by the Committee's internal rules.

16-2-3-9: To ensure the professional qualifications and independence of internal auditors, and to review the business plan of the Company's internal audit, scope of audit, and reports issued accordingly, and submit proposals to ascertain the independence of internal auditors, and raise the efficiency of their activities at a

reasonable cost. The committee shall be the link between the internal auditors and the Board of Directors.

16-2-3-10: To approve and apply the Company’s regulatory audit policy and supervise its work and submit its recommendations to the Board of Directors and other statutory parties, and ensure the independence of the regulatory control management unit.

16-3: Members of the Audit Committee:

16-3-1: The Audit Committee includes the following members:

Name	Title	Membership of the Board
Mr. Rashed Mohamed Thahen	Chairman of Audit Committee	Member of the Board of Directors
Mr. Mohamed Saleh AlEid	Member of Audit Committee	Independent member from outside the Board of Directors
Mr. Asaad Halim Khouri	Member of Audit Committee	Independent member from outside the Board of Directors

16-3-2: Mr. Mohamed Saleh AlEid, Member of the Audit Committee:

Mr. Mohamed Saleh AlEid was appointed from outside the Board of Directors. He is a lawyer, legal and Shariah advisor, and arbitrator, holding the Bachelor Degree in Islamic Principles and Rules (Shariah) awarded to him by the College of Shariah in Riyadh, and he holds a Master’s Degree in Regulations awarded to him by the Public Administration Institute of Riyadh.

16-3-3: Mr. Asaad Halim Khouri, Member of the Audit Committee:

Mr. Asaad Halim Khouri was appointed from outside the Board of Directors. He holds a Bachelor Degree in Business Administration awarded to him by the Middle East University of Lebanon (1974g.). He is also a member of the Chartered Accountants American Institute of the United States of America.

16-4: Meetings of Audit Committee and Attendance Record:

16-4-1: The Audit Committee held six meetings during the year 2009g., in performance of its assigned tasks. The Attendance Record was as follows:

Date of Meeting	Attendants
Sunday, 26/2/1430H corresponding to 22/2/2009g.	Mr. Rashed AlThahen, Mr. Mohamed Saleh AlEid, and Mr. Asaad Halim Khouri
Monday, 24/4/1430H corresponding to 20/4/2009g.	Mr. Rashed AlThahen, Mr. Mohamed Saleh AlEid, and Mr. Asaad Halim Khouri
Wednesday, 1/7/1430H corresponding to 24/6/2009g.	Mr. Rashed AlThahen, Mr. Mohamed Saleh AlEid, and Mr. Asaad Halim Khouri
Monday, 17/9/1430H corresponding to 7/9/2009g.	Mr. Rashed AlThahen, Mr. Mohamed Saleh AlEid, and Mr. Asaad Halim Khouri
Saturday, 27/10/1430H corresponding to 17/10/2009g.	Mr. Rashed AlThahen, Mr. Mohamed Saleh AlEid, and Mr. Asaad Halim Khouri
Sunday, 25/12/1430H corresponding to 13/12/2009g.	Mr. Rashed AlThahen, Mr. Mohamed Saleh AlEid, and Mr. Asaad Halim Khouri

16-5: Outside the frame of the above mentioned meetings, members of the Audit Committee remained in permanent and periodical contact with each other and with each of the regulatory control management, the internal audit department and the Company's executive management.

17- The Investment Committee:

17-1: Formation of the Investment Committee:

17-1-1: On 31/12/2009g., the Board of Directors constituted the Investment Committee from the following members:

Members of The Investment Committee		
Name	Title	Board of Directors Membership
Mr. Nehme Elias Al-Sabbagh	Chairman of the Investment Committee	Member of the Board of Directors
Mr. Musaed Mohammad Al-Munifi	Member of the Investment Committee	Member of the Board of Directors
Mr. Mohammad Bashar AlZain ¹	Member of the Investment Committee	Member of the Board of Directors

17-1-2: The tasks of the Investment Committee are summarized as defining strategic plans for the Company's investments and ensuring that such plans conform with the applicable regulations as well as with the written policy determined and approved by the Board of Directors. The Investment Committee shall also supervise the company's investment performance and determine the investment objectives and set the plans required thereto.

17-1-3: Meetings of the Investment Committee and Attendance Record:

17-2: During the fiscal year 2009g., the Investment Committee held three meetings to execute its assigned missions and the Attendance Record was as follows:

Date of Meeting	Attendants's Names
Monday, 19/3/1430H	Mr. Nehme Elias Al-Sabbagh and Mr.

¹ On 23/9/1430 H. corresponding to 13/9/2009 g., the Board of Directors appointed Mr. Mohammed Bashar Fadel ElZain member of the board replacing the resigned member Mr. Ahmed Reda Halawani. The approval for the appointment of Mr. ElZain was issued by SAMA pursuant to its letter No. 1599/MT/56374 dated 28/11/1430H corresponding to 16/11/2009, which was received on 07/12/1430H corresponding to 25/11/2009g. Mr. ElZain was appointed in lieu of Mr. Halawani in the Investment Committee.

corresponding to 16/3/2009g	Musaed Mohammad Al-Munifi.
Thursday, 2/7/1430 corresponding to 25/6/2009g	Mr. Nehme Elias Al- Sabbagh and Mr. Musaed Mohammad Al-Munifi.
Monday, 17/9/1430H corresponding to 7/9/2009g	Mr. Nehme Elias Al- Sabbagh and Mr. Musaed Mohammad Al-Munifi.

17-3: The members of the Investment Committee, outside the above-mentioned frame of meetings, remained in permanent and periodical contact with each other and with the company's treasury officer to follow up and supervise the Company's various investments.

18) The Nominations and Remunerations Committee:

18-1: The Board of Directors formed the Nominations and Remunerations Committee (by virtue of the Board Resolution dated 2/3/1431H corresponding to 16/2/2010g amending the membership of the committee) in accordance with article 15 of the Corporate Governance Statute of the Kingdom of Saudi Arabia issued by the Capital Market Authority² (Governance Statute):

The Members of the Nominations and Remunerations Committee

Name	Title	Membership of the Board
Mr. Ramzi Abdullah AlNassar	Chairman of the Nominations and Remunerations Committee	Member of the Board of Directors.
Mr. Nehme Elias Al-	Member of the	Member of the Board of

² The Statute of Corporate Governance in the Kingdom of Saudi Arabia is issued by the CMA under the Resolution No. 1-212-2006 dated 21/10/1427H corresponding to 12/11/2006 in accordance with CMA Regulations that were issued by Royal Decree No. M/30 dated 2/6/1424H.

Sabbagh	Nominations and Remunerations Committee	Directors.
Mr. Abdul Rahman AbedelMohsen Al-Saleh	Member of Nominations and Remunerations Committee	Member of the Board of Directors.

18-2: On 29/6/1430H corresponding to 22/6/2009g., the Company declared that it had obtained SAMA's final approval to transfer the insurance portfolio of the Mediterranean Gulf Cooperative Insurance and Reinsurance Co. in Saudi Arabia to it as of 1/1/2009g., which resulted in the transfer of Mediterranean Gulf Cooperative Insurance and Reinsurance Co. staff to the Company in Saudi Arabia as of the second half of the year 2009g. Therefore, the Nominations and Remunerations Committee had no activities during the year 2009g.

18-3: During the year 2010, the Nominations and Remunerations Committee is expected to play an essential and active role considering that it holds the following powers and tasks in accordance with the provisions of Article 15-G of Governance Statute :

18-3-1: To issue recommendations to the Board of Directors with respect to membership to the Board, according to approved policies and standards, taking into account not to nominate any person who was convicted in an honor and /or honesty crime.

18-3-2: Annual review of required needs such as suitable skills for the membership of the Board, and preparation of a list of qualifications and abilities required for the Board membership, including determining the required time that each member should allocate to the Board's function.

18-3-3: To review the Board's organizational structure of the board and submit recommendations in relation to changes that can be made.

18-3-4: To determine the strengths and weaknesses of the Board and suggest correcting measures compatible with the Company's interest.

18-3-5: To ensure on a yearly basis the independence of Board members and to determine that there is no conflict of interest in the event a Board member occupies a director's seat at another company's board.

18-3-6: To set up clear policies related to remunerations and benefits of the Board members and senior executives provided that performance criteria are used when determining such policies.

19) The Executive Committee:

19-1: The Board formed an Executive Committee of the following three members in accordance with Article 20-1 of the Company's Bylaws

Members of the Executive Committee		
Name	Title	Membership of the Board
Mr. Lutfi Fadel ElZein	Chairman of the Executive Committee	The Delegated Member of the Board and Chief Executive Officer
Mr. Musaed Mohammad Al-Munifi	Member of the Executive Committee	Member of the Board of Directors.
Mr. Mohammed AhmadMokhtar Al-Hariri	Member of the Executive Committee	Member of the Board of Directors.

19-2: During the fiscal year 2009g., members of the Executive Committee remained in periodical contact with each other and with members of the board. The role of the Executive Committee is expected to be activated further during the fiscal year 2010g.

20)The Shareholders Meetings:

20-1: On Tuesday 25/4/1430 h. corresponding to 21/4/2009 g., the Company held an ordinary General Assembly meeting of Shareholders during which they approved the following:

20-2: The balance sheet and the profits and loss accounts of the company for the year 2008g.

20-3: Acquitting the chairman and board members from their actions during the year 2008g.

20-4: Appointment of Ernst & Young and Deloitte and Touche (Bakr AbdulKhair and Company) to be auditors of the company for the year 2009g., and fixing their fees.

20-5: Appointment of Mr. Nehme Elias Sabbagh to be member of the Board of Directors in lieu of Mr. Obeid Abdullah AlRasheed.

21) Company's Capital, Shares and Debt Tools:

21-1: The Company's authorized capital amounted to SR 800,000,000 (Eight hundred million Saudi Riyals) as of 31/12/2009g., which is divided into 80,000,000 (Eighty thousand shares), each with nominal value of ten Saudi riyals.

21-2: During the year 2009g., particularly within the period from 1/1/2009 g. to 31/12/2009 g.:

21-2-1: The Company had not taken any loans.

21-2-2: The Company did not issue nor granted debt instruments of the type convertible to stocks, or option rights, or underwriting commitments, or similar rights. Therefore, there has not been any transfer or underwriting rights accordingly.

21-2-3: There is no recovery or purchase or cancellation by the Company of any recoverable debt instruments.

21-2-4: There are no other investments or reserves made in favor of the Company's employees.

21-2-5: There are no stocks and debt instruments issued by any Company affiliate, as the Company has no affiliates.

21-2-6: There was no interest vested in any person in the Shares with voting rights.

21-2-7: Members of the Board or senior executives, or their spouses and children, have no interest or option rights or underwriting rights in stocks or debt instruments of the Company or any of its affiliate.

22) Additional Information:

22-1: The Auditor's Report has no reservations on the financial statements of the Fiscal Year 2009g.

22-2: The Board of Directors did not decide to replace the chartered accountant prior to the expiration of three consecutive years.

22-3: During the year 2009g., there were no arrangement or agreement under which any shareholder waived any of its any rights to receive dividends.

23) Legal Acknowledgements:

23-1: The Board of Directors acknowledges that during the year 2009g., the Company was not a party to any contract that gives a material interest to any Board member or to the CEO or to the CFO or to any other person related to either of them.

23-2: The Board of Directors acknowledges that it has prepared the account records correctly.

23-3: The Board of Directors acknowledges that the internal audit policy was prepared on sound basis and was implemented effectively.

23-4: The Board of Directors states that there is not any considerable doubt regarding the Company's ability to continue its activity.

24) Description of the Company's Policy regarding the Distribution of Profits:

24-1: Article 44 of the Company's Bylaws stipulates the following:

Distribution of shareholders profits shall be as follows:

1 – Zakat and Income tax shall be set aside.

2 – 20% of net profits shall be set aside to form statutory reserve, and the Ordinary General Assembly may stop such setting aside when the amount of the said reserve equals the total paid up capital.

3 - The Ordinary General Assembly may, upon Board of Directors proposal, set aside percentage of net annual profits to form additional reserves to be designated for specific purpose/s as approved by the General Assembly.

4- From the remaining balance, shareholders will receive a first payment not less than 5% of paid up capital.

5 – Thereafter, the balance shall be distributed to shareholders as share in profits or shall be transferred to the retained profits account.

6 – Pursuant to a resolution issued by the Board of Directors, it may be possible to distribute periodical profits that will be deducted from the annual profits contemplated in Article (4) above as per rules regulating this and issued by competent authorities.

25) Penalties:

25-1: The Cooperative Council of Health Insurance (CCHI) has prohibited in February 2009g. a number of insurance companies – including our company - from issuing new medical policies from the period of 7/2/2009 until 25/2/2009g. This was due to the fact that certain individuals had downloaded CCHI related data in an illegal matter. As a result, the Company took all administrative and legal measures to avoid the occurrence of such events in the future.

25-2: With the exception of the above the Company was not exposed during the fiscal year 2009g. to any penalty or sanction or reserve restriction imposed on

the Company by the Capital Market Authority or by any other supervisory, organizational, or judicial agency.

26) Results of Annual Audit for Effectiveness of Procedures of Internal Audit in the Company during the year 2009g.:

26-1: Article -1 of the rules regulating the work of the Audit Committee stipulates that the existence of an effective internal monitoring policy and procedures is one of the main responsibilities entrusted to the Board of Directors. The objectives of the Audit Committee are represented in assisting the Board of Directors to fulfill the responsibilities entrusted to it, particularly assisting in verifying the efficiency of the internal monitoring policy and its effective implementation thereof, and submission of recommendations to the Board of Directors. The Board of Directors, in turn, will activate and develop the policy and procedures in a way that will achieve the Company's purposes, and protect the interests of shareholders and investors efficiently and at a reasonable cost.

26-2: Based on the above, the Audit Committee took initiatives towards motivating all parties involved directly or indirectly to ensure the efficiency of the Company's internal audit policy and procedures from all its aspects. Naturally, the Board of Directors used to follow up the work of the Audit Committee periodically. Also, the Audit Committee used to periodically and with complete transparency notify the Board of Directors about their completed tasks or the results or decisions taken. In addition, the chairman of the Audit

Committee submitted its meeting reports to the Board regarding Committee's meetings, deliberations and resolutions.

26-3: Accordingly during 2009g., the Audit Committee remained in close and periodical contact with each of the Company's executive management, financial management, regulatory audit administration, and internal audit administration. Moreover, the committee remained in periodical contact with the Company's external auditors Ernst & Young and Deloitte & Touche (Bakr AbulKhair and Co, Chartered Accountants).

26-4: At the end of the fiscal year 2009g., the Audit Committee reviewed and evaluated the effectiveness of the internal audit procedures of the Company during the year 2009g. through its review of the performance and effectiveness of the Executive Management, the Financial Management, the Compliance Management, and the Internal Audit Management in this field. The committee depended in its evaluation on the reports issued by the Company's external auditors. Also, it focused during its review on the progress in preparing written corporate governance policies that contribute in enhancing internal audit and compliance within the company.

26-5: As a result of such evaluation, the Committee thanked the efforts made by the above-mentioned departments during the year 2009g. The Committee also acknowledged the clear diligence and the substantial progress in professional performance of the abovementioned departments. The Committee unanimously agreed with the effectiveness of internal audit procedures of the Company during the year 2009g., and confirmed the importance of abiding with the development and follow up within the next period.

26-6: The following paragraphs provide a highlight of summary of the work to be undertaken by the Audit Committee with each of the Executive and Financial Managements, Compliance and Internal Audit Management, and external auditors in this respect.

26-7: Executive Administration:

26-7-1: No doubt that the leading and essential role of the Executive Administration is to establish and enhance regulatory audit in the company. Therefore the importance of continuous contact between the Audit Committee and the Executive Management of the Company is of a vital importance. During the year 2009g., the Company was keen to develop work mechanisms among all departments, giving the Company the needed capability of setting efficient controls, and reviewing and amending them as required and pursuant to the Company's operations and risks that might be facing it. This matter has enhanced the task of Compliance and Internal Audit Managements.

26-7-2: The Audit Committee cooperated with the Executive Management over reports issued by the Compliance Management and the Internal Audit Management. The Executive Management took corrective actions to deal satisfactorily and reasonably with the comments contained in such reports.

26-7-3: It is worth mentioning that the Executive Management is in the process of developing a five-year plan as of the beginning of the year 2010g. for the development of the Company's IT system, which will contribute to a great extent to the development of the Company's internal audit tools in the near future.

26-8: Financial Management:

26-8-1: The Company's Financial Management is a part of the Executive Management and reports to the CEO. The Audit Committee maintained continuous contact with the Financial Management during the year 2009g., for implementing its task pertaining to reviewing preliminary and yearly financial statements in accordance with rules that govern the Committee's work.

26-8-2: The Committee followed up closely the Financial Administration mechanisms that ensure correct preparation of the financial statements within the legal deadlines in addition to applying controls for ensuring confidentiality of such financial statements and non-disclosure to third parties in accordance with applicable laws and regulations.

26-8-3: The committee also followed up on the cooperation framework between the Financial Management and the Company's external auditors to ensure good work progress.

26-8-4: The result for such follow up were satisfactory and reasonable to the Audit Committee.

26-9: Compliance Department:

26-9-1: Pursuant to the provisions of Article – 34 of the Cooperative Insurance Companies Control Law issued by SAMA, the Company formed the Compliance Department which is directly connected to the Audit Committee. Therefore, the Audit Committee has been in continuous and periodical contact

with the Compliance Department as a new Compliance Manager was appointed with SAMA's approval.

26-9-2: During the year 2009g., the Compliance Department enforced solid measures towards setting up proper and effective methodology of work that will ensure extensive regulatory audit for the Company according to applicable laws and regulations in addition to creating a work environment in the Company that will promote the importance of compliance review as a part of the processes of daily work.

26-9-3: The Audit Committee reviewed the work plan of the Compliance Department and gave its approval thereto. Also, it reviewed the compliance report for the year 2009g., which covered all departments of the Company. At the request of the Audit Committee, the Compliance Department, in collaboration with the Executive Management, began to study all the subjects mentioned in the compliance report for the year 2009g. The results of such study as of the date of preparation of this report are reasonable and satisfactory.

26-9-4: The Audit Committee has reviewed the action plan of the Compliance Department for the year 2010 and approved it.

26-10: Administration of Internal Audit:

26-10-1: Based on the provisions of Article-34 of the Cooperative Insurance Companies Control Law issued by SAMA, the Company formed an Internal Audit Department that is directly linked to the Audit Committee. Therefore, the Audit Committee has been in continuous and periodical contact with the internal audit department and its team members.

26-10-2: At the beginning of the year 2009g., the Company's internal audit manager submitted to the Audit Committee the action plan of the internal audit department for the year 2009g. and had it approved. In implementation of such action plan the Company's management of internal audit department issued an internal audit report, which was reviewed and followed up with the Executive Management.

26-10-3: During the year 2009g., the internal audit manager submitted his resignation for personal reasons. Upon that, a search began for a senior executive holding high level diplomas in the field, for the position of director of internal audit in the Company. The post was still vacant at the time of preparation of this report. During the fourth quarter of the fiscal year 2009g., the company identified a potential candidate and worked with him for a short period without success.

26-11: External Auditors:

26-11-1: The Committee met with external auditors twice during the year 2009g., and discussed with them their reports in addition to the action plan and schedule that were adopted for examining preliminary financial statements of the fourth quarter and annual financial statements of the year 2009g. Additionally, the Committee held a meeting with external auditors on 16/2/2010g. for reviewing financial statements for the year 2009g., in the presence of members of the Audit Committee without the attendance of representatives of the Executive Management to gather information on audit procedures and results for the year 2009g, prior to the financial manager joining the meeting, at which point the annual financial statements were reviewed in details.

26-11-2: During the year 2009g., the external auditors of accounts had no reservations on the annual financial statements for the year 2009g.

26-12: Preparing Internal Statutes and Plan Policies:

26-12-1: The Board of Directors determined, as a main objective, the development of the internal regulations and policies of the Company in relation to Corporate Governance during the year 2009g. Therefore, the Audit Committee worked on this matter in collaboration with the Board Secretary. The Company's needs in that area were assessed and a priority schedule was prepared. A scientific methodology for preparing, writing, applying and developing required organizational regulations in a way that will ensure keeping up to date with legislative and regulatory developments was approved.

26-12-2: Many drafts of plan policies were made and reviewed by the Audit Committee in anticipation of their presentation to the Board of Directors.

27) Corporate Governance Regulations:

27-1: Article 9-1 of Corporate Governance Regulations in the Kingdom of Saudi Arabia, issued by CMA (“Governance Regulations”) stipulates that the company shall mention in the Board of Directors Report what was implemented from the provisions of the Governance Regulations and what was not. The Company should state the reasons for non-application, particularly in relation to applying the mandatory rules, namely Article-9 and 12-c and e, and article-14 of Corporate Governance Regulations.

27-2: In connection to the mandatory provisions mentioned above, the Company implemented all such provisions except the following provisions which were partially implemented:

27-2-1: Article-14-B has been implemented partially, as the Board of Directors decided to submit rules regulating the work of the Audit Committee to the shareholders assembly that is expected to be held in the first half of 2010, after obtaining the approval of the competent regulatory parties. It is worth mentioning that such rules have been applied in the Company since 2007, when the Audit Committee prepared the rules which were approved by the Board of Directors at that time. Furthermore, the Audit Committee reviewed the rules recently and proposed certain amendments (some of which pertain to the relationship with the Company’s Compliance Department), which the Board of Directors approved.

27-2-2: Article 14-c-2 was applied partially, as the Committee has been in the process of preparing a study on reviewing the application of the internal audit policy and the regulatory audit policy and developing the same. It is anticipated that the work will be completed in 2010, and recommendations will be submitted in this regard.

Article No.	Article Provision	Applied completely/ Partially applied/ Not applied	Reasons and Details
9	Determines content of the annual report of the Board of Directors	Applied completely	
12-C	There shall be abidance to the following in relation to forming the Board of Directors: C – The majority of members of the Board shall be composed of the non-executive members.	Applied completely	
12-E	There shall be abidance to the following in relation to forming the Board of Directors: E – The number of independent members of the Board of Directors shall be at least two members or one third of the membership of the	Applied completely	

	Board, whichever is greater.		
14-A	The Board of Directors shall form a committee from non-executive members of the Board that will be called “the Audit Committee”, and whose number of members shall not be less than three members, among whom there shall be one who is specialized in financial and accounting issues.	Applied completely	
14-B	The Shareholders Assembly, pursuant to a proposal from the Board of Directors, shall issue rules for nominating members of the Audit Committee, their period in office and the procedure to be followed by the committee.	Partially applied	The Board of Directors decided to submit rules regulating the work of the Audit Committee to the Shareholders Assembly that is expected to be held in the first half of 2010 after obtaining approval from interested parties. It is worth mentioning that such rules have been applied in the Company since 2007. The Audit Committee prepared them and the Board of Directors approved them. Also, the Audit Committee recently reviewed the same and proposed some amendments

			(among which those pertaining to relations with the Company's Regulatory Control Administration), which were approved by the Board of Directors.
Article No.	Article Provision	Applied completely/ Partially applied/ Not applied	Reasons and Details
14-C	<p>Duties and responsibilities of the Audit Committee include the following:</p> <p>Supervising the administration of internal audit to ensure its effectiveness in performing activities and duties specified by the Board of Directors.</p> <p>To review the internal audit procedure and prepare a written report on such audit and recommendations with respect to it.</p> <p>To study the internal audit reports and follow up on the implementation of the corrective measures in respect of the comments contained therein.</p> <p>To recommend to the Board of Directors the</p>	Applied completely	

	<p>appointment, dismissal, and the remuneration of external auditors; Upon any such recommendation, regard must be made to their independence.</p> <p>To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.</p> <p>To review together with the external auditor the audit plan and make any comments thereon.</p> <p>To review the external auditor's comments on the financial statements and follow up on the actions taken about them.</p> <p>To review the interim and annual financial statements prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.</p> <p>To review the accounting policies and advise the Board of Directors of any recommendations regarding them.</p>		
14-C-2	Tasks and responsibilities of the	Partially applied	The Committee is in the process of

	<p>Audit Committee shall cover the following: To review the internal audit procedure and prepare a written report on such audit and recommendations with respect to it.</p>		<p>preparing a study on the implementation of the internal audit system and regulatory audit system and of improving them. The committee hopes to finish its work and submit its recommendations during 2010g.</p>
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27-3: In relation to the remaining provisions contained in the Corporate Governance Regulations, which are of a guiding nature, the Company has applied the following provisions partially, and it is in the process of developing regulations and internal plan policies related to said provisions to reach complete application phase: 3, 4-A, 7-A, 8, 10-B-3, 10-C, 10-D, 10-E-1, 10-E-2, 10-E-3, 10-E-4, 10-E-5, 11-F, 13-B, and 15-B.

Article No.	Article Provision	Partially applied/ Not applied	Reasons and Details
3	<p>A Shareholder shall be entitled to all rights attached to the share, in particular, the right to a share of the distributable profits, the right to a share of the company's assets upon liquidation; the right to attend the General Assembly and participate in deliberations and vote on relevant decisions; the right of disposition with respect to shares; the</p>	Partially applied	<p>The company is in the process of developing regulations and internal policy plans related to this matter for reaching the phase of complete application.</p>

	right to supervise the Board of Directors activities, and file responsibility claims against board members; the right to inquire and have access to information without prejudice to the company's interests and in a manner that does not contradict the Capital Market Law and the Implementing Rules.		
4-A	The company in its Articles of Association and bylaws shall specify the procedures and precautions that are necessary for the shareholders' exercise of all their lawful rights.	Partially applied	The company is in the process of developing regulations and internal policy plans related to this matter for reaching the phase of complete application.
7-A	The Board of Directors shall lay down a clear policy regarding dividends, in a manner that may realize the interests of shareholders and those of the company; shareholders shall be informed of that policy during the General Assembly and reference thereto shall be made in the report of the Board of Directors.	Partially applied	The Company's Articles of Association covers this issue, and the company is in the process of improving the regulations and internal policy plans related to this matter for reaching the phase of complete application.
8	The company shall set in writing the polices, procedures, and	Partially applied	The company is in the process of developing regulations and

	supervisory rules related to disclosure, pursuant to law.		internal policy plans related to this matter for reaching the phase of complete application.
10-B-3	Among the main functions of the Board is: Laying down rules for internal control systems and supervising them; this includes ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the company could encounter and disclosing them with transparency.	Partially applied	The company is in the process of developing regulations and internal policy plans related to this matter for reaching the phase of complete application. The Board of Directors, in its resolution No. 44/2009 dated 7/9/2009g, decided to request from the Executive Administration to submit proposals regarding creating a risk management unit in the company.
10-C	Among the main functions of the Board is the following: Drafting a Corporate Governance Code for the company that does not contradict the provisions of this regulation, supervising and monitoring in general the effectiveness of the code and amending it whenever necessary.	Partially applied	The company is in the process of developing regulations and internal policy plans related to this matter for reaching the phase of complete application.
10-D	Among the main functions of the Board is	Partially applied	The company is in the process of developing

	<p>the following: Laying down specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after they have been approved by the General Assembly.</p>		<p>regulations and internal policy plans related to this matter for reaching the phase of complete application.</p>
10-E	<p>Among the main functions of the Board is the following: Outlining a written policy that regulates the relationship with stakeholders with a view to protecting their respective rights; in particular, such policy must cover the following: Mechanisms for identifying the stakeholders in case of contravening their rights under the law and their respective contracts. Mechanisms for settlement of complaints or disputes that might arise between the company and the stakeholders. Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to</p>	Partially applied	<p>The company is in the process of developing regulations and internal policy plans related to this matter for reaching the phase of complete application.</p>

	<p>them.</p> <p>A code of conduct for the company's executives and employees to regulate their relationship with the stakeholders. The code shall be compatible with the proper professional and ethical standards. The Board of Directors shall lay down procedures for supervising this code and ensuring compliance therewith.</p> <p>The company's social contribution.</p>		
11-F	<p>The Board of Directors shall ensure that a procedure is laid down for orienting the new board members of the company's business and, in particular, the financial and legal aspects, in addition to their training, where necessary.</p>	Partially applied	<p>The company is in the process of developing regulations and internal policy plans related to this matter for reaching the phase of complete application.</p>
13-B	<p>The formation of committees subordinate to the Board of Directors shall be according to general procedures laid down by the Board, indicating the duties, the duration and the powers of each committee, and the manner in which the Board monitors its activities. The committee</p>	Partially applied	<p>The company is in the process of developing regulations and internal policy plans related to this matter for reaching the phase of complete application.</p>

	shall notify the Board of its activities, findings or decisions, with complete transparency. The Board shall periodically pursue the activities of such committees so as to ensure that the activities entrusted to those committees are duly performed.		
15-B	The General Assembly shall, upon a recommendation of the Board of Directors, issue rules for the appointment of the members of the Nomination and Remuneration Committee, their remunerations, and terms of office, and the procedure to be followed by such committee.	Partially applied	The company is in the process of developing regulations and internal policy plans related to this matter for reaching the phase of complete application.

27-4: As to the following guiding provisions, the company has not applied them for the following reasons:

27-4-1: Article (6-B) stipulates the necessity of adopting an accumulative voting method when voting in the General Assembly for selecting members of the Board. This article was not applied because the Company applies statutes issued by the Ministry of Commerce in this field.

27-4-2: Article 15-C which specifies tasks and responsibilities of Nomination and Remuneration Committee has not been applied because the Committee has

not met since 2009g., due to the following reason: On 29/6/1430H corresponding to 23/6/2009g., the Company declared that it has obtained the final approval from SAMA to transfer the insurance portfolio of the Mediterranean Gulf Cooperative Insurance and Reinsurance Co. (B.S.C.) in Saudi Arabia to the company as of 1/1/2009g., which resulted in the transfer of Mediterranean Gulf Cooperative Insurance and Reinsurance Co. (B.S.C.) employees to the Company in Saudi Arabia as of the second half of the year 2009g.

Article No.	Article Provision	Partially applied/ Not applied	Reasons and Details
6-B	In voting in the General Assembly for the nomination to the board members, the accumulative voting method shall be applied.	Not applied	Not applied because the company applies the statutes issued by the Ministry of Commerce in this field.
15-C	<p>The duties and responsibilities of the Nomination and Remuneration Committee include the following:</p> <p>Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership.</p> <p>Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including,</p>	Not applied	<p>The committee has not met during 2009g.</p> <p>On 29/6/1430H corresponding to 23/6/2009g, the Company declared obtaining the final approval from SAMA for transferring the insurance portfolio of the Mediterranean Gulf Cooperative Insurance and Reinsurance Co. in Saudi Arabia (B.S.C.) to the Company as of 1/1/2009g., which resulted in the transfer of Mediterranean Gulf Cooperative Insurance and Reinsurance Co. (B.S.C.) staff to the Company in Saudi Arabia as of the second half of the year 2009g.</p>

	<p>inter alia, the time that a Board member should reserve for the activities of the Board.</p> <p>Review the structure of the Board of Directors and recommend changes.</p> <p>Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the company's interest.</p> <p>Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.</p> <p>Draw clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance shall be followed.</p>		
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27-5: The following articles do not apply to the company due to the following reasons:

27-5-1: Article 7-B: Because the General Assembly has not declared any profits during 2009g.

27-5-2: Article 12-T: As the Company’s regulations do not give any judicial person the right of appointing a representative on their behalf on the Board of Directors.

Article No.	Article Provision	Partially applied/ Not applied	Reasons and Details
7-B	The General Assembly shall approve the dividends and the date of distribution. These dividends, whether they be in cash or bonus shares shall be given, as of right, to the shareholders who are listed in the records kept at the Securities Depository Center as they appear at the end of trading session on the day on which the General Assembly is convened.		It was not applied because the General Assembly has not declared any profits during 2009g.
12-I	Judicial person who is entitled under the company’s Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors.		It was not applied because the company’s Articles of Association do not give any judicial person the right of appoint representatives for them in the board of directors.

28) End:

28-1: The Board of Directors is pleased to express its thanks and appreciation to the Government of the Custodian of the Two Holy Mosques King Abdullah Bin AbdulAziz AlSaud, and would like to extend its thanks to, in particular, SAMA and CMA for their continuous and constructive support. Also, the Board expresses its appreciation for the trust of its clients and shareholders and the efforts made by the Company's executives and employees for their devotion and loyalty.