

Company Bylaw
AL ETIHAD Cooperative Insurance (ALETIHAD)
A Saudi Joint Stock Company

CHAPTER (I)

Incorporation of the Company

Article (1): Incorporation

A Saudi Joint Stock Company shall be incorporated in accordance with the Law on the Supervision of Cooperative Insurance Companies, the Companies Law, the Capital Market Law, and its Implementing Regulations and in conformity with these Articles of Association among holders of shares governed by the rules stipulated hereinafter.

Article (2): Name of the Company

AL ETIHAD Cooperative Insurance (ALETIHAD). A Saudi Joint Stock Company

Article (3): Purpose of the Company

Purposes of the company are to practice cooperative insurance businesses. The company may accordingly perform all the necessary works for achieving its purposes whether in insurance or investing its funds; and may own, move, sell or exchange fixed properties and cash funds by the company itself directly or by other companies it establishes or purchases, or in partnership with other parties. The company shall practice its businesses in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Executive Regulations together with the laws and regulations applicable in the Kingdom of Saudi Arabia having all the necessary permissions obtained from competent authorities, if any.

Article (4): Participation with other Companies

The company may establish limited liability or closed joint stock companies (provided that the share capital of the same shall not be less than (5) Million Saudi Riyals). The company may further acquire stocks and shares in third parties' standing companies or integrate with them; and it has the right to become a partner in the

foundation of limited liability or joint stock companies, provided that such companies which the company may establish, become a partner in or integrate with shall run business similar to the company's, financial business or other business that assist the company to achieve its purposes, having the requirements of laws and rules applied and enforced in this regard duly fulfilled by the company and having the approval of the Saudi Arabian Monetary Authority been duly obtained.

Article (5): Head Office of the Company

The Head Office of the Company shall be in Khobar city, and may be transferred, by decision of the Extraordinary General Assembly, to another city in the Kingdom of Saudi Arabia upon approval of the Saudi Arabian Monetary Authority. The Company may also set branches, offices or agencies inside or outside the Kingdom of Saudi Arabia after the approval of the Saudi Arabian Monetary Authority.

Article (6): Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years as from the date of its registration in the Commercial Register. The duration of the Company may be extended by resolution of the Extraordinary General Assembly taken, at least, one year prior to the expiration of the ninety-nine-year period.

CHAPTER (2)

Regulations to be Adhered to by the Company When Running its Business and Achieving the Purposes Set for the Company

Article (7): The Company Investments

The Company shall invest the insureds and shareholders' funds collected in the Company in accordance with the rules set by the Board of Directors and in a manner that does not conflict with the Law on the Supervision of Cooperative Insurance Companies, its Implementing Regulations and in conformity with the regulations and rules issued by the Saudi Arabian Monetary Authority or any other related party.

CHAPTER (3)

Share Capital and Shares

Article (8): Share Capital

The capital of the Company is set at SR 400,000,000 (four hundred million Saudi Riyals) divided into 40,000,000 (forty million) shares having an equal nominal value of SR 10 (ten Saudi Riyals) each, all being ordinary cash shares.

Article (9): Subscription to Shares

The shareholders have subscribed for all shares of the Company and fully paid their nominal value.

Article (10): Shares Register

Shares are negotiable in accordance with the rules of the Capital Market Law and its Implementing Regulations.

Article (11): Share Issuance

The company's shares shall be nominal shares and may not be issued with a value less than their nominal value; however, such shares may be issued with a value more than such value. In such latter case, the difference between such values shall be added in a separate item among the shareholders' equity. The company's shares may not be allocated as profits to the shareholders, and they may not be divided against the company. If a share of the company is owned by many persons, they shall select one of them to represent them using the right relating to such share, and such persons shall be jointly responsible for the obligations arising from the ownership of such share.

Article (12): Shares Trading

The company's share subscribed by the company's founders may not be traded unless after the company's financial statements for two (2) fiscal years of not less than (12)

Twelve months for each from the date of the company's establishment had been published. The deeds of such shares shall be signed for and approved in a way indicating their type, the company's date of establishment and the period during which trading of such shares is prohibited. Nevertheless, such shares may be transferred during such period of prohibition in accordance with the provisions of the sale of shares by founding partner to another, by the heirs of a founding partner, if he / she died, to a third party, or on enforcing confiscation on the bankrupt or insolvent founder, the priority for the acquisition of such shares shall be given to other founding shareholder. The provisions of this article shall be applicable to the share subscription made by the founding shareholders. The provisions of this Article shall apply if the share capital of the company to be increased prior to the expiration of such prohibition period.

Article (13): Increase of Capital

The company's Extraordinary General Assembly may decide to increase the company's share capital having the competent authorities approved the same, provided that the company's share capital has been paid in full. At the time of issue of the resolution approving the company's share capital to be increased by the company's General Assembly, a shareholder shall be given the priority for the subscription of the new shares to be issued in consideration of cash shares. Such shareholders shall be duly notified as per their priorities, if any, by way of publishing the resolution of increasing the company's share capital and such subscription requirements, period, starting and ending date in a daily newspaper or via registered mail. The company's Extraordinary General Assembly may suspend the shareholders' priority for the subscription for increasing the company's share capital in consideration of cash shares or giving the priority to nonshareholders in the cases as considered appropriate for the company's interest. A shareholder has the right to sell or waive its priority right within the period from the date the company's General Assembly's resolution approving the increase of the company's share capital issued to the last day of subscription for the new shares relating to such rights in accordance with the controls established by the competent authority.

Article (14): Decrease of Capital

The company's Extraordinary General Assembly may decide to reduce the company's share capital if the company's share capital is redundant or if the company undergoes losses having the competent authorities duly approved the same, provided that the capital paid to the insurance company after such reduction shall not be less than (SAR 100) One Hundred Million Saudi Riyals. Such resolution of reduction shall be issued only after reading a special report created by the company's auditor on the causes requiring such resolution, the obligations of the company and the effects of such reduction on such obligations. If the reduction of the company's share capital is due to be redundant, creditors shall be called for expressing their objection to such reduction within Sixty (60) days after the date when such capital reduction is published on a daily newspaper distributed in the city where the head office of the company is based. If a creditor challenges such reduction and submits its relevant documents within the period mentioned, the company shall pay the debt of such creditor back if it is an urgent debt or provide such creditor with a sufficient guarantee of payment if it is a deferred debt.

CHAPTER (4)

Board of Directors

Article (15): Management

The company shall be managed by a board of directors consisting of (7) member elected by the company's Ordinary General Assembly for at least three (3) years. The structure of the board of directors shall appropriately reflect an appropriate representation of independent members. In any event, the number of the independent members of the board of directors may not be less than two (2) members or one-third of the members of the board of directors, whichever is more. The exception of this is that the Constituent Assembly shall appoint the first board of directors of the company for not more than three (3) years starting from date the resolution for the incorporation of the company is publicized by Ministry of Commerce and Industry.

Article (16): Expiration of the Membership of the Company's Board of Directors

The membership of the company's board of directors shall be expired by the end of appointment duration, resignation, death or if it is established by the board of directors that a given member has breached its duties in a way affecting the company's interest, provided that this shall be approved by the company's ordinary General Assembly, on the expiration of the membership in accordance with any law or rules as valid and applicable in the Kingdom of Saudi Arabia, if a member is declared bankrupt or insolvent or if a member submits a request for settlement with its creditors, a member ceases making payment for its debts, becomes unconscious, suffers from a mental disease, or if it is found to have committed an act violating trust and morals or convicted of forgery. Nevertheless, the company's Ordinary General Assembly may claim for compensation at the time of dismissal of part or full of the members of the company's board of directors without prejudice to a dismissed member's right against the company if such dismissal is due to unreasonable reason or executed at inappropriate time. A member of the board of directors may resign provided that such resignation to be executed at an appropriate time, otherwise such member shall be held responsible for the consequent effects of such resignation to the company.

Article (17): Vacant Position in the Company's Board of Directors

In case of a vacant position of a member of the board of directors, the board of directors has the right to temporarily appoint a member for the vacant position from the sufficiently experienced persons having a no objection certificate obtained from the Saudi Arabian Monetary Authority regardless the order of obtaining votes at the company's General Assembly by which the company's board of directors has been elected. The Saudi Capital Market Authority shall be notified thereof within five (5) working days after the date of such appointment. such appointment shall be further submitted to the company's ordinary General Assembly at its first meeting held thereafter, and the new elected member shall continue its preceding member's membership period only. The company's ordinary General Assembly may be called for meeting if the number of the members of the company's board of directors is less than the minimal number for being validly held. The Saudi Arabian Monetary Authority shall be notified when a member of the company's board of directors resigned or when a member's membership is terminated for a reason other than the

expiration of a board's period within five (5) working days from the date a member leaves work, observing the relevant disclosure requirements.

Article (18): Powers of the Company's Board of Directors

Without prejudice to the prescribed terms of reference of the company's General Assembly, the company's board of directors shall have the widest powers over the management of the company in a way achieving its purposes. Within the terms of reference of the company's board of directors, the chairman of the board has the right to authorize one or more members or a third party to perform a specific task (s) without prejudice to the relevant laws and regulations. The company's board of director may, for example but not limited to, represent the company in its relationships with third parties, public and private authorities, at all Shari'a courts, Board of Grievances, labor offices, higher and trial committees of labor dispute settlement, securities committee and all other judicial committees, arbitral tribunals, civil rights department, police stations, chambers of commerce and industry; all companies, institutions, commercial banks, treasuries, all governmental funds and finance institutions of different names and competencies together with all other lenders. The company's board of directors has the right to acknowledge, clam, defend, plead, dispute, waive, accept and object judgments and arbitration, request for enforcement of judgments, discharge the company's debtors of their obligations, bid, and sell, purchase and mortgage real properties. The company's board of directors may further contract, sign in the name and on behalf of the company on all types contracts, papers and documents including, for example but not limited to, articles of incorporation together with all their amendments, annexes and resolutions of amendments of the companies in which the company becomes a partner; sign all agreements and deeds at notary public and official authorities, agreements of loans, guarantees, sponsorships and deeds for selling and purchasing real properties; issue legal powers of attorney on behalf of the company; sell, purchase, conveyance and accepting the same, receive, deliver, lease, let, receive and make payments, open accounts and credits, withdraw and deposit with banks issue guarantees to banks, funds, governmental finance institutions; sign all types of order papers and documents, cheques, all securities, documents and bank transactions.

Article (19): Remuneration for Members of the Company's Board of Directors

The minimum annual remuneration for the company's chairman and members of the board of directors shall be (SAR 200,000) Two Hundred Thousand Saudi Riyals, and the maximum is (SAR 500,000) Five Hundred Thousand Saudi Riyals to be paid annually in consideration of their memberships in the company's board of directors and for involving in the activities of the company's board of directors. Such remuneration includes the additional bonuses if a member of the board of directors involves in a committee arising from the company's board of directors. If the company could achieve profits, (10%) of the remaining net profits having the reserves determined by the company's General Assembly deducted in execution of the Cooperative Insurance Companies Control Law may be allocated to the company's shareholder having at least (5%) profits allocated to the company's shareholders from the company's paid up capital, provided that such remuneration entitled is proportionate to the number of meeting sessions attended by a member, and any estimation other than the aforementioned shall be deemed as null and void. At all events, the total financial remunerations and privileges a member of the company's board of directors obtains shall not be more than (SAR 500,000) Five Hundred Thousand Saudi Riyals annually. The maximum allowance for attendance to the company's board of directors' sessions and committees shall not be more than (SAR 5,000) Five Thousand Saudi Riyals for each session, exclusive of travelling and accommodation expenses. Each member of the company's board of directors including the company's chairman shall be paid the expenses they actually bear for attending meetings of the board of directors or the committees arising from the same, inclusive of travelling, accommodation and subsistence expenses. The report of the company's board of directors to be submitted to the Ordinary General Assembly shall include all the remunerations, allowances for expenses and other privileges received by members of the company's board of directors together with a statement of the amounts paid to the members of the board of directors in their capacities as staff or administrators, or whatever amounts they receive in consideration of technical, administrative or consulting tasks, and a statement of the number of sessions held by the board of directors and the number of sessions attended by each member of the board directors from date of the last meeting of the General Assembly.

Article (20): Powers of the Company's Chairman, Vice Chairman, Managing Director and Secretary

The company's board of director shall appoint from its members a chairman, vice chairman and a chief executive officer. The board of director also may appoint a managing director. Position of the chairman of the board of directors together with any executive position may not be occupied by one person. The chairman of the board of directors has the right to sign in the name and on behalf of the company and implement resolutions of the board of directors. The chairman of the board of directors is further responsible for representing the company at courts, arbitration tribunals and third parties. The chairman of the board of directors may also authorize part of its powers to other member of the board of directors or third parties to perform specific duty (duties) under a written resolution thereon. The company's board of directors shall identify salaries, allowances and remunerations for the chairman and managing director as stipulated in Article (19) herein. The board of directors shall appoint a secretary for the board of directors and may appoint one or more advisories in respect of the various affairs of the company; and the board of directors shall identify their remunerations. The position period of the chairman, vice-chairman, managing director and secretary shall not last for a period more than the period of membership in the board of directors of each of them. They may be reelected, and the board of directors may dismiss any of them without prejudice to whoever is dismissed to have compensation if such dismissal is applied for illicit reason or at inappropriate time.

Article (21): Meetings of the Board of Directors

The company's board of directors shall hold meetings at the company's head office under a call by its chairman. The chairman must call for a meeting whenever two (2) members of the board of directors require the same. Such call must be duly registered as considered by the board of directors. Meetings of the board of directors shall be held periodically and whenever needed, provided that the number of the annual meetings shall not be less than four (4) meetings, that at least one (1) meeting to be held every three (3) months.

Article (22): Quorum of the Board of Directors Meeting

A meeting of the board of directors shall not be deemed as valid unless attended by (5) members in person or by proxy, provided that the number of the persons attend in person is at least (four) members including an independent member. A member of the board of directors may appoint another member to attend meetings of the board of directors and vote subject to: -

- 1- No more than one member should be deputized on behalf of the same member.
- 2- Deputization should be in writing.
- 3- The deputy is not allowed to vote on decisions which the principal is not to vote on.

Resolutions of the board of directors shall be adopted by the majority of votes of the members present in person or represented. In case of equal number of votes, the chairman shall have the casting vote. The board of directors may adopt resolutions on urgent matters by submitting the same to the members separately unless a member requires the board of directors in writing to hold a meeting to discuss such matters. In this case, such resolutions shall be submitted to the board of directors at the first next meeting thereof.

Article (23): Deliberations of the Board of Directors

Deliberations and resolutions of the board of directors shall be recorded in minutes to be signed by the chairman of the meeting session, members of the board of directors and secretary. Such minutes shall be registered in a special register to be signed by the chairman and secretary of board of directors.

Article (24): Agreements and Contracts

Having obtained the no objection certificate of the Saudi Arabian Monetary Authority, the company may make and enter into an agreement on the technical services management with one or more companies sufficiently qualified in the insurance field. The board members have the right to conclude insurance contracts with the company provided that the company's chairman shall notify the company's Ordinary General Assembly whenever held of the details of the contracts. A member of the company's board of directors shall accordingly notify the company's board of the direct or indirect interest he has in such businesses and contracts concluded for

the company. Such notification shall be registered in the meeting minutes. Such member may not take part in voting on the resolution to be issued in such regard in the company's board of directors and shareholders' assembly meetings. The company's chairman shall notify the company's Ordinary General Assembly whenever held of the businesses and contracts in which a member of the board of directors has direct or indirect interest. Such notification shall be annexed with a special report issued by the company's external auditor on the same. If a member of the board of directors fails to disclose its personal interest, the company or any interested party may accordingly claim for voidance of such relevant contract or obligating such member to pay any profits or revenues he makes therefrom before the competent judicial authority.

Chapter Five

Shareholders' Assembly

Article (25): Attendance to Assemblies

The properly constituted General Assembly represents all the company's shareholders and is held at the city where the company's head office is located. Each shareholder holding whatever number of shares is entitled to present at the shareholders' general assemblies and may authorize any other non-member or non-staff person to attend the company's General Assembly. Meetings of the shareholders' General Assembly may be held, a shareholder may participate in its deliberations and voting on its resolutions via modern technologies in accordance with the controls established by the competent authority.

Article (26): Constitutional Assembly

The company's founders call all the company's subscribers to hold a constitutional assembly within Forty-Five (45) days from the closing date of the share subscription. Each subscriber holding whatever number of shares is entitled to present at the company's constitutional assembly. For such meeting to be valid, the number of present subscribers is required to constitute at least half of the company's share capital. If such quorum fails to be available, a second meeting shall be called for to be held after at least Fifteen (15) days of such call. Nevertheless, the second meeting

may be held after one (1) hour of the expiration of the period prescribed for holding the first meeting. The call for the first meeting shall include that such second meeting might be held. At all events, the second meeting shall be deemed as valid whatever the number of share subscribers present is.

Article (27): Terms of Reference of the Constitutional Assembly

The company's constitutional assembly is responsible for the following:

- 1- Verifying the subscription of the company's whole shares and that the minimum capital is met with the due value of each share.
- 2- Approving the final company's articles of association, provided that no basic amendments shall be made to the proposed articles of association without the approval of the company's share subscribers.
- 3- Appointing members of the company's first board of directors for a period not more than three (3) years if they are not appointed in the company's articles of incorporation or articles of association.
- 4- Appointing the company's auditors and fixing their charges if they are not appointed in the company's articles of incorporation.
- 5- Deliberating the company's founders' reports on businesses and the expenses borne for the company's establishment and approving the same.

Article (28): Terms of Reference of the Company's Ordinary General Assembly

Excluding the matters preserved by the extraordinary General Assembly, the ordinary General Assembly shall be responsible for all the matters relating to the company and shall be held at least once annually within the next six months after the expiration of the company's financial year. Other Ordinary General Assembly meetings may be called for whenever needed. Formation of the audit committee and fixing its charges also fall within the terms of reference of the Ordinary General Assembly.

Article (29): Terms of Reference of the Extraordinary General Assembly

The company's Extraordinary General Assembly shall be responsible for the amendment to the company's articles of association, excluding the provisions and

terms in which it is legally prohibited to make amendments. It further has the right to issue resolutions on internal matters that fall within the terms of reference of the Ordinary General Assembly under the same conditions and status as prescribed by the company's Ordinary General Assembly.

Article (30): Calling for Assemblies Meeting.

The company's general or special assemblies' meetings of shareholders shall be held under a call by the company's board of directors. The company's board of directors shall call for the ordinary general assembly meeting annexed with such meeting agenda if the company's auditor, audit committee or a number of the company's shareholders constituting at least (5%) of the company's capital request the same. The company's auditor may call for the Ordinary General Assembly meeting to be held in case the board of directors fails to call for the Ordinary General Assembly meeting within Thirty (30) days from the date when the company's auditor requests the same. Such call for the General Assembly and the agenda shall be published in a daily newspaper distributed in the region where the company's head office is based at least (10) days prior to the date set for meeting. Nevertheless, it may be sufficiently enough to call all the company's shareholders for such meeting under registered letters to be sent on such date. A copy of such call together with the meeting agenda shall be sent to Ministry of Commerce and Investment. Should the company duly registered in the Capital Market Authority, one further copy thereof shall be sent to such authority within the period set for publishing the same.

Article (31): Assemblies Register of Attendance

The company's shareholders who are desirous to attend the company's general or special assembly shall register their names at the company's head office prior to the time prescribed for the assembly to be held.

Article (32): Quorum of the Ordinary General Assembly Meeting

The company's Ordinary General Assembly meeting shall not be deemed as validly held unless shareholders constituting at least (one quarter) of the company's share capital are present. If such quorum failed to be available in the first meeting, a second meeting shall be called for within thirty (30) following days of the former meeting.

Such call for meeting shall be published as stipulated in Article (30) herein; nevertheless, the second meeting may be held after one (1) hour after the expiration of the period prescribed for the first meeting to be held, provided that such call for the first meeting shall include that such second meeting might be held. At all events, the second meeting shall be deemed as validly held whatever the number of shares it includes. Meetings of the shareholders' Ordinary General Assembly may be held, and a shareholder may participate in its deliberations and vote on its resolutions via modern technologies in accordance with the controls established by the competent authority.

Article (33): Quorum for the Extraordinary General Assembly Meeting

The company's Extraordinary General Assembly meeting shall not be deemed as validly held unless shareholders constituting at least (half) of the company's share capital are present (and such rate may be increased provided that it shall not exceed two-thirds of the share capital). If such quorum failed to be available in the first meeting, a second meeting shall be called for with the same conditions as stipulated in Article (30) herein. The second meeting may be held after one (1) hour after the expiration of the period prescribed for the first meeting to be held, provided that such call for the first meeting shall include that such second meeting might be held. At all events, the second meeting shall be deemed as validly held if shareholders constituting at least (one quarter) of the share capital are present. If the quorum for such second meeting failed to be available, a third meeting shall be called for with the same conditions as stipulated in Article (30) herein whatever the number of shares it include, having been approved by the competent authorities. Meetings of the shareholders' Extraordinary General Assembly may be held and a shareholder may participate in its deliberations and vote on its resolutions via modern technologies in accordance with the controls established by the competent authority.

Article (34): Voting in the Assemblies

Votes in the constitutional assembly and the ordinary and extraordinary assemblies' meetings is counted on the basis of one (1) vote for each share. The accumulative voting shall be applied to the election of the company's board of directors, that a share voting right may be only used once. Members of the board of directors may not participate in voting on the assembly's resolutions relating to the discharge of the

company's management from responsibility or those relating to their direct or indirect interest.

Article (35): Resolutions of Assemblies

Resolution of the constitutional assembly shall be adopted and issued with the absolute majority of the shares it has, and resolutions of the Ordinary General Assembly shall be adopted and issued with the absolute majority of the shares it has in meeting. Nevertheless, if such resolutions are relevant to the evaluation of special privileges the majority of the share subscribers constituting (two-thirds) of the mentioned shares shall be required having the special privileges the relevant beneficiaries subscribe excluded. Resolutions of the Extraordinary General Assembly shall be adopted and issued with the two-thirds majority present at the meeting, unless a resolution is relating to the increase or reduction of the share capital, extending the company's term, dissolution of the company prior to the period stipulated in the company's articles of incorporation, or integration of the company in another company or institution, such resolution shall be deemed as valid only if it is adopted and issued with the three-quarters majority of the shares represented in such meeting.

Article (36): Discussion in the Assembly Meetings

Each shareholder has the right to discuss the issues listed in the assembly's agenda and ask members of the company's board of directors and auditor questions in their regard. Each text set forth in the company's articles of incorporation that denies a shareholder such right shall be deemed null and void. The company's board of directors or auditor shall provide answers to the shareholders' questions to the degree that does not jeopardize the company's interest. if a shareholder considers the answer provided to its question to be inconvincible, the shareholder shall appeal to the assembly whose decision in this regard shall be deemed effective.

Article (37): Chairman of the Assembly Meetings and Preparation of Minutes

The company's General Assembly shall be chaired by chairman, vice-chairman in the absence of the chairman or whoever member is appointed by the board of directors in the absence of the chairman and vice-chairman. Minutes shall be issued,

including the number of shareholders or representatives present, the number of shares they possess whether in person or by proxy, the number of votes prescribed for such shares, the resolutions adopted, the number of votes that approve or challenge such resolutions and compendium of the discussion that has taken place in the meeting. Such minutes shall be registered periodically after the end of each meeting held in a special register to be signed by the assembly's chairman, secretary and votes collector.

Chapter Six

Committees Arising from the Board of Directors

Article (38): Committees of the Board of Directors

Committees of the company's board of directors including the audit committee shall be constituted in accordance with the relevant laws and regulations.

Chapter Seven

Auditor

Article (39): Appointment of the Auditor

The company's General Assembly shall appoint one (or more) auditor licensed to work in the Kingdom and shall specify their remuneration and period of work. The General Assembly may reappoint auditors and may further at all times change them without prejudice to their rights to have compensation if such change occurs at inappropriate time or for illicit reason.

Article 40: Powers of the Auditor

The auditor at any time shall have the right to review the company's books and records together with other document, and to demand the information and clarifications it deems necessary. It may also verify the company's assets, obligations and others that fall within its scope of duties. The chairman of the board of directors must enable it to perform its duties. Should the auditor face difficulties in this regard,

it shall establish the same in a report to be submitted to the board of directors. If the board of directors fails to facilitate the duties of the auditor, it should request the board of directors to call for the Ordinary General Assembly to consider such matter.

Article 41: Obligations of the Auditor

The auditor shall submit to the company's General Assembly an annual report to be prepared in accordance with the generally accepted audit standards, including the company's administration situation of enabling it to have the information and clarifications it requires, all breaches of the Cooperative Insurance Companies Control Law and its Implementing Regulations together with other relevant laws, rules and instructions, the auditor's opinion in respect of how fairly prepared the company's financial statements are. The auditor shall read its report at the General Assembly. Should the company's General Assembly decide to approve the report of the board of directors and financial statements without hearing the auditor's report, the General Assembly's decision shall be deemed as null and void.

Chapter Eight

Accounts of the Company and Allocation of Profits

Article (42): Financial Year

The company's financial year starts on the 1st of January and ends by the end of December of the same calendar year. The first financial year shall start on the date of the ministerial resolution issued under a declaration of the company's incorporation and ends on 31st December of the following calendar year.

Article (43): Financial Documents

1. At the end of each financial year, the company's board of directors shall prepare the company's financial statements (consisting of the Financial Statement Position of Insurance Transactions and Shareholder, Statement of Insurance Transactions Surplus (Deficit), Shareholder's Income Statement, Equity Statement, Statement of Shareholders' Cash Flows); and a report on the company's business activity and

its financial position for the past financial year including the way the auditor proposes for distributing profits. The company's board of directors shall make such documents available to the auditor at least Forty-Five (45) days prior to the date determined for the General Assembly's meeting.

2. The documents mentioned in Clause (1) hereinabove should be signed by the company's chairman, CEO and CFO. Copies of such documents shall be kept at the company's head office and made available to the company's shareholders at least Twenty-One (21) days prior to the date set for the General Assembly's meeting.
3. The company's chairman must provide the shareholders with the company's financial statements, the board of directors' report and the auditor's report unless they are published on a daily newspaper distributed at the company's head office. A copy of such documents shall be sent to the Capital Market Authority at last Fifteen (15) days prior to the date set for the General Assembly's meeting.

Article (44): Accounts of the Insurance Transactions

Accounts of the insurance transactions shall be separate from the shareholder's income statement as detailed as follows:

First: Accounts of the Insurance Transactions:

- 1- An account shall be earmarked for the installments received, reinsurance commissions and other commissions.
- 2- An account for the compensation paid by the company shall be earmarked.
- 3- At the end of each year, the total surplus of the difference between the total installments received and compensation amounts deducting the necessary marketing, administrative and operational charges together with technical provisions shall be identified in accordance with the governing rules thereof.
- 4- The net surplus shall be identified as follows: The items stipulated in Clause (3) hereinabove shall be added to the total surplus or the return on investment belongs to the insured persons shall be deducted from the same having the insured persons' revenues accounted and their incurred expenses deducted.
- 5- The net surplus shall be distributed whether by way of distributing Ten (10%) percent to the insured persons directly or by reducing their premiums due for the following year, while Ninety (90%) percent of the same shall be carried over to the shareholders' income accounts.

Second: Statement of the Shareholders' Income:

- 1- The shareholders' profits earned from the return on investment of the shareholders; funds shall be in accordance with the rules established by the company's board of directors.
- 2- 2- The shareholders' share of the net surplus shall be as stipulated in Paragraph 5 of the First Clause of this Article.

Article (45): Zakat and Reserves

The company shall:

- 1- Setting aside the prescribed Zakat and income tax.
- 2- Setting aside (20%) of the net profits to form the company's statutory reserve. The company's Ordinary General Assembly may cease such setting aside whenever the total reserve equals (100%) of the company's paid-up capital.
- 3- The company's Ordinary General Assembly may, when determining the stock share in the company's net profits, decide to form other reserves for the company to the extent achieving the company's interest or ensuring fixed profits to be as allocated to the shareholders as possible.

Article (46): Entitlement to Profits

A shareholder is entitled to profits in accordance with the company's General Assembly resolution adopted and issued in this regard, such resolution shall indicate the date of entitlement and day of profit distribution. The entitlement to profits shall be dedicated to the shareholders registered in the shareholders' register at the end of the day set for such entitlement. The company shall notify the Capital Market Authority without delay in any resolutions on the distribution of profits or recommendation of the same; and shall pay the profits prescribed to be distributed to the shareholders at the place and time set by the company's board of directors in accordance with the rules and instructions issued by the competent

authority, observing the prior written consent of the Saudi Arabian Monetary Authority.

Article (47): Losses of the Company

If the company's losses reach (half) of the company's paid-up capital at any time of the financial year, any official of the company or the company's auditor shall when be aware of the same notify the company's chairman thereof, and the company's chairman shall accordingly notify members of the board of directors thereof. Within fifteen (15) days of being aware thereof, the board of directors must call for the Ordinary General Assembly to be held within Forty-Five (45) days from the date of being aware of such losses so that it may decide whether to increase or reduce the company's share capital in accordance with the Companies Law to the extent with which such losses rate shall be reduced to less than (half) of the company's paid-up capital, or to dissolve the company prior to the term stipulated in the company's articles of association. At all events, such relevant resolution of the assembly shall be published on the website of Ministry of Commerce and Industry. The company shall be deemed as ended under the force of law if the Extraordinary General Assembly fails to meet within the period identified hereinabove, or if the assembly holds a meeting but cannot adopt and issue a resolution thereon, or if the assembly decides to increase the company's share capital as per the conditions stipulated in this current article and the capital is not subscribed to be increased within Ninety (90) days from the date on which such resolution of the assembly for the increase of the capital was adopted.

Chapter Nine

Disputes

Article (48): Company's Responsibility

The company shall commit itself to all the tasks and actions taken by the company's board of directors even if it falls beyond the board of directors' terms of reference unless the interested party is of ill-intention or aware that such duties and actions are beyond the terms of reference of the company's board of directors.

Article (49): Responsibility of the Members of the Board of Directors

The company's members of the board of directors shall be jointly responsible and liable for compensating the company, shareholders or third parties for the harm that arising from their mismanagement of the company's affairs or their breach of the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations together with other relevant rules and regulations. Any and all terms that stipulate the contrary hereof shall be deemed as null and void. All members of the board of directors shall be held responsible if a default arising from a resolution adopted and issued unanimously by them. The members opposing the resolutions adopted and issued with the majority of votes shall not be held responsible for the same whenever they expressly establish their objection in the relevant meeting minute. Absence from attending the meeting during which the resolution adopted and issued shall not be deemed as a reason for the exemption from liability unless it is evidently found that the absent member of the board of directors is not aware or unable to object after being aware of the same. Approval of the company's Ordinary General Assembly on the discharge of member of the board of directors shall not preclude a liability case to be filed. A liability case shall not be considered after three (3) years of the date the affecting action is disclosed, excluding cases of fraud and forgery. In all cases, a liability case shall not be considered after five (5) years from the expiration date of the financial year during which such affecting action occurs or after three (3) years of the membership expiration of the member of the board of directors, whichever occurs later. Each shareholder has the right to file the prescribed liability case for the company against the company's members of the board of directors if such default made by them causes harm to such shareholder; however, a shareholder may not file the case unless the company's right to file the same is still standing. Such shareholder shall notify the company of its intention to file such case and such shareholder's right to claim for compensation shall be limited to the harm affects it only. Chapter Ten Liquidation of the Company

Article (50): Dissolution of the Company

Once the company is dissolved, it shall be subject to liquidation, and shall keep the required legal entity at the extent as necessary for the company's liquidation.

The voluntary liquidation resolution shall be adopted and issued by the Capital Market Authority. Such resolution for liquidation shall include a liquidator, and the liquidator's remuneration, powers, powers restrictions and the period required for such liquidation shall be identified therein. The period for voluntary liquidation shall not exceed five (5) years and shall not be extended more without a judicial order issued thereon. Authority of the company's board of directors shall be expired on the company's dissolution; nevertheless, those shall keep managing the company and shall be deemed as liquidators against third parties till the liquidator is appointed. The company's bodies shall keep their terms of reference which are not contrary to the liquidator's powers during the company's liquidation period. on liquidation, it must be observed to reserve the right of those sharing the surplus of the insurance transactions and the reserves formed as stipulated in Article (44) and Article (45) herein.

Chapter Eleven

Final Provisions

Article (51): The Company's Governing Law

Provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations together with the other relevant rules and regulations shall be enforced and applicable regarding all matters not expressly stipulated herein.

Article (52): Publication

This Article of Association shall be kept and published in accordance with the Companies Law and its regulations.