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**SAUDI REINSURANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)  
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT  
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2014**

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# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

For The Three And Six Month Periods Ended 30 June 2014

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**LIMITED REVIEW REPORT  
TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**SCOPE OF REVIEW:**

We have reviewed the accompanying interim statement of financial position of Saudi Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2014 and the related interim statements of reinsurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the three and six month periods then ended and the interim statements of changes in shareholders' equity, reinsurance operations' cash flows and shareholders' cash flows for the six month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard – 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

**EMPHASIS OF A MATTER:**

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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21 Ramadan 1435H  
(18 July 2014)



# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
<b>REINSURANCE OPERATIONS' ASSETS</b>			
Cash and bank balances		8,725,267	5,268,638
Premium receivables, net	4	123,562,699	70,492,623
Retrocession balances receivable		861,036	-
Investments held at fair value through income statement	7	104,822,271	95,329,159
Accrued insurance premiums		284,522,069	164,869,180
Retroceded share of unearned premiums		1,295,131	2,344,151
Retroceded share of outstanding claims		117,111,840	104,888,575
Deferred acquisition costs		80,469,632	54,445,929
Deferred excess of loss premiums		164,536	15,716,948
Prepaid expenses and other assets		1,866,039	1,069,002
Due from shareholders' operations		191,059,215	173,315,949
Property and equipment, net		6,300,302	7,337,119
<b>TOTAL REINSURANCE OPERATIONS' ASSETS</b>		<b>920,760,037</b>	<b>695,077,273</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and bank balances		15,869,625	85,673,516
Time deposits	5	50,627,100	37,500,000
Accrued special commission income from time deposits		1,508,055	1,040,241
Accrued special commission income from bonds and sukuk		4,111,292	3,295,158
Investments held at fair value through income statement	7	681,143,127	595,179,554
Held to maturity investments	8	164,307,155	173,995,409
Prepaid expenses and other assets		6,372,051	5,738,119
Statutory deposit	6	100,000,000	100,000,000
Property and equipment		33,442,478	32,991,742
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>1,057,380,883</b>	<b>1,035,413,739</b>
<b>TOTAL ASSETS</b>		<b>1,978,140,920</b>	<b>1,730,491,012</b>
<b>REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Accounts payable		15,763,797	8,143,048
Retrocession balances payable		-	7,615,523
Accrued retroceded premiums		2,164,754	4,463,127
Gross unearned premiums		349,624,646	215,025,067
Gross outstanding claims		541,064,206	424,276,504
Premium deficiency reserve		3,956,825	26,167,000
Unearned commission income		478,601	810,894
Accrued expenses and other liabilities		4,645,277	5,923,389
Employees' end of service benefits		2,129,854	1,720,644
<b>TOTAL REINSURANCE OPERATIONS' LIABILITIES</b>		<b>919,827,960</b>	<b>694,145,196</b>
<b>REINSURANCE OPERATIONS' SURPLUS</b>			
Accumulated surplus		932,077	932,077
<b>TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>920,760,037</b>	<b>695,077,273</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accounts payable		-	500,000
Provision for zakat and income tax		28,386,552	33,184,598
Due to reinsurance operations		191,059,215	173,315,949
Accrued expenses and other liabilities		8,007,542	6,641,169
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>227,453,309</b>	<b>213,641,716</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		1,000,000,000	1,000,000,000
Statutory reserve		6,070,924	6,070,924
Accumulated deficit		(176,143,350)	(184,298,901)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>829,927,574</b>	<b>821,772,023</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,057,380,883</b>	<b>1,035,413,739</b>
<b>TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,978,140,920</b>	<b>1,730,491,012</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## INTERIM STATEMENT OF REINSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For The Three And Six Month Periods Ended 30 June 2014

(Unaudited)

Notes	For the three month period ended		For the six month period ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	SR	SR	SR	SR
Gross written premiums	90,919,474	47,511,588	390,363,379	266,588,009
Retroceded premiums	(3,831,384)	(1,763,317)	(3,398,479)	(2,904,198)
Excess of loss expenses	(9,452,677)	(6,466,342)	(18,060,596)	(12,230,712)
<b>Net written premiums</b>	<b>77,635,413</b>	<b>39,281,929</b>	<b>368,904,304</b>	<b>251,453,099</b>
Change in net unearned premiums	40,696,413	23,273,855	(135,648,596)	(118,880,417)
<b>Net earned premiums</b>	<b>118,331,826</b>	<b>62,555,784</b>	<b>233,255,708</b>	<b>132,572,682</b>
Net claims paid	9 (59,096,587)	(10,639,741)	(100,215,185)	(41,769,357)
Change in net outstanding claims	(50,079,512)	(35,918,485)	(104,564,433)	(44,445,720)
<b>Net claims incurred</b>	<b>(109,176,099)</b>	<b>(46,558,226)</b>	<b>(204,779,618)</b>	<b>(86,215,077)</b>
Gross acquisition costs	(31,938,699)	(14,394,899)	(47,241,791)	(33,934,563)
Supervision and inspection fees	(454,597)	(237,558)	(1,951,817)	(1,332,940)
Commissions on retroceded business	1,144,829	1,654,856	1,570,644	2,304,020
<b>Net acquisition costs</b>	<b>(31,248,467)</b>	<b>(12,977,601)</b>	<b>(47,622,964)</b>	<b>(32,963,483)</b>
Change in premium deficiency reserve	10,261,434	-	22,210,175	-
<b>Net underwriting results</b>	<b>(11,831,306)</b>	<b>3,019,957</b>	<b>3,063,301</b>	<b>13,394,122</b>
Realized (losses)/gains on investments held at fair value through income statement	7 -	(9,732)	-	31,939
Unrealized gains/(losses) on investments held at fair value through income statement	7 784,579	(436,731)	1,625,337	(268,993)
Other income	-	-	-	102,638
Investment management expenses	(46,749)	(65,807)	(90,041)	(79,943)
General and administrative expenses	(7,813,799)	(4,728,091)	(13,581,010)	(9,975,327)
<b>Net (deficit) surplus from reinsurance operations</b>	<b>(18,907,275)</b>	<b>(2,220,404)</b>	<b>(8,982,413)</b>	<b>3,204,436</b>
Shareholders' appropriation from reinsurance operations' surplus	18,907,275	2,220,404	8,982,413	(2,883,992)
<b>Reinsurance operations' surplus after shareholders' appropriation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>320,444</b>
<b>Accumulated surplus at the beginning of the period</b>	<b>-</b>	<b>-</b>	<b>932,077</b>	<b>-</b>
<b>Accumulated surplus at the end of the period</b>	<b>-</b>	<b>-</b>	<b>932,077</b>	<b>320,444</b>




The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For The Three And Six Month Periods Ended 30 June 2014

(Unaudited)

	Notes	For the three month period ended		For the six month period ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
		SR	SR	SR	SR
Special commission income from time deposits		236,650	533,733	467,814	1,439,897
Special commission income from bonds and sukuk		2,192,636	2,121,644	4,398,237	4,539,175
Realized gains on investments held at fair value through income statement	7	1,176,129	8,495	1,281,070	8,495
Unrealized gains on investments held at fair value through income statement	7	13,219,765	588,479	29,989,851	11,644,408
Other Income		248,129	-	248,129	-
<b>Total revenues</b>		<b>17,073,309</b>	<b>3,252,351</b>	<b>36,385,101</b>	<b>17,631,975</b>
General and administrative expenses		(3,456,769)	(2,830,331)	(7,917,134)	(5,836,778)
Investment management expenses		(742,293)	(499,947)	(1,334,157)	(1,047,445)
Board of directors' remunerations, meeting fees and Expenses		(1,174,721)	(137,948)	(1,315,484)	(238,324)
Foreign exchange translation gains (losses)		-	449,114	(549,774)	(151,454)
Shareholders' appropriation from reinsurance operations' (deficit) surplus		(18,907,275)	(2,220,404)	(8,982,413)	2,883,992
<b>Net (loss) income for the period</b>		<b>(7,207,749)</b>	<b>(1,987,165)</b>	<b>16,286,139</b>	<b>13,241,966</b>
<b>Basic and diluted (loss) earnings per share for the period</b>	12	<b>(0.0721)</b>	<b>(0.0199)</b>	<b>0.1629</b>	<b>0.1324</b>
<b>Weighted average number of issued and outstanding shares</b>		<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>	<b>100,000,000</b>

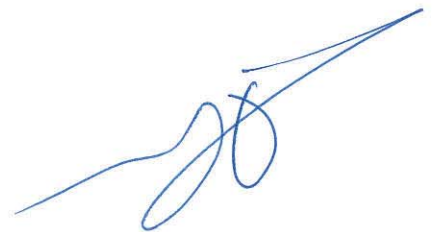
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**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS**

**For The Three And Six Month Periods Ended 30 June 2014**

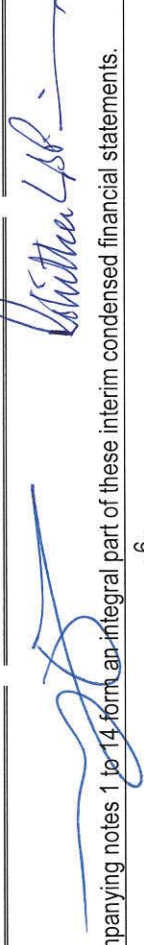
	(Unaudited)			
	For the three month period ended		For the six month period ended	
	30 June 2014 SR	30 June 2013 SR	30 June 2014 SR	30 June 2013 SR
Net (loss) income for the period	(7,207,749)	(1,987,165)	16,286,139	13,241,966
Other comprehensive loss: Items not to be reclassified subsequently to the income statement:				
Zakat and income tax	(3,718,040)	(5,152,229)	(8,130,588)	(10,206,820)
<b>Total comprehensive (loss) income for the period</b>	<b>(10,925,789)</b>	<b>(7,139,394)</b>	<b>8,155,551</b>	<b>3,035,146</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For The Period Ended 30 June 2014**

	GCC Shareholders and General Public			Non – GCC Shareholders			Total			
	Share capital	Statutory reserve	Accumulated deficit	Share capital	Statutory reserve	(Accumulated deficit) Retained earnings	Share capital	Statutory reserve	Accumulated deficit	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Balance as at 1 January 2013 (Audited)	941,000,000	5,712,740	(67,600,389)	59,000,000	358,184	505,112	1,000,000,000	6,070,924	(67,095,277)	938,975,647
Net income for the period	-	-	12,460,690	-	-	781,276	-	-	13,241,966	13,241,966
<b>Other comprehensive income</b>										
Zakat and income tax	-	-	(10,107,307)	-	-	(99,513)	-	-	(10,206,820)	(10,206,820)
Total comprehensive income for the period	-	-	2,353,383	-	-	681,763	-	-	3,035,146	3,035,146
Balance as at 30 June 2013 (Unaudited)	941,000,000	5,712,740	(65,247,006)	59,000,000	358,184	1,186,875	1,000,000,000	6,070,924	(64,060,131)	942,010,793
Balance as at 1 January 2014 (Audited)	976,578,000	5,928,731	(182,167,515)	23,422,000	142,193	(2,131,386)	1,000,000,000	6,070,924	(184,298,901)	821,772,023
Transfer during the period	(1,813,000)	(11,007)	(1,824,007)	1,813,000	11,007	1,824,007	-	-	-	-
Net income for the period	-	-	15,875,158	-	-	410,981	-	-	16,286,139	16,286,139
<b>Other comprehensive income</b>										
Zakat and income tax	-	-	(8,062,707)	-	-	(67,881)	-	-	(8,130,588)	(8,130,588)
Total comprehensive income for the period	-	-	7,812,451	-	-	343,100	-	-	8,155,551	8,155,551
Balance as at 30 June 2014 (Unaudited)	974,765,000	5,917,724	(176,179,071)	25,235,000	153,200	35,721	1,000,000,000	6,070,924	(176,143,350)	829,927,574



The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.



**Saudi Reinsurance Company (A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF REINSURANCE OPERATIONS' CASH FLOWS**  
**For The Period Ended 30 June 2014**

	(Unaudited)	
	30 June 2014 SR	30 June 2013 SR
<b>OPERATING ACTIVITIES</b>		
Reinsurance operations' surplus after shareholders' appropriation	-	320,444
Adjustments for:		
Employees' end of service benefits	409,210	67,394
Depreciation	998,319	353,724
Realized gains on investments held at fair value through income statement	-	(31,939)
Unrealized (gains) losses on investments held at fair value through income statement	(1,625,337)	268,993
Loss from disposal of property and equipment	791,508	-
Shareholders' appropriation from reinsurance operations' surplus	(8,982,413)	2,883,992
Operating profit before changes in operating assets and liabilities	(8,408,713)	3,862,608
<b>Changes in operating assets and liabilities:</b>		
Premiums receivable, net	(53,070,076)	(35,517,024)
Retrocession balances receivable	(861,036)	(696,363)
Accrued insurance premiums	(119,652,889)	(81,427,408)
Retroceded share of unearned premiums	1,049,020	2,915,959
Retroceded share of outstanding claims	(12,223,265)	(5,730,144)
Deferred acquisition costs	(26,023,703)	(35,474,888)
Deferred excess of loss premiums	15,552,412	11,592,791
Prepaid expenses and other assets	(797,037)	(718,411)
Accounts payable	7,620,749	1,881,019
Retrocession balances payable	(7,615,523)	(3,265,617)
Accrued retroceded premiums	(2,298,373)	(418,387)
Gross unearned premiums	134,599,579	115,964,461
Gross outstanding claims	116,787,702	50,175,865
Premium deficiency reserves	(22,210,175)	-
Unearned commission income	(332,293)	(769,400)
Accrued expenses and other liabilities	(1,278,112)	(4,083,700)
<b>Net cash from operating activities</b>	<b>20,838,267</b>	<b>18,291,361</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(786,181)	(2,654,126)
Additions in investments held at fair value through income statement	(33,288,061)	-
Proceeds from disposal of property plant and equipment	33,171	-
Proceeds from investments held at fair value through income statement	25,420,286	17,507,643
<b>Net cash (used in) from investing activities</b>	<b>(8,620,785)</b>	<b>14,853,517</b>
<b>FINANCING ACTIVITY</b>		
Due from shareholders' operations	(8,760,853)	(29,443,070)
<b>Net cash used in financing activity</b>	<b>(8,760,853)</b>	<b>(29,443,070)</b>
<b>INCREASE IN CASH AND BANK BALANCES</b>	<b>3,456,629</b>	<b>3,701,808</b>
Cash and bank balances at the beginning of the period	5,268,638	582,850
<b>CASH AND BANK BALANCES AT THE END OF THE PERIOD</b>	<b>8,725,267</b>	<b>4,284,658</b>




The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For The Period Ended 30 June 2014

	(Unaudited)	
	30 June 2014 SR	30 June 2013 SR
<b>OPERATING ACTIVITIES</b>		
Net income for the period	16,286,139	13,241,966
Adjustments for:		
Realized gains on investments held at fair value through income statement	(1,281,070)	(8,495)
Unrealized gains on investments held at fair value through income statement	(29,989,851)	(11,644,408)
Shareholders' appropriation from reinsurance operations' surplus	8,982,413	(2,883,992)
Operating deficit before changes in operating assets and liabilities	(6,002,369)	(1,294,929)
<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses and other assets	(633,932)	(631,432)
Accrued expenses and other liabilities	1,366,373	(1,511,120)
Accounts Payable	(500,000)	1,347,133
Zakat and income tax paid	(12,928,634)	(14,451,676)
<b>Net cash used in operating activities</b>	<b>(18,698,562)</b>	<b>(16,542,024)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(450,736)	(2,085,452)
Accrued special commission income from time deposits	(467,814)	(89,898)
Accrued special commission income from bonds and sukuk	(816,134)	(161,778)
Additions in investments held at fair value through income statement	(207,953,605)	(148,570,968)
Proceeds from investments held at fair value through income statement	153,260,953	-
Time deposits, net	(13,127,100)	150,000,000
Held to maturity investments	9,688,254	618,207
<b>Net cash used in investing activities</b>	<b>(59,866,182)</b>	<b>(289,889)</b>
<b>FINANCING ACTIVITY</b>		
Due to reinsurance operations	8,760,853	29,443,070
<b>Cash from financing activity</b>	<b>8,760,853</b>	<b>29,443,070</b>
<b>(DECREASE) INCREASE IN CASH AND BANK BALANCES</b>	<b>(69,803,891)</b>	<b>12,611,157</b>
Cash and bank balances at the beginning of the period	85,673,516	615,353
<b>CASH AND BANK BALANCES AT THE END OF THE PERIOD</b>	<b>15,869,625</b>	<b>13,226,510</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 June 2014

### 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010250125 dated 12 Jumad Al-Awal 1429H (corresponding to 17 May 2008). The address of the Company's registered office is at P.O. Box 30025, Riyadh 11372, Al Wadi, Northern Ring Road West, Exit 7, Building 4130, Riyadh, Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative reinsurance and related activities inside and outside the Kingdom of Saudi Arabia.

### 2. BASIS OF PREPARATION

The interim condensed financial statements for the three and six month periods ended 30 June 2014 have been prepared in accordance with International Accounting Standard (IAS 34) – "Interim Financial Reporting".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's financial statements as at 31 December 2013.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The Company's interim results may not be indicative of its annual results.

### 3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting and risk management policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2013 except for the adoption of the following amendments to existing standard mentioned below:

#### *IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments have no impact the Company's financial position.

#### **New standard issued but not yet effective:**

The Company has chosen not to early adopt the following new standard to the International Financial Reporting Standards

#### *IFRS 9 Financial Instruments: Classification and Measurement*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9, Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, has been deferred till indefinite period of time by the IASB. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2014

### 4. PREMIUM RECEIVABLES, NET

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Premium receivable	127,119,987	72,815,780
Allowance for doubtful receivables	(3,557,288)	(2,323,157)
	<u>123,562,699</u>	<u>70,492,623</u>

### 5. TIME DEPOSITS

Time deposits represent deposits with banks with investment grade credit ratings and have maturity period of more than three months from the date of original placement. Such deposits earn special commission at an average effective commission rate of 2.12% per annum (31 December 2013: 2.5% per annum).

### 6. STATUTORY DEPOSIT

The Company has deposited an amount of SR 100 million (31 December 2013: SR 100 million) with a local bank representing the statutory deposit of 10% of its paid-up capital as required by the Implementing Regulations of the "Law On Supervision of Cooperative Insurance Companies" issued by the Saudi Arabian Monetary Agency (SAMA). This statutory deposit cannot be withdrawn without the consent of the SAMA.

### 7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT

i. Investments held at fair value through income statement consist of the following as at:

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Bond portfolios	26,344,256	300,955,460	-	156,796,858
Equity portfolios	-	180,849,452	-	164,109,001
Funds	78,478,015	159,301,145	95,329,159	234,236,625
Sukuk	-	40,037,070	-	40,037,070
Total investments	<u>104,822,271</u>	<u>681,143,127</u>	<u>95,329,159</u>	<u>595,179,554</u>

ii. Determination of fair value and fair values hierarchy:

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2014

### 7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

As at 30 June 2014 and 31 December 2013, all financial instruments under reinsurance operations which are measured at fair value are Level 1 instruments. The following table shows an analysis of financial instruments under shareholders' operations measured at fair value by level of the fair value hierarchy:

	30 June 2014 (Unaudited)			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Bond portfolios	300,955,460	-	-	300,955,460
Equity portfolios	180,849,452	-	-	180,849,452
Funds	134,301,145	-	25,000,000	159,301,145
Sukuk	-	-	40,037,070	40,037,070
	<u>616,106,057</u>	<u>-</u>	<u>65,037,070</u>	<u>681,143,127</u>
	31 December 2013 (Audited)			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Bond portfolios	156,796,858	-	-	156,796,858
Equity portfolios	164,109,001	-	-	164,109,001
Funds	209,236,625	-	25,000,000	234,236,625
Sukuk	-	-	40,037,070	40,037,070
	<u>530,142,484</u>	<u>-</u>	<u>65,037,070</u>	<u>595,179,554</u>

The fair value of level 3 real estate funds and sukuk portfolio was determined using valuation techniques that require significant management judgments in determining appropriate assumptions including commission rates and estimated cash flows.

- iii. There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the period 30 June 2014 and year ended 31 December 2013.
- iv. The movements of investments held at fair value through income statement are as follows:

	For the six month period ended 30 June 2014 (Unaudited)		For the year ended 31 December 2013 (Audited)	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Opening balance	95,329,159	595,179,554	83,244,130	445,743,014
Additions	33,288,061	207,953,605	60,268,130	242,129,034
Disposals	(25,420,286)	(153,260,953)	(48,879,720)	(136,069,250)
Unrealized gains	1,625,337	29,989,851	657,960	41,700,233
Realized gains	-	1,281,070	38,659	1,676,523
<b>Ending balance</b>	<u>104,822,271</u>	<u>681,143,127</u>	<u>95,329,159</u>	<u>595,179,554</u>

Investments under reinsurance and shareholders' operations include SR 4.2 million and SR 18.8 million respectively as at 30 June 2014 (31 December 2013: 12.3 million and SR 4.2 million respectively) cash deposits with reputable banks. These funds are placed by the Company with the assets managers and are independently operated by them. These funds are expected to be invested in the subsequent periods.

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2014

### 8. HELD TO MATURITY INVESTMENTS

Held to maturity investments represent debt instruments with a 4 to 10 year time horizon yielding an average special commission of 4.45% per annum (31 December 2013: 4.35% per annum). For fair value hierarchy, for disclosure purpose, held to maturity investments are classified as level 3. The fair value of held to maturity investments amounted to SR 173,607,741 (31 December 2013: SR 183,878,544).

### 9. NET CLAIMS PAID

	For the three month period ended		For the six month period ended	
	30 June 2014 (Unaudited) SR	30 June 2013 (Unaudited) SR	30 June 2014 (Unaudited) SR	30 June 2013 (Unaudited) SR
Gross claims paid	64,658,178	13,472,732	112,781,972	48,315,322
Retroceded share of claims paid	(5,561,591)	(2,832,991)	(12,566,787)	(6,545,965)
<b>Net claims paid</b>	<b>59,096,587</b>	<b>10,639,741</b>	<b>100,215,185</b>	<b>41,769,357</b>

### 10. RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the period and balances at the end of the period/ year:

Related party	Nature of transactions	Amounts of transactions for the six month period ended		Balance as at	
		30 June 2014 (Unaudited) SR	30 June 2013 (Unaudited) SR	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Board of directors	Consulting fees	190,996	178,277	-	-
	Remunerations	1,020,000	-	-	248,129
	Meeting fees and expenses	295,484	238,324	-	-
Key management personnel	Short term benefits	5,163,918	3,631,584	1,265,738	2,173,000
	End of service benefits	220,426	108,826	673,571	446,650

Balances with related parties are included in accrued expenses and other liabilities as shown in the interim statement of financial position.

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

30 June 2014

**11. SEGMENTAL INFORMATION**

Consistent with the Company's internal reporting process, business and geographical segments have been approved by the Management Committee in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include realized and unrealized gains on investments held at fair value through income statement, other income, investment management expenses and all general and administrative expenses and depreciation.

Segment assets do not include cash and bank balances of reinsurance operations, investments held at fair value through income statement, prepaid expenses and other assets, due from shareholders' operations and property and equipment, net.

Segment liabilities do not include surplus distribution payable, accrued expenses and other liabilities and employees' end of service benefits.

**11.1 Business segments**

The Company revises periodically its estimated gross written premiums and related retroceded premium upon receipt of actual information from cedants. In some business segments, this results in negative gross written premiums, positive retroceded premiums and negative net written premiums for the period when the revision took place.

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Others SR	Total SR
<b>For the three month period ended</b>							
30 June 2014 (Unaudited)							
<b>Reinsurance operations' results</b>							
Gross written premiums	14,246,539	34,283,835	3,289,640	3,336,648	16,235,502	19,527,310	90,919,474
Retroceded premiums	(2,822,977)	(746,241)	(187,605)	-	(376)	(74,165)	(3,831,384)
Excess of loss expenses	(2,061,399)	(6,467,867)	(359,944)	(195,007)	-	(367,960)	(9,452,677)
<b>Net written premiums</b>	<b>9,361,663</b>	<b>27,069,727</b>	<b>2,742,091</b>	<b>3,141,641</b>	<b>16,235,126</b>	<b>19,085,165</b>	<b>77,635,413</b>
Change in net unearned premiums	7,101,826	16,070,856	9,225,398	6,397,038	6,241,288	(4,339,993)	40,696,413
<b>Net earned premiums</b>	<b>16,463,489</b>	<b>43,140,583</b>	<b>11,967,489</b>	<b>9,538,679</b>	<b>22,476,414</b>	<b>14,745,172</b>	<b>118,331,826</b>
Net claims paid	(3,430,425)	(36,560,878)	(2,789,845)	(6,128,880)	(10,218,440)	31,881	(59,096,587)
Change in net outstanding claims	(31,332,305)	14,186,670	(8,665,989)	(5,619,403)	(3,826,147)	(14,822,338)	(50,079,512)
<b>Net claims incurred</b>	<b>(34,762,730)</b>	<b>(22,374,208)</b>	<b>(11,455,834)</b>	<b>(11,748,283)</b>	<b>(14,044,587)</b>	<b>(14,790,457)</b>	<b>(109,176,099)</b>
Gross acquisition costs	(6,766,380)	(14,757,537)	(4,339,952)	(2,222,485)	(850,811)	(3,001,534)	(31,938,699)
Supervision and inspection fees	(71,232)	(171,419)	(16,448)	(16,683)	(81,177)	(97,638)	(454,597)
Commissions on retroceded business	585,854	295,344	153,758	-	263	109,610	1,144,829
<b>Net acquisition costs</b>	<b>(6,251,758)</b>	<b>(14,633,612)</b>	<b>(4,202,642)</b>	<b>(2,239,168)</b>	<b>(931,725)</b>	<b>(2,989,562)</b>	<b>(31,248,467)</b>
Change in premium deficiency reserve	(12,073,113)	9,261,475	(1,557,631)	(1,467,614)	12,080,095	4,018,222	10,261,434
<b>Net underwriting results</b>	<b>(36,624,112)</b>	<b>15,394,238</b>	<b>(5,248,618)</b>	<b>(5,916,386)</b>	<b>19,580,197</b>	<b>983,375</b>	<b>(11,831,306)</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
**30 June 2014**

11. SEGMENTAL INFORMATION (continued)

11.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor* SR	Life SR	Others SR	Total SR
For the three month period ended							
30 June 2013 (Unaudited)							
<b>Reinsurance operations' results</b>							
Gross written premiums	20,053,705	27,858,164	2,849,121	(24,026,941)	9,979,527	10,798,012	47,511,588
Retroceded premiums	(1,400,266)	(208,268)	(85,200)	-	-	(69,584)	(1,763,317)
Excess of loss expenses	(1,206,287)	(3,278,093)	(925,759)	(46,124)	(637,923)	(372,156)	(6,466,342)
<b>Net written premiums</b>	17,447,153	24,371,803	1,838,162	(24,073,065)	9,341,604	10,356,272	39,281,929
Change in net unearned premiums	(4,179,671)	703,002	7,066,763	28,771,786	(4,910,750)	(4,177,275)	23,273,855
<b>Net earned premiums</b>	13,267,482	25,074,805	8,904,925	4,698,721	4,430,854	6,178,997	62,555,784
Net claims paid	(1,320,424)	(4,861,667)	(1,995,067)	(861,705)	(1,180,778)	(420,100)	(10,639,741)
Change in net outstanding claims	(4,609,978)	(25,942,245)	(2,296,107)	(131,141)	(1,695,080)	(1,243,934)	(35,918,485)
<b>Net claims incurred</b>	(5,930,402)	(30,803,912)	(4,291,174)	(992,846)	(2,875,858)	(1,664,034)	(46,558,226)
Gross acquisition costs	(4,152,156)	(7,266,814)	(1,894,249)	845,396	(236,601)	(1,690,475)	(14,394,899)
Supervision and inspection fees	(100,269)	(139,291)	(14,245)	120,135	(49,898)	(53,990)	(237,558)
Commissions on retroceded business	1,075,887	118,505	296,963	-	30,377	133,124	1,654,856
<b>Net acquisition costs</b>	(3,176,538)	(7,287,600)	(1,611,531)	965,531	(256,122)	(1,611,341)	(12,977,601)
Change in premium deficiency reserve	-	-	-	-	-	-	-
<b>Net underwriting results</b>	4,160,542	(13,016,707)	3,002,220	4,671,406	1,298,874	2,903,622	3,019,957

\*Motor gross written premiums are negative for the three month period ended 30 June 2013 due to the reversal of gross written premiums relating to the cancellation of a significant motor quota share treaty issued during the first quarter of 2013.



## Saudi Reinsurance Company (A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2014

#### 11. SEGMENTAL INFORMATION (continued)

##### 11.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Others SR	Total SR
For the six month period ended							
30 June 2014 (Unaudited)							
<b>Reinsurance operations' results</b>							
Gross written premiums	56,117,399	145,873,356	38,900,883	16,253,221	76,008,403	57,210,117	390,363,379
Retroceded premiums	(3,824,153)	(231,552)	232,123	-	(506)	425,609	(3,398,479)
Excess of loss expenses	(4,123,798)	(11,259,262)	(719,888)	(390,013)	(831,714)	(735,921)	(18,060,596)
<b>Net written premiums</b>	48,169,448	134,382,542	38,413,118	15,863,208	75,176,183	56,899,805	368,904,304
Change in net unearned premiums	(11,926,362)	(49,430,198)	(13,535,191)	7,203,896	(42,832,299)	(25,128,442)	(135,648,596)
<b>Net earned premiums</b>	36,243,086	84,952,344	24,877,927	23,067,104	32,343,884	31,771,363	233,255,708
Net claims paid	(5,915,454)	(59,385,340)	(6,486,195)	(13,617,898)	(12,018,031)	(2,792,267)	(100,215,185)
Change in net outstanding claims	(35,731,997)	(12,697,521)	(11,969,603)	(11,624,186)	(9,401,334)	(23,139,792)	(104,564,433)
<b>Net claims incurred</b>	(41,647,451)	(72,082,861)	(18,455,798)	(25,242,084)	(21,419,365)	(25,932,059)	(204,779,618)
Gross acquisition costs	(8,892,494)	(21,709,182)	(6,357,084)	(3,927,977)	(1,327,198)	(5,027,856)	(47,241,791)
Supervision and inspection fees	(280,586)	(729,367)	(194,505)	(81,266)	(380,042)	(286,051)	(1,951,817)
Commissions on retroceded business	1,011,306	448,631	92,082	-	14,553	4,072	1,570,644
<b>Net acquisition costs</b>	(8,161,774)	(21,989,918)	(6,459,507)	(4,009,243)	(1,692,687)	(5,309,835)	(47,622,964)
Change in premium deficiency reserve	(10,971,071)	14,554,703	226,779	2,144,215	12,842,441	3,413,108	22,210,175
<b>Net underwriting results</b>	(24,537,210)	5,434,268	189,401	(4,040,008)	22,074,273	3,942,577	3,063,301

## Saudi Reinsurance Company (A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2014

#### 11. SEGMENTAL INFORMATION (continued)

##### 11.1 Business segments (continued)

For the six month period ended

30 June 2013 (Unaudited)

##### Reinsurance operations' results

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Others SR	Total SR
Gross written premiums	48,276,288	105,552,067	31,320,436	40,534,864	17,146,272	23,758,082	266,588,009
Retroceded premiums	(2,438,829)	(194,127)	(146,056)	-	-	(125,186)	(2,904,198)
Excess of loss expenses	(1,614,405)	(7,123,012)	(1,974,124)	(91,740)	(637,923)	(789,508)	(12,230,712)
<b>Net written premiums</b>	<b>44,223,054</b>	<b>98,234,928</b>	<b>29,200,256</b>	<b>40,443,124</b>	<b>16,508,349</b>	<b>22,843,388</b>	<b>251,453,099</b>
Change in net unearned premiums	(20,299,409)	(48,051,978)	(10,508,781)	(23,895,969)	(6,834,077)	(9,290,203)	(118,880,417)
<b>Net earned premiums</b>	<b>23,923,645</b>	<b>50,182,950</b>	<b>18,691,475</b>	<b>16,547,155</b>	<b>9,674,272</b>	<b>13,553,185</b>	<b>132,572,682</b>
Net claims paid	(2,147,986)	(16,571,134)	(3,626,089)	(2,727,345)	(1,248,530)	(15,448,273)	(41,769,357)
Change in net outstanding claims	(5,881,000)	(34,048,058)	(4,909,010)	(7,484,444)	(2,129,502)	10,006,294	(44,445,720)
<b>Net claims incurred</b>	<b>(8,028,986)</b>	<b>(50,619,192)</b>	<b>(8,535,099)</b>	<b>(10,211,789)</b>	<b>(3,378,032)</b>	<b>(5,441,979)</b>	<b>(86,215,077)</b>
Gross acquisition costs	(8,272,261)	(14,833,923)	(5,253,165)	(2,116,936)	(435,786)	(3,022,492)	(33,934,563)
Supervision and inspection fees	(241,381)	(527,760)	(156,602)	(202,674)	(85,731)	(118,792)	(1,332,940)
Commissions on retroceded business	1,702,551	153,899	281,505	-	30,377	135,688	2,304,020
<b>Net acquisition costs</b>	<b>(6,811,091)</b>	<b>(15,207,784)</b>	<b>(5,128,262)</b>	<b>(2,319,610)</b>	<b>(491,140)</b>	<b>(3,005,596)</b>	<b>(32,963,483)</b>
Change in premium deficiency reserve	-	-	-	-	-	-	-
<b>Net underwriting results</b>	<b>9,083,568</b>	<b>(15,644,026)</b>	<b>5,028,114</b>	<b>4,015,756</b>	<b>5,805,100</b>	<b>5,105,610</b>	<b>13,394,122</b>

**Saudi Reinsurance Company (A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

30 June 2014

11. SEGMENTAL INFORMATION (continued)

11.1 Business segments (continued)

As at 30 June 2014 (Unaudited)

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Others SR	Total SR
Segment assets	124,359,995	239,258,335	61,914,646	19,482,698	106,335,052	56,636,217	607,986,943
Segment liabilities	211,757,284	413,540,521	65,908,299	56,788,158	73,017,084	92,041,483	913,052,829

As at 31 December 2013 (Audited)

Segment assets	103,527,160	166,836,664	41,668,488	36,199,379	45,316,934	19,208,781	412,757,406
Segment liabilities	157,268,596	355,912,832	41,327,375	55,423,795	31,057,348	45,552,034	686,541,980

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2014

### 11. SEGMENTAL INFORMATION (continued)

#### 11.2 Geographical segments

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Total SR
For the three month period ended 30 June 2014 (Unaudited)					
<b>Reinsurance operations' results</b>					
Gross written premiums	30,299,329	8,106,074	9,611,040	42,903,031	90,919,474
Retroceded premiums	(3,281,764)	(462,723)	(86,897)	-	(3,831,384)
Excess of loss expenses	(6,057,639)	(1,027,962)	(766,928)	(1,600,148)	(9,452,677)
<b>Net written premiums</b>	<b>20,959,926</b>	<b>6,615,389</b>	<b>8,757,215</b>	<b>41,302,883</b>	<b>77,635,413</b>
Change in net unearned premiums	37,871,363	10,973,105	13,279,721	(21,427,776)	40,696,413
<b>Net earned premiums</b>	<b>58,831,289</b>	<b>17,588,494</b>	<b>22,036,936</b>	<b>19,875,107</b>	<b>118,331,826</b>
Net claims paid	(46,055,965)	(7,078,161)	(8,724,577)	2,762,116	(59,096,587)
Change in net outstanding claims	(7,348,964)	(7,993,007)	(9,486,059)	(25,251,482)	(50,079,512)
<b>Net claims incurred</b>	<b>(53,404,929)</b>	<b>(15,071,168)</b>	<b>(18,210,636)</b>	<b>(22,489,366)</b>	<b>(109,176,099)</b>
Gross acquisition costs	(16,232,833)	(4,303,460)	(6,345,406)	(5,057,000)	(31,938,699)
Supervision and inspection fees	(151,495)	(40,532)	(48,055)	(214,515)	(454,597)
Commissions on retroceded business	968,178	157,652	18,999	-	1,144,829
<b>Net acquisition costs</b>	<b>(15,416,150)</b>	<b>(4,186,340)</b>	<b>(6,374,462)</b>	<b>(5,271,515)</b>	<b>(31,248,467)</b>
Change in premium deficiency reserve	14,190,869	203,964	1,010,124	(5,143,523)	10,261,434
<b>Net underwriting results</b>	<b>4,201,079</b>	<b>(1,465,050)</b>	<b>(1,538,038)</b>	<b>(13,029,297)</b>	<b>(11,831,306)</b>

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Total SR
For the three month period ended 30 June 2013 (Unaudited)					
<b>Reinsurance operations' results</b>					
Gross written premiums	(3,704,513)	13,384,003	6,670,752	31,161,346	47,511,588
Retroceded premiums	(1,013,456)	(704,651)	(45,210)	-	(1,763,317)
Excess of loss expenses	(4,472,664)	(1,206,045)	(571,630)	(216,003)	(6,466,342)
<b>Net written premiums</b>	<b>(9,190,633)</b>	<b>11,473,307</b>	<b>6,053,912</b>	<b>30,945,343</b>	<b>39,281,929</b>
Change in net unearned premiums	44,227,811	1,567,049	444,316	(22,965,321)	23,273,855
<b>Net earned premiums</b>	<b>35,037,178</b>	<b>13,040,356</b>	<b>6,498,228</b>	<b>7,980,022</b>	<b>62,555,784</b>
Net claims paid	(7,748,364)	(2,200,363)	(364,872)	(326,142)	(10,639,741)
Change in net outstanding claims	(26,860,200)	(571,574)	(2,156,940)	(6,329,771)	(35,918,485)
<b>Net claims incurred</b>	<b>(34,608,564)</b>	<b>(2,771,937)</b>	<b>(2,521,812)</b>	<b>(6,655,913)</b>	<b>(46,558,226)</b>
Gross acquisition costs	(8,073,949)	(3,069,592)	(1,334,547)	(1,916,811)	(14,394,899)
Supervision and inspection fees	18,522	(66,920)	(33,354)	(155,806)	(237,558)
Commissions on retroceded business	1,366,408	261,701	26,747	-	1,654,856
<b>Net acquisition costs</b>	<b>(6,689,019)</b>	<b>(2,874,811)</b>	<b>(1,341,154)</b>	<b>(2,072,617)</b>	<b>(12,977,601)</b>
Change in premium deficiency reserve	-	-	-	-	-
<b>Net underwriting results</b>	<b>(6,260,405)</b>	<b>7,393,608</b>	<b>2,635,262</b>	<b>(748,508)</b>	<b>3,019,957</b>

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2014

### 11. SEGMENTAL INFORMATION (continued)

#### 11.2 Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Total SR
For the six month period ended 30 June 2014 (Unaudited)					
<b>Reinsurance operations' results</b>					
Gross written premiums	198,765,240	59,521,924	43,096,412	88,979,803	390,363,379
Retroceded premiums	(2,989,958)	(374,071)	(34,450)	-	(3,398,479)
Excess of loss expenses	(10,567,692)	(2,933,047)	(1,989,372)	(2,570,485)	(18,060,596)
<b>Net written premiums</b>	<b>185,207,590</b>	<b>56,214,806</b>	<b>41,072,590</b>	<b>86,409,318</b>	<b>368,904,304</b>
Change in net unearned premiums	(63,911,093)	(10,977,598)	(11,591,017)	(49,168,888)	(135,648,596)
<b>Net earned premiums</b>	<b>121,296,497</b>	<b>45,237,208</b>	<b>29,481,573</b>	<b>37,240,430</b>	<b>233,255,708</b>
Net claims paid	(77,525,883)	(10,860,482)	(9,443,989)	(2,384,831)	(100,215,185)
Change in net outstanding claims	(31,868,469)	(24,722,174)	(12,070,249)	(35,903,541)	(104,564,433)
<b>Net claims incurred</b>	<b>(109,394,352)</b>	<b>(35,582,656)</b>	<b>(21,514,238)</b>	<b>(38,288,372)</b>	<b>(204,779,618)</b>
Gross acquisition costs	(23,799,988)	(7,119,626)	(8,201,260)	(8,120,917)	(47,241,791)
Supervision and inspection fees	(993,826)	(297,610)	(215,482)	(444,899)	(1,951,817)
Commissions on retroceded business	1,239,965	339,697	(9,018)	-	1,570,644
<b>Net acquisition costs</b>	<b>(23,553,849)</b>	<b>(7,077,539)</b>	<b>(8,425,760)</b>	<b>(8,565,816)</b>	<b>(47,622,964)</b>
Change in premium deficiency reserve	21,562,100	2,037,786	2,198,131	(3,587,842)	22,210,175
<b>Net underwriting results</b>	<b>9,910,396</b>	<b>4,614,799</b>	<b>1,739,706</b>	<b>(13,201,600)</b>	<b>3,063,301</b>

For the six month period ended 30 June 2013 (Unaudited)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Total SR
<b>Reinsurance operations' results</b>					
Gross written premiums	155,143,512	39,510,398	30,664,939	41,269,160	266,588,009
Retroceded premiums	(1,912,098)	(917,888)	(74,212)	-	(2,904,198)
Excess of loss expenses	(8,139,298)	(1,086,145)	(2,138,886)	(866,383)	(12,230,712)
<b>Net written premiums</b>	<b>145,092,116</b>	<b>37,506,365</b>	<b>28,451,841</b>	<b>40,402,777</b>	<b>251,453,099</b>
Change in net unearned premiums	(65,606,204)	(11,013,048)	(16,279,925)	(25,981,240)	(118,880,417)
<b>Net earned premiums</b>	<b>79,485,912</b>	<b>26,493,317</b>	<b>12,171,916</b>	<b>14,421,537</b>	<b>132,572,682</b>
Net claims paid	(16,476,902)	(4,246,264)	(4,874,822)	(16,171,369)	(41,769,357)
Change in net outstanding claims	(43,782,648)	(5,184,962)	(1,163,694)	5,685,584	(44,445,720)
<b>Net claims incurred</b>	<b>(60,259,550)</b>	<b>(9,431,226)</b>	<b>(6,038,516)</b>	<b>(10,485,785)</b>	<b>(86,215,077)</b>
Gross acquisition costs	(21,015,936)	(6,349,795)	(3,181,955)	(3,386,877)	(33,934,563)
Supervision and inspection fees	(775,718)	(197,552)	(153,325)	(206,345)	(1,332,940)
Commissions on retroceded business	1,896,368	356,602	51,050	-	2,304,020
<b>Net acquisition costs</b>	<b>(19,895,286)</b>	<b>(6,190,745)</b>	<b>(3,284,230)</b>	<b>(3,593,222)</b>	<b>(32,963,483)</b>
Change in premium deficiency reserve	-	-	-	-	-
<b>Net underwriting results</b>	<b>(668,924)</b>	<b>10,871,346</b>	<b>2,849,170</b>	<b>342,530</b>	<b>13,394,122</b>

# Saudi Reinsurance Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) 30 June 2014

### 11. SEGMENTAL INFORMATION (continued)

#### 11.2 Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Total SR
<b>As at 30 June 2014 (Unaudited)</b>					
<b>Reinsurance operations</b>					
Segment assets	385,942,370	79,060,701	45,958,602	97,025,270	607,986,943
Segment liabilities	547,345,256	148,579,415	66,615,043	150,513,115	913,052,829
<b>As at 31 December 2013 (Audited)</b>					
<b>Reinsurance operations</b>					
Segment assets	282,957,953	59,283,701	33,769,136	36,746,616	412,757,406
Segment liabilities	475,410,789	109,832,941	39,632,655	61,665,595	686,541,980

### 12. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share for the three and six month periods ended 30 June 2014 and 2013 have been calculated by dividing net income (loss) for the period by the weighted average number of ordinary issued and outstanding shares at the end of the periods.

### 13. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's management believe that the carrying value of all financial assets and liabilities, other than those disclosed in note 8 above, approximate their fair values at the interim condensed financial statements date.

### 14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 21 Ramadan 1435H corresponding to 18 July 2014.