
SAUDI REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**

Saudi Reinsurance Company (A Saudi Joint Stock Company)

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

For The Three Month Period Ended 31 March 2014

INDEX	PAGES
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT	1
INTERIM STATEMENT OF FINANCIAL POSITION	2
INTERIM STATEMENT OF REINSURANCE OPERATIONS AND ACCUMULATED SURPLUS	3
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS	4
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS	5
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	6
INTERIM STATEMENT OF REINSURANCE OPERATIONS' CASH FLOWS	7
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS	8
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS	9 - 17



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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 31 March 2014 and the related interim statements of reinsurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive operations, changes in shareholders' equity, reinsurance operations' cash flows and shareholders' cash flows for the three 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 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.

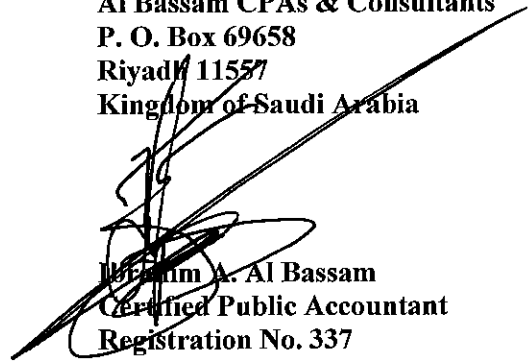
**Ernst & Young
P. O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia**

**Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354**



**Al Bassam CPAs & Consultants
P. O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia**

**Muhammad A. Al Bassam
Certified Public Accountant
Registration No. 337**



16 Jumad Thani 1435H
(16 April 2014)



Saudi Reinsurance Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
REINSURANCE OPERATIONS' ASSETS			
Cash and bank balances		9,521,120	5,268,638
Premium receivables, net	4	107,038,725	70,492,623
Retrocession balances receivable		3,176,235	-
Investments held at fair value through income statement	7	104,037,692	95,329,159
Accrued insurance premiums		300,691,829	164,869,180
Retroceded share of unearned premiums		1,099,197	2,344,151
Retroceded share of outstanding claims		80,938,977	104,888,575
Deferred acquisition costs		93,693,095	54,445,929
Deferred excess of loss premiums		7,940,747	15,716,948
Prepaid expenses and other assets		1,352,505	1,069,002
Due from shareholders' operations		168,088,315	173,315,949
Property and equipment, net		6,592,434	7,337,119
TOTAL REINSURANCE OPERATIONS' ASSETS		884,170,871	695,077,273
SHAREHOLDERS' ASSETS			
Cash and bank balances		18,990,378	85,673,516
Time deposits	5	37,500,000	37,500,000
Accrued special commission income from time deposits		1,271,405	1,040,241
Accrued special commission income from bonds and sukuk		1,437,380	3,295,158
Investments held at fair value through income statement	7	680,636,805	595,179,554
Held to maturity investments	8	173,833,868	173,995,409
Prepaid expenses and other assets		6,099,965	5,738,119
Statutory deposit	6	100,000,000	100,000,000
Property and equipment		33,295,070	32,991,742
TOTAL SHAREHOLDERS' ASSETS		1,053,064,871	1,035,413,739
TOTAL ASSETS		1,937,235,742	1,730,491,012
REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Accounts payable		14,514,691	8,143,048
Retrocession balances payable		-	7,615,523
Accrued retroceded premiums		2,130,143	4,463,127
Gross unearned premiums		390,125,125	215,025,067
Gross outstanding claims		454,811,829	424,276,504
Premium deficiency reserve		14,218,259	26,167,000
Unearned commission income		489,062	810,894
Accrued expenses and other liabilities		3,956,701	5,923,389
Employees' end of service benefits		2,000,497	1,720,644
TOTAL REINSURANCE OPERATIONS' LIABILITIES		882,246,307	694,145,196
REINSURANCE OPERATIONS' SURPLUS		1,924,564	932,077
Accumulated surplus		1,924,564	932,077
TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS		884,170,871	695,077,273
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accounts payable		-	500,000
Provision for zakat and income tax		37,597,146	33,184,598
Due to reinsurance operations		168,088,315	173,315,949
Accrued expenses and other liabilities		7,518,530	6,641,169
TOTAL SHAREHOLDERS' LIABILITIES		213,203,991	213,641,716
SHAREHOLDERS' EQUITY			
Share capital		1,000,000,000	1,000,000,000
Statutory reserve		6,070,924	6,070,924
Accumulated deficit		(166,210,044)	(184,298,901)
TOTAL SHAREHOLDERS' EQUITY		839,860,880	821,772,023
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,053,064,871	1,035,413,739
TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,937,235,742	1,730,491,012

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 Month Period Ended 31 March 2014

		(Unaudited)	
		31 March 2014	31 March 2013
Notes		SR	SR
	Gross written premiums	299,443,905	219,076,421
	Retroceded premiums	432,905	(1,140,881)
	Excess of loss expenses	(8,607,919)	(5,764,370)
	Net written premiums	291,268,891	212,171,170
	Change in net unearned premiums	(176,345,009)	(142,154,272)
	Net earned premiums	114,923,882	70,016,898
	Net claims paid	(41,118,598)	(31,129,616)
9	Change in net outstanding claims	(54,484,921)	(8,527,235)
	Net claims incurred	(95,603,519)	(39,656,851)
	Gross acquisition costs	(15,303,092)	(19,539,664)
	Supervision and inspection fees	(1,497,220)	(1,095,382)
	Commissions on retroceded business	425,815	649,164
	Net acquisition costs	(16,374,497)	(19,985,882)
	Change in premium deficiency reserve	11,948,741	-
	Net underwriting results	14,894,607	10,374,165
	Realized gains on investments held at fair value through income statement	-	41,671
7	Unrealized gains on investments held at fair value through income statement	840,758	167,738
	Other income	-	102,638
	Investment management expenses	(43,292)	(14,136)
	General and administrative expenses	(5,767,207)	(5,247,237)
	Net surplus from reinsurance operations	9,924,866	5,424,839
	Shareholders' appropriation from reinsurance operations' surplus	(8,932,379)	(4,882,355)
	Reinsurance operations' surplus after shareholders' appropriation	992,487	542,484
	Accumulated surplus at the beginning of the period	932,077	932,077
	Accumulated surplus at the end of the period	1,924,564	1,474,561

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 Month Period Ended 31 March 2014

		(Unaudited)	
		31 March 2014	31 March 2013
Notes		SR	SR
	Special commission income from time deposits	231,164	906,165
	Special commission income from bonds and sukuk	2,085,891	2,417,531
7	Realized gains on investments held at fair value through income statement	104,941	-
7	Unrealized gains on investments held at fair value through income statement	16,889,796	11,055,929
	Total revenues	19,311,792	14,379,625
	General and administrative expenses	(4,455,738)	(3,006,449)
	Investment management expenses	(591,864)	(547,498)
	Board of directors' remunerations, meeting fees and expenses	(145,390)	(100,376)
	Foreign exchange translation losses	(549,774)	(600,568)
	Shareholders' appropriation from reinsurance operations 'surplus	8,932,379	4,882,355
	Net income for the period	22,501,405	15,007,089
	Basic and diluted earnings per share for the period	0.225	0.150
	Weighted average number of issued and outstanding shares	100,000,000	100,000,000

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' COMPREHENSIVE OPERATIONS

For The Three Month Period Ended 31 March 2014

	(Unaudited)	
	31 March 2014	31 March 2013
	SR	SR
Net income for the period	22,501,405	15,007,089
Other comprehensive income:		
Items not to be reclassified subsequently to the income statement:		
Zakat and income tax	(4,412,548)	(5,054,590)
Total comprehensive income for the period	<u>18,088,857</u>	<u>9,952,499</u>

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 Period Ended 31 March 2014

	GCC Shareholders and General Public			Non - GCC Shareholders			Total			
	Share capital SR	Statutory reserve SR	Accumulated deficit SR	Share capital SR	Statutory reserve SR	(Accumulated deficit) Retained earnings SR	Share capital SR	Statutory reserve SR	Accumulated deficit SR	Total 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	-	-	14,121,671	-	-	885,418	-	-	15,007,089	15,007,089
Other comprehensive income	-	-	(4,921,776)	-	-	(132,814)	-	-	(5,054,590)	(5,054,590)
Total comprehensive income for the period	-	-	9,199,895	-	-	752,604	-	-	9,952,499	9,952,499
Balance as at 31 March 2013	<u>941,000,000</u>	<u>5,712,740</u>	<u>(58,400,494)</u>	<u>59,000,000</u>	<u>358,184</u>	<u>1,257,716</u>	<u>1,000,000,000</u>	<u>6,070,924</u>	<u>(57,142,778)</u>	<u>948,928,146</u>
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	-	-	21,933,584	-	-	567,821	-	-	22,501,405	22,501,405
Other comprehensive income	-	-	(4,301,198)	-	-	(111,350)	-	-	(4,412,548)	(4,412,548)
Zakat and income tax	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	17,632,386	-	-	456,471	-	-	18,088,857	18,088,857
Balance as at 31 March 2014 (Unaudited)	<u>974,765,000</u>	<u>5,917,724</u>	<u>(166,359,136)</u>	<u>25,235,000</u>	<u>153,200</u>	<u>149,092</u>	<u>1,000,000,000</u>	<u>6,070,924</u>	<u>(166,210,044)</u>	<u>839,860,880</u>

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 Period Ended 31 March 2014

	(Unaudited)	
	31 March 2014 SR	31 March 2013 SR
OPERATING ACTIVITIES		
Reinsurance operations' surplus after shareholders' appropriation	992,487	542,484
Adjustments for:		
Employees' end of service benefits	279,853	107,736
Depreciation	477,897	180,713
Realized gains on investments held at fair value through income statement	-	(41,671)
Unrealized gains on investments held at fair value through income statement	(840,758)	(167,738)
Loss from disposal of property and equipment	824,503	-
Shareholders' appropriation from reinsurance operations' surplus	8,932,379	4,882,355
Operating profit before changes in operating assets and liabilities	10,666,361	5,503,879
Changes in operating assets and liabilities:		
Premiums receivable, net	(36,546,102)	(8,407,149)
Accrued insurance premiums	(135,822,649)	(113,604,020)
Retrocession balances receivable	(3,176,235)	(6,977,858)
Retroceded share of unearned premiums	1,244,954	1,287,994
Retroceded share of outstanding claims	23,949,598	2,299,014
Deferred acquisition costs	(39,247,166)	(38,896,159)
Deferred excess of loss premiums	7,776,201	5,764,371
Prepaid expenses and other assets	(283,503)	(334,825)
Accounts payable	6,371,643	1,881,019
Retrocession balances payable	(7,615,523)	(3,265,617)
Accrued retroceded premiums	(2,332,984)	(132,935)
Gross unearned premiums	175,100,058	140,866,278
Gross outstanding claims	30,535,325	6,228,221
Premium deficiency reserves	(11,948,741)	-
Unearned commission income	(321,832)	(359,804)
Accrued expenses and other liabilities	(1,966,688)	(1,154,162)
Employees' end of service benefits paid	-	(123,939)
Net cash from (used in) operating activities	16,382,717	(9,425,692)
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,767,270)	(857,125)
Additions in investments held at fair value through income statement	(33,288,061)	(24,994,669)
Proceeds from disposal of property plant and equipment	1,209,555	-
Proceeds from investments held at fair value through income statement	25,420,286	42,502,312
Net cash (used in) from investing activities	(8,425,490)	16,650,518
FINANCING ACTIVITY		
Due from shareholders' operations	(3,704,745)	(3,653,797)
Net cash used in financing activity	(3,704,745)	(3,653,797)
INCREASE IN CASH AND BANK BALANCES	4,252,482	3,571,029
Cash and bank balances at the beginning of the period	5,268,638	582,850
CASH AND BANK BALANCES AT THE END OF THE PERIOD	9,521,120	4,153,879

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 Period Ended 31 March 2014

	(Unaudited)	
	31 March 2014 SR	31 March 2013 SR
OPERATING ACTIVITIES		
Net income for the period	22,501,405	15,007,089
Adjustments for:		
Realized gains on investments held at fair value through income statement	(104,941)	-
Unrealized gains on investments held at fair value through income statement	(16,889,796)	(11,055,929)
Shareholders' appropriation from reinsurance operations' surplus	(8,932,379)	(4,882,355)
Operating deficit before changes in operating assets and liabilities	(3,425,711)	(931,195)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(361,846)	(304,071)
Accrued expenses and other liabilities	877,361	332,527
Accounts payable	(500,000)	-
Net cash used in operating activities	(3,410,196)	(902,739)
INVESTING ACTIVITIES		
Purchase of property and equipment	(303,328)	(66,920)
Accrued special commission income from time deposits	(231,164)	(906,165)
Accrued special commission income from bonds and sukuk	1,857,778	(500,078)
Additions in investments held at fair value through income statement, net	(68,462,514)	(2,149,218)
Held to maturity investments	161,541	848,828
Net cash used in investing activities	(66,977,687)	(2,773,553)
FINANCING ACTIVITY		
Due to reinsurance operations	3,704,745	3,653,797
Cash from financing activity	3,704,745	3,653,797
DECREASE IN CASH AND BANK BALANCES	(66,683,138)	(22,495)
Cash and bank balances at the beginning of the period	85,673,516	615,353
CASH AND BANK BALANCES AT THE END OF THE PERIOD	18,990,378	592,858

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)

As at 31 March 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 month period ended 31 March 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 are not expected to 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)

As at 31 March 2014

4. PREMIUMS RECEIVABLES, NET

	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Premium receivable	109,361,882	72,815,780
Allowance for doubtful receivables	(2,323,157)	(2,323,157)
	<u>107,038,725</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 2.5% 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:

	31 March 2014 (Unaudited)		31 December 2013 (Audited)	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Bond Portfolios	25,743,570	171,983,375	-	156,796,858
Equity Portfolios	-	174,228,814	-	164,109,001
Funds	78,294,122	294,387,547	95,329,159	234,236,625
Sukuk	-	40,037,069	-	40,037,070
Total investments	<u>104,037,692</u>	<u>680,636,805</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)

As at 31 March 2014

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

As at 31 March 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:

	31 March 2014 (Unaudited)			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Bond Portfolios	171,983,375	-	-	171,983,375
Equity Portfolios	174,228,814	-	-	174,228,814
Funds	269,387,547	-	25,000,000	294,387,547
Sukuk	-	-	40,037,069	40,037,069
	<u>615,599,736</u>	<u>-</u>	<u>65,037,069</u>	<u>680,636,805</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 31 March 2014 and year ended 31 December 2013.
- iv. The movements of investments held at fair value through income statement are as follows:

	For the three month period ended 31 March 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	131,334,420	60,268,130	242,129,034
Disposals	(25,420,286)	(62,871,906)	(48,879,720)	(136,069,250)
Unrealized gains	840,758	16,889,796	657,960	41,700,233
Realized gains	-	104,941	38,659	1,676,523
Ending balance	104,037,692	680,636,805	95,329,159	595,179,554

Investments under reinsurance and shareholders' operations include SR 2.7 million and SR 11.3 million respectively as at 31 March 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.

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 4.44% per annum (31 December 2013: 4.35% per annum). The fair value of held to maturity investments amounted to SR 183,542,822 (31 December 2013: SR 183,878,544).

Saudi Reinsurance Company (A Saudi Joint Stock Company)

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

As at 31 March 2014

9. NET CLAIMS PAID

	For the three month period ended	
	31 March 2014 (Unaudited) SR	31 March 2013 (Unaudited) SR
Gross claims paid	48,123,794	34,842,590
Retroceded share of claims paid	(7,005,196)	(3,712,974)
Net claims paid	41,118,598	31,129,616

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 three month period ended		Balance as at	
		31 March 2014 (Unaudited) SR	31 March 2013 (Unaudited) SR	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Board of directors	Consulting fees	92,168	87,944	-	-
	Remunerations	-	-	-	248,129
	Meeting fees and expenses	145,390	100,376	-	-
Key management personnel	Short term benefits	2,550,020	2,249,245	597,750	2,173,000
	End of service benefits	135,483	61,373	658,236	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)

As at 31 March 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 except 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
For the three month period ended							
31 March 2014 (Unaudited)							
Reinsurance operations' results							
Gross written premiums	41,870,860	111,589,521	35,611,243	12,916,573	59,772,901	37,682,807	299,443,905
Retroceded premiums	(1,001,176)	514,689	419,728	-	(130)	499,794	432,905
Excess of loss expenses	(2,061,899)	(4,791,395)	(359,944)	(195,006)	(831,714)	(367,961)	(8,607,919)
Net written premiums	38,807,785	107,312,815	35,671,027	12,721,567	58,941,057	37,814,640	291,268,891
Change in net unearned premiums	(19,028,188)	(65,501,054)	(22,760,589)	806,858	(49,073,587)	(20,788,449)	(176,345,009)
Net earned premiums	19,779,597	41,811,761	12,910,438	13,528,425	9,867,470	17,026,191	114,923,882
Net claims paid	(2,485,029)	(22,824,462)	(3,696,350)	(7,489,018)	(1,799,591)	(2,824,148)	(41,118,598)
Change in net outstanding claims	(4,399,692)	(26,884,191)	(3,303,614)	(6,004,783)	(5,575,187)	(8,317,454)	(54,484,921)
Net claims incurred	(6,884,721)	(49,708,653)	(6,999,964)	(13,493,801)	(7,374,778)	(11,141,602)	(95,603,519)
Gross acquisition costs	(2,126,114)	(6,951,645)	(2,017,132)	(1,705,492)	(476,387)	(2,026,322)	(15,303,092)
Supervision and inspection fees	(209,354)	(557,948)	(178,057)	(64,583)	(298,865)	(188,413)	(1,497,220)
Commissions on retroceded business	425,452	153,287	(61,676)	-	14,290	(105,538)	425,815
Net acquisition costs	(1,910,016)	(7,356,306)	(2,256,865)	(1,770,075)	(760,962)	(2,320,273)	(16,374,497)
Change in premium deficiency reserve	1,102,042	5,293,228	1,784,410	3,611,829	762,346	(605,114)	11,948,741
Net underwriting results	12,086,902	(9,959,970)	5,438,019	1,876,378	2,494,076	2,959,202	14,894,607

Saudi Reinsurance Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
As at 31 March 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							
31 March 2013 (Unaudited)							
Reinsurance operations' results							
Gross written premiums	28,222,583	77,693,903	28,471,316	64,561,805	7,166,746	12,960,068	219,076,421
Retroceded premiums	(1,038,564)	14,140	(60,856)	-	-	(55,601)	(1,140,881)
Excess of loss expenses	(408,118)	(3,844,918)	(1,048,365)	(45,617)	-	(417,352)	(5,764,370)
Net written premiums	26,775,901	73,863,125	27,362,095	64,516,188	7,166,746	12,487,115	212,171,170
Change in net unearned premiums	(15,560,585)	(48,754,981)	(18,134,696)	(52,667,755)	(1,923,327)	(5,112,928)	(142,154,272)
Net earned premiums	11,215,316	25,108,144	9,227,399	11,848,433	5,243,419	7,374,187	70,016,898
Net claims paid	(827,562)	(11,709,467)	(1,631,022)	(1,865,640)	(67,752)	(15,028,173)	(31,129,616)
Change in net outstanding claims	(1,271,022)	(8,105,809)	(2,612,903)	(7,353,303)	(434,422)	11,250,224	(8,527,235)
Net claims incurred	(2,098,584)	(19,815,276)	(4,243,925)	(9,218,943)	(502,174)	(3,777,949)	(39,656,851)
Gross acquisition costs	(4,120,105)	(7,567,109)	(3,358,916)	(2,962,332)	(199,185)	(1,332,017)	(19,539,664)
Supervision and inspection fees	(141,113)	(388,470)	(142,357)	(322,809)	(35,834)	(64,799)	(1,095,382)
Commissions on retroceded business	626,664	35,394	(15,458)	-	-	2,564	649,164
Net acquisition costs	(3,634,554)	(7,920,185)	(3,516,731)	(3,285,141)	(235,019)	(1,394,252)	(19,985,882)
Change in premium deficiency reserve	-	-	-	-	-	-	-
Net underwriting results	5,482,178	(2,627,317)	1,466,743	(655,651)	4,506,226	2,201,986	10,374,165

Saudi Reinsurance Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
As at 31 March 2014

11. SEGMENTAL INFORMATION (continued)

11.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Others SR	Total SR
As at 31 March 2014 (Unaudited)							
Segment assets	117,491,136	229,400,767	69,068,838	21,816,334	111,225,983	48,644,529	597,647,587
Segment liabilities	162,116,740	434,000,762	64,753,933	54,616,094	84,959,577	75,475,836	875,922,942
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)

As at 31 March 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 31 March 2014 (Unaudited)					
Reinsurance operations' results					
Gross written premiums	168,465,911	51,415,850	33,485,372	46,076,772	299,443,905
Retroceded premiums	291,806	88,652	52,447	-	432,905
Excess of loss expenses	(4,510,053)	(1,905,085)	(1,222,444)	(970,337)	(8,607,919)
Net written premiums	164,247,664	49,599,417	32,315,375	45,106,435	291,268,891
Change in net unearned premiums	(101,782,456)	(21,950,703)	(24,870,738)	(27,741,112)	(176,345,009)
Net earned premiums	62,465,208	27,648,714	7,444,637	17,365,323	114,923,882
Net claims paid	(31,469,918)	(3,782,321)	(719,412)	(5,146,947)	(41,118,598)
Change in net outstanding claims	(24,519,505)	(16,729,167)	(2,584,190)	(10,652,059)	(54,484,921)
Net claims incurred	(55,989,423)	(20,511,488)	(3,303,602)	(15,799,006)	(95,603,519)
Gross acquisition costs	(7,567,155)	(2,816,166)	(1,855,854)	(3,063,917)	(15,303,092)
Supervision and inspection fees	(842,331)	(257,078)	(167,427)	(230,384)	(1,497,220)
Commissions on retroceded business	271,787	182,045	(28,017)	-	425,815
Net acquisition costs	(8,137,699)	(2,891,199)	(2,051,298)	(3,294,301)	(16,374,497)
Change in premium deficiency reserve	7,371,231	1,833,822	1,188,007	1,555,681	11,948,741
Net underwriting results	5,709,317	6,079,849	3,277,744	(172,303)	14,894,607

Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Total SR
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For the three month period ended 31 March 2013 (Unaudited)

Reinsurance operations' results					
Gross written premiums	158,848,025	26,126,395	23,994,187	10,107,814	219,076,421
Retroceded premiums	(898,642)	(213,237)	(29,002)	-	(1,140,881)
Excess of loss expenses	(3,666,634)	119,900	(1,567,256)	(650,380)	(5,764,370)
Net written premiums	154,282,749	26,033,058	22,397,929	9,457,434	212,171,170
Change in net unearned premiums	(109,834,015)	(12,580,097)	(16,724,241)	(3,015,919)	(142,154,272)
Net earned premiums	44,448,734	13,452,961	5,673,688	6,441,515	70,016,898
Net claims paid	(8,728,538)	(2,045,901)	(4,509,949)	(15,845,228)	(31,129,616)
Change in net outstanding claims	(16,922,448)	(4,613,388)	993,246	12,015,355	(8,527,235)
Net claims incurred	(25,650,986)	(6,659,289)	(3,516,703)	(3,829,873)	(39,656,851)
Gross acquisition costs	(12,941,987)	(3,280,203)	(1,847,408)	(1,470,066)	(19,539,664)
Supervision and inspection fees	(794,240)	(130,632)	(119,971)	(50,539)	(1,095,382)
Commissions on retroceded business	529,960	94,901	24,303	-	649,164
Net acquisition costs	(13,206,267)	(3,315,934)	(1,943,076)	(1,520,605)	(19,985,882)
Change in premium deficiency reserve	-	-	-	-	-
Net underwriting results	5,591,481	3,477,738	213,909	1,091,037	10,374,165

Saudi Reinsurance Company (A Saudi Joint Stock Company)

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

As at 31 March 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
As at 31 March 2014 (Unaudited)					
Reinsurance operations					
Segment assets	392,819,869	83,485,984	55,047,332	66,294,402	597,647,587
Segment liabilities	588,297,414	139,033,768	57,525,410	91,066,350	875,922,942
As at 31 December 2013 (Audited)					
Reinsurance operations					
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 PER SHARE

Basic and diluted earnings per share for the three months period ended 31 March 2014 and 2013 have been calculated by dividing net income 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 16 Jumad Thani 1435H corresponding to 16 April 2014.