
SAUDI REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
AND AUDITORS' LIMITED REVIEW REPORT (UNAUDITED)
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

Saudi Reinsurance Company (A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS AND AUDITORS' LIMITED REVIEW REPORT (UNAUDITED)
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

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**AUDITORS' 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 (the "Company") – A Saudi Joint Stock Company as at 31 December 2012, and the related interim statements of reinsurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the three month period and year then ended, the interim statements of changes in shareholders' equity, reinsurance operations' cash flows and shareholders' cash flows for the year then ended and the 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 (IAS 34) "Interim Financial Reporting" 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 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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Rabi Al-Awal 7, 1434 H
January 19, 2013

Saudi Reinsurance Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As At 31 December 2012

	Notes	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
REINSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	582,850	8,293,673
Investments held at fair value through income statement	7	83,244,130	44,644,961
Premiums receivable		27,607,624	19,126,852
Accrued insurance premiums		91,900,865	53,148,018
Retroceded share of unearned premiums		5,755,601	24,836,358
Retroceded share of outstanding claims		42,123,104	86,634,442
Deferred acquisition costs		32,506,462	19,842,071
Deferred excess of loss premiums		11,592,791	10,316,395
Prepaid expenses and other assets		967,944	238,160
Due from shareholders' operations		6,385,126	14,017,816
Property and equipment, net		5,303,065	2,332,994
TOTAL REINSURANCE OPERATIONS' ASSETS		307,969,562	283,431,740
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	615,353	140,053,940
Time deposits	5	187,500,000	258,438,845
Accrued special commission income from time deposits		477,740	1,900,346
Accrued special commission income from bonds and sukuk		3,279,972	2,987,001
Investments held at fair value through income statement	7	445,743,014	256,000,702
Held to maturity investments	8	209,047,506	209,791,799
Statutory deposit	6	100,000,000	100,000,000
Property and equipment		29,784,000	-
Other assets		4,282,585	3,036,627
TOTAL SHAREHOLDERS' ASSETS		980,730,170	972,209,260
TOTAL ASSETS		1,288,699,732	1,255,641,000
REINSURANCE OPERATIONS' LIABILITIES			
Accounts payable		4,768,189	2,486,081
Retrocession balances payable		3,265,617	22,236,201
Accrued retroceded premiums		4,243,430	14,196,773
Gross unearned premiums		122,378,709	81,351,095
Gross outstanding claims		159,413,407	146,505,565
Unearned commission income		1,580,555	6,926,491
Surplus distribution payable		932,077	-
Accrued expenses and other liabilities		10,025,363	8,790,916
Employees' end of service benefits		1,362,215	938,618
TOTAL REINSURANCE OPERATIONS' LIABILITIES		307,969,562	283,431,740
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accounts payable		1,000,000	-
Provision for zakat and income tax		30,086,812	25,163,344
Due to reinsurance operations		6,385,126	14,017,816
Other liabilities		4,282,585	3,036,627
TOTAL SHAREHOLDERS' LIABILITIES		41,754,523	42,217,787
SHAREHOLDERS' EQUITY			
Share capital		1,000,000,000	1,000,000,000
Statutory reserve		6,070,924	6,070,924
Accumulated deficit		(67,095,277)	(76,079,451)
TOTAL SHAREHOLDERS' EQUITY		938,975,647	929,991,473
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		980,730,170	972,209,260
TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,288,699,732	1,255,641,000

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 REINSURANCE OPERATIONS AND ACCUMULATED SURPLUS FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

	Notes	For The Three Month Period Ended		For The Year Ended	
		31 December 2012 (Unaudited) SR	31 December 2011 (Unaudited) (Reclassified – note 13) SR	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) (Reclassified – note 13) SR
Gross written premiums		25,204,773	5,632,918	245,031,947	159,609,384
Retroceded premiums		1,254,873	2,139,337	(3,318,790)	(55,085,541)
Excess of loss expenses		(5,892,468)	(6,050,302)	(22,427,478)	(12,990,125)
Net written premiums		20,567,178	1,721,953	219,285,679	91,533,718
Change in net unearned premiums		29,986,619	13,347,236	(60,108,371)	(36,647,555)
Net earned premiums		50,553,797	15,069,189	159,177,308	54,886,163
Net claims paid	9	(9,766,771)	(3,315,688)	(34,819,246)	(16,340,515)
Change in net outstanding claims		(25,339,651)	(14,599,903)	(57,419,180)	(42,111,503)
Gross acquisition costs		(13,979,263)	(8,724,854)	(49,786,324)	(34,107,510)
Commissions on retroceded business		545,785	4,411,475	6,122,890	19,590,997
Supervision and inspection fees		(126,024)	(28,165)	(1,225,160)	(952,650)
Net underwriting results		1,887,873	(7,187,946)	22,050,288	(19,035,018)
Realized gains on investments held at fair value through income statement	7	-	-	47,688	-
Unrealized gains on investments held at fair value through income statement	7	230,858	86,968	636,578	303,091
Other income	10, 13	178,894	-	4,160,088	-
Investment management expenses	13	(17,300)	-	(37,497)	-
General and administrative expenses	13	(5,182,491)	(4,100,870)	(17,536,370)	(18,351,212)
Net (deficit) / surplus from reinsurance operations		(2,902,166)	(11,201,848)	9,320,775	(37,083,139)
Shareholders' appropriation from reinsurance operations' deficit / (surplus)		2,611,949	11,201,848	(8,388,698)	37,083,139
Reinsurance operations' (deficit) / surplus after shareholders' appropriation		(290,217)	-	932,077	-
Accumulated surplus at the beginning of the period / year		1,222,294	-	-	-
Surplus distribution		(932,077)	-	(932,077)	-
Accumulated surplus at the end of the period / year		-	-	-	-

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 AND YEAR ENDED 31 DECEMBER 2012

	Notes	For The Three Month Period Ended		For The Year Ended	
		31 December 2012 (Unaudited)	31 December 2011 (Unaudited) (Reclassified – note 13)	31 December 2012 (Unaudited)	31 December 2011 (Audited) (Reclassified – note 13)
		SR	SR	SR	SR
Special commission income from time deposits		611,301	1,511,968	2,733,346	8,625,201
Special commission income from bonds and sukuk		2,455,334	2,313,447	9,730,937	9,245,476
Dividend income		583,333	-	583,333	-
Realized gains on investments held at fair value through income statement	7	1,412,970	2,637,355	2,345,978	3,468,229
Unrealized gains / (losses) on investments held at fair value through income statement	7	5,113,644	(1,479,975)	17,264,137	552,211
Foreign exchange translation gains / (losses)		461,298	(906,738)	102,886	(614,010)
Other income	10, 13	-	-	2,250,000	-
Investment management expenses	13	(1,024,572)	(279,420)	(1,841,418)	(298,439)
General and administrative expenses	13	(2,499,143)	(4,986,122)	(11,278,989)	(17,917,058)
Board of directors' remunerations, meeting fees and expenses	10	(1,107,165)	(11,259)	(1,327,135)	(284,350)
Shareholders' appropriation from reinsurance operations' (deficit) / surplus		(2,611,949)	(11,201,848)	8,388,698	(37,083,139)
Net income / (loss) for the period / year		3,395,051	(12,402,592)	28,951,773	(34,305,879)
Basic and diluted earnings / (loss) per share for the period / year	12	0.034	(0.124)	0.290	(0.343)
Weighted average number of issued shares during the period / year		100,000,000	100,000,000	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 AND YEAR ENDED 31 DECEMBER 2012

	For The Three Month Period Ended		For The Year Ended	
	31 December 2012 (Unaudited) SR	31 December 2011 (Unaudited) SR	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
Net income / (loss) for the period / year	3,395,051	(12,402,592)	28,951,773	(34,305,879)
Other comprehensive expenses:				
Zakat and income tax	(4,457,195)	(4,824,465)	(19,967,599)	(20,117,446)
Total comprehensive (loss) / income for the period / year	(1,062,144)	(17,227,057)	8,984,174	(54,423,325)




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 YEAR ENDED 31 DECEMBER 2012

	GCC Founding Shareholders and General Public			Non - GCC Founding Shareholders			Total			
	Share capital SR	Statutory reserve SR	Accumulated deficit SR	Share capital SR	Statutory reserve SR	Retained earnings / (Accumulated deficit) SR	Share capital SR	Statutory reserve SR	Accumulated deficit SR	Total SR
(Audited)										
Balance as at 1 January 2011	941,000,000	5,712,740	(22,731,362)	59,000,000	358,184	1,075,236	1,000,000,000	6,070,924	(21,656,126)	984,414,798
Net loss for the year	-	-	(32,281,832)	-	-	(2,024,047)	-	-	(34,305,879)	(34,305,879)
Zakat and income tax	-	-	(20,117,446)	-	-	-	-	-	(20,117,446)	(20,117,446)
Balance as at 31 December 2011	941,000,000	5,712,740	(75,130,640)	59,000,000	358,184	(948,811)	1,000,000,000	6,070,924	(76,079,451)	929,991,473
(Unaudited)										
Balance as at 1 January 2012	941,000,000	5,712,740	(75,130,640)	59,000,000	358,184	(948,811)	1,000,000,000	6,070,924	(76,079,451)	929,991,473
Net income for the year	-	-	27,243,618	-	-	1,708,155	-	-	28,951,773	28,951,773
Zakat and income tax	-	-	(19,713,367)	-	-	(254,232)	-	-	(19,967,599)	(19,967,599)
Balance as at 31 December 2012	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




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 YEAR ENDED 31 DECEMBER 2012

	For The Year Ended	
	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
OPERATING ACTIVITIES		
Reinsurance operations' surplus after shareholders' appropriation	932,077	-
Adjustments for:		
Employees' end of service benefits	634,587	602,179
Depreciation	650,650	836,093
Realized gains on investments held at fair value through income statement	(47,688)	-
Unrealized gains on investments held at fair value through income statement	(636,578)	(303,091)
Gains from disposal of property and equipment	(16,520)	(146,695)
Shareholders' appropriation from reinsurance operations' surplus / (deficit)	8,388,698	(37,083,139)
Operating profit / (deficit) before changes in operating assets and liabilities	9,905,226	(36,094,653)
Changes in operating assets and liabilities:		
Premiums receivable	(8,480,772)	(8,485,089)
Accrued insurance premiums	(38,752,847)	(24,397,369)
Retroceded share of unearned premiums	19,080,757	9,416,941
Retroceded share of outstanding claims	44,511,338	(47,223,833)
Deferred acquisition costs	(12,664,391)	(5,489,631)
Deferred excess of loss premiums	(1,276,396)	(9,211,259)
Prepaid expenses and other assets	(729,784)	91,815
Due from shareholders' operations, net	(756,008)	23,057,514
Accounts payable	2,282,108	-
Retrocession balances payable	(18,970,584)	9,359,984
Accrued retroceded premiums	(9,953,343)	(1,827,877)
Gross unearned premiums	41,027,614	27,230,614
Gross outstanding claims	12,907,842	89,335,336
Unearned commission income	(5,345,936)	(3,482,727)
Accrued expenses and other liabilities	1,234,447	965,125
Employees' end of service benefits paid	(210,990)	(610,260)
Net cash from operating activities	33,808,281	22,634,631
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,709,201)	(826,487)
Proceeds from disposal of property and equipment	105,000	150,000
Additions in investments held at fair value through income statement	(71,516,844)	(17,600,000)
Proceeds from investments held at fair value through income statement	33,601,941	-
Net cash used in investing activities	(41,519,104)	(18,276,487)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,710,823)	4,358,144
Cash and cash equivalents at the beginning of the year	8,293,673	3,935,529
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	582,850	8,293,673
Non - cash transactions:		
Transfer of investments held at fair value through income statement from shareholders' operations	-	26,741,870




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 YEAR ENDED 31 DECEMBER 2012**

	For The Year Ended	
	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
OPERATING ACTIVITIES		
Net income / (loss) for the year	28,951,773	(34,305,879)
Adjustments for:		
Realized gains on investments held at fair value through income statement	(2,345,978)	(3,468,229)
Unrealized gains on investments held at fair value through income statement	(17,264,137)	(552,211)
Dividend income	(583,333)	-
Shareholders' appropriation from reinsurance operations' (surplus) / deficit	(8,388,698)	37,083,139
Operating profit / (deficit) before changes in operating assets and liabilities	369,627	(1,243,180)
Changes in operating assets and liabilities:		
Due to reinsurance operations, net	756,008	(23,057,514)
Other assets	(1,245,958)	(1,279,248)
Accounts payable	1,000,000	-
Other liabilities	1,245,958	1,279,248
Zakat and income tax paid	(15,044,131)	(16,313,938)
Net cash used in operating activities	(12,918,496)	(40,614,632)
INVESTING ACTIVITIES		
Purchase of property and equipment	(29,784,000)	-
Proceeds from investments held at fair value through income statement	470,328,552	470,851,315
Accrued special commission income from time deposits	1,422,606	3,796,938
Accrued special commission income from bonds and sukuk	(292,971)	9,076
Dividends received	583,333	-
Additions in investments held at fair value through income statement	(640,460,749)	(442,173,227)
Time deposits, net	70,938,845	145,486,215
Held to maturity investments	744,293	1,530,204
Net cash (used in) / from investing activities	(126,520,091)	179,500,521
NET CHANGE IN CASH AND CASH EQUIVALENTS	(139,438,587)	138,885,889
Cash and cash equivalents at the beginning of the year	140,053,940	1,168,051
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	615,353	140,053,940
Non - cash transactions:		
Transfer of investments held at fair value through income statement to reinsurance operations	-	(26,741,870)

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)

FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

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 300259, Riyadh 11372, 6th Floor, Bahrain Towers, King Fahd Road, 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 and year ended 31 December 2012 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 annual financial statements as at 31 December 2011.

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 policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements as of and for the year ended 31 December 2011, except for the adoption of amendments and revisions to existing standards as mentioned below which had no significant financial impact on the interim condensed financial statements of the Company:

- a) Amendment to IFRS 7 - Financial instruments: Transfers of financial assets:
This amendment is effective from 1 July 2011 and requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities.
- b) Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012):
Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which has been withdrawn.

The Company has chosen not to early adopt the following new standards and amendments, which are effective for the Company's financial years starting 2013:

- IAS 1 Amendment – Presentation of items of other comprehensive income
- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosure of interests in other entities
- IFRS 13 – Fair value measurement
- IAS 19 (revised 2011) – Employee benefits
- IAS 27 (revised 2011) – Separate financial statements
- IAS 28 (revised 2011) - Associates and joint ventures
- IFRS 7 Amendments – Disclosures on offsetting financial assets and liabilities
- Amendment to the basis for conclusions on IAS 1, 16, 32, and 34 (Annual improvements 2011)

In addition to the above, the Company has chosen not to early adopt IFRS 9 (2010) – Financial instruments and amendment to IAS 32 – Presentation on offsetting financial assets and liabilities, which have been published, but will not be effective until January 1, 2015 and January 1, 2014 respectively.

The management is currently assessing the implication of the above standards and amendments on the Company and the timing of adoption.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued) FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

4. CASH AND CASH EQUIVALENTS

	31 December 2012 (Unaudited)		31 December 2011 (Audited)	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
	Cash at banks	582,850	615,353	8,293,673
Murabaha deposit	-	-	-	140,000,000
	582,850	615,353	8,293,673	140,053,940

Murabaha deposits represent deposits with banks with maturity period of three months or less from the date of original acquisition. Such deposits earn special commission at an average rate of Nil % per annum as at 31 December 2012 (31 December 2011: 2.17% per annum).

Cash at banks and murabaha deposits are placed with counterparties that have good credit ratings.

The carrying amounts disclosed above reasonably approximate the fair value at the interim statement of financial position date.

5. TIME DEPOSITS

Time deposits represent deposits with banks with maturity period of more than three months from the date of original acquisition. Such deposits earn special commission at an average rate of 2.3% per annum as at 31 December 2012 (31 December 2011: 2.19% per annum).

Time deposits are placed with counterparties that have a good credit rating.

The carrying amounts of the time deposits reasonably approximate the fair value at the interim statement of financial position date.

6. STATUTORY DEPOSIT

The Company has deposited an amount of SR 100 million (31 December 2011: 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. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency.

7. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT

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

	31 December 2012 (Unaudited)		31 December 2011 (Audited)	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
	Funds	83,244,130	74,035,494	44,644,961
Equity Portfolios	-	135,863,916	-	29,927,604
Bond Portfolios	-	210,843,604	-	99,993,334
Sukuk	-	25,000,000	-	-
	83,244,130	445,743,014	44,644,961	256,000,702

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued) FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

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

The movements of investments held at fair value through income statement are as follows:

	For The Year Ended 31 December 2012 (Unaudited)		For The Year Ended 31 December 2011 (Audited)	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
	Opening balance	44,644,961	256,000,702	-
Additions	71,516,844	640,460,749	17,600,000	442,173,227
Disposals	(33,601,941)	(470,328,552)	-	(470,851,315)
Transfer from shareholders' operations to reinsurance operations	-	-	26,741,870	(26,741,870)
Unrealized gains	636,578	17,264,137	303,091	552,211
Realized gains	47,688	2,345,978	-	3,468,229
Ending balance	83,244,130	445,743,014	44,644,961	256,000,702

Investments under shareholders' operations include SR 4.8 million as at 31 December 2012 (31 December 2011: SR 113 million) cash deposits with Saudi banks. These funds are placed by the Company with the asset managers and are independently operated by them. These funds are expected to be invested in the subsequent periods.

8. HELD TO MATURITY INVESTMENTS

The held to maturity investments represent debt instruments with a 4 to 10 year time horizon yielding an average special commission of 4.37% per annum (31 December 2011: 4.41% per annum).

9. NET CLAIMS PAID

	For The Three Month Period Ended		For The Year Ended	
	31 December 2012 (Unaudited) SR	31 December 2011 (Unaudited) SR	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
	Gross claims paid	16,367,708	9,530,654	89,496,456
Retroceded share of claims paid	(6,600,937)	(6,214,966)	(54,677,210)	(22,736,921)
Net claims paid	9,766,771	3,315,688	34,819,246	16,340,515

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued) FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Nature of transactions	Amounts of transactions for the year ended		Balance as at	
		31 December 2012 (Unaudited)	31 December 2011 (Audited)	31 December 2012 (Unaudited)	31 December 2011 (Audited)
		SR	SR	SR	SR
Board of directors	Consulting fees	360,671	287,114	-	-
	Remunerations	1,020,000	-	1,277,130	257,130
	Meeting fees	159,000	129,000	188,500	129,500
Key management personnel	Short term benefits	8,297,472	13,307,693	2,000,000	2,448,500
	End of service benefits	250,301	306,467	299,043	383,727

In June 2012, a founding member of the Company paid SR 5.6 million to the Company on account of severance dues paid by the Company, in 2011, to the previous chief executive officer (CEO) of the Company. The payment in 2011 by the Company, to the previous CEO, was recognized in the reinsurance operations and accordingly the recovery of this amount has been recognized as other income.

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)
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

11. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business and geographical segments have been approved by Management 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 cash equivalents 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	Health SR	Others SR	Total SR
For the three month period ended								
31 December 2012 (Unaudited)								
Reinsurance operations' results								
Gross written premiums	3,734,982	10,227,696	1,738,281	734,286	7,271,073	-	1,498,455	25,204,773
Retroceded premiums	(33,541)	851,710	289,231	-	-	-	147,473	1,254,873
Excess of loss expenses	(1,178,133)	(3,550,563)	(765,540)	(46,630)	-	-	(351,602)	(5,992,468)
Net written premiums	2,523,308	7,528,843	1,261,972	687,656	7,271,073	-	1,294,326	20,567,178
Change in net unearned premiums	6,293,246	11,667,802	5,425,661	2,609,316	(4,077,031)	378,120	7,689,505	29,986,619
Net earned premiums	8,816,554	19,196,645	6,687,633	3,296,972	3,194,042	378,120	8,983,831	50,553,797
Net claims paid	(603,429)	(6,799,396)	(1,109,232)	(860,951)	(326,596)	-	(67,167)	(9,766,771)
Change in net outstanding claims	(712,843)	(17,467,774)	4,371,288	(463,223)	(151,838)	(94,530)	(10,820,731)	(25,339,651)
Gross acquisition costs	(3,373,377)	(6,120,193)	(2,517,780)	(614,422)	(151,944)	-	(1,201,547)	(13,979,263)
Commissions on retroceded business	318,503	234,668	(42,073)	-	(12)	-	34,699	545,785
Supervision and inspection fees	(18,675)	(51,138)	(8,692)	(3,672)	(36,355)	-	(7,492)	(126,024)
Net underwriting results	4,426,733	(11,007,188)	7,381,144	1,354,704	2,527,297	283,590	(3,078,407)	1,887,873
Other items:								
Depreciation	30,373	57,046	14,618	5,970	22,277	525	13,057	143,866

Saudi Reinsurance Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

11. SEGMENTAL INFORMATION (continued)

11.1 Business segments (continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Health SR	Others SR	Total SR
For the three month period ended 31 December 2011 (Unaudited)								
Reinsurance operations' results								
Gross written premiums	(1,295,831)	6,408,207	(1,455,572)	(1,002,799)	2,827,021	-	151,892	5,632,918
Retroceded premiums	823,338	(52,981)	1,025,866	-	(196)	-	343,310	2,139,337
Excess of loss expenses	(1,562,271)	(3,337,502)	(742,008)	(67,704)	-	-	(340,817)	(6,050,302)
Net written premiums	(2,034,764)	3,017,724	(1,171,714)	(1,070,503)	2,826,825	-	154,385	1,721,953
Change in net unearned premiums	5,705,068	2,936,221	2,798,121	2,396,263	(1,784,421)	433,633	862,351	13,347,236
Net earned premiums	3,670,304	5,953,945	1,626,407	1,325,760	1,042,404	433,633	1,016,736	15,069,189
Net claims paid	(111,074)	(1,009,871)	(301,059)	(1,499,672)	(356,267)	-	(37,745)	(3,315,688)
Change in net outstanding claims	(2,897,782)	(10,925,115)	(945,882)	416,746	21,562	(258,508)	(10,924)	(14,599,903)
Gross acquisition costs	(3,151,608)	(3,794,795)	(1,107,409)	(249,207)	(32,800)	-	(389,035)	(8,724,854)
Commissions on retroceded business	1,928,457	1,923,028	402,917	1,175	44	-	155,854	4,411,475
Supervision and inspection fees	6,480	(32,041)	7,278	5,014	(14,135)	-	(761)	(28,165)
Net underwriting results	(555,223)	(7,884,849)	(317,748)	(184)	660,808	175,125	734,125	(7,187,946)
Other items:								
Depreciation	30,031	94,925	13,559	3,726	16,439	1,578	10,115	170,373

Saudi Reinsurance Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

11. SEGMENTAL INFORMATION (continued)

11.1 Business segments (continued)

For the year ended
31 December 2012 (Unaudited)

Reinsurance operations' results

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Health SR	Others SR	Total SR
Gross written premiums	62,183,179	95,622,641	30,314,301	12,218,912	15,757,985	1,500,150	27,434,779	245,031,947
Retroceded premiums	(3,072,296)	(256,376)	(360,342)	-	393	-	369,831	(3,318,790)
Excess of loss expenses	(6,016,513)	(11,429,142)	(2,993,523)	(167,659)	-	-	(1,820,641)	(22,427,478)
Net written premiums	53,094,370	83,937,123	26,960,436	12,051,253	15,758,378	1,500,150	25,983,969	219,285,679
Change in net unearned premiums	(23,576,813)	(16,923,429)	(4,880,111)	(2,934,529)	(7,107,330)	113,930	(4,800,089)	(60,108,371)
Net earned premiums	29,517,557	67,013,694	22,080,325	9,116,724	8,651,048	1,614,080	21,183,880	159,177,308
Net claims paid	(2,200,197)	(23,146,699)	(3,484,274)	(4,620,068)	(1,094,944)	-	(273,064)	(34,819,246)
Change in net outstanding claims	(10,260,271)	(23,940,854)	(2,451,186)	(1,364,344)	(396,183)	(361,829)	(18,644,513)	(57,419,180)
Gross acquisition costs	(13,435,903)	(21,859,706)	(8,830,840)	(1,598,737)	(442,017)	-	(3,619,121)	(49,786,324)
Commissions on retroceded business	2,926,185	2,280,914	684,122	-	(12)	-	231,681	6,122,890
Supervision and inspection fees	(310,916)	(478,113)	(151,572)	(61,095)	(78,790)	(7,501)	(137,173)	(1,225,160)
Net underwriting results	6,236,455	(130,764)	7,846,575	1,472,480	6,639,102	1,244,750	(1,258,310)	22,050,288

Other items:

Depreciation	165,119	253,913	80,496	32,446	41,843	3,983	72,850	650,650
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Saudi Reinsurance Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

11. SEGMENTAL INFORMATION (continued)

11.1 Business segments (continued)

For the year ended
31 December 2011 (Audited)

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Health SR	Others SR	Total SR
Reinsurance operations' results								
Gross written premiums	38,949,750	73,475,807	21,700,076	8,811,929	4,608,747	1,725,108	10,337,967	159,609,384
Retroceded premiums	(16,346,862)	(29,138,024)	(7,075,808)	(141)	(32,114)	-	(2,492,592)	(55,085,541)
Excess of loss expenses	(3,511,000)	(6,360,799)	(1,836,497)	(212,310)	-	-	(1,069,519)	(12,990,125)
Net written premiums	19,091,888	37,976,984	12,787,771	8,599,478	4,576,633	1,725,108	6,775,856	91,533,718
Change in net unearned premiums	(9,103,492)	(17,121,255)	(4,546,856)	244,421	(2,233,734)	(857,841)	(3,028,798)	(36,647,555)
Net earned premiums	9,988,396	20,855,729	8,240,915	8,843,899	2,342,899	867,267	3,747,058	54,886,163
Net claims paid	(569,619)	(6,194,029)	(1,181,666)	(7,803,955)	(476,132)	-	(115,114)	(16,340,515)
Change in net outstanding claims	(5,284,280)	(29,609,696)	(3,603,509)	(2,370,735)	(110,550)	(258,508)	(874,225)	(42,111,503)
Gross acquisition costs	(9,191,533)	(14,828,762)	(6,277,835)	(1,749,214)	(32,829)	-	(2,027,337)	(34,107,510)
Commissions on retroceded business	6,172,733	9,021,701	3,307,020	21	1,145	-	1,088,377	19,590,997
Supervision and inspection fees	(244,723)	(439,855)	(129,395)	(48,688)	(23,044)	(8,626)	(58,319)	(952,650)
Net underwriting results	870,974	(21,194,912)	355,530	(3,128,672)	1,701,489	600,133	1,760,440	(19,035,018)
Other items:								
Depreciation	204,033	384,893	113,673	46,160	24,142	9,037	54,155	836,093

Saudi Reinsurance Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

11. SEGMENTAL INFORMATION (continued)

11.1 Business segments (continued)

Reinsurance operations As at 31 December 2012 (Unaudited)	Engineering	Fire	Marine	Motor	Life	Health	Others	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Segment assets	65,466,362	81,898,531	24,459,570	10,348,435	15,970,291	169,022	13,174,236	211,486,447
Segment liabilities	80,078,184	133,781,066	22,589,021	15,685,919	10,364,449	1,413,432	31,737,836	295,649,907
Reinsurance operations As at 31 December 2011 (Audited)								
Segment assets	52,199,391	98,470,269	29,081,849	11,809,507	6,176,517	2,311,943	13,854,660	213,904,136
Segment liabilities	66,792,016	125,998,171	37,211,839	15,110,919	7,903,196	2,958,259	17,727,806	273,702,206

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued) FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

11. SEGMENTAL INFORMATION (continued)

11.2 Geographical segments

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Emerging Markets SR	Total SR
For the three month period ended 31 December 2012 (Unaudited)					
Reinsurance operations' results					
Gross written premiums	11,046,166	6,332,481	6,247,643	1,578,483	25,204,773
Retroceded premiums	987,971	95,565	171,337	-	1,254,873
Excess of loss expenses	(3,880,500)	(1,964,990)	(46,978)	-	(5,892,468)
Net written premiums	8,153,637	4,463,056	6,372,002	1,578,483	20,567,178
Change in net unearned premiums	21,747,396	4,082,215	(3,979,131)	8,136,139	29,986,619
Net earned premiums	29,901,033	8,545,271	2,392,871	9,714,622	50,553,797
Net claims paid	(7,025,038)	(1,787,742)	(785,421)	(168,570)	(9,766,771)
Change in net outstanding claims	(6,574,229)	(5,366,927)	350,333	(13,748,828)	(25,339,651)
Gross acquisition costs	(9,331,676)	(2,599,223)	(326,884)	(1,721,480)	(13,979,263)
Commissions on retroceded business	583,410	35,431	(73,056)	-	545,785
Supervision and inspection fees	(55,231)	(31,662)	(31,238)	(7,893)	(126,024)
Net underwriting results	7,498,269	(1,204,852)	1,526,605	(5,932,149)	1,887,873
Other items:					
Depreciation	78,876	31,303	19,745	13,942	143,866

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Emerging Markets SR	Total SR
For the three month period ended 31 December 2011 (Unaudited)					
Reinsurance operations' results					
Gross written premiums	(2,350,035)	7,192,183	790,770	-	5,632,918
Retroceded premiums	2,494,324	(288,193)	(66,794)	-	2,139,337
Excess of loss expenses	(4,217,484)	(1,652,336)	(180,482)	-	(6,050,302)
Net written premiums	(4,073,195)	5,251,654	543,494	-	1,721,953
Change in net unearned premiums	15,439,246	(2,000,887)	(91,123)	-	13,347,236
Net earned premiums	11,366,051	3,250,767	452,371	-	15,069,189
Net claims paid	(2,633,906)	(252,001)	(429,781)	-	(3,315,688)
Change in net outstanding claims	(3,840,295)	(1,700,684)	(9,058,924)	-	(14,599,903)
Gross acquisition costs	(6,849,720)	(1,578,152)	(296,982)	-	(8,724,854)
Commissions on retroceded business	3,446,196	762,989	202,290	-	4,411,475
Supervision and inspection fees	11,750	(35,961)	(3,954)	-	(28,165)
Net underwriting results	1,500,076	446,958	(9,134,980)	-	(7,187,946)
Other items:					
Depreciation	102,991	59,442	7,940	-	170,373

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued) FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

11. SEGMENTAL INFORMATION (continued)

11.2 Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Emerging Markets SR	Total SR
For the year ended 31 December 2012 (Unaudited)					
Reinsurance operations' results					
Gross written premiums	146,950,528	47,726,279	15,262,564	35,092,576	245,031,947
Retroceded premiums	(2,563,234)	(713,838)	(41,718)	-	(3,318,790)
Excess of loss expenses	(14,422,007)	(4,959,255)	(306,361)	(2,739,855)	(22,427,478)
Net written premiums	129,965,287	42,053,186	14,914,485	32,352,721	219,285,679
Change in net unearned premiums	(25,352,006)	(12,760,716)	(9,116,788)	(12,878,861)	(60,108,371)
Net earned premiums	104,613,281	29,292,470	5,797,697	19,473,860	159,177,308
Net claims paid	(31,251,845)	(1,793,838)	(2,180,235)	406,672	(34,819,246)
Change in net outstanding claims	(18,394,197)	(21,116,347)	4,935,466	(22,844,102)	(57,419,180)
Gross acquisition costs	(34,870,850)	(9,237,487)	(1,262,430)	(4,415,557)	(49,786,324)
Commissions on retroceded business	5,062,603	997,039	63,248	-	6,122,890
Supervision and inspection fees	(734,753)	(238,631)	(76,313)	(175,463)	(1,225,160)
Net underwriting results	24,424,239	(2,096,794)	7,277,433	(7,554,590)	22,050,288
Other items:					
Depreciation	390,208	126,731	40,528	93,183	650,650

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Emerging Markets SR	Total SR
For the year ended 31 December 2011 (Audited)					
Reinsurance operations' results					
Gross written premiums	123,683,218	30,985,035	4,941,131	-	159,609,384
Retroceded premiums	(43,824,033)	(8,973,231)	(2,288,277)	-	(55,085,541)
Excess of loss expenses	(9,650,055)	(2,994,595)	(345,475)	-	(12,990,125)
Net written premiums	70,209,130	19,017,209	2,307,379	-	91,533,718
Change in net unearned premiums	(25,570,661)	(10,213,904)	(862,990)	-	(36,647,555)
Net earned premiums	44,638,469	8,803,305	1,444,389	-	54,886,163
Net claims paid	(15,132,676)	(751,024)	(456,815)	-	(16,340,515)
Change in net outstanding claims	(29,057,570)	(3,839,259)	(9,214,674)	-	(42,111,503)
Gross acquisition costs	(27,734,081)	(5,399,084)	(974,345)	-	(34,107,510)
Commissions on retroceded business	15,819,191	3,095,672	676,134	-	19,590,997
Supervision and inspection fees	(618,416)	(275,986)	(58,248)	-	(952,650)
Net underwriting results	(12,085,083)	1,633,624	(8,583,559)	-	(19,035,018)
Other items:					
Depreciation	647,898	162,311	25,884	-	836,093

Saudi Reinsurance Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued) FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2012

11. SEGMENTAL INFORMATION (continued)

11.2 Geographical segments (continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Emerging Markets SR	Total SR
Reinsurance operations					
As at 31 December 2012 (Unaudited)					
Segment assets	132,448,697	44,343,118	14,653,667	20,040,965	211,486,447
Segment liabilities	178,139,075	61,756,619	18,880,674	36,873,539	295,649,907
Reinsurance operations					
As at 31 December 2011 (Audited)					
Segment assets	165,756,870	41,525,298	6,621,968	-	213,904,136
Segment liabilities	212,095,109	53,133,922	8,473,175	-	273,702,206

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

Earnings / (loss) per share for the three month period and year ended 31 December 2012 and 2011 have been calculated by dividing net income / (loss) for the period / year by the weighted average number of ordinary issued and outstanding shares at the end of the period / year.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current period / year.

The general and administrative expenses for year 2012 were reclassified to separate the reinsurance operations related costs from shareholders' costs. Accordingly the 2011 comparative figures were also reclassified based on similar classification. As a result of this reclassification, an amount of SR 17.9 million was taken out from reinsurance operations' general and administrative expenses and charged to shareholders operations.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on Rabi Al-Awal 7, 1434 H corresponding to January 19, 2013.