

---

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

**INTERIM CONDENSED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)  
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2010**

---

Saudi Reinsurance Company (A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT (UNAUDITED)  
For The Three And Six Month Periods Ended 30 June 2010

---

| <b>INDEX</b>  | <b>PAGE</b> |
|---|-------------|
| INDEPENDENT AUDITORS' REVIEW REPORT                         | 1           |
| INTERIM STATEMENT OF FINANCIAL POSITION                     | 2           |
| INTERIM STATEMENT OF REINSURANCE OPERATIONS                 | 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 - 13      |

**INDEPENDENT AUDITOR'S 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 30 June 2010, and the related interim statements of reinsurance operations, shareholders' operations, shareholders' comprehensive operations for the three and six month periods then ended, and statements of changes in shareholders' equity, reinsurance operations and shareholders' cash flows for the six month period then ended and the notes which form 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 International Accounting Standard (IAS 34).

**EMPHASIS OF A MATTER:**

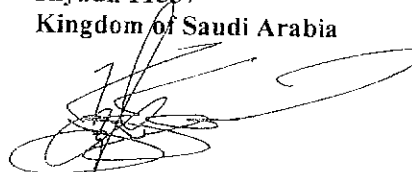
These interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS 34) and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

**Deloitte & Touche**  
**Bakr Abulkhair & Co.**  
P. O. Box 213  
Riyadh 11411  
Kingdom of Saudi Arabia



**Husam H. Sadagah**  
Certified Public Accountant  
Registration No. 73

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



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



2 Sha'ban 1431H  
14 July 2010


Saudi Reinsurance Company (A Saudi Joint Stock Company)

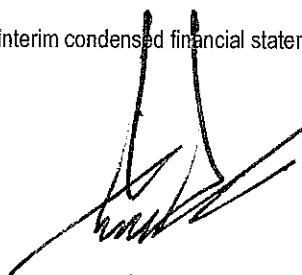
INTERIM STATEMENT OF FINANCIAL POSITION

As At 30 June 2010

|   | Notes | 30 June 2010<br>(Unaudited)<br>SR | 31 December 2009<br>(Audited)<br>SR |
|---|-------|-----------------------------------|-------------------------------------|
| <b>REINSURANCE OPERATIONS' ASSETS</b>   |       |                                   |                                     |
| Bank balances   |       | 11,294,198                        | 2,716,710                           |
| Premiums receivable   |       | 9,899,007                         | 13,112,294                          |
| Accrued insurance premiums  |       | 29,509,371                        | 12,256,370                          |
| Retroceded share of unearned premiums   |       | 38,513,074                        | 19,968,169                          |
| Retroceded share of outstanding claims  |       | 48,707,917                        | 15,260,001                          |
| Deferred acquisition costs  |       | 14,936,399                        | 7,486,779                           |
| Prepaid expenses and other assets   |       | 825,361                           | 1,298,409                           |
| Due from shareholders' operations   |       | 22,627,425                        | 11,756,134                          |
| Property and equipment, net   |       | 2,814,696                         | 3,170,931                           |
| <b>TOTAL REINSURANCE OPERATIONS' ASSETS</b>   |       | <b>179,127,448</b>                | <b>87,025,797</b>                   |
| <b>SHAREHOLDERS' ASSETS</b>   |       |                                   |                                     |
| Cash and bank balances  |       | 60,197                            | 1,945,304                           |
| Time deposits   | 4     | 296,172,347                       | 243,263,605                         |
| Accrued special commission income from time deposits                                      |       | 8,048,938                         | 5,857,623                           |
| Accrued special commission income from bonds  |       | 3,473,335                         | 1,185,207                           |
| Investments held at fair value through income statement                                   | 6     | 399,223,871                       | 573,632,717                         |
| Held to maturity investments  | 7     | 209,662,991                       | 115,706,278                         |
| Statutory deposit   | 5     | 100,000,000                       | 100,000,000                         |
| Other assets  |       | 938,100                           | 680,834                             |
| <b>TOTAL SHAREHOLDERS' ASSETS</b>   |       | <b>1,017,579,779</b>              | <b>1,042,271,568</b>                |
| <b>TOTAL ASSETS</b>   |       | <b>1,196,707,227</b>              | <b>1,129,297,365</b>                |
| <b>REINSURANCE OPERATIONS' LIABILITIES</b>  |       |                                   |                                     |
| Retrocession balances payable   |       | 19,931,524                        | 17,243,405                          |
| Accrued retroceded premiums   |       | 19,016,884                        | 8,041,644                           |
| Gross unearned premiums   |       | 56,208,304                        | 28,447,374                          |
| Gross outstanding claims  |       | 67,408,189                        | 22,055,663                          |
| Unearned commission income  |       | 11,800,979                        | 6,128,576                           |
| Accrued expenses and other liabilities  |       | 4,068,996                         | 4,499,186                           |
| Employees' end of service benefits  |       | 692,572                           | 609,949                             |
| <b>TOTAL REINSURANCE OPERATIONS' LIABILITIES</b>  |       | <b>179,127,448</b>                | <b>87,025,797</b>                   |
| <b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>   |       |                                   |                                     |
| <b>SHAREHOLDERS' LIABILITIES</b>  |       |                                   |                                     |
| Provision for zakat and income tax  |       | 11,738,459                        | 24,202,000                          |
| Due to reinsurance operations   |       | 22,627,425                        | 11,756,134                          |
| Other liabilities   |       | 938,100                           | 680,834                             |
| <b>TOTAL SHAREHOLDERS' LIABILITIES</b>  |       | <b>35,303,984</b>                 | <b>36,638,968</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   |       | (23,795,129)                      | (438,324)                           |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   |       | <b>982,275,795</b>                | <b>1,005,632,600</b>                |
| <b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>   |       | <b>1,017,579,779</b>              | <b>1,042,271,568</b>                |
| <b>TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY</b> |       | <b>1,196,707,227</b>              | <b>1,129,297,365</b>                |

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.




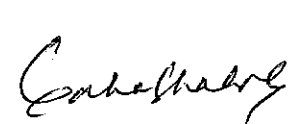
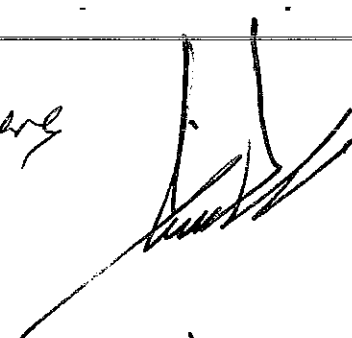


Saudi Reinsurance Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF REINSURANCE OPERATIONS (UNAUDITED)

For The Three And Six Month Periods Ended 30 June 2010

| Note   | For The Three<br>Month Period<br>Ended<br>30 June 2010<br>SR | For The Three<br>Month Period<br>Ended<br>30 June 2009<br>SR | For The Six<br>Month Period<br>Ended<br>30 June 2010<br>SR | For The Six<br>Month Period<br>Ended<br>30 June 2009<br>SR |
|--|--|--|--|--|
| Gross premiums written   | 18,161,281   | 17,749,734   | 61,665,599   | 25,804,944   |
| Retroceded premiums  | (14,140,227)   | (11,479,589)   | (41,408,698)   | (16,962,463)   |
| <b>Net premiums written</b>  | <b>4,021,054</b>   | <b>6,270,145</b>   | <b>20,256,901</b>  | <b>8,842,481</b>   |
| Change in net unearned premiums  | 1,681,345  | (4,270,838)  | (9,216,026)  | (6,358,944)  |
| <b>Net premiums earned</b>   | <b>5,702,399</b>   | <b>1,999,307</b>   | <b>11,040,875</b>  | <b>2,483,537</b>   |
| Net claims paid  | (1,212,382)  | (85,865)   | (2,044,270)  | (85,865)   |
| Change in net outstanding claims   | (5,697,847)  | (1,272,825)  | (11,904,611)   | (1,595,429)  |
| Gross acquisition costs  | (4,435,038)  | (1,468,829)  | (8,510,763)  | (1,836,962)  |
| Commissions on retroceded business   | 3,651,305  | 1,176,328  | 6,794,445  | 1,487,226  |
| Excess of loss expenses  | (314,075)  | (467,532)  | (666,798)  | (940,612)  |
| <b>Net underwriting results</b>  | <b>(2,305,638)</b>   | <b>(119,416)</b>   | <b>(5,291,122)</b>   | <b>(488,105)</b>   |
| General and administrative expenses  | (7,362,739)  | (5,061,346)  | (12,223,882)   | (9,363,499)  |
| Board of directors' remunerations and expenses                               | 8 (382,121)  | (335,245)  | (716,769)  | (624,109)  |
| <b>Net deficit from reinsurance operations</b>                               | <b>(10,050,498)</b>  | <b>(5,516,007)</b>   | <b>(18,231,773)</b>  | <b>(10,475,713)</b>  |
| Net deficit transferred to the interim statement of shareholders' operations | 10,050,498   | 5,516,007  | 18,231,773   | 10,475,713   |
| <b>Net result for the period</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   |


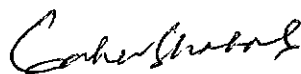
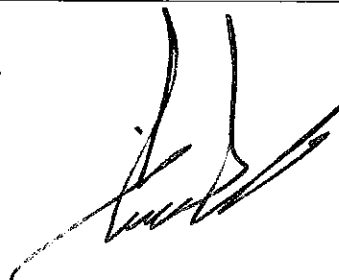
The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

For The Three And Six Month Periods Ended 30 June 2010

|   |       | For The Three<br>Month Period<br>Ended<br>30 June 2010 | For The Three<br>Month Period<br>Ended<br>30 June 2009 | For The Six<br>Month Period<br>Ended<br>30 June 2010 | For The Six<br>Month Period<br>Ended<br>30 June 2009 |
|---|-------|--|--|--|--|
|   | Notes | SR   | SR   | SR   | SR   |
| Special commission income from time deposits                                |       | 3,233,345  | 2,017,568  | 5,935,746  | 12,395,175   |
| Special commission income on bonds  |       | 2,290,976  | -  | 3,553,630  | -  |
| Realized gains on investments held at fair value through income statement   | 6     | 240,218  | 78,521   | 599,630  | 78,521   |
| Unrealized gains on investments held at fair value through income statement |       | 953,673  | 2,379,338  | 1,681,525  | 3,284,852  |
| Foreign exchange translation losses   |       | (2,705,416)  | -  | (5,219,270)  | -  |
| Other expenses  |       | (106)  | -  | (23,591)   | -  |
| Net deficit transferred from reinsurance operations                         |       | (10,050,498)   | (5,516,007)  | (18,231,773)   | (10,475,713)   |
| <b>Net (loss) / income for the period</b>                                   |       | <b>(6,037,808)</b>                                     | <b>(1,040,580)</b>                                     | <b>(11,704,103)</b>                                  | <b>5,282,835</b>                                     |
| <b>(Loss) / earnings per share</b>  | 10    | <b>(0.0604)</b>  | <b>(0.0104)</b>  | <b>(0.1170)</b>                                      | <b>0.0528</b>  |


The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS (UNAUDITED)

For The Three And Six Month Periods Ended 30 June 2010

|  | <b>For The Three<br/>Month Period<br/>Ended<br/>30 June 2010<br/>SR</b> | <b>For The Three<br/>Month Period<br/>Ended<br/>30 June 2009<br/>SR</b> | <b>For The Six<br/>Month Period<br/>Ended<br/>30 June 2010<br/>SR</b> | <b>For The Six<br/>Month Period<br/>Ended<br/>30 June 2009<br/>SR</b> |
|--|---|---|---|---|
| <b>Net (loss) / income for the period</b>      | (6,037,808)   | (1,040,580)   | (11,704,103)  | 5,282,835   |
| <b>Other comprehensive expenses:</b>           |   |   |   |   |
| Zakat and income tax                           | (5,784,670)   | (6,121,833)   | (11,652,702)  | (12,337,570)  |
| <b>Total comprehensive loss for the period</b> | <b>(11,822,478)</b>   | <b>(7,162,413)</b>  | <b>(23,356,805)</b>   | <b>(7,054,735)</b>  |





The accompanying notes 1 to 11 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 (UNAUDITED)**  
 For The Six Month Period Ended 30 June 2010

|                                | GCC Founding Shareholders and general public |                   |   |              | Non - GCC Founding Shareholders |                   |                   |           | Total         |                   |   |               |       |
|--------------------------------|--|-------------------|---|--------------|---------------------------------|-------------------|-------------------|-----------|---------------|-------------------|---|---------------|-------|
|                                | Share capital                                | Statutory reserve | Retained Earnings / (Accumulated deficit) | SR           | Share capital                   | Statutory reserve | Retained Earnings | SR        | Share capital | Statutory reserve | Retained Earnings / (Accumulated deficit) | SR            | Total |
|                                | SR   | SR                | SR  | SR           | SR                              | SR                | SR                | SR        | SR            | SR                | SR  | SR            | SR    |
| Balance as at 31 December 2008 | 941,000,000                                  | 4,603,885         | 19,525,697                                | 994,129,582  | 59,000,000                      | 301,200           | 894,641           | 654,941   | 1,000,000,000 | 5,105,085         | 20,420,338                                | 1,025,525,423 |       |
| Net income for the period      | -  | -                 | 4,971,148                                 | 4,971,148    | -                               | -                 | 311,687           | 311,687   | -             | -                 | 5,282,835                                 | 5,282,835     |       |
| Zakat & income tax             | -  | -                 | (12,275,233)                              | (12,275,233) | -                               | -                 | (62,337)          | (62,337)  | -             | -                 | (12,337,570)                              | (12,337,570)  |       |
| Balance as at 30 June 2009     | 941,000,000                                  | 4,603,885         | 12,221,612                                | 957,825,507  | 59,000,000                      | 301,200           | 1,143,991         | 605,281   | 1,000,000,000 | 5,105,085         | 13,385,603                                | 1,018,470,689 |       |
| Balance as at 31 December 2009 | 941,000,000                                  | 5,712,740         | (1,510,904)                               | 944,191,836  | 59,000,000                      | 358,184           | 1,072,580         | 609,764   | 1,000,000,000 | 6,070,924         | (438,324)                                 | 1,005,632,600 |       |
| Net loss for the period        | -  | -                 | (11,013,561)                              | (11,013,561) | -                               | -                 | (690,542)         | (690,542) | -             | -                 | (11,704,103)                              | (11,704,103)  |       |
| Zakat                          | -  | -                 | (11,652,702)                              | (11,652,702) | -                               | -                 | -                 | -         | -             | -                 | (11,652,702)                              | (11,652,702)  |       |
| Balance as at 30 June 2010     | 941,000,000                                  | 5,712,740         | (24,177,167)                              | 922,535,573  | 59,000,000                      | 358,184           | 382,038           | 642,220   | 1,000,000,000 | 6,070,924         | 23,795,129                                | 982,275,795   |       |

The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.



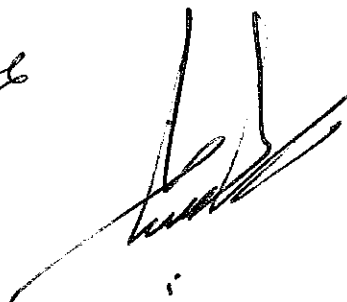
Saudi Reinsurance Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF REINSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)

For The Six Month Period Ended 30 June 2010

|   | 30 June 2010<br>SR | 30 June 2009<br>SR |
|---|--------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>   |                    |                    |
| Net result for the period   | -                  | -                  |
| Adjustments for:  |                    |                    |
| Employees' end of service benefits                                  | 108,945            | 95,188             |
| Depreciation  | 501,474            | 457,689            |
|   | <hr/>              | <hr/>              |
| Operating profit before changes in operating assets and liabilities | 610,419            | 552,877            |
| <b>Changes in operating assets and liabilities</b>                  |                    |                    |
| Premiums receivable   | 3,213,287          | (4,270,994)        |
| Accrued insurance premiums  | (17,253,001)       | (12,864,022)       |
| Retroceded share of unearned premiums                               | (18,544,905)       | (11,826,542)       |
| Retroceded share of outstanding claims                              | (33,447,916)       | (3,827,416)        |
| Deferred acquisition costs  | (7,449,620)        | (4,508,925)        |
| Prepaid expenses and other assets                                   | 473,048            | (507,814)          |
| Due from shareholders' operations                                   | (10,871,291)       | (166,757)          |
| Retrocession balances payable                                       | 2,688,119          | 4,554,324          |
| Accrued retroceded premiums   | 10,975,240         | 7,976,457          |
| Gross unearned premiums   | 27,760,930         | 18,185,486         |
| Gross outstanding claims  | 45,352,526         | 5,833,461          |
| Unearned commission income  | 5,672,403          | 3,529,355          |
| Accrued expenses and other liabilities                              | (430,190)          | (726,563)          |
| Employees' end of service benefits paid                             | (26,322)           | -                  |
|   | <hr/>              | <hr/>              |
| <b>Net cash from operating activities</b>                           | <b>8,722,727</b>   | <b>1,932,927</b>   |
| <b>INVESTING ACTIVITIES</b>   |                    |                    |
| Purchase of property and equipment                                  | (145,239)          | (205,986)          |
|   | <hr/>              | <hr/>              |
| <b>Net cash used in investing activities</b>                        | <b>(145,239)</b>   | <b>(205,986)</b>   |
| <b>NET INCREASE IN BANK BALANCES</b>                                |                    |                    |
|   | <hr/>              | <hr/>              |
|   | 8,577,488          | 1,726,941          |
| Bank balances at the beginning of the period                        | 2,716,710          | 33,604             |
|   | <hr/>              | <hr/>              |
| <b>BANK BALANCES AT THE END OF THE PERIOD</b>                       | <b>11,294,198</b>  | <b>1,760,545</b>   |



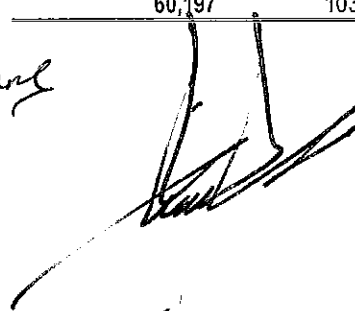


The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

Saudi Reinsurance Company (A Saudi Joint Stock Company)  
**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)**  
 For The Six Month Period Ended 30 June 2010

|  | 30 June 2010<br>SR  | 30 June 2009<br>SR   |
|--|---------------------|----------------------|
| <b>OPERATING ACTIVITIES</b>  |                     |                      |
| Net (loss) / income for the period   | (11,704,103)        | 5,282,835            |
| Adjustments for:   |                     |                      |
| Realized gains on investments held at fair value through income statement      | (599,630)           | (78,521)             |
| Unrealized gains on investments held at fair value through income statement    | (1,681,525)         | (3,284,852)          |
| Operating (deficit) profit before changes in operating assets and liabilities: | (13,985,258)        | 1,919,462            |
| <b>Changes in operating assets and liabilities:</b>                            |                     |                      |
|  | -                   | (100,000,000)        |
| Statutory deposit  |                     |                      |
| Due to reinsurance operations  | 10,871,291          | 166,757              |
| Other assets   | (257,266)           | (77,500)             |
| Other liabilities  | 257,266             | 77,500               |
| Zakat and income tax paid  | (24,116,243)        | -                    |
| <b>Net cash used in operating activities</b>                                   | <b>(27,230,210)</b> | <b>(97,913,781)</b>  |
| <b>INVESTING ACTIVITIES</b>  |                     |                      |
| Proceeds from investments held at fair value through income statement          | 636,000,001         | 206,300,000          |
| Accrued special commission income from time deposits                           | (2,191,315)         | 12,391,338           |
| Accrued special commission income from bonds                                   | (2,288,128)         | -                    |
| Investments held at fair value through income statement                        | (459,310,000)       | (927,000,001)        |
| Time deposits, net   | (52,908,742)        | 497,630,000          |
|  | (93,956,713)        | -                    |
| Held to maturity investments   |                     |                      |
| <b>Net cash from / (used in) investing activities</b>                          | <b>25,345,103</b>   | <b>(210,678,663)</b> |
| <b>NET DECREASE IN CASH AND BANK BALANCES</b>                                  | <b>(1,885,107)</b>  | <b>(308,592,444)</b> |
| Cash and bank balances at the beginning of the period                          | 1,945,304           | 412,330,351          |
| <b>CASH AND BANK BALANCES AT THE END OF THE PERIOD</b>                         | <b>60,197</b>       | <b>103,737,907</b>   |





The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

## 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, 6<sup>th</sup> Floor, Arch 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 and six month periods ended 30 June 2010 have been prepared in accordance with 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 2009.

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 period presented. The Company's interim results may not be indicative of its annual results.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements have been prepared on a historical cost basis, modified to include the measurement at fair value of investments held at fair value through income statement.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2009. The new standards, amendments to standards and interpretations which are mandatory for the first time for the financial year beginning 1 January 2010, did not result in material amendments to the presentation and disclosure of the accompanying interim condensed financial statements.

## 4. TIME DEPOSITS

The 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 income at a rate of 4.61% per annum (31 December 2009: 5.90% per annum).

The 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.

## 5. STATUTORY DEPOSIT

The Company has deposited an amount of 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.

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

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

For The Three And Six Month Periods Ended 30 June 2010

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

Investments held at fair value through income statement represent units in investment funds at local banks.

The resulting effect of disposal of units in investment funds during the period on the realized gains is as follows:

|  | SR                 |
|--|--------------------|
| Proceeds from disposal of units  | 636,000,001        |
| Less: Historical cost of disposed units  | (629,896,673)      |
|  | <u>6,103,328</u>   |
| Less: Accumulated unrealized gains for disposed units as at 31 December 2009<br>which were recognized in previous periods in the interim statement of shareholders' operations | <u>(5,503,698)</u> |
| Realized gains from disposed units for the period  | <u>599,630</u>     |

#### 7. 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 income of 4.43% per annum (31 December 2009: 4.44% per annum).

#### 8. 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  | Amount of transactions<br>for the six month period ended |                                   | Balance as at<br>30 June 2010<br>(Unaudited)<br>SR | Balance as at<br>31 December 2009<br>(Audited)<br>SR |
|-----------------------------|-------------------------|--|-----------------------------------|--|--|
|                             |                         | 30 June 2010<br>(Unaudited)<br>SR                        | 30 June 2009<br>(Unaudited)<br>SR |  |  |
| Board of directors          | Consulting fees         | 715,628  | 732,500                           | 115,628  | 269,441  |
|                             | Remunerations           | 450,000  | 450,000                           | 704,168  | 254,168  |
|                             | Expenses                | 266,769  | 174,109                           | 96,000   | 114,000  |
| Key management<br>personnel | Short term benefits     | 4,812,292  | 1,867,300                         | 2,250,000  | 1,500,000  |
|                             | End of service benefits | 131,621  | 89,275                            | 499,153  | 449,551  |
| Others                      | Consulting fees         | 83,500   | 46,000                            | 46,000   | 92,000   |

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

#### 9. 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 general and administrative expenses, and board of directors' remunerations and expenses.

Segment assets do not include reinsurance operations, cash and cash equivalents, prepaid expenses and other assets, due from shareholders' operations, property and equipment, net.

Segment liabilities do not include accrued expenses and other liabilities, due to shareholders' operations, employees' end of service benefits and due to reinsurance operations.

Saudi Reinsurance Company (A Saudi Joint Stock Company)

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

For The Three And Six Month Periods Ended 30 June 2010

9. SEGMENTAL INFORMATION (continued)

9.1 Business segments

|  | Engineering<br>SR | Fire<br>SR         | Marine<br>SR   | Motor<br>SR      | Others<br>SR   | Total<br>SR        |
|--|-------------------|--------------------|----------------|------------------|----------------|--------------------|
| <b>For the six month period ended 30 June 2010 (Unaudited)</b> |                   |                    |                |                  |                |                    |
| <b>Reinsurance operations</b>                                  |                   |                    |                |                  |                |                    |
| Gross premiums written   | 17,417,778        | 27,567,761         | 7,172,387      | 5,587,330        | 3,920,343      | 61,665,599         |
| Retroceded premiums  | (13,328,351)      | (20,330,224)       | (5,004,577)    | (117,399)        | (2,628,147)    | (41,408,698)       |
| Net premiums written   | 4,089,427         | 7,237,537          | 2,167,810      | 5,469,931        | 1,292,196      | 20,256,901         |
| Change in net unearned premiums                                | (2,468,842)       | (2,717,588)        | (756,935)      | (2,735,069)      | (537,592)      | (9,216,026)        |
| Net premiums earned  | 1,620,585         | 4,519,949          | 1,410,875      | 2,734,862        | 754,604        | 11,040,875         |
| Net claims paid  | (43,767)          | (939,871)          | (154,620)      | (859,539)        | (46,473)       | (2,044,270)        |
| Change in net outstanding claims                               | (789,897)         | (9,791,540)        | (395,295)      | (497,193)        | (430,686)      | (11,904,611)       |
| Gross acquisition costs  | (1,722,757)       | (4,218,419)        | (1,475,536)    | (524,124)        | (569,927)      | (8,510,763)        |
| Commissions on retroceded business                             | 1,514,583         | 3,642,947          | 1,178,050      | 8,733            | 450,132        | 6,794,445          |
| Excess of loss expenses  | (189,514)         | (238,415)          | (85,849)       | (51,366)         | (101,654)      | (666,798)          |
| <b>Net underwriting results</b>                                | <b>389,233</b>    | <b>(7,025,349)</b> | <b>477,625</b> | <b>811,373</b>   | <b>55,996</b>  | <b>(5,291,122)</b> |
| <b>Other items</b>   |                   |                    |                |                  |                |                    |
| Depreciation   | 141,644           | 224,185            | 58,327         | 45,437           | 31,881         | 501,474            |
| <b>For the six month period ended 30 June 2009 (Unaudited)</b> |                   |                    |                |                  |                |                    |
| <b>Reinsurance operations</b>                                  |                   |                    |                |                  |                |                    |
| Gross premiums written   | 6,811,648         | 10,239,634         | 5,327,329      | 2,396,089        | 1,030,244      | 25,804,944         |
| Retroceded premiums  | (5,028,806)       | (7,530,745)        | (3,701,974)    | -                | (700,938)      | (16,962,463)       |
| Net premiums written   | 1,782,842         | 2,708,889          | 1,625,355      | 2,396,089        | 329,306        | 8,842,481          |
| Change in net unearned premiums                                | (1,323,935)       | (1,926,892)        | (1,061,664)    | (1,804,462)      | (241,991)      | (6,358,944)        |
| Net premiums earned  | 458,907           | 781,997            | 563,691        | 591,627          | 87,315         | 2,483,537          |
| Net claims paid  | (55)              | (59,815)           | (424)          | (21,163)         | (4,408)        | (85,865)           |
| Change in net outstanding claims                               | (264,612)         | (443,510)          | (292,910)      | (553,474)        | (40,923)       | (1,595,429)        |
| Gross acquisition costs  | (421,157)         | (686,258)          | (538,132)      | (129,647)        | (61,768)       | (1,836,962)        |
| Commissions on retroceded business                             | 384,797           | 612,685            | 438,830        | -                | 50,914         | 1,487,226          |
| Excess of loss expenses  | (360,184)         | (281,383)          | (148,273)      | (250,222)        | 99,450         | (940,612)          |
| <b>Net underwriting results</b>                                | <b>(202,304)</b>  | <b>(76,284)</b>    | <b>22,782</b>  | <b>(362,879)</b> | <b>130,580</b> | <b>(488,105)</b>   |
| <b>Other items</b>   |                   |                    |                |                  |                |                    |
| Depreciation   | 120,815           | 181,615            | 94,488         | 42,498           | 18,273         | 457,689            |
| <b>As at 30 June 2010 (Unaudited)</b>                          |                   |                    |                |                  |                |                    |
| Segment assets   | 39,986,007        | 63,287,332         | 16,465,654     | 12,826,839       | 8,999,936      | 141,565,768        |
| Segment liabilities  | 49,250,574        | 77,950,704         | 20,280,667     | 15,798,756       | 11,085,179     | 174,365,880        |
| <b>As at 31 December 2009 (Audited)</b>                        |                   |                    |                |                  |                |                    |
| Segment assets   | 19,801,604        | 32,096,568         | 11,200,850     | 1,204,458        | 3,780,133      | 68,083,613         |
| Segment liabilities  | 19,324,535        | 46,766,835         | 10,662,618     | 1,677,592        | 3,485,082      | 81,916,662         |

Saudi Reinsurance Company (A Saudi Joint Stock Company)

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

For The Three And Six Month Periods Ended 30 June 2010

9. SEGMENTAL INFORMATION (continued)

9.2 Geographical segments

|  | Kingdom of<br>Saudi Arabia<br>SR | Other Middle<br>Eastern<br>countries<br>SR | Africa<br>SR       | Total<br>SR        |
|--|----------------------------------|--|--------------------|--------------------|
| <b>For the six month period ended 30<br/>June 2010 (Unaudited)</b> |                                  |  |                    |                    |
| <b>Reinsurance operations</b>                                      |                                  |  |                    |                    |
| Gross premiums written   | 48,738,496                       | 11,043,528                                 | 1,883,575          | 61,665,599         |
| Retroceded premiums  | (32,634,096)                     | (7,395,580)                                | (1,379,022)        | (41,408,698)       |
| Net premiums written   | 16,104,400                       | 3,647,948                                  | 504,553            | 20,256,901         |
| Change in net unearned premiums                                    | (7,325,111)                      | (1,803,312)                                | (87,603)           | (9,216,026)        |
| Net premiums earned  | 8,779,289                        | 1,844,636                                  | 416,950            | 11,040,875         |
| Net claims paid  | (2,037,779)                      | (646)                                      | (5,845)            | (2,044,270)        |
| Change in net outstanding claims                                   | (7,781,698)                      | (1,119,731)                                | (3,003,182)        | (11,904,611)       |
| Gross acquisition costs  | (6,831,658)                      | (1,186,278)                                | (492,827)          | (8,510,763)        |
| Commissions on retroceded business                                 | 5,396,841                        | 1,005,139                                  | 392,465            | 6,794,445          |
| Excess of loss expenses  | (468,816)                        | (136,365)                                  | (61,617)           | (666,798)          |
| <b>Net underwriting results</b>                                    | <b>(2,943,821)</b>               | <b>406,755</b>                             | <b>(2,754,056)</b> | <b>(5,291,122)</b> |
| <b>Other items</b>   |                                  |  |                    |                    |
| Depreciation   | 396,349                          | 89,808                                     | 15,317             | 501,474            |
| <b>For the six month period ended 30<br/>June 2009 (Unaudited)</b> |                                  |  |                    |                    |
| <b>Reinsurance operations</b>                                      |                                  |  |                    |                    |
| Gross premiums written   | 21,632,341                       | 2,302,305                                  | 1,870,298          | 25,804,944         |
| Retroceded premiums  | (14,296,994)                     | (1,415,208)                                | (1,250,261)        | (16,962,463)       |
| Net premiums written   | 7,335,347                        | 887,097                                    | 620,037            | 8,842,481          |
| Change in net unearned premiums                                    | (5,373,786)                      | (592,123)                                  | (393,035)          | (6,358,944)        |
| Net premiums earned  | 1,961,561                        | 294,974                                    | 227,002            | 2,483,537          |
| Net claims paid  | (85,865)                         | -  | -                  | (85,865)           |
| Change in net outstanding claims                                   | (1,311,177)                      | (184,582)                                  | (99,670)           | (1,595,429)        |
| Gross acquisition costs  | (1,544,092)                      | (72,528)                                   | (220,342)          | (1,836,962)        |
| Commissions on retroceded business                                 | 1,234,493                        | 75,427                                     | 177,306            | 1,487,226          |
| Excess of loss expenses  | (704,096)                        | (132,594)                                  | (103,922)          | (940,612)          |
| <b>Net underwriting results</b>                                    | <b>(449,176)</b>                 | <b>(19,303)</b>                            | <b>(19,626)</b>    | <b>(488,105)</b>   |
| <b>Other items</b>   |                                  |  |                    |                    |
| Depreciation   | 383,682                          | 40,835                                     | 33,172             | 457,689            |
| <b>As at 30 June 2010 (Unaudited)</b>                              |                                  |  |                    |                    |
| <b>Reinsurance operations</b>                                      |                                  |  |                    |                    |
| Segment assets   | 111,889,007                      | 25,352,636                                 | 4,324,125          | 141,565,768        |
| Segment liabilities  | 137,813,155                      | 31,226,721                                 | 5,326,004          | 174,365,880        |
| <b>As at 31 December 2009 (Audited)</b>                            |                                  |  |                    |                    |
| <b>Reinsurance operations</b>                                      |                                  |  |                    |                    |
| Segment assets   | 57,043,897                       | 6,854,121                                  | 4,185,595          | 68,083,613         |
| Segment liabilities  | 68,633,926                       | 8,246,724                                  | 5,036,012          | 81,916,662         |

**10. (LOSS) / EARNINGS PER SHARE**

(Loss) / earnings per share for the three and six month periods ended 30 June 2010 and 2009 has been calculated by dividing net (loss) / income for the period by the ordinary issued and outstanding shares at the end of the period.

**11. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements have been approved by the Board of Directors on 2 Shaaban 1431H corresponding to 14 July 2010.