Annual Report
2011

Allianz Saudi Fransi Cooperative Insurance Company

Financial Statements
Together with the Board of Directors' Report
and the Independent Auditors' Report

Allianz Saudi Fransi

His Royal Highness
Prince Nayef Bin Abdulaziz Al-Saud
Crown Prince, Deputy Prime Minister and Interior Minister

King Abdullah Bin Abdulaziz Al-Saud
Custodian of the Two Holy Mosques

In 2011, the Company restructured itself further in line with Allianz Group Target Operating Model (TOM). Although this wasn't easy, yet it ensured that the company did a better job of listening to the customer. All the employees are sensitized to the needs of the market making operations more efficient and customer-oriented.

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Content

Chairman’s Statement

Dear Shareholders,

It is my privilege to present, on behalf of the Board of Directors, the 4th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2011.

At Allianz Saudi Fransi we are committed to a culture of change whose objective is to confirm and improve the core value of our business as well as enable us to compete at the highest level locally.

Work continued this year with vigorous efforts at all levels on the development of various Allianz Saudi Fransi functions in our endeavor to achieve profitability; a milestone that reflects positively on the Company and its rapid achievements. Allianz Saudi Fransi now ranks among top Insurance Companies in the Kingdom. This achievement was realized in as few as four fiscal years in a highly competitive market.

In 2011, the Company restructured itself further in line with Allianz Group Target Operating Model (TOM). Although this wasn’t easy, yet it ensured that the company did a better job of listening to the customer. All the employees are sensitized to the needs of the market making operations more efficient and customer-oriented.

As a result of this initiative, the Company created a Customer Complaint Management unit consistently achieving a resolution rate of over 99% with a turn around time of three days maximum. A Conservation Unit was also launched whose role is to reach out to the customers to remind them about their policy contributions thereby reducing lapsations and cancellations and consequently improving the persistency of business.

In February 2011 the Company successfully renewed its 3 years’ operational licence. By June 2011 the Company launched its Protection & Savings Gold Products; The Waad Series Sharia Compliant Products, another milestone that reflects our efforts to satisfy customers and retail market needs.

We continued our focus in 2011 on training and development of young talents offering various staff training initiatives conducted by internal and external trainers on various topic e.g. IFCE, leadership skills, sales skills, soft skills and technical trainings.

In 2012 the Company will continue its rapid expansion plan with the aim to be amongst the leading Insurance companies in the Kingdom fulfilling Retail and Corporate customer needs with modern and innovative insurance solutions in various lines of business through easy access to customers by various channels of distribution and highly motivated employees.

I would also like to express my deepest gratitude to King Abdullah Bin Abdulaziz and his Crown Prince for their continuous support to the Insurance industry. I would also like to thank the Saudi Arabian Monetary Agency, the Council of Cooperative Health Insurance, the Capital Market Authority and the Ministry of Commerce & Industry, as well as the Board of Directors, the Management and the staff for their support and dedication.

Dr. Abdullah Bin AbdilAziz Al AbdilKader
Chairman

The Board of Directors' Report

The Board of Directors (BOD) of the Allianz Saudi Fransi Cooperative Insurance Company has the pleasure to present to the shareholders, the Company's fourth Annual Report together with the audited financial statements of the fiscal year ending on 31st December 2011.

Following is a presentation of the most significant developments, operational activities and financial results:

1. Introduction

Allianz Saudi Fransi Cooperative Insurance Company is a joint stock company, founded upon the decision of the Council of Ministers No. 233 dated 16/9/1427 H, 9th October 2006 and the Royal Decree No. 60/M dated 18/09/1427 H, 11th October 2006.

The initial authorized and issued Capital of the Company was SAR 100 million. In April 2010, the company increased its capital through rights issue. The share capital of the company became SAR 200 million consisting of 20 million shares. The ownership of Allianz Saudi Fransi's shares as of 31st December 2011 is as follows:

- 32.50% Banque Saudi Fransi (BSF)
- 16.25% Allianz France International * – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)

- Within the remaining 35% public shareholders the following own more than 1% shares:
- Within the founding shareholders:
  - 2.00% Mr. Mohammed Ali Aba Al Khail
  - 1.25% Mr. Omran Mohammed Al Omran

- Within other shareholders
  - 3.00% Ms. Abrar Mohammed Adel Akiel

* Allianz France International merged with Allianz France on 19/12/2011 and transferred all its assets to Allianz France.

The Company has received its operational license (Ref: TMN/11/20083) from the Saudi Arabian Monetary Agency SAMA on 30/02/1429 H, 8th March 2008 and has successfully renewed same on 30/02/1432 H 5th February 2011 for another 3 years period.

2. The Company's Vision, Mission, Strategy & Values

Our Vision is

to be amongst top Saudi Insurers with global expertise and local insight,
providing world class products and services in all lines of business,
with nationwide reach using diverse channels of distribution,
through highly trained and motivated employees.

Our Mission Statement is

Create Trust – Deliver Excellence from A to z

Our Strategy is

To provide insurance solutions in all lines of business through three axis of development:

- Banque Saudi Fransi: to provide Retail Bancassurance products.
- Direct Sales Force: to provide individual insurance solutions.
- Selected brokers and dedicated account executives: to provide comprehensive solutions for corporate customers.

The Company will invest strongly in the early years to develop the above channels of distribution with the aim to consolidate its market position in Property & Casualty & Health Business as well as in Protection & Savings products.

Our Values are

Expertise, Integrity and Sustainability.

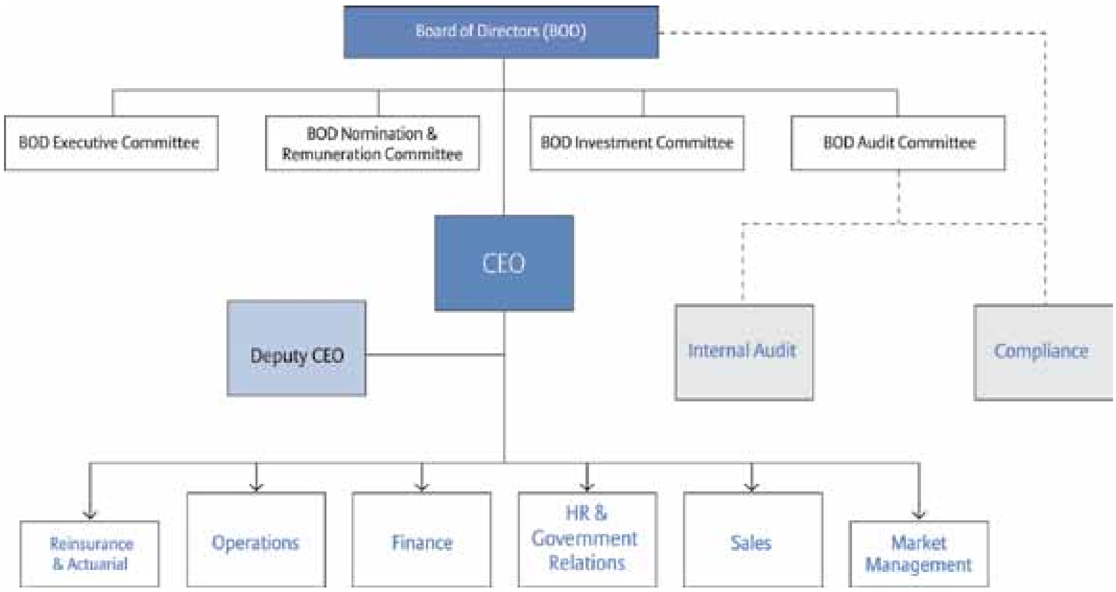
3. Allianz Saudi Fransi Key Dates and Developments

Allianz Saudi Fransi witnessed since its incorporation many significant developments mainly:

October 2006	The founders received the authorization to establish the Company as per Royal Decree No. 60/M
March 2007	The Company goes public through an Initial Public Offering.
June 2007	The Constituting General Assembly is held.
March 2008	The Operational License from SAMA (Ref: TMN/11/20083) is obtained.
September 2008	The Company moved to the New Head Office in Riyadh andreceived its first products' approval.
October 2008	The Board of Directors recommended increasing the capital to SAR 200 Mn.
November 2008	SAMA approved the transfer of Insaudi portfolio subject to no goodwill.
January 2009	Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009.
March 2009	The individual Protection & Savings P&S products approvals are received.
June 2009	The Company Launched the Direct Sales force Protection & Savings operation.
November 2009	BSF Bancassurance Protection & Savings products approvals are received.
April 2010	The Company Completed its 10 million shares rights issue and the Capital became SAR 200 Million.
November 2010	BSF Bancassurance Portfolio transfer was completed.
February 2011	The Company renewed its operational license from SAMA (Ref: TMN/11/20083) for another 3 years
June 2011	The Company launched the Protection & Savings "Gold" Sharia Compliant Products

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2011 is shown here below:



5. Top Management

The members of the Top Management of the Company are:

Name	Position	Year of Birth	Latest Degree
Antoine Issa	Chief Executive Officer	1966	Masters in Civil Engineering & Masters in Finance
Cessine Wakim	Deputy Chief Executive Officer	1959	Masters in Mathematics & PhD. InIntl. BA.
Madeni Al Sumeiri	Head of HR & Gov. Relations	1963	Bachelor of Business Administration
Sayed Hassan	Head of Sales	1957	Masters of Science
Yacoub Hobeika	Chief Financial Officer	1969	LACPA, CPA, CMA, CIA
Mohammed Basrawi	Chief Operation Officer	1957	BA Civil Engineering, Masters of Science

Other Managers reporting directly to the Audit Committee:

Name	Position	Year of Birth	Latest Degree
Mark Kettaneh	Head of Internal Audit	1964	Bachelor of Science, CIA, CCSA,CFE
Sulaiman Ben Sulaeym	Compliance Officer	1976	Bachelor degree in law, CII

6. Human Resources

Our employees' exceptional commitment and ambition to provide excellent service to our customers are crucial to our success. We place great emphasis and investment on fostering outstanding leadership, continuous talent and personal development. Only by unlocking our employees' potential can we achieve our primary goal of being a reliable partner to our customers. In 2011 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. The percentage of Saudi nationals within the company represented more than 60% of the total workforce.

7. Geographical Presence

Our geographical presence in the Kingdom of Saudi Arabia is shown here below:

Office	Address	Telephone & Fax
Head Office- Riyadh	Khorais Road, Al Khaleej Bridge, Malaz - Riyadh - KSA P.O. Box 3540, Riyadh 11481	Tel: +966 (1) 874 9700 Fax: +966 (1) 874 9799
Riyadh Branch	Khorais Road, Al Khaleej Bridge, Malaz - Riyadh - KSA P.O. Box 3540, Riyadh 11481	Tel: +966 (1) 874 9700 Fax: +966 (1) 874 9799
Jeddah Regional Office	Suite 102, 1st Floor, Ewan Center, Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Tel: +966 (2) 283 2444 +966 (2) 283 2589 Fax: +966 (2) 283 0022
Jeddah Branch	Suite 33, 3rd Floor, Khayyat Tower, Madina Road Northbound Sharafiya District, Jeddah, KSA	Tel: +966 (2) 667 8123 +966 (2) 669 2059 Fax: +966 (2) 663 2576
Madinah Branch	Office # 501, 5th floor, Al Aouf Blaza Building Old Airport Road, Madinah, KSA	Tel: +966 (4) 834 3111 Fax: +966 (4) 834 0298
Dammam Regional Office	Business City Building, King Abdelaziz Street, Dammam, KSA	Tel: +966 (3) 831 5600 to +966 (3) 831 5606 Fax: +966 (3) 831 5609
Khobar Branch	Al-Salah Tower, Office G107, 28th Street Prince Faisal Bin Fahd Road Behind Banque Saudi Fransi Regional Office, Khobar, KSA	Tel: +966 (3) 867 9454 +966 (3) 867 5230, 867 2256 Fax: +966 (3) 867 8441
El-Hasa Branch	Burj Al Hamam, Al Dhahran Road P.O. Box. 3996, Al Hassa 31982, KSA	Tel: +966 (3) 531 5249, 531 4521, 531 3625, 531 3291 Fax: +966 (3) 531 2392

8. The Company's Products and Services

Allianz Saudi Fransi provides comprehensive insurance services to corporate and individual customers. with the Protection line of business (Property & Casualty insurance), Allianz Saudi Fransi embrace the entire spectrum of risk management supported by a diversified range of insurance products for corporate and individual customers. For Protection & Saving and Health insurance, the company plays a leading role in the field of Employee Benefits schemes as well as Health, Retirement and Education savings plans. The Company provides corporate and individual solutions as listed hereunder:

Corporate Solutions	Individual Solutions	Bancassurance Solutions
Employee Benefits	Protection & Savings	Protection & Savings
Group Protection & Health	Waad Al Ousra Gold (Protection)	Al Anjal (Education)
Workmen Compensation	Waad Al Ajyal Gold (Education)	Al Ghad (Retirement)
Engineering	Waad Al Isteqrar Gold (Retirement)	Protection & Savings (Takaful)
Contractors All Risks (CAR)	Property, Casualty & Health	Takaful Al Anjal (Education)
Erection All Risks (EAR)	ASF Property	Takaful Al Ghad (Retirement)
Machinery Breakdown	ASF Motor	
Electronic Equipment	ASF Health	
Property & Casualty	ASF Personal Accident	
Property All Risks	ASF Travel	
Fire, Theft, Money		
Liability		
Third Party Liability		
Public & Product Liability		
Marine & Cargo		
Credit Insurance		

9. Financial Highlights

a) Written Premiums

The Gross Written Premiums amounted to SAR 683.7 Million for the twelve months ended December 2011 against SAR 523.4 Million for the twelve months ended December 2010 showing a growth of 31%. The split per line of business is as follows:

SAR Million	2011	2010	2009	2008
Property, Casualty & Health:	510.8	468.7	315.1	77.9
a) Motor:	86.3	84.9	62.8	61.8
b) Engineering:	69.4	77.3	71.9	61.8
c) Medical:	134.7	158.1	103.2	16.1
d) Other General:	220.4	148.4	77.2	-
Protection & Savings:	172.9	54.7	22.7	-

Property, Casualty & Health Gross Written Premiums increased by 9% compared to previous year (2010), while Protection & Savings Gross Written Premiums increased by 216% compared to previous year (2010), showing an important milestone for the company in line with its plan.

Although all the premiums are booked in the Head Office in Riyadh, the sales process is decentralized in the various offices in the Kingdom of Saudi Arabia.

The volumes generated in each region are summarized below:

SAR Million	2011	2010	2009	2008
Central Region:	410.7	255.6	224.3	75.2
Western Region:	193.8	170.2	76.6	2.1
Eastern Region:	79.2	97.6	36.9	0.6

b) Net Premiums Earned

The Net Premiums Earned after deducting the premiums ceded to reinsurers and the reserves for unearned premiums amounted to SAR 354.7 Million for the twelve months ended December 2011 against SAR 233.2 Million for the twelve months ended December 2010. Net Premium Earned increased by 52% compared to previous year (2010) exceeding the increase in Gross Written Premiums and in line with the plan to gradually increase the retention.
Net Earned Premiums represents 52% of the Gross Written Premiums for the current year compared to 45% for the previous year, showing that the company is gradually retaining more premiums.

c) Mathematical Reserve Change

The Mathematical Reserve change applicable to Protection & Savings products amounted to SAR (46.3) Million for the twelve months ended December 2011 against SAR (26.8) Million in 2010 due to the increase of premium in this line of business.

d) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (221.4) Million for the twelve months ended December 2011 against SAR (134.6) Million for the twelve months ended December 2010.
Net Incurred Claims increased by 64% from previous year (2010) following the increase in Net Premium Earned.

e) Net Commissions

The commissions to producers net of the commissions received from reinsurers amounted to SAR (13.8) Million for the twelve months ended December 2011 against SAR (12.2) Million for the twelve months ended December 2010.

f) General Expenses

The Company has incurred during 2011 a total expenses of SAR (75.8) Million, including SAR (0.3) Million allocated to the shareholders operations as general expenses, against a total expenses of SAR (71.3) Million during 2010. The General Expenses increased by 6% compared to previous year due to the Company expansion plan.

g) Deficit from Insurance Operations

The technical result before investment income is showing a deficit of SAR (0.4) Million for the twelve months ended December 2011 against a deficit of SAR (8.6) Million for the twelve months ended December 2010 representing a substantial decrease, showing a gradual improvement of the results as planned.

h) Investments

The Company investments as of December 2011 are summarized here below:

SAR Million	2011	2010	2009	2008
Cash & cash equivalents:	74.6	42.3	49.7	60.5
Bonds:	127.0	98.0	8.8	12.1
Subscription in Najm & NextCare Companies:	3.2	3.2	3.2	-
Held to maturity	-	-	-	2.1

The investment income including unrealized gain and other income has amounted to SAR 4.3 Million as of December 2011 against SAR 3.3 Million as of December 2010.

i) Result of the Period (Profit)

The Company is still in its early stages of development and is investing in the needed infrastructure, systems, procedures and human resources. Therefore the result for the twelve months ended 31st December 2011 (the fourth fiscal year) is a limited profit amounting to SAR 1.6 Million against a loss of SAR (8.3) Million for the twelve months ended 31st December 2010. This positive change in results from 2010 to 2011 is due to the increase of Gross Written Premiums in the various lines of business and a better productivity level. The earning per share as of December 2011 is equivalent to SAR 0.08.

j) Assets

The total assets of the Company as of 31st December 2011 amounted to SAR 1,074.8 Million split as follows:

SAR Million	2011	2010	2009	2008
Insurance Operations' Assets	911.0	779.2	379.2	148.0
Shareholders' Assets	163.8	162.1	71.5	91.3

k) Shareholder's Equity

The Shareholder's Equity as of 31st December 2011 amounted to SAR 158 Million, split as follows:

SAR Million	2011	2010	2009	2008
Share Capital	200.0	200.0	100.0	100.0
Accumulated Losses	(65.5)	(65.2)	(57.1)	(34.2)
Other Reserves	23.6	23.6	(0.2)	0.1

The Company confirms that it dose not have any loans as of 31st December 2011.

l) Profit Distribution Strategy

As stated in the articles of association of the Company, article 42, shareholder's profits shall be distributed in the following way:

- Zakat & Tax allocations are to be withheld.
- Twenty percent (20%) of the net profits shall be allocated for the legal reserve formation. This allocation shall be di counted when the total reserve reaches 100% of the paid up capital according to prevailing rules and regulations.
- The Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of net profits to build up reserves allocated for specific purposes.
- The remainder shall be distributed to shareholders as share profits or to be transferred to retained profits account.
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits, may be distributed in accor dance with applicable rules and regulations issued by competent authorities.

As a cooperative insurance company, Allianz Saudi Fransi will distribute on a yearly basis 10% of the annual net surplus arising from its insurance operation to the policy-holders in accordance with the rules and regulations applicable to cooperative insurance companies. The net surplus, if any, will be calculated at the end of each fiscal year, audited and distributed upon approval of the Saudi Arabian Monetary Agency (SAMA).

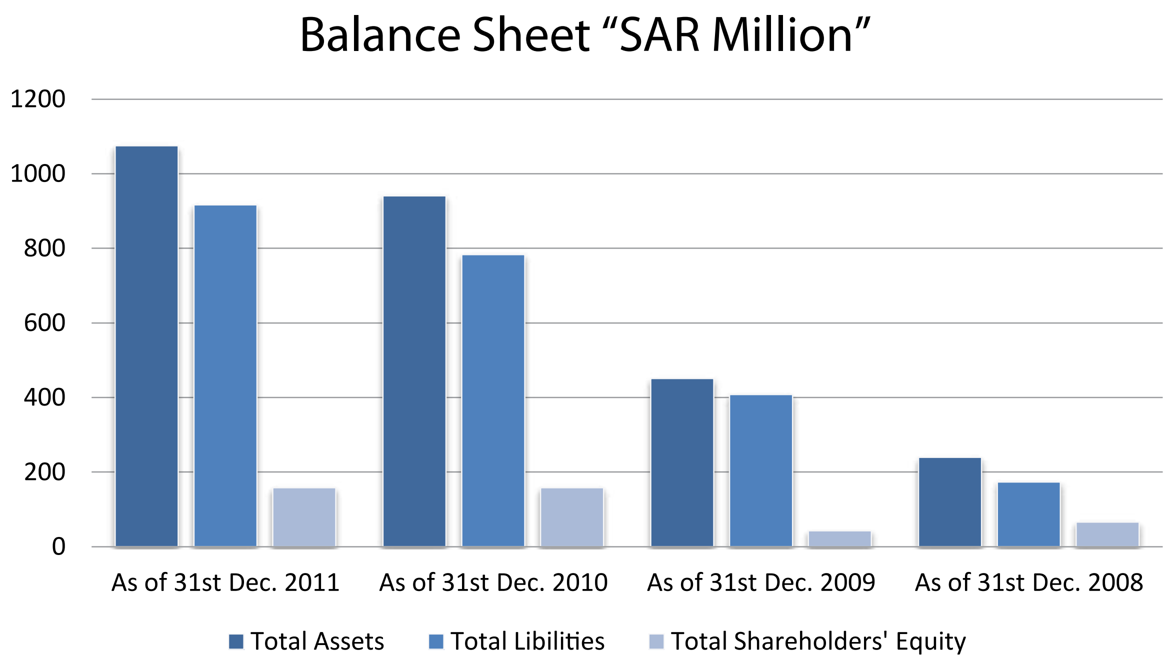
For the year ending 2011, the company is having a deficit in the insurance operation of SAR (0.4) Million and thus nothing is to be distributed for the year 2011.

m) Financial highlights

The following is a summary of the most important indicators for the Past four years:

SAR Million	2011	2010	2009	2008
Gross Written Premium	683.7	523.4	337.8	77.9
Net Premium Earned	354.7	233.2	127.3	3.7
Mathematical Reserve Change	(46.3)	(26.8)	(15.1)	-
Net Incurred Claims	(221.4)	(134.6)	(73.5)	(0.6)
Net Commissions	(13.8)	(12.2)	1.9	(0.1)
General Expenses	(75.8)	(71.3)	(67.5)	(39.1)
Investment Income	4.3	3.3	4.4	2.7
Net Income - Profit	1.6	(8.3)	(22.4)	(33.5)

Balance Sheet "SAR Million"	2011	2010	2009	2008
Total Assets	1,074.8	941.3	450.7	239.3
Total Liabilities	916.8	782.9	408.0	173.4
Total Shareholders' Equity	158.0	158.4	42.7	65.9



10. Corporate Governance, Regulations & Committees

a) The Compliance with Corporate Governance

In 2011, Allianz Saudi Fransi entirely complied with the CMA corporate governance regulations except in the following minor issue:

CMA guidelines suggest practicing a cumulative voting mechanism for the General Assembly decisions. However, the Company follows the Ministry of Commerce regulations in this regard; resolutions of all General Assemblies and Board of Directors meetings shall be adopted by simple majority vote of the members present in person or by proxy who are entitled to vote at such meeting.

b) Board of Directors

At the extraordinary General Assembly held on 8th August 2010, a new Board of Directors (BOD) composed of 6 members was elected:

- 2 representing Banque Saudi Fransi (BSF)
- 2 representing Allianz France International & Allianz MENA Holding Bermuda
- 2 independents, including the Chairman

Name of the Board Members	Number of Shares beginning of year	Number of Shares end of year	Change in Number of Shares*	Board Member**	Representing	Member Classification
Abdullah Abdilkader (Chairman)	1,000	1,000	Nil	• Saudi Industrial Investment Group (SIIG).	Public	Independent
Alwaleed Al Dryaan	1,000	1,000	Nil	• Alkhaleej Training & Education Co.	Public	Independent
Abdulrahman Jawa (replacing Jean Marion since 18/09/2011)	Nil	Nil	Nil	• Banque Saudi Fransi	BSF	Non Executive
Abdulaziz Al Habdan	Nil	Nil	Nil	• Banque Saudi Fransi • Saudi Telecom Co. (STC)	BSF	Non Executive
Hugues de Roquette Buisson	Nil	Nil	Nil		Allianz France International	Non Executive
Heinz Dollberg	Nil	Nil	Nil		Allianz MENA Holding Bermuda	Non Executive

*Owned by BOD members, their spouses or their children in Allianz Saudi Fransi. **In other companies in KSA

Members of the Top Management		A. Issa	C. Wakim	M. Sumeiri	S. Hassan	Y. Hobeika	M. Basrawi
Number of Shares*	beginning of year	Nil	Nil	Nil	Nil	Nil	Nil
	End of year	Nil	Nil	Nil	Nil	Nil	Nil

*Owned by the Top Management, their spouses or their children in Allianz Saudi Fransi.

c) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of Board Members and Top Executives (including the CEO, his Deputy, and the CFO) during the fourth fiscal ending 31st December 2011 were:

SAR	2011			2010		
	Non-executive Board Members**	Exective Board Members	Top 6 Executives	Non-executive Board Mebers**	Executive Board Members	Top 6 Executives
Salaries & Remunerations	Nil	Nil	3,808,568	Nil	Nil	3,869,132
Allowances / Attendance fees	105,900	Nil	436,442	112,000	10,500	378,408
Bonuses	Nil	Nil	1,444,228	Nil	Nil	1,289,755
Other Expenses	98,752	Nil	Nil	119,498	Nil	Nil
Other Benefits*	Nil	Nil	1,166,498	Nil	Nil	988,356
Total	204,652	Nil	6,855,736	231,498	10,500	6,525,651

* Other benefits including Global equity Incentive plan and other benefits such as Housing and Insurance. ** Including Chairman

Furthermore the Top Executives plus their spouses and their children didn’t benefit from any debt instruments issued by Allianz Saudi Fransi or its affiliates.

d) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2011 there was no contract in which the Company was a party and its Chief Executive Officer, Chief Financial Officer, Board Members or any other person who may have a relationship with any of them benefited from it. Moreover, there are no arrangements or agreements by which any of the members of the Board of Directors or any of the top executives or any of the shareholders of Allianz Saudi Fransi waived their interests or rights to receive dividends.

The Related-Party transactions and balances of shareholders and related affiliates during 2011 are related to the following activities:

- Insurance contracts with Banque Saudi Fransi and its related affiliates at best quotes.
- Fund Management with Banque Saudi Fransi and its related affiliates at best quotes.
- Re-insurance contracts with Allianz Group and its related affiliates at best quotes.
- Third-Party administration of Medial Insurance Claims with Nextcare SA.

e) BOD Committees

BOD Executive Committee

The BOD Executive Committee is responsible for providing recommendations to the Board on various issues such as strategy and business plan. The committee is delegated with certain executive authorities of the board like studying the budget, drawing up the general company policies, following up the performance and achievements versus the plan, etc.

The Committee comprises the following members:

BOD Executive Committee	As of 31st December 2011
Abdulrahman Jawa (replacing Jean Marion since 18/09/2011)	Chairman
Abdulaziz Al Habdan	Member
H. de Roquette Buisson	Member
Heinz Dollberg	Member

The BOD Executive Committee met two times during 2011 with 88% attendance (100% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
25/04/2011	Jean Marion, Abdulaziz Al Habdan, Hugues de Roquette Buisson	75%	100%
25/10/2011	Abdulrahman Jawa, Abdulaziz Al Habdan, Hugues de Roquette Buisson, Heinz Dollberg	100%	100%

BOD Audit Committee

The BOD Audit committee is responsible for discharging the Board's duties related to the supervision of the Company's financial reporting and evaluating the adequacy of internal and external audit processes. The Committee also evaluates and monitors Allianz Saudi Fransi's control environment and risk management processes.

The Committee comprises the following members:

BOD Audit Committee	As of 31st December 2011
Hugues de Roquette Buisson	Chairman
Abdulaziz Osman	External
Ibrahim Al Shaia	External

In the Audit Committee 2 members are Independent and the Committee's Chairman is a board member.

The Audit Committee met four times during 2011 with 92% attendance (100% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
18/01/2011	Hugues de Roquette Buisson, Abdulaziz Osman, Ibrahim Al Shaia	100%	100%
12/02/2011	Abdulaziz Osman, Ibrahim Al Shaia	67%	100%
25/04/2011	Hugues de Roquette Buisson, Abdulaziz Osman, Ibrahim Al Shaia	100%	100%
24/10/2011	Hugues de Roquette Buisson, Abdulaziz Osman, Ibrahim Al Shaia	100%	100%

There is no financial or family relationship between the BOD members and the Audit Committee.

The above Audit Committee meetings covered the following major tasks:

- Met with the external auditors to discuss their Management Report and recommendations.
- Reviewed and approved the quarterly financials and the external auditors' reports and submitted the recommendations to the Board of Directors.
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.
- Reviewed the Compliance Activity Reports including the findings and corrective actions as well as complaints and legal cases.
- Reviewed the activities of the Internal Auditors and Compliance Team and ensured their independency.
- Updated the Internal Audit Manual and Procedures and submitted same to the Board of Directors for approval.

- Reviewed important correspondent with authorities including their comments and discussed the related actions with the Board of Directors.
- Reviewed external contracts including external auditors, lawyer and consulting actuary and recommended the approval of the contracts to the Board of Directors.

The Audit Committee also met in 2012 to discuss and approve the Company's Financials for the Year 2011.

The Internal Audit Department has performed 11 regular missions and 6 adhoc missions during 2011 and has issued the corresponding reports including recommendations and agreed actions. These missions have covered most of the procedures in various company departments including Operations, Finance, Human Resources, Sales, Market Management and Reinsurance & Actuarial as well as subunits. The Audit Mission Reports did not show any significant or high risk findings but improvements needed that are already solved or under the process of completion as per the agreed time frame. The reports and implementation progress are reviewed regulary by the Audit Committee.

The Company has also implemented an internal Governance, Risk and Control Committee (GRC) mainly responsible for monitoring the activities of the Company related to Governance, Risks, Audit, Compliance, Anti Money Laundry, Anti Fraud, Code of Conduct and Anti Corruption. The GRC Committee met fifteen times during 2011 and the outcome did not show any major weakness but regular improvements needed that are already addressed or under completion.

The system of internal control has been effectively implemented and the Audit Committee is regularly following the results.

BOD Investment Committee members

The Investment committee shall prepare, review, and approve the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and in line with SAMA's regulations.

The Committee comprises the following members:

BOD Investment Committee	As of 31st December 2011
Abdulaziz Al Habdan	Chairman
Hugues de Roquette Buisson or Heinz Dollberg	Members by alteration
AlWaleed Al Dryaan	Member

The investment committee met once during 2011 with 100% attendance.

Date	Attendance	Percentage	Percentage with Proxy
25/04/2011	Abdulaziz Al Habdan, AlWaleed Al Dryaan, Hugues de Roquette Buisson	100%	100%

Nomination & Remuneration Committee

The duties and responsibilities of the Nomination & Remuneration Committee are mainly:

- Recommend appointments of membership to the Board of Directors and of Top Executives.
- Review the structure of the Board of Directors.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in the Board of Directors.
- Determine strengths and weaknesses in the BOD and recommend remedies.
- Carve clear policies regarding the indemnities and remuneration of the Board Members and Top Executives.
- Approve and evaluate the compensation plans, polices and programs of the Company.

The Nomination & Remuneration Committee (N&R) comprises the following:

BOD Nomination & Remuneration Committee	As of 31st December 2011
AlWaleed Al Dryaan	Chairman
Abdulrahman Jawa (replacing Jean Marion since 18/09/2011)	Member
Heinz Dollberg	Member

The N&R committee met three times during 2011 with 78% attendance (100% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
18/01/2011	Jean Marion, AlWaleed Al Dryaan, Heinz Dollberg	100%	100%
25/04/2011	AlWaleed Al Dryaan, Jean Marion	67%	100%
22/05/2011	AlWaleed Al Dryaan, Jean Marion	67%	100%

The above N&R committee meetings covered the following major tasks:

- Reviewed the remuneration of Board Members that remained unchanged and submitted the recommendations to the Board of Directors.
- Reviewed the remuneration of Top Executives for 2011 as well as the remunerations increase mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the updates on the Company structure as well as the recruitment of new executives.

f) BOD Meetings

The BOD met four times during the year ended 31st December 2011 with attendance of 84% (100% with proxies)

BOD #	Date	Attendance	Percentage	Percentage with Proxy
18	18/01/2011	Abdullah Abdilkader, AlWaleed Al Dryaan, Jean Marion, Abdulaziz Al Habdan, Heinz Dollberg	84%	100%
19	25/04/2011	Abdullah Abdilkader, AlWaleed Al Dryaan, Jean Marion, Abdulaziz Al Habdan, Hugues de Roquette Buisson	84%	100%
20	15/09/2011	Abdullah Abdilkader, AlWaleed Al Dryaan, Jean Marion, Abdulaziz Al Habdan, Hugues de Roquette Buisson	84%	100%
21	25/10/2011	Abdullah Abdilkader, Abdulrahman Jawa, Abdulaziz Al Habdan, Hugues de Roquette Buisson, Heinz Dollberg	84%	100%

The above BOD meetings covered the following major tasks:

- Regularly analysed the Company performance and achievement versus plan including analysis of market information and Company Strategic positioning.
- Approved the Reinsurance Strategy for the year including the modification of terms.
- Approved the recommendations of the Nomination & Remuneration Committee concerning the Company Structure, the remuneration and bonuses of top executives as well as the remunerations and bonuses for the Company.
- Approved the strategy and the plan for the following year.
- Discussed Human Resources and Talent Management.

- Approved the updates on the Company Manuals and Procedures following the Committee recommendations; During 2011 those updates included Corporate Governance, Internal Audit, Reinsurance Strategy and a new Outsourcing Policy.
- Approved the recommendations of the Committees regarding external contracts including external auditors, tax consultant, legal consultant and external actuary. Noting that the company doesn't have any other management or technical agreement.
- Followed the activities of the various Committees including the Executive Committee, the Audit Committee, The Investment Committee and the Nomination & Remuneration Committee.
- The Board of Directors has also approved in 2012 the policy regarding Conflict of Interest with Shareholders, Board Members and top executives. This policy will be added to the next version of the Company Corporate Governance Manual.

g) Risk Management

During 2011, Allianz Saudi Fransi succeeded in aligning risk management activities with corporate strategy and objectives to preserve the shareholders' value.

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from their core business operations. The strategy considers the impact of market conditions and available expertise on inherent risks to which the company is exposed. Consideration shall not be limited to the risks associated with one class of business but shall extend to risks from all other classes.

The Risks are mentioned here below:

a. Operational/ Process Risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

b. Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and Management ensures that sufficient funds are available to meet any commitments as they arise.

c. Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

d. Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its bank balances and available for sale investments.

e. Currency Exchange Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

f. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

g. Fund Price Risk
Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

h. Insurance Risk
The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

i. Capital management
Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis.

j. Fair Value of Financial Instruments
Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

h) Zakat, Legal Payments, and Loans
Allianz Saudi Fransi allocated SAR 1,824,453 for Zakat and Tax in 2011 against SAR 143,422 allocated in 2010, noting that the Company has increase its capital base during 2010. There were no loans by the Company. The Following table shows a list of legal payments for the year 2011 compared to the year 2010 and 2009.

SAR Million	2011	2010	2009
Customs Expenses			-
Zakat & Tax	1.8	0.1	0.4
GOSI Expenses	1.8	1.9	1.4
Visa & Passports	0.7	0.6	0.3
Inspection & Supervision Fees	3.4	2.6	1.7
Total	7.7	5.3	3.8

11. Future Plans
The Company will continue its rapid development and growth in the market in line with its vision and as per the following strategy:

Direct Sales Force: In June 2011 the Company launched its Protection & Savings Gold Products; The Waad Series Sharia Compliant Products to further strengthen retail products. In 2012 the Company will continue reinforcing its retail team including strong team leaders.

Bancassurance: The Company has transferred its Bancassurance Protection & Savings products on 1st November 2010. In 2012 the Company intends to further consolidate its unique business relation with Banque Saudi Fransi and is expecting a more rapid growth as well as the introduction of new products.

Corporate: Corporate Business will remain amongst the top priority of the Company. During 2012, the Company will further extend its relation with key Brokers to build strong and lasting partnership.

Business Processes: During 2012 the Company will revisit and challenge all its existing procedures to further improve the services and its efficiency. It will also revisit its Service Standards and Key Performance Indicators to better serve customers as well as Business Partners.

Talent Management: During 2012 the company will continue its investments in human resources to attract and develop young talents and prepare the future generation of managers.

12. External Independent Auditors and Accounting Standards

In 2011, the Ordinary General Assembly approved the BOD recommendation of renewing the appointment of "KPMG Al Fozan & Al Sadhan" and "Al Bassam Certified Public Accountants and consultants" as joint external auditors for the fiscal year ended 31st December 2011. The external auditors mandate has been renewed as per the board approval following biddings submitted by 5 firms, as well as the company's General Assembly approval.

The financial statements as at 31st December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS). The external independent auditors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2011 in accordance with the International Financial Reporting Standards (IFRS).

13. Shariah Committee

The Company has a Shariah Committee composed of:

Sheikh Dr. Muhammad A. Elgari
Sheikh Abdullah Al Manea
Sheikh Dr. Abdul Sattar AbuGhuddah

The role of the committee is to review and approve the products to be distributed by the Company as Shariah Compliant.

The Shariah Committee met in 2011 and approved the following Protection & Savings Sharia Compliant products: Waad Al Ousra Gold, Waad Al Ajyal Gold and Waad Al Isteqrar Gold.

14. Board of Directors Declaration

The Board of Directors confirms the following:

- Proper books of account have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no significant doubts concerning the Company's ability to continue as ongoing concern.

Allianz Saudi Fransi Cooperative Insurance Company

Financial Statement

Together with the Independent Auditors' Report

For the year ended 31 December 2011

Independent Auditors' Report

Independent Auditors' Report to the Shareholders of
Allianz Saudi Fransi Cooperative Insurance Company
(A Saudi Joint Stock Company)

Scope of Audit

We have audited the accompanying statement of financial position of Allianz Saudi Fransi Cooperative Insurance Company, a Saudi Joint Stock Company ('the Company') as at 31 December 2011and the related statements of insurance operations, shareholders' operations, shareholder' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the notes 1 to 34 which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion:

In our opinion, the financial statements taken as a whole:

- Present fairly, in all materials respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and

- Comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of a matter

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

Al Bassam Certified Public Accountants and Consultants
P.O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

KPMG Al Fozan & Al Sadhan
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

26 Rabi Al Awal 1433H
18 February 2012

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

Tareq A. Al Sadhan
Certified Public Accountant
License No. 352

Statement of Financial Position

	Note	For the year ended 31 December 2011 SR	For the year ended 31 December 2010 SR
Insurance Operations' Assets			
Office equipment and furniture	7	4,323,829	5,668,432
Reinsurers' share of outstanding claims	8	83,230,450	47,930,883
Reinsurers' share of unearned premiums	18	125,258,097	115,324,523
Deferred policy acquisition costs	9	14,221,856	12,716,935
Due from shareholders' operations		3,847,909	3,448,478
Unit linked investments	10	471,146,684	425,489,985
Premiums receivable, net	12	126,937,494	137,195,759
Reinsurance balances receivable		18,116,160	26,152,405
Prepayments and other assets	11	2,060,725	2,575,663
Cash and cash equivalents	13	61,900,990	2,655,673
Total Insurance Operations' Assets		**911,044,194**	**779,158,736**
Shareholders' Assets			
Statutory deposit	14	20,076,025	20,076,025
Investments	15	130,238,596	101,216,906
Prepayments and other assets	11	797,934	1,144,244
Cash and cash equivalents	13	12,670,275	39,642,047
Total Shareholders' Assets		**163,782,830**	**162,079,222**
Total Shareholders and Insurance Operations' Assets		**1,074,827,024**	**941,237,958**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Yacoub Hobeika
Chief Executive Officer	BOD Member	Chief Financial Officer

Statement of Financial Position

	Note	As at 31 December 2011 SR	As at 31 December 2010 SR
Insurance Operations' Liabilities			
Employees' end of service benefits	17	6,029,510	4,253,073
Unearned premiums	18	191,658,673	177,773,820
Mathematical reserve	19	472,596,932	426,301,924
Outstanding claims	8	130,437,755	80,365,070
Unearned commission income	20	15,096,686	11,037,631
Reinsurance balances payable		70,306,255	71,604,154
Accrued expenses and other liabilities	21	24,918,383	7,823,064
Total Insurance Operations' Liabilities		**911,044,194**	**779,158,736**
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Due to insurance operations		3,847,909	3,448,478
Accrued expenses and other liabilities	21	116,025	117,326
Zakat and tax payable	22	1,824,453	143,422
Total Shareholders' Liabilities		**5,788,387**	**3,709,226**
Shareholders' Equity			
Share capital	23	200,000,000	200,000,000
Share premium	23(b)	22,711,315	22,711,315
Accumulated losses		(65,642,250)	(65,287,134)
Unrealized gain on available for sale investments	15 (i)	925,378	945,815
Total Shareholders' Equity		**157,994,443**	**158,369,996**
Total Shareholders' Liabilities and Equity		**163,782,830**	**162,079,222**
Total Insurance Operations Liabilities and Shareholders' Liabilities and Equity		**1,074,827,024**	**941,237,958**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Yacoub Hobeika
Chief Executive Officer	BOD Member	Chief Financial Officer

Statement of Insurance Operations

	Note	As at 31 December 2011 SR	As at 31 December 2010 SR
Gross written premiums	26	683,690,693	523,414,122
Reinsurance premiums ceded		(325,068,662)	(276,726,950)
Net written premiums		**358,622,031**	**246,687,172**
Changes in unearned premiums	26	(13,884,853)	(21,617,950)
Reinsurance share of unearned premiums		9,933,574	8,166,335
Net change in unearned premiums		**(3,951,279)**	**(13,451,615)**
Net premiums earned	26	354,670,752	233,235,557
Commission earned during the year	20	26,154,130	12,718,974
Unrealized gain on unit linked investments, net		822,017	1,825,888
Fees and other income		1,189,098	728,061
Total revenues		**382,835,997**	**248,508,480**
Gross claims paid	8	(374,134,970)	(227,147,312)
Reinsurance share of claims paid	8	167,495,000	108,454,695
Net claims paid		**(206,639,970)**	**(118,692,617)**
Changes in gross outstanding claims		(50,072,685)	(34,337,613)
Changes in reinsurance share of outstanding claims		35,299,567	18,466,050
Net outstanding claims		**(14,773,118)**	**(15,871,563)**
Net claims incurred		**(221,413,088)**	**(134,564,180)**
Change in mathematical reserves	19	(46,295,008)	(26,782,943)
Commission expenses amortized during the year	9	(39,991,185)	(24,962,898)
Inspection and supervision fees		(3,418,453)	(2,617,071)
General and administrative expenses	27	(72,117,694)	(68,156,745)
Total claims and expenses		**(383,235,428)**	**(257,083,837)**
Net deficit for the year		**(399,431)**	**(8,575,357)**
Net deficit transferred to statement of shareholders operations'		399,431	8,575,357
Net result for the year		-	-

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa
Chief Executive Officer

Abdulrahman Jawa
BOD Member

Yacoub Hobeika
Chief Financial Officer

Statement of Shareholders' Operations

	Note	For the year ended 31 December 2011 SR	For the year ended 31 December 2010 SR
Investment income		2,247,285	777,595
Total revenues		**2,247,285**	**777,595**
Net deficit transferred from statement of insurance operations		(399,431)	(8,575,357)
General and administrative expenses	27	(291,217)	(555,972)
Net profit / (loss) for the period		**1,556,637**	**(8,353,734)**
Basic and diluted earnings/(loss) per share	29	**0.08**	**0.43**

Statement of Shareholders' Comprehensive Income

	For the year ended 31 December 2011 SR	For the year ended 31 December 2010 SR
Net profit /(loss) for the period	1,556,637	(8,353,734)
Fair value change in available for sale investments, net	(20,437)	1,088,315
Comprehensive income/(loss) for the period	**1,536,200**	**(7,265,419)**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa
Chief Executive Officer

Abdulrahman Jawa
BOD Member

Yacoub Hobeika
Chief Financial Officer

Statement of Changes In Shareholders' Equity

	Share Capital SR	Share Premium SR	Accumulated Losses SR	Unrealised gain / (loss) on available capital for sale investments SR	Total SR
Balance as at 1 January 2010	100,000,000	-	(57,083,147)	(142,500)	42,774,353
Increase in capital through right issue (Note 23)	100,000,000	-	-	-	100,000,000
Share premium on rights issue (Note 23)	-	25,000,000	-	-	25,000,000
Expenses of rights issue (Note 23)	-	(2,288,685)	-	-	(2,288,685)
Loss for the year	-	-	(8,353,734)	-	(8,353,734)
Other Comprehensive income:					
Fair value change in available for sale investment	-	-	-	1,088,315	1,088,315
Total comprehensive loss for the year	-	-			(7,265,419)
Provision for zakat (Note 22)	-	-	(143,422)		(143,422)
Excess provision of zakat for prior year			293,169		293,169
Balance as at 31 December 2010	**200,000,000**	**22,711,315**	**(65,287,134)**	**945,815**	**158,369,996**
Balance as at 1 January 2011 (Note 23)	200,000,000	22,711,315	(65,287,134)	945,815	158,369,996
Profit for the year	-	-	1,556,637	-	1,556,637
Other Comprehensive income:					
Fair value change in available for sale investment	-	-	-	(20,437)	(20,437)
Total comprehensive income for the year	-	-	-		1,536,200
Provision for zakat and tax (Note 22)	-	-	(1,911,753)		(1,911,753)
Balance as at 31 December 2011	**200,000,000**	**22,711,315**	**(65,642,250)**	**925,378**	**157,994,443**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa
Chief Executive Officer

Abdulrahman Jawa
BOD Member

Yacoub Hobeika
Chief Financial Officer

Statement OF Insurance Operations' Cash Flows

	For the year ended 31 December 2011 SR	For the year ended 31 December 2010 SR
Operating Activities		
Deficit from insurance operations after shareholders' appropriation	-	-
Adjustments to reconcile net deficit to net cash from/(used in)operating activities		
Appropriation of deficit to shareholders' operations	(399,431)	(8,575,357)
Depreciation	1,724,299	1,939,294
Employees' end of service benefits	1,776,437	2,520,513
Unrealized gain on unit linked investments	(822,017)	(1,825,888)
	2,279,288	**(5,941,438)**
Changes in operating assets and liabilities:		
Deferred policy acquisition costs	(1,504,921)	(7,705,222)
Premiums receivable, net	10,258,265	9,896,765
Prepayments and others assets	514,938	82,967
Unearned premiums, net	3,951,279	13,451,615
Mathematical reserve	46,295,008	27,546,383
Unit linked investments	(44,834,682)	(25,282,191)
Outstanding claims, net	14,773,118	15,871,564
Unearned commission income	4,059,055	9,305,768
Reinsurance balances payable, net	6,738,346	(38,876,259)
Accrued expenses and other liabilities	17,095,319	(10,378,784)
Net cash from/(used in) operating activities	**59,625,013**	**(12,028,832)**
Investing Activities		
Purchase of office equipment and furniture	(379,696)	(1,471,450)
Net cash used in investing activities	**(379,696)**	**(1,471,450)**
Financing Activities		
Due to an affiliate	-	29,944,184)
Due from shareholders' operations	-	30,000,000
Net cash from financing activities	**-**	**55,816**
Net Change In Cash And Cash Equivalents During The Year	59,245,317	(13,444,466)
Cash And Cash Equivalents At The Begining Of The Year	2,655,673	16,100,139
Cash And Cash Equivalents At The Ending Of The Year	61,900,990	2,655,673

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Yacoub Hobeika
Chief Executive Officer	BOD Member	Chief Financial Officer

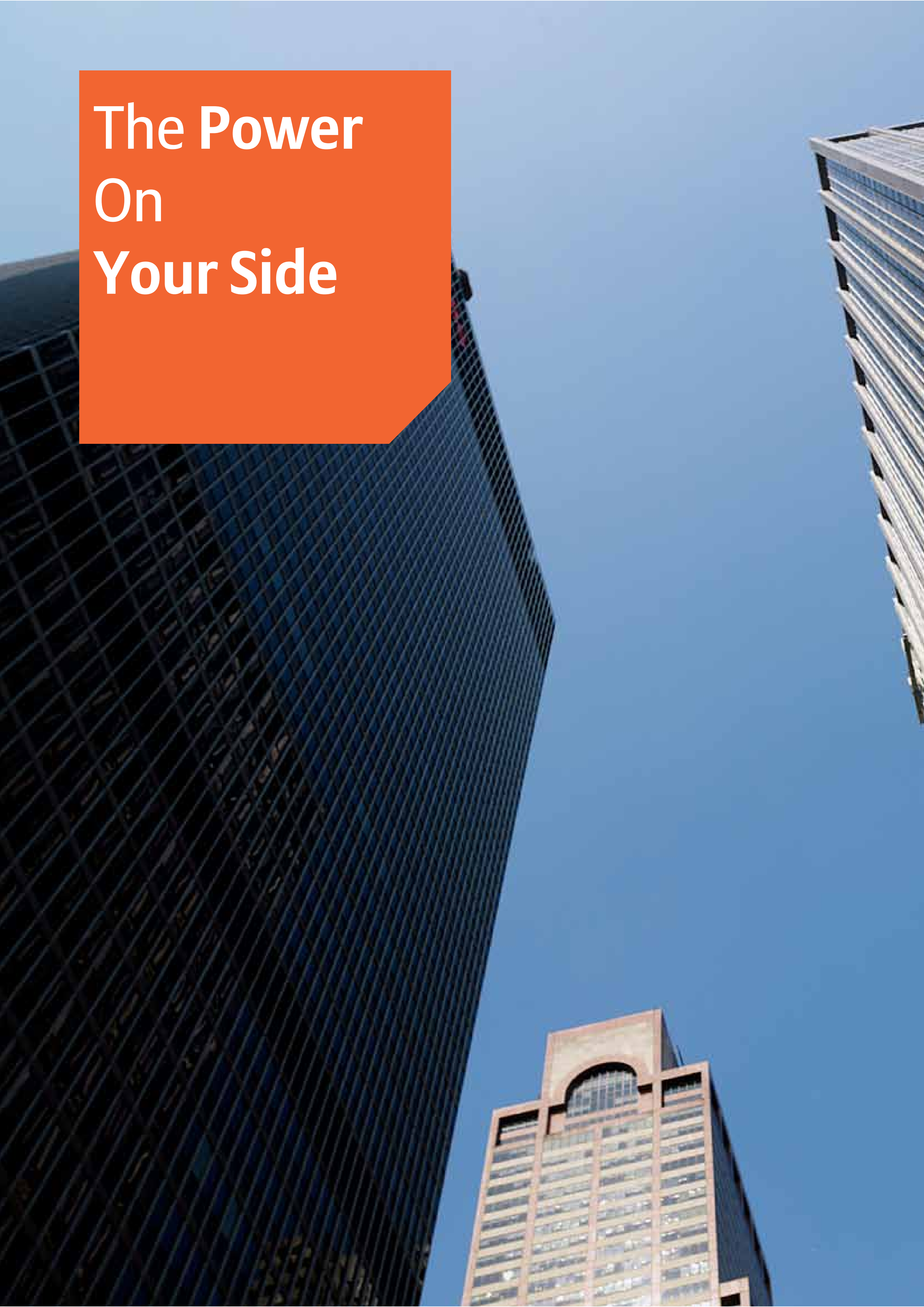
Statement Of Shareholders' Cash Flows

	For the year ended 31 December 2011 SR	For the year ended 31 December 2010 SR
Operating Activities		
Net profit/(loss) for the year	1,556,637	(8,353,734)
Adjustments to reconcile net profit/(loss) to net cash from/(used in) operating activities:		
Appropriation of deficit from insurance operations	399,431	8,575,357
	1,956,068	221,623
Changes in operating assets and liabilities:		
Statutory deposit	-	(10,000,000)
Prepayments and other assets	346,310	(975,617)
Accrued expenses and other liabilities	(1,301)	(3,205,529)
Cash from/(used in) operations	**2,301,077**	**(13,959,523)**
Zakat paid during the year	**(230,722)**	**(198,563)**
Net cash from/(used in) operating activities	**2,070,355**	**(14,158,086)**
Investing Activities		
Acquisition of available for sale investments	(29,042,127)	(88,107,000)
Net cash used in investing activities	**(29,042,127)**	**(88,107,000)**
Financing Activities		
Issue of share capital, net	-	122,711,315
Due from an affiliate	-	15,593,759
Due to insurance operations		(30,000,000)
Net cash from financing activities	-	**108,305,074**
Net Change In Cash And Cash Equivalents During The Year	**(26,971,772)**	**6,039,988**
Cash And Cash Equivalents At The Beginning Of The Year	**39,642,047**	**33,602,059**
Cash And Cash Equivalents At The Ending Of The Year	**12,670,275**	**39,642,047**
Non-cash supplemental information:		
Net changes in fair value of available for sale investments	(20,437)	1,088,315

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Yacoub Hobeika
Chief Executive Officer	BOD Member	Chief Financial Officer

The Power On Your Side



Notes To The Financial Statements

For the year ended 31 December 2011

1. Organization And Principal Activities

Allianz Saudi Fransi Cooperative Insurance Company ('the Company') is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company operates through its 7 branches (2009: 7) in the Kingdom of Saudi Arabia.The registered office of the Company is located at Al Safwa Commercial Building, P O Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

The objectives of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock exchange on 9 Rajab 1428H, corresponding to 23 July 2007.

During 2009, the Company resolved to change its name from 'Saudi Fransi Cooperative Insurance Company' to 'Allianz Saudi Fransi Cooperative Insurance Company'. On 8 October 2010, the shareholders' in the extra-ordinary general assembly meeting approved the change in the name and a new commercial register was issued on 1 September 2010.

2. Portfolio Transfer Agreement

In June 2010, the Company has obtained the approval of Saudi Arabian Monetary Agency ("SAMA") for the transfer of the Protection and Saving portfolio (the "Bancassurance portfolio" or "Portfolio") maintained with Banque Saudi Fransi (the "Shareholder"). During the year ended 31 December 2010, the Company entered into an agreement with the Shareholder to transfer the Bancassurance Portfolio in the Kingdom of Saudi Arabia as at 1 November 2010 with related rights and liabilities. The Company appointed an independent Actuary (the "Actuary") to conduct the valuation of the Portfolio's related Assets and Liabilities as at 1 November 2010, in accordance with SAMA letter dated 8 June 2010. The portfolio was transferred on 1st November 2010.

The Actuary, through his report dated 2 November 2010, has valued the portfolio at SAR 364.92 million and the Company has accordingly increased its unit link investments and mathematical reserves with the same amount. As at 31 December 2010, the value of portfolio and mathematical reserve was SAR 374.86 million.

3. Commercial Operations And Product Approval

The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 26 March 2007, an application was submitted to His Excellency the Minister of Commerce and Industry (MOCI) in the Kingdom of Saudi Arabia, requesting the announcement of the incorporation of the Company. On 8 Jumada Thani 1428H corresponding to 24 June 2007, MOCI issued a resolution declaring the incorporation of the Company.

During March 2008, SAMA granted the Company an authorisation to commence operations as soon as product approval and related formalities were completed. The Company renewed its operating license on 30 Safar 1432H corresponding to 3 February 2011.

The Company received product approval from SAMA in September 2008 for medical and engineering insurance. During 2009, the Company has received final products approval for motor, burglary, fidelity, personal accident, group protection as well as protection and saving products and has received temporary approval on other general insurance products (under the "File and Use" mechanism). Moreover, the Company received an approval from SAMA in November 2009 for issuance of Bancassurance products.

4. Basis Of Preparation

Basis of measurement

The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and liabilities held at fair value through Income Statement (FVIS) and available for sale investment.

Statement of compliance
The Company has prepared these financial statements in accordance with International Financial Reporting Standards (IFRS).

Basis of presentation
The Company's by-laws require that separate accounts be maintained for Insurance and Shareholders' activities. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by management and approved by the Board of Directors.
In accordance with the Saudi Arabian Insurance Regulations, the Company is required to distribute 10% of net annual surplus from insurance operations to policy holder operations and remaining 90% of the surplus to be transferred to the shareholders' operation.

Functional and presentational currency
The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statement values are presented in Saudi Riyals, unless otherwise indicated.

5. Summary Of Significant Accounting Policies
The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the financial statements of the Company.
Improvements to IFRSs 2010:

- IAS 1 - Presentation of Financial Statements
- IAS 24 - Related Party Disclosures (revised 2009)
- IAS 34 - Interim Financial Reporting
- IFRS 7 - Financial Instruments: Disclosures

The significant accounting policies adopted are as follows:

Office equipment and furniture
Office equipment and furniture are stated at cost net of accumulated depreciation and any impairment in value. The cost of office equipment and furniture is depreciated and amortised on the straight-line method over the estimated useful lives of the assets as follows:

- Computer and office equipment 4 years
- Motor vehicles 4 years
- Furniture and fittings 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Insurance contracts
Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remaining of its lifetime, even if the insurance risk reduces significantly during this period.

Insurance contracts with discretionary participation feature (DPF)

Takaful contracts have discretionary participation features (DPF). DPF are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the
  - performance of a specified pool of contracts or a specified type of contract
  - the profit or loss of the takaful operation.

The Company classifies the discretionary element of a contract with a DPF as a liability.

Premiums receivable

Premiums receivable are recognized when the policies are issued. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Reinsurance

The Company cedes insurance risk in the normal course of business for a portion of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in statement of insurance operations. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of shareholders' operations and insurance operations.

Investments

All investments are initially recognized at fair value. Premiums are amortized and discounts accreted using the effective yield method and are taken to the statements of shareholders' operations.

Following initial recognition of the various classes of investment securities, the subsequent year end reporting values are determined on the basis as set out in the following paragraphs:

i. Investment at fair value through income statement

Investments held to cover Unit-Linked liabilities represents investment associated with certain contracts, for which investment risk lies predominantly with the contract holder. These represent investment in units of mutual funds, which are readily marketable. Investment linked insurance contracts appearing in statement of insurance operations' financial position, are financial assets classified at fair value through income statement (FVIS).

After initial recognition, such investment is measured at fair value and change in the fair value is recognized in the Statement of

Insurance Operations together with the changes in the mathematical reserve for investment linked insurance contracts.

ii. Held to maturity

Investments which have fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold till maturity, are classified as held to maturity. Held to maturity investments are subsequently measured at amortized cost using the effective interest method, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of shareholders' operations when the investment is derecognized or any loss when the investment is impaired.

iii. Available for sale

Investments which are classified as available for sale are subsequently measured at fair value. Available for sale investments are those investments that are not held-to-maturity. For an available for sale investment, any gain or loss arising from a change in its fair value is recognized directly in statement of shareholders' equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in the shareholders' equity should be transferred to and recognised in the statement of shareholders' operations for the year.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank current accounts and time deposits with an original maturity of three months or less at the date of original acquisition.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Liability adequacy test

At each balance sheet date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and an unexpired risk provision created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Leases

Operating lease payments are recognised as an expense in the statements of insurance operations on a straight-line basis over the lease term.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Fiscal Regulations. Zakat is computed on the zakatable base of Saudi Founding and general public shareholders while income tax is computed on the Non-Saudi Founding shareholders' share of net adjusted income. Zakat and income tax, which are the liabilities of the shareholders, are accrued and debited to the accumulated losses under statement of shareholders equity. Accordingly, amounts reimbursable by the shareholders of such zakat and income tax are credited to shareholders' equity.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. The Company is organized into business units based on their products and services and has six reportable operating segments as follows:

- Motor insurance provides coverage against loss or damage to the motor vehicles caused by accident, fire or theft along with the coverage of third party liability as well;
- Engineering and liability provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance;
- Health care products provide medical cover to policyholders;

- Property Insurance provides cover against accidental physical loss or damage to the property due to any cause includi fire and allied perils and consequential losses associated with the perils insured.
- Other general insurance segment comprises of marine, credit and fidelity guarantee insurance;
- Protection and saving segment includes a variety of savings and retirement products designed to meet the needs of individuals as well as corporate institutions.

If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Employee end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the term and conditions of Saudi labour regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Kingdom of Saudi Arabia.

Revenue recognition

Gross premiums and commissions are recognised as revenue when the insurance policy is issued. Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. The change in the provision for unearned premiums is taken to the "Statement of Insurance Operations", over the period of risk.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro-rata basis, except for marine cargo. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The unearned portion for marine cargo shall be the premium written during the last three months of the financial year.

Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized from the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Fees income on insurance contracts

Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over future periods.

Investment income - Available for sale investments

Investment income on investments is recognised on a time proportion basis whereas the gain/loss on sale of available for sale investments is recognised in Statement of Shareholders' operations.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Cash-settled share-based payment

For cash-settled share-based payments, the Company measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in statement of insurance operations.

Claims

Claims, comprising amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of insurance operations as incurred. Total outstanding claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following period is included in the underwriting account for that period.

Deferred policy acquisition costs (DPAC)

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, these costs are amortized on a straight-line basis based on the term of expected future premiums. Amortization is recorded in the statement of insurance operations. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognized in the statement of insurance operations. DPAC is also considered in the liability adequacy test for each reporting period.

Mathematical reserve

The mathematical reserve is calculated on the basis of a prudent prospective external actuarial valuation method through the use of current unit fund prices.

Fair values

The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial assets where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar assets.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statements of shareholders' operations and insurance operations. Impairment is determined as follows:

i. For assets carried at fair value, impairment loss is based on the decline in fair value.
ii. For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset
iii. For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original

effective interest rate.

Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of shareholders' operations and insurance operations unless required or permitted by any accounting standard or interpretation

Trade date accounting
All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

6. Significant Accounting Estimates and Assumptions
The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment of investments
The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (if any).

Technical reserve for insurance activities
The estimation of the ultimate liability arising from claims made under general and protection & saving insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the balance sheet date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. The mathematical reserve is calculated on the basis of management assumptions that includes prudent prospective external actuarial valuation method and current unit fund prices.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property, engineering and large claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred policy acquisition cost

Certain acquisition cost related to sale of new policies are recorded as deferred acquisition cost and are amortised overt the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment.

7. Office Equipment and Furniture

	Computer and Office Equipment SR	Motor Vehicles SR	Furniture and fittings SR	Total 2011 SR
Cost:				
At the beginning of the year	7,366,236	891,097	5,369,477	13,626,810
Additions during the year	295,798	-	83,898	379,696
Balance the end of the year	**7,662,034**	**891,097**	**5,453,375**	**14,006,506**
Accumulated depreciation:				
At the beginning of the year	5,255,800	598,440	2,104,138	7,958,378
Charge for the year	1,261,209	173,677	289,413	1,724,299
Balance at the end of the year	**6,517,009**	**772,117**	**2,393,551**	**9,682,677**
Net book value at 31 December 2011	**1,145,025**	**118,980**	**3,059,824**	**4,323,829**

	Computer and office equipment SR	Motor Vehicles SR	Furniture and fittings SR	Total 2010 SR
Cost:				
At the beginning of the year	6,760,496	751,497	4,643,367	12,155,360
Additions during the year	605,740	139,600	726,110	1,471,450
Balance the end of the year	**7,366,236**	**891,097**	**5,369,477**	**13,626,810**
Accumulated depreciation:				
At the beginning of the year	3,701,456	464,707	1,852,921	6,019,084
Charge for the year	1,554,344	133,733	251,217	1,939,294

8. Outstanding Claims

	As at 31 December 2011 (SR)		
	Gross	Reinsurance share	Net
General insurance	123,850,089	(78,885,314)	44,964,775
Protection & Saving insurance	6,587,666	(4,345,136)	2,242,530
Total insurance outstanding claims	**130,437,755**	**(83,230,450)**	**47,207,305**

	As at 31 December 2010 (SR)		
	Gross	Reinsurance Share	Net
General insurance	79,626,394	(47,801,583)	**31,824,811**
Protection & Savings insurance	738,676	(129,300)	**609,376**
Total insurance outstanding claims	**80,365,070**	**(47,930,883)**	**32,434,187**

Movement schedule in respect of outstanding claims is as follows:

	2011 SR			2010 SR		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Opening						
Reported claims	70,225,232	(47,930,883)	**22,294,349**	41,231,457	(29,464,834)	11,766,623
IBNR	10,139,838	-	**10,139,838**	4,796,000	-	4,796,000
	80,365,070	(47,930,883)	**32,434,187**	46,027,457	(29,464,834)	**16,562,623**
Provided during the year	424,207,656	(202,794,567)	**221,413,089**	261,484,925	(126,920,744)	134,564,181
Paid during the year	(374,134,971)	167,495,000		(227,147,312)	108,454,695	(118,692,617)
	130,437,755	(83,230,450)	**47,207,305**	80,365,070	(47,930,883)	32,434,187
As at December 31						
Reported Claims	113,414,034	(83,230,450)	**30,183,584**	70,225,232	(47,930,883)	22,294,349
IBNR	17,023,721	-	**17,023,721**	10,139,838	-	10,139,838
	130,437,755	(83,230,450)	**47,207,305**	80,365,070	(47,930,883)	**32,434,187**

9. Deferred Policy Acquisition Costs

	2011 SR	2010 SR
Balance at the beginning of the year	12,716,935	5,011,713
Incurred during the year	41,496,106	32,668,120
Amortisation for the year	(39,991,185)	(24,962,898)
Balance at the end of the year	**14,221,856**	**12,716,935**

10. Unit Linked Investments

The below investment represents, "Fair Value through Income Statement" (FVIS) investment, for unit-linked contracts as at 31 December 2011:

	As at 31 December 2011 SR	As at 31 December 2010 SR
Local currency funds	**458,389,836**	413,747,132
Foreign currency funds	**12,756,848**	11,742,853
	471,146,684	425,489,985

Market values of funds and portfolios are as follows:

	As at 31 December 2011 SR	As at 31 December 2010 SR
Al Badr Fund Saudi Riyal	106,707,607	70,006,289
Al Saffa Equity Fund	13,307,324	8,563,833
Al Danah GCC Equity Fund	2,161,041	1,875,938
AL Badr Fund US Dollar	6,049,267	4,711,793
Al Naqaa Asia Growth Fund US Dollar	2,085,530	2,034,990
Al Fursan Equity Fund US Dollar	4,622,051	4,996,070
Money Market Fund Saudi Riyal	1,831,996	620,421
Saudi Istithmar Fund	1,337,418	401,992
Al Ghad/Al Anjal low risk	63,720,569	264,276,506
Al Ghad/Al Anjal Murabaha	269,323,881	68,002,153
	471,146,684	**425,489,985**

The Company uses Level 1 hierarchy for determining and disclosing the fair value of financial instruments which is the quoted price in active markets for the same instrument without modification or repacking.

11. Prepayments And Other Assets

	2011 SR		2010 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Prepaid rent	1,430,010	-	1,505,259	-
Deferred incentive plan costs (note 24)	429,692	-	575,753	-
Advances to employees	4,620	-	7,710	-
Accrued investment income	-	796,774	-	1,143,084
Other assets	196,403	1,160	486,941	1,160
	2,060,725	**797,934**	**2,575,663**	**1,144,244**

12. Premiums Receivable, Net

The ageing analysis of unimpaired premiums receivable balances is set out below.

2011			Past due not impaired	Past due and impaired	
	Total	Neither past due nor impaired	Up to 90 days	Less than 180 days	More than 180 days
Amount in SR					
Premiums receivable	157,049,770	-	60,120,569	54,207,198	42,722,003
Provision for doubtful debts	(30,112,276)	-	-	(8,245,802)	(21,866,474)
Premiums receivable, net	**126,937,494**	**-**	**60,120,569**	**45,961,396**	**20,855,529**

2010			Past due not impaired	Past due and impaired	
	Total	Neither past due nor impaired	Up to 90 days	Less than 180 days	More than 180 days
Amount in SR					
Premiums receivable	163,822,011	18,076,514	59,587,181	45,688,681	40,469,635
Provision for doubtful debts	(26,626,252)	-	-	(7,498,605)	(19,127,647)
Premiums receivable, net	**137,195,759**	**18,076,514**	**59,587,181**	**38,190,076**	**21,341,988**

The Company classifies balances as 'past due and impaired' on the basis of the guidelines given by SAMA. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances are therefore unsecured.

Movement schedule in respect of allowance for doubtful debts is as follows:

	2011 SR	2010 SR
Balance at the beginning of the year	26,626,252	19,897,093
Provided for the year	3,486,024	6,729,159
Balance at the end of the year	**30,112,276**	**26,626,252**

13. Cash And Cash Equivalents

	2011 SR	2010 SR
Insurance operations:		
Cash in hand	142,123	39,582
Cash at bank	61,758,867	2,616,091
	61,900,990	**2,655,673**
Shareholders' operations:		
Cash at bank	12,670,275	39,642,047
	12,670,275	**39,642,047**

14. Statutory Deposit

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 20,000,000 in a bank designated by SAMA. The accrued interest on deposit is the same as for the previous year; SR 76,025 (2010: SR 76,025). This deposit cannot be withdrawn without SAMA's consent. The Statutory deposit is maintained with Banque Saudi Fransi, a shareholder of the Company.

15. Investments

Investments are classified as follows:

		As at 31 December 2011 SR	As at 31 December 2010 SR
Available for sale:			
- quoted securities	(i)	127,015,518	97,993,828
- unquoted securities	(ii)	3,223,078	3,223,078
		130,238,596	101,216,906

Following is the credit rating of available for sale investments:

Credit quality	Credit Rating Agency	Financial instrument	31 December 2011	31 December 2010
Very strong quality AA – AA-	Standard and Poor/ Moody's	Bonds / Sukuks	34,720,313	6,012,500
Strong quality A+	Standard and Poor	Sukuk	26,456,250	26,472,045
Satisfactory quality A-	Standard and Poor	Sukuk	10,100,000	10,302,000
Unrated	N/A	Mutual Funds	55,738,955	55,207,283

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.
Strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.
Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

(i) Quoted securities

	As at 31 December 2011 - (SR)		
	Cost	Market Value	Unrealised Gain/(loss)
Banque Saudi Fransi USD Bond	23,006,250	23,456,250	450,000
Bank Al Jazira Sukuk	5,000,000	5,000,000	-
SR Commodity Fund (managed by Al Rajhi Capital)	20,000,000	20,338,438	338,438
SR Money Market Fund (managed by Saudi Fransi Capital)	15,000,000	15,096,397	96,397
SR Trade Fund (managed by Al Khalijia Investment)	20,000,000	20,304,120	304,120
Saudi Bin Ladin Group Sukuk	10,100,750	10,100,000	(750)
TAQA Abu Dhabi National Energy Bond	12,330,000	12,389,063	59,063
IPIC Abu Dhabi Bond	11,712,127	11,306,250	(405,877)
SEC Sukuk	5,978,513	6,025,000	46,487
SABIC Sukuk	2,962,500	3,000,000	37,500
	126,090,140	**127,015,518**	**925,378**

	As at 31 December 2010 - (SR)		
	Cost	Market Value	Unrealised Gain/(loss)
Banque Saudi Fransi USD Bond	23,006,250	23,622,045	615,795
SR Commodity Fund (managed by Al Rajhi Capital)	20,000,000	20,118,094	118,094
SR Money Market Fund (managed by Saudi Fransi Capital)	15,000,000	15,032,173	32,173
SR Trade Fund (managed by Al Khalijia Investment)	20,000,000	20,057,016	57,016
Saudi Bin Ladin Group Sukuk	10,100,750	10,302,000	201,250
SEC Sukuk	5,978,513	6,012,500	33,987
SABIC Sukuk	2,962,500	2,850,000	(112,500)
	97,048,013	**97,993,828**	**945,815**

Movement schedule in respect of available for sale quoted securities is as follows:

	2011 SR	2010 SR
Balance at the beginning of the year	97,993,828	8,798,513
Acquisition during the year	29,042,127	88,107,000
Net change in fair value	(20,437)	1,088,315
Balance at the end of the year	**127,015,518**	**97,993,828**

The Company uses Level 1 hierarchy for determining and disclosing the fair value of financial instruments which is the quoted price in active markets for the same instrument without modification or repacking.

(ii) Unquoted securities

	As at 31 December 2011 SR	As at 31 December 2010 SR
Najm Insurance Company	2,423,078	2,423,078
Saudi Next Care	800,000	800,000
	3,223,078	**3,223,078**

As the fair values of the above unquoted securities are not readily available, these investments are carried at cost and reviewed by management for impairment.

16. Related Party Transactions and Balances

The following are the details of major related party transactions during the year ended 31 December 2011 and the related affiliate's balances as at 31 December 2011:

Related party	Nature of transaction	As at 31 December 2011 SR	As at 31 December 2010 SR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Insurance premium written	17,341,617	12,777,880
	- Reinsurance premium ceded	39,497,304	22,440,440
Entities controlled, jointly controlled or significantly influenced by related parties.	- Gross claims paid	11,609,023	7,124,005
	- Reinsurance share of claims paid	5,795,670	2,903,088
Entities controlled, jointly controlled or significantly influenced by related parties.	- Commission expense	4,732,121	326,668
	- Commission income	1,756,470	2,632,848
Entities controlled, jointly controlled or significantly influenced by related parties.	Other expenses		
	- Technical assistance fees	-	1,092,263
	- Third party administrator (TPA) fees	921,182	-
Key management personnel	Remuneration and related expenses	6,855,736	5,980,963
Board members	Fees	150,002	241,998

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Head of Human Resource, Head of Sales and Head of Internal Audit of the Company. Certain significant available for sale investments are managed by an affiliate (CAAM Saudi Fransi).

The above significant transactions with the affiliate are included in the following balances as at the statement of financial position date:

Related party	Nature of transaction	As at 31 December 2011 SR	As at 31 December 2010 SR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Accrued expenses	1,051,350	1,050,113
Entities controlled, jointly controlled or significantly influenced by related parties.	- Premium receivable, net	8,824,752	1,807,254
Entities controlled, jointly controlled or significantly influenced by related parties.	- Reinsurance balance payable, net	35,260,451	27,196,896
Entities controlled, jointly controlled or significantly influenced by related parties.	- Outstanding claims	5,059,274	209,840

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Allianz Risk Transfer A.G. Dubai, AGF International, Allianz Global Corporate and Speciality, Allianz World Wide Care, Allianz Global risks U.S.A, Allianz Belgium, Euler Hermes, Allianz SE Zurich, Allianz Insurance Hong Kong, Allianz Global Risks Netherland, Allianz Insurance Singapore, Allianz Insurance New Zealand, Allianz Insurance Products Selling Company, Banque Saudi Fransi, Sofinco Saudi Fransi, Saudi Next Care, Calyon Saudi Fransi and InSaudi Insurance B.S.C.

17. Employees' End of Service Benefits

	2011 SR	2010 SR
Balance at the beginning of the year	4,253,073	1,732,560
Accrued for the year	1,776,437	2,520,513
Balance at the end of the year	**6,029,510**	**4,253,073**

18. Unearned Premiums

	2011 SR	2010 SR
Balance at the beginning the year	62,449,297	48,997,682
Net premiums written during the year	358,622,031	246,687,172
Net premiums earned during the year	(354,670,752)	(233,235,557)
	66,400,576	62,449,297
Add: reinsurance share of unearned premium	125,258,097	115,324,523
Balance at the end of the year	**191,658,673**	**177,773,820**

19. Mathematical Reserve

	2011 SR	2010 SR
Balance at the beginning the year	426,301,924	33,833,742
Transfer of Bancassurance portfolio (Note2)	-	364,921,799
	426,301,924	**398,755,541**
Surplus distribution provided for during the year	804,456	763,440
Changes in reserve during the year	45,490,552	26,782,943
Balance at the end of the year	**472,596,932**	**426,301,924**

20. Unearned Commission Income

	2011 SR	2010 SR
Balance at the beginning the year	11,037,631	1,731,863
Received during the year	30,213,185	22,024,742
Earned during the year	(26,154,130)	(12,718,974)
Balance at the end of the year	**15,096,686**	**11,037,631**

21. Accrued Expenses And Other Liabilities

	2011 SR		2010 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Withholding taxes	500,000	-	409,452	-
Accrued bonus	3,719,813	-	4,854,169	-
Consultation & professional fees	1,227,113	-	336,772	-
Regulatory fees	1,185,635	-	1,692,813	-
Inspection and supervision fees	665,569	-	364,659	-
Claims payable	17,551,024	-	-	-
Others	69,229	116,025	165,199	117,326
	24,918,383	**116,025**	**7,823,064**	**117,326**

22. Zakat And Income Tax

	2011 SR	2010 SR
Provision for zakat	1,526,218	143,422
Provision for tax	298,235	-
Additional Zakat Provision	87,300	-
Zakt and tax	**1,911,753**	**143,422**

a) Zakat

The current year's provision is based on the following:

	2011 SR	2010 SR
Opening share capital	200,000,000	100,000,000
Reserves and opening provisions	(38,322,746)	(55,350,587)
Closing value of long term assets	(24,554,856)	(25,876,497)
	137,122,398	**18,772,916**
Zakatable income/(loss) for the year	2,647,582	(5,638,491)
Zakat Base	**139,769,980**	**13,134,425**
Total Saudi share of Zakat base (43.678 %)	61,048,732	5,736,855
Zakat due at 2.5% on Saudi shareholding	**1,526,218**	**143,422**

The differences between the financial and the Zakatable results are mainly due to provisions which are not allowed in the calculation of Zakatable income.

b)Tax

The current year's provision is based on the following:

	2011 SR	2010 SR
Net profit for the year	1,556,637	-
Adjustment of depreciation	197,035	-
Adjustment of provision of end of service benefit	1,776,437	-
Adjustment of brought forward losses	(882,527)	-
Taxable income	2,647,582	
Non Saudi base (56.322%)	1,491,171	
Provision for tax (20%)	298,235	

c)Movement in zakat and tax payable is as follows:

	2011 SR	2010 SR
Opening balance of zakat and tax payable	143,422	491,732
Provided during the year	1,911,753	143,422
Excess provision of zakat of prior year	-	(293,169)
Payment made during the year	(230,722)	(198,563)
Closing balance of zakat and tax payable	**1,824,453**	**143,422**

d) Status of assessments

The Company has filed tax and zakat declaration for the year ended 31 December 2010. The Company is in the process of filing tax and zakat returns for the year ended 31 December 2011 with the Department of Zakat and Income Tax.

23. Share Capital

The authorized and issued share capital of the Company is SR 200,000,000 as at 31 December 2011 consisting of 20,000,000 shares of SR 10 par value.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and right shares are recognised as a deduction from equity.

a) In December 2008, the Board of Directors has recommended an increase in the Company's capital by SR 100,000,000 through right issue, which was also approved by SAMA with subject to the approval of regulatory authorities. On 18 January 2010, the Board of Directors re-recommended the increase in capital by SR 100,000,000 through rights issue of SR 125,000,000. On 1 March 2010, CMA has approved the rights issue.

In the meeting held on 3rd April 2010, the shareholders approved rights issue of total value of SR 125,000,000 through issuing 10,000,000 shares at price of SR 12.5 (SR 10 par value plus SR 2.5 premium) and the subscription period started on 10 April 2010 and was ended on 19 April 2010.

b) After the successful completion of the right issue, the Company has adjusted SAR 2.289 million being cost to raise equity against share premium account. This includes SAR 1.633 million which was charged to interim statement of shareholders operations in 1st quarter of 2010.

24. Equity Incentive Plan

The key management personnel of the Company are eligible for a Global Equity Incentive (GEI) plan of Allianz Group, a major shareholder of the Company. The GEI plan consists of two instruments Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU). In accordance with the pre-requisites of these cash-settled equity plans, key management personnel (the eligible personnel) of the Company would be granted, certain number of SAR's and RSU's if at the time of exercise, provided the eligible personnel were still employed within the Allianz Group. Further details of these plans are set out below:

Particulars Grant date	SAR Plan		RSU Plan	
	11 March 2010	12 March 2009	11 March 2010	12 March 2009
Term of the plan	4 years	5 years	5 years	4 years
Vesting period	4 years	5 years	5 years	4 years
Exercise date	10 March 2014	11 March, 2014	10 March 2015	11 March, 2013
Method of settlement	Settled in cash	Settled in cash	Settled in cash	Settled in cash

The obligation under the above plans is measured at fair value at the balance sheet date based on pricing information provided by Allianz Group. The fair value of such obligation determined is recognised in the statement of insurance operations on a straight line basis over the vesting period. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in statement of shareholders' operation for the period. Any future changes from the grant date of the options in the fair value of SAR's and RSU's have been fully covered for absolute amounts with Allianz Group thus restricting / capping the liability of the Company. During the year ended 31 December 2011, an amount of SR 933,178 was contributed toward the GEI plan (2010: SR 554,006).

25. Statutory Reserve

In accordance with its bylaws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the capital. The Company has not transferred any amount to Statutory Reserve due to the fact that the Company has accumulated losses as at 31 December 2011.

26. Premiums Written And Earned

	As at 31 December 2011 (SR)		
	Gross	Reinsurance share	Net
General insurance	510,801,145	(315,621,944)	**195,179,201**
Protection & Saving insurance	172,889,548	(9,446,718)	**163,442,830**
Written premiums	**683,690,693**	**(325,068,662)**	**358,622,031**
Change in unearned premium reserve	(13,884,853)	9,933,574	**(3,951,279)**
Earned premiums	**669,805,840**	**(315,135,088)**	**354,670,752**

	As at 31 December 2010 (SR)		
	Gross	Reinsurance share	Net
General insurance	468,694,536	(272,725,679)	195,968,857
Protection & Saving insurance	54,719,586	(4,001,271)	50,718,315
Written premiums	523,414,122	(276,726,950)	246,687,172
Change in unearned premium reserve	(21,617,950)	8,166,335	(13,451,615)
Earned premiums	501,796,172	(268,560,615)	233,235,557

27. General And Administrative Expenses

	For the year ended 31 December 2011 SR		For the year ended 31 December 2010 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Employees' costs	49,548,283	233,692	44,786,711	451,872
Provision for doubtful debts	3,489,715	-	6,729,159	-
Depreciation (note 7)	1,724,299	-	1,939,294	-
Rent	2,941,558	-	2,944,088	-
Repair and maintenance	2,610,569	-	2,291,498	-
Consultation fees	2,301,462	-	1,697,910	-
Postage & telephone	1,896,809	-	1,369,786	-
Advertisement and promotion	507,000	-	678,521	-
Travel & transportation	294,486	-	226,235	-
Software maintenance	114,140	-	737,871	-
Board expenses	92,477	57,525	193,598	48,400
Incentive plan costs (note 27)	933,178	-	554,006	-
Others	5,663,719	-	4,008,068	55,700
	72,117,694	**291,217**	**68,156,745**	**555,972**

28. Risk Management

Risk management strategy

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from their core business operations.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the company is exposed. Consideration is not limited to the risks associated with one class of business but is extended to risks from all other classes.

The Company's Board of Directors and the senior management periodically reviews and updates the risk management strategy by taking into account developments that are internal and external to the company.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

a) Operational/Process risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profile

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations, including premiums receivable. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurance share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

As at 31 December 2011 Amount in SR	No fixed maturity	Up to1 year	2-5 years	More than 5 years	Total
Policy holders' assets					
Due from shareholders	-	3,847,909	-	-	**3,847,909**
Unit linked investments	471,146,684	-	-	-	**471,146,684**
Premiums receivable	-	126,937,494	-	-	**126,937,494**
Reinsurance balances receivable	-	18,116,160	-	-	**18,116,160**
Cash & cash equivalents	-	61,900,990	-	-	**61,900,990**
	471,146,684	**210,802,553**	**-**	**-**	**681,949,237**
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	**20,076,025**
Investments	58,962,033	-	59,970,313	11,306,250	**130,238,596**
Cash & cash equivalents	-	12,670,275	-	-	**12,670,275**
	79,038,058	**12,670,275**	**59,970,313**	**11,306,250**	**162,984,896**

As at 31 December 2011 Amount in SR	No fixed maturity	Up to1 year	2-5 years	More than 5 years	Total
Policy holders' liabilities					
Employees end of service benefits	6,029,510	-	-	-	**6,029,510**
Mathematical reserve	472,596,932	-	-	-	**472,596,932**
Outstanding claims	-	130,437,755	-	-	**130,437,755**
Reinsurance balance payable	-	70,306,225	-	-	**70,306,255**
Accrued expenses & other payables	-	24,918,383	-	-	**24,918,383**
	478,626,442	**225,662,393**	**-**	**-**	**704,288,835**
Shareholders' liabilities					
Due to insurance operations'	-	3,847,909	-	-	3,847,909
Accrued expenses & Other liabilities	-	116,025	-	-	116,025
Zakat payable	-	1,824,453	-	-	1,824,453
	-	**5,788,387**	**-**	**-**	**5,788,387**

As at 31 December 2010 Amount in SR	No fixed maturity	Up to1 year	2-5 years	More than 5 years	Total
Policy holders' assets					
Due from shareholders	-	3,448,478	-	-	3,448,478
Unit linked investments	425,489,985	-	-	-	425,489,985
Premiums receivable	-	135,528,990	1,666,769	-	137,195,759
Reinsurance balances receivable	-	26,152,405	-	-	26,152,405
Cash & cash equivalents	-	2,655,673	-	-	2,655,673
	425,489,985	167,785,546	1,666,769	-	594,942,300
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	20,076,025
Investments	58,430,361	-	42,786,545	-	101,216,906
Cash & cash equivalents	-	39,642,047	-	-	39,642,047
	78,506,386	39,642,047	42,786,545	-	160,934,978

As at 31 December 2010 Amount in SR	No fixed maturity	Up to1 year	2-5 years	More than 5 years	Total
Policy holders' liabilities					
Employees end of service benefits	4,253,073	-	-	-	4,253,073
Mathematical reserve	426,301,924	-	-	-	426,301,924
Outstanding claims	-	80,365,070	-	-	80,365,070
Reinsurance balance payable	-	71,604,154	-	-	71,604,154
Accrued expenses & other payables	-	7,823,064	-	-	7,823,064
	430,554,997	159,792,288	-	-	590,347,285
Shareholders' liabilities					
Due to insurance operations'	-	3,448,478	-	-	3,448,478
Accrued expenses	-	117,326	-	-	117,326
Zakat payable & Other liabilities	-	143,422	-	-	143,422
	-	3,709,226	-	-	3,709,226

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the balance sheet.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.

- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.

- The Company's investments mainly comprise of debt securities and mutual funds. The Company does not have an internal grading mechanism for investments. The Company limits its credit risk on investments by setting out a minimum acceptable security rating level affirming their financial strength.

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 18% of the same as at 31 December 2011 (2010: 17%).

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	As at 31 December 2011 SR		
	Insurance Operations	Shareholders' Operations	Total
Premiums receivable	126,937,494	-	126,937,494
Reinsurance share of outstanding claims	83,230,450	-	83,230,450
Reinsurance balances receivable	18,116,160	-	18,116,160
Cash at bank	61,900,990	12,670,275	74,571,265
Statutory deposit	-	20,076,025	20,076,025
Investments	-	130,238,596	130,238,596
	290,185,094	**162,984,896**	**453,169,990**

	As at 31 December 2010 SR		
	Insurance Operations	Shareholders' Operations	Total
Premiums receivable	137,195,759	-	137,195,759
Reinsurance share of outstanding claims	47,930,883	-	47,930,883
Reinsurance balances receivable	26,152,405	-	26,152,405
Cash at bank	2,655,673	39,642,047	42,297,720
Statutory deposit	-	20,076,025	20,076,025
Investments	-	101,216,906	101,216,906
	213,934,720	**160,934,978**	**374,869,698**

d) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its bank balances and available for sale- debt securities.

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2010. A hypothetical 100 basis points change in the weighted average interest rate of the floating rate at 31 December 2011 would impact interest income by approximately SR 140,000 (2010; 90,000) annually in aggregate.

e) Currency exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars which is pegged with Saudi Riyal, foreign exchange gains and losses are not significant and have not been disclosed separately.

f) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's market risk exposure relates to it's quoted available for sale investments whose values will fluctuate as a result of changes in market prices. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

A 1% change in the market price of the quoted available for sale investments, with all other variables held constant, would impact net equity by increase/ decrease of SR 1,270,155 (2010: SR 979,938).

g) Fund price risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

The Company is not exposed to fund price risk since any change in the NAV of the funds will affect the change in mathematical reserve and the change in the fair value of the funds by the same amount; hence, no impact is on the net results of the Company.

h) Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes.

The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

The insurance claim liabilities are sensitive to the various assumptions mentioned in note 6. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while significant enough deterioration in estimates is immediately recognised to make the liabilities adequate.

i) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year.

j) Fair value of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position.

29. Basic And Diluted Earning / (Loss) Per Share

a) The weighted average number of shares has been adjusted for all prior periods to reflect the bonus element of the rights issue as required by IAS 33 "Earnings per share" as follows:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Issued ordinary shares as at 1 January	20,000,000	10,000,000
Effect of rights issue of shares	-	9,300,000
Weighted average number of ordinary shares	**20,000,000**	**19,300,000**

The weighted average number of ordinary shares for prior periods is computed using an adjustment factor of 1.72 which is a ratio of the theoretical ex-rights price of SAR 44.13 and the closing price of SAR 75.75 per ordinary share on 3 April 2010, the last day on which the shares were traded before the rights issue.

b) The basic and diluted earning / (loss) per share is calculated as follows:

	For the year ended 31 December 2011	For the year ended 31 December 2010
Net profit / (loss) for the year (SAR)	1,556,637	(8,353,734)
Weighted average number of ordinary share (Note 29a)	20,000,000	19,300,000
Basic and diluted earning / (loss) per share (SAR)	**0.08**	**(0.43)**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

30. Contingencies

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

31. Segment Information

(a) Business segments

The class of insured risks for departmental (segment) purposes is as follows:

Motor	:	Motor corporate and motor individual
Engineering	:	Construction
Medical	:	Medical
Property	:	Fire, Burglary and Money
Other general	:	Liability and Marine
Protection & Saving	:	Group Retirement & Individual Protection & Saving

For the year ended 31 December 2011	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
	Saudi Riyals							
Gross written premiums	86,324,251	69,353,211	134,733,554	140,729,226	79,660,903	172,889,548	-	683,690,693
Reinsurance premium ceded	(3,602,295)	(59,678,263)	(64,643,752)	(124,512,741)	(63,184,893)	(9,446,718)	-	(325,068,662)
Net written premium	82,721,956	9,674,948	70,089,802	16,216,485	16,476,010	163,442,830	-	358,622,031
Net premium earned	80,304,124	9,094,488	71,078,323	15,507,717	15,293,640	163,392,460		354,670,752
Unrealized gain on unit linked investments	-	-	-	-	-	822,017	-	822,017
Net claims incurred	(67,542,506)	(965,009)	(54,155,329)	(3,680,046)	(9,360,643)	(85,709,556)		(221,413,089)
Change in mathematical reserves	-	-	-	-	-	(46,295,007)	-	(46,295,007)
Commission (expenses)/income,net	(8,415,741)	3,130,554	(7,771,300)	5,426,864	3,463,348	(9,670,780)	-	(13,837,055)
Other underwriting expenses	(431,621)	(346,766)	(673,668)	(703,645)	(398,305)	(864,448)	-	(3,418,453)
Net underwriting results	3,914,256	10,913,267	8,478,026	16,550,890	8,998,040	21,674,686	-	70,529,165
Unallocated income	-	-	-	-	-	-	-	1,189,098
Unallocated expenses	-	-	-	-	-	-	-	(72,117,694)
Deficit from insurance operations	-	-	-	-	-	-	-	**(399,431)**
Investment Income	-	-	-	-	-	-	2,247,285	2,247,285
General & administrative expenses	-	-	-	-	-	-	(291,217)	(291,217)
Net loss for the year								**1,556,637**

As at 31 December 2011	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
					Saudi Riyals			
Insurance Operations' Assets								
Reinsurers' share of unearned premium	160,885	49,318,283	8,235,489	46,635,011	19,006,186	1,902,243	-	125,258,097
Reinsurers' share of outstanding claims	1,295,946	30,972,878	610,277	35,710,915	10,295,298	4,345,136	-	83,230,450
Deferred policy acquisition costs	4,395,922	3,971,172	1,234,001	2,025,419	1,397,976	1,197,366	-	14,221,856
Premium Receivable, gross	41,814,237	16,751,600	28,592,478	12,053,183	50,597,635	7,240,637	-	157,049,770
Provision for doubtful debts	-	-	-	-	-	-	-	(30,112,276)
Unit linked investments	-	-	-	-	-	471,146,684	-	471,146,684
Unallocated assets	-	-	-	-	-	-	-	90,249,613
Shareholders' assets	-	-	-	-	-	-	163,782,830	163,782,830
Total assets								**1,074,827,024**
Insurance Operations' Liabilities								
Unearned premium	37,063,799	56,497,472	18,457,097	52,586,296	24,775,503	2,278,506	-	191,658,673
Outstanding claims	21,533,251	31,995,045	10,401,812	39,151,691	20,768,290	6,587,666	-	130,437,755
Unearned commission income	23,193	7,247,257	-	4,853,639	2,722,184	250,413	-	15,096,686
Mathematical reserves	-	-	-	-	-	472,596,932	-	472,596,932
Unallocated liabilities	-	-	-	-	-	-	-	101,254,148
Shareholders' liabilities & equity	-	-	-	-	-	-	163,782,830	163,782,830
Total Insurance Operations liabilities and Shareholders' liabilities and equity								**1,074,827,024**

For the year ended 31 December 2010	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
	Saudi Riyals							
Gross written premium	84,907,514	77,270,323	158,072,905	106,056,097	42,387,697	54,719,586	-	523,414,122
Reinsurance premium ceded	(3,706,596)	(61,690,069)	(82,026,074)	(96,592,518)	(28,710,422)	(4,001,271)	-	(276,726,950)
Net written premium	81,200,918	15,580,254	76,046,831	9,463,579	13,677,275	50,718,315	-	246,687,172
Net premium earned	72,004,821	16,319,317	75,402,149	6,919,035	11,401,008	51,189,227	-	233,235,557
Unrealized gain on unit linked investments	-	-	-	-	-	1,825,888	-	1,825,888
Net claims incurred	(53,796,226)	(1,423,348)	(59,288,204)	(2,334,340)	(7,598,241)	(10,123,821)	-	(134,564,180)
Change in mathematical reserves	-	-	-	-	-	(26,782,943)	-	(26,782,943)
Commission (expenses)/ income,net	(6,437,225)	1,335,816	(7,914,875)	2,314,092	630,790	(2,172,522)	-	(12,243,924)
Other underwriting expenses	(424,538)	(386,352)	(790,365)	(530,279)	(211,938)	(273,599)	-	(2,617,071)
Net underwriting results	11,346,832	15,845,433	7,408,705	6,368,508	4,221,619	13,662,230	-	**58,853,327**
Unallocated income	-	-	-	-	-	-	-	728,061
Unallocated expenses	-	-	-	-	-	-	-	(68,156,745)
Deficit from insurance operations	-	-	-	-	-	-	-	**(8,575,357)**
Investment income	-	-	-	-	-	-	777,595	**777,595**
General & administrative expenses	-	-	-	-	-	-	(555,972)	**(555,972)**
Net loss for the year								**(8,353,734)**

As at 31 December 2010	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
				Saudi Riyals				
Insurance Operations' Assets								
Reinsurers' share of unearned premium	154,536	55,961,540	12,017,527	37,198,041	8,988,654	1,004,225	-	115,324,523
Reinsurers' share of outstanding claims	1,686,455	14,604,294	603,647	21,477,659	9,429,528	129,300	-	47,930,883
Deferred policy acquisition costs	3,667,124	4,732,605	1,362,988	1,061,660	1,045,192	847,366	-	12,716,935
Premium Receivable, gross	39,215,542	30,958,287	43,937,642	17,161,655	24,159,857	8,389,028	-	163,822,011
Provision for doubtful debts	-	-	-	-	-	-	-	(26,626,252)
Unit linked investments	-	-	-	-	-	425,489,985	-	425,489,985
Unallocated assets	-	-	-	-	-	-	-	40,500,651
Shareholders' assets	-	-	-	-	-	-	162,079,222	**162,079,222**
Total assets								**941,237,958**
Insurance Operations' Liabilities								
Unearned premium	34,639,618	61,960,385	23,227,656	42,440,558	14,175,485	1,330,118	-	177,773,820
Outstanding claims	15,097,252	15,594,710	7,727,442	24,383,796	16,823,194	738,676	-	80,365,070
Unearned commission income	26,767	7,152,317	-	2,337,633	1,361,641	159,273	-	11,037,631
Mathematical reserves	-	-	-	-	-	426,301,924	-	426,301,924
Unallocated liabilities	-	-	-	-	-	-	-	**83,680,291**
Shareholders' liabilities & equity	-	-	-	-	-	-	162,079,222	**162,079,222**
Total Insurance Operations liabilities and Shareholders' liabilities and equity								**941,237,958**

(b) Geographical segments

The Company during the period ended 31 December 2011, operated only in the Kingdom of Saudi Arabia.

32. Prospective Changes In Accounting Standards

Following are the Standards issued but not yet effective up to the date of issuance of the Company's financial statements. The Company reasonably expects to adopt these standards at a future date when they become effective:

IAS 1 Financial Statement Presentation effective date 1 July 2012 ,
IFRS 7 Financial Instrument (amendments) effective date 1 January 2013
IFRS 9 Financial Instruments effective date 1 January 2015,
IFRS 13 Fair Value Measurement effective date 1 January 2013

The adoption of above standards and amendment affects presentation only and will not significantly impact the financial position and performance of the Company.

33. Comparative Figures

Certain figures for the year ended 31 December 2010 have been reclassified to conform with the presentation of the current year.

34. Approval Of The Financial Statements

These financial statements have been approved by the Board of Directors on 26 Rabi Awal 1433 H, corresponding to 18 February 2012.

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