Annual Report
2012

Allianz Saudi Fransi Cooperative Insurance Company

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

His Royal Highness
Prince Muqrin Bin Abdulaziz Al-Saud
Second Deputy Prime Minister,
King's Advisor and Special Envoy

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

His Royal Highness
Prince Salman Bin Abdulaziz Al-Saud
Crown Prince,
Deputy Prime Minister and
Minister of Defense

The year 2012 witnessed tough competition in the market, particularly from companies that have recently obtained their operating licenses. Despite the challenging market environment, our figures stand as a testimony to the excellent work of our management and team, which led to an above average cost efficiency.

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Chairman's Statement

Dear Shareholders,
It is my privilege to present, on behalf of the Board of Directors, the 5th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2012.

Here at Allianz Saudi Fransi, we derive our knowledge and experience from our joint venture between the Allianz Group and Banque Saudi Fransi. This position has enabled us to develop business values that are committed to a culture of top-notch practices combined with local market know-how.

The year 2012 witnessed tough competition in the market, particularly from companies that have recently obtained their operating licenses. Despite the challenging market environment, our figures stand as a testimony to the excellent work of our management and team, which led to an above average cost efficiency.

This year we focused on enhancing and sorting our portfolio, which resulted in a Net Income of 10.3 Million Saudi Riyals before tax and zakat. And that is a significant increase compared to 2011 where we posted a Net Income of 1.6 Million Saudi Riyals.

We continued in 2012 to enhance cross selling our Bancassurance Products through Banque Saudi Fransi to further consolidate our relations as well as benefit its customers with new solutions.

We continued to support and serve our clients through our products and services. Moreover we have been engaging the local community in several Corporate Social Responsibility initiatives that will position us as a reliable corporate partner to the Saudi Society.

Since our employees make one of our most valuable assets, we have paid attention to them in the form of highly engaging Town Hall meetings, Technical Insurance Training sessions and internal development. Thereby we exchange and enrich know-how and ensure high employee satisfaction and responsibilities towards our customers.

For 2013 and subsequent years we have developed a plan to boost growth and earnings, with the aim to be amongst one of 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 like to express my deepest gratitude to the Custodian of the Two Holy Mosques King Abdullah Bin Abdul Aziz 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. I take this opportunity to thank the Board of Directors, the Management and the Staff for their support and dedication.

Dr. Abdullah Bin Abdilaziz Alabdilkader
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 5th Annual Report together with the audited financial statements of the fiscal year ending on 31st December 2012.

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 2012 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 none own more than 1% shares:

* Allianz France International merged with Allianz France on 192011/12/ 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 30/02/1429H, 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 axes 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.

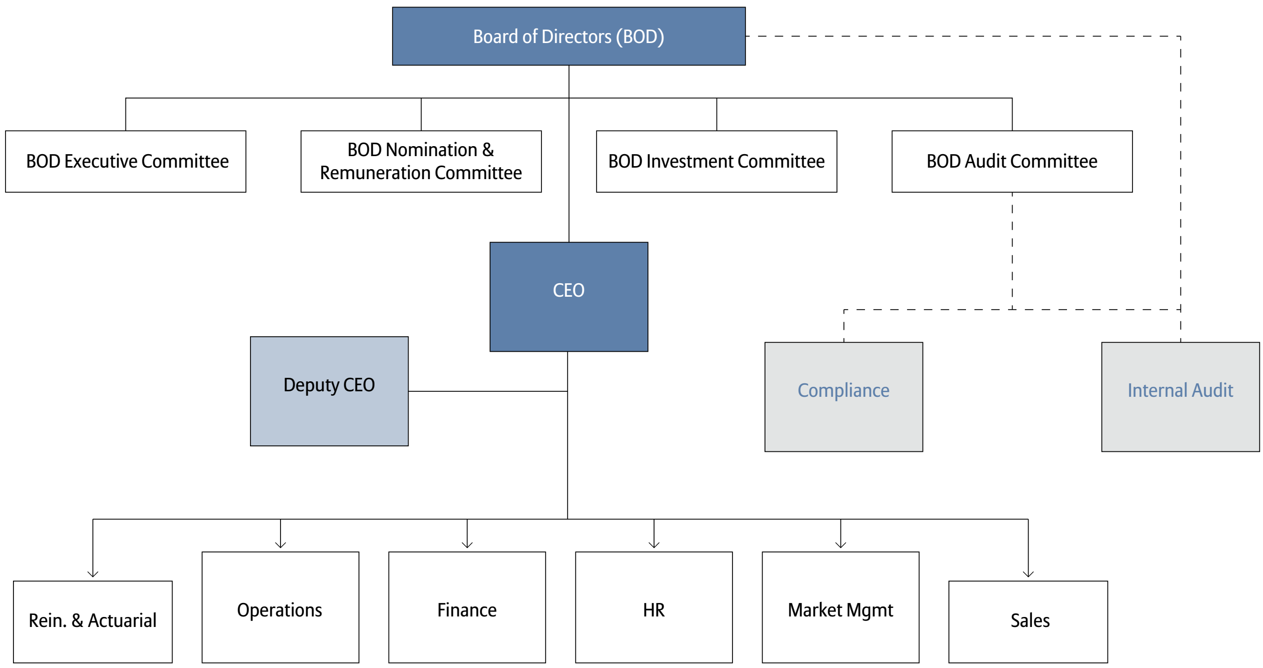
3. Allianz Saudi Fransi Key Dates and Developments

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/1120083/) is obtained.
- September 2008 — The Company moved to the New Head Office in Riyadh and received its first products' approval.
- 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.
- 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/1120083/) for another 3 years
- June 2011 — The Company launched the Protection & Savings "Gold" Products Sharia Compliant
- January 2012 — The Company restructured its Direct Sales Force for Retail Business as well as its branches.
- August 2012 — The Company restructured its Corporate Sales Force to better serve corporate and commercial customers.

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2012 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
Mohammed Basrawi *	Deputy Chief Executive Officer	1957	BA Civil Engineering, Masters of Science
Madeni Al Sumeiri	Head of HR & Gov. Relations	1963	Bachelor of Business Administration
Sayed Hassan	Head of Market Management	1957	Masters of Science
Yacoub Hobeika	Chief Financial Officer	1969	LACPA, CPA, CMA, CIA
Abdullah Mansury **	Acting Chief Financial Officer	1970	Doctoral thesis in financial statements, Master degree in Mgt, MBA in Finance

* With effect from December 2012, Mohammed Basrawi was promoted to the position of Deputy CEO.
** With effect from May 2012 Abdullah Mansury replaced Yakoub Hobeika as Acting Chief Financial Officer.

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 2012 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. The percentage of Saudi nationals within the company represented more than 65% 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	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh – KSA	Tel: +966 (1) 874 9700 Fax: +966 (1) 874 9799
Jeddah	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
Madinah	Qurban Street, Al Maimani Building, 6th floor, Medina, KSA	Tel: +966 (4) 867 4111 Fax. +966 (4) 867 2111
Dammam	Business City Building, King Abdelaziz Street, Dammam, KSA	Tel: +966 (3) 831 5600 to +966 (3) 831 5606 Fax: +966 (3) 831 5609
El-Hasa	Al Bustan Mall, Al Thoraiyat Road, Al-Hassa, KSA	Tel: +966 (3) 582 5400 Fax: +966 (3) 582 8118

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 embraces 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) Gross Written Premiums

The Gross Written Premiums amounted to SAR 621.2 Million for the twelve months ended December 2012 against SAR 683.7 Million for the twelve months ended December 2011 showing a decline by 9%. The split per line of business is as follows:

SAR Million	2012	2011	2010	2009	2008
Property, Casualty & Health:	416.6	510.8	468.7	315.1	77.9
a) Motor:	85.1	86.3	84.9	62.8	-
b) Engineering:	75.6	69.4	77.3	71.9	61.8
c) Medical:	82.3	134.7	158.1	103.2	16.1
d) Other General:	173.6	220.4	148.4	77.2	-
Protection & Savings:	204.6	172.9	54.7	22.7	-

Property, Casualty & Health Gross Written Premiums declined by 18% compared to previous year (2011), while Protection & Savings Gross Written Premiums increased by 18% compared to previous year (2011), showing a focus of the Company in getting a balanced portfolio.

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	2012	2011	2010	2009	2008
Central Region:	385.1	410.7	255.6	224.3	75.2
Western Region:	149.1	193.8	170.2	76.6	2.1
Eastern Region:	87.0	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 351.8 Million for the twelve months ended December 2012 against SAR 354.7 Million for the twelve months ended December 2011. Net Premium Earned declined by 1% compared to previous year 2011, less than the decline in Gross Written Premiums showing a focus on Lines of Business where the Company may retain more.

Net Earned Premiums represents 57% of the Gross Written Premiums for the current year compared to 52% for the previous year, in line with the Company's strategy to gradually retain more premiums.

c) Mathematical Reserve Change

The Mathematical Reserve change applicable to Protection & Savings products amounted to SAR (61.8) Million for the twelve months ended December 2012 against SAR (46.3) Million in 2011 due to the increase of premium in this line of business.

The unrealized gain on unit-linked investment and other income related to Protection & Savings products amounted to SAR 8.5 Million for the twelve months ended December 2012 against SAR 2.0 Million in 2011.

d) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (208.6) Million for the twelve months ended December 2012 against SAR (221.4) Million for the twelve months ended December 2011.

The Net Incurred Claims decreased by 6% from previous year 2011 and therefore at a higher rate than the decrease in Net Premium Earned, showing better claims control.

e) Net Commissions

The commissions earned to producers net of the commissions received from reinsurers amounted to SAR (8.9) Million for the twelve months ended December 2012 against SAR (13.8) Million for the twelve months ended December 2011.

f) General Expenses

The Company has incurred during 2012 insurance operations expenses of SAR (74.9) Million, against insurance operations expenses of SAR (75.5) Million during 2011. The Company has also incurred during 2012 additional expenses of SAR (0.6) Million allocated to the shareholders operations against an additional expenses of SAR (0.3) Million during 2011.

The General Expenses remain with no major change due to the cost efficiency plan.

g) Surplus from Insurance Operations

The technical result before shareholder investment income is showing a surplus of SAR 6.1 Million for the twelve months ended December 2012 against a deficit of SAR (0.3) Million for the twelve months ended December 2011 representing a substantial improvement of the results as planned.

h) Investments

The Company investments excluding unit-linked Protection & Savings investments as of December 2012 are summarized here below:

SAR Million	2012	2011	2010	2009	2008
Cash & cash equivalents:	33.3	74.6	42.3	49.7	60.5
Sukuk/Funds:	172.1	127.0	98.0	8.8	12.1
Subscription in Najm & NextCare Companies:	3.2	3.2	3.2	3.2	-
Held to maturity	-	-	-	-	2.1

The investment income excluding unrealized gain on unit-linked investments and other income has amounted to SAR 5.4 Million as of December 2012 against SAR 2.2 Million as of December 2011.

i) Result of the Period (Profit)

The result for the twelve months ended 31st December 2012 (the 5th fiscal year) is a net income of SAR 10.3 Million after a net insurance operations surplus for distribution of SAR 0.6 Million against a profit of SAR 1.6 Million for the twelve months ended 31st December 2011. This increase in results is due to above average cost efficiency, effective restructuring of the portfolio as well as an improved productivity level. The earnings per share as of December 2012 is equivalent to SAR 0.51 against SAR 0.08 as of December 2011.

j) Assets

The total assets of the Company as of 31st December 2012 amounted to SAR 1,120.7 Million split as follows:

SAR Million	2012	2011	2010	2009	2008
Insurance Operations' Assets	949.3	911.0	779.2	379.2	148.0
Shareholders' Assets	171.4	163.8	162.1	71.5	91.3

k) Shareholder's Equity

The Shareholder's Equity as of 31st December 2012 amounted to SAR 166.9 Million, split as follows:

SAR Million	2012	2011	2010	2009	2008
Share Capital	200.0	200.0	200.0	100.0	100.0
Accumulated Losses	(58.4)	(65.6)	(65.2)	(57.1)	(34.2)
Other Reserves	25.3	23.6	23.6	(0.2)	0.1

The Company confirms that it does not have any loans as of 31st December 2012.

l) Profit Distribution Strategy

As stated in the articles of association of the Company, article44, shareholder's profits shall be distributed in the following way:
Zakat & Tax allocations are to be withheld.

As per bylaws of the company, the company shall allocate 20% of the Net Income of each period to the statutory reserve. The company has not transferred any amounts to the statutory reserve due to accumulating losses as of 31st December 2012.
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 accordance 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 policyholders 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 2012, the company is having a net insurance operations surplus after shareholders' appropriation for the period of SAR 0.6 Million.

m) Financial Highlights

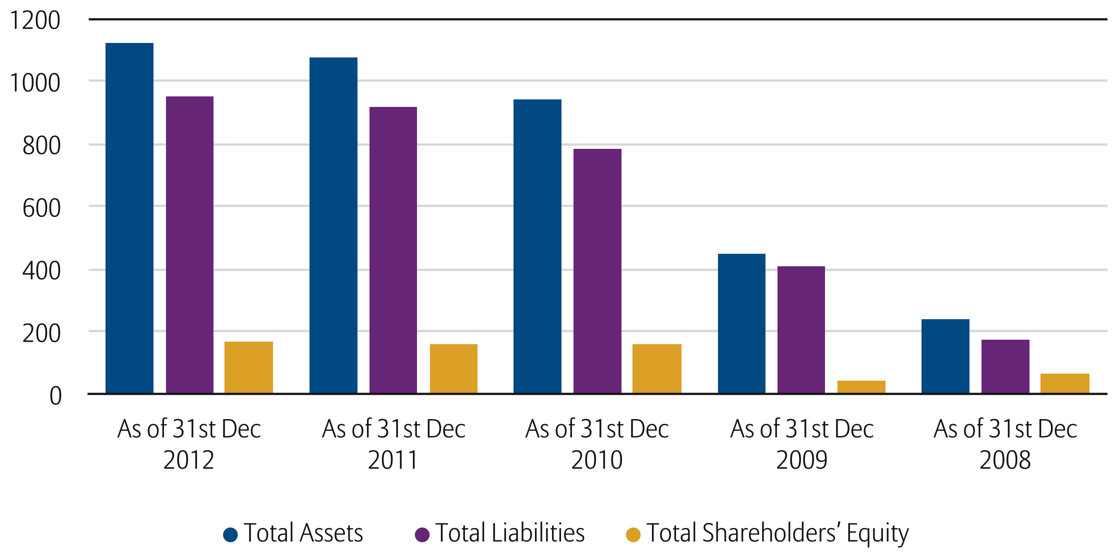
The following is a summary of the most important indicators for the Past five years:

SAR Million	2012	2011	2010	2009	2008
Gross Written Premium	621.2	683.7	523.4	337.8	77.9
Net Premium Earned	351.8	354.7	233.2	127.3	3.7
Mathematical Reserve Change	(61.8)	(46.3)	(26.8)	(15.1)	-
Unrealised gain on UL & other income	8.5	2.0	2.5	3.8	-
Net Incurred Claims	(208.6)	(221.4)	(134.6)	(73.5)	(0.6)
Net Commissions	(8.9)	(13.8)	(12.2)	1.9	(0.1)
General Expenses Insurance operations	(74.9)	(75.5)	(70.7)	(63.6)	(28.3)
Net surplus for the period	6.1	(0.3)	(8.6)	(19.2)	(25.3)
Net Insurance operations surplus	(0.6)	-	-	-	-
Investment Income Shareholders	5.4	2.2	0.8	0.6	2.7
General Expenses Shareholders	(0.6)	(0.3)	(0.6)	(3.9)	(10.8)
Net Income – Profit *	10.3	1.6	(8.4)	(22.5)	(33.4

* After surplus distribution

Balance Sheet "SAR Million"	2012	2011	2010	2009	2008
Total Assets	1,120.7	1,074.8	941.3	450.7	239.3
Total Liabilities	953.8	916.8	782.9	408.0	173.4
Total Shareholders' Equity	166.9	158.0	158.4	42.7	65.9

Balance Sheet "SAR Million"



10. Corporate Governance, Regulations & Committees

a) The Compliance with Corporate Governance

In 2012, Allianz Saudi Fransi entirely complied with the CMA corporate governance regulations and SAMA guidelines 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 Hassan Alabdel-gader, Chairman *(replacing Abdullah Bin Abdilaziz Alab-dilkader as of 03/12/2012)*	1,000	1,000	Nil	• Saudi Technology Investment Comp. • Gulf International Bank	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	M. Sumeiri	S. Hassan	A. Mansury	M. Basrawi
Number of Shares*	beginning of year	Nil	Nil	Nil	Nil	Nil
	End of year	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, CFO, Head of Human Resource and Head of Market Management) during the 5th fiscal year ending 31st December 2012 were:

SAR	2012			2011		
	Non-executive Board Members **	Executive Board Members	Top 5 Executives	Non-executive Board Members **	Executive Board Members	Top 5 Executives
Salaries & Remunerations	Nil	Nil	3,549,834	Nil	Nil	3,198,569
Allowances / Attendance fees	117,000	Nil	588,379	105,900	Nil	496,788
Bonuses	Nil	Nil	1,270,332	Nil	Nil	1,300,228
Other Expenses	81,030	Nil	Nil	98,752	Nil	Nil
Other Benefits *	Nil	Nil	715,985	Nil	Nil	1,053,771
Total	198,030	Nil	6,124,530	204,652	Nil	6,049,356

* Other benefits include Global equity Incentive plan and other benefits such as Insurance.
** Including Chairman
*** Figures for 2011 are adjusted in line with organizational structure of 2012 to ensure comparability

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 2012 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 2012 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 Medical Insurance Claims with Nextcare SA.

e) Regulatory Status

The Company enjoys a healthy relationship with the Regulators and appreciates their continuous support and guidance. However, the Company incurred during 2012 a penalty from CMA amounting to SAR 50,000 due to its violation of clause (B) of Article (14) of the Corporate Governance Regulations: The General Assembly, based on a proposal by the Board of directors, did not issue the rules for selecting the members of the Audit committee, the duration of their membership and the committee's work method. It will be done in the next General Assembly scheduled in April 2013.

f) BOD Committees

BOD Executive Committee

The BOD Executive Committee is responsible for providing recommendations to the Board on various issues including the strategy and business plan. Its primary objective is to oversee the day-to-day performance of the Company and to provide support and guidance to the CEO.

Main responsibilities include:

- Representing the Board of Directors in day-to-day management
- Supervising the organization of the Board's meeting
- Executing the Board's decisions in accordance with the CEO and the Company's management
- Proposing/setting up the general company policy, objectives and strategy
- Studying the budget and following up the performances and achievements versus the plan
- Undertaking and supervising the progress of the operation and project's development

The Committee comprises the following members:

BOD Executive Committee	As of 31st December 2012
Abdulrahman Jawa	Chairman
Abdulaziz Al Habdan	Member
H. de Roquette Buisson	Member
Heinz Dollberg	Member

The BOD Executive Committee met three times during 2012 with 92% attendance (92% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
16/04/2012	Abdulrahman Jawa, Hugues de Roquette Buisson, Heinz Dollberg	75%	75%
01/08/2012	Abdulrahman Jawa, Abdulaziz Al Habdan, Hugues de Roquette Buisson, Heinz Dollberg	100%	100%
03/12/2012	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.

Duties and responsibilities of the Audit Committee include the following:

- Submit recommendations to the Board to a) approve the appointment or reappointment, dismissal and remuneration of external auditors, b) appoint the manager of the compliance control department or the compliance officer, c) appoint the manager of the internal audit department or the internal auditor, d) appoint the actuary. Above-mentioned recommendations require having obtained SAMA's non-objection in writing.
- Supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors
- To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it
- Ensure the independence of the a) external auditors from the Company, the Board members and the senior management of the company, b) internal audit department or the internal auditor in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work, c) compliance control department or the compliance officer in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work
- Ensure the Company's compliance with the actuary suggestions and recommendations
- Determining the monthly salary and bonus of the compliance control department manager or the compliance officer after obtaining the Board's written approval.
- Determining the monthly salary and bonus of the internal audit department manager or the internal auditor after obtaining the Board's written approval.
- Reviewing the audit plan of the internal and external auditors.

- Reviewing the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.
- Coordinating between internal and external auditors.
- Supervising the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- Reviewing the external auditors reports and reports of the internal audit department or the internal auditor and submits the related recommendations to the Board.
- Pursues the implementation of the corrective measures in respect of the comments included in the reports.
- Reviewing the reports of the compliance control department or the compliance officer including any high risk for fraud findings and submits the related recommendations to the Board.
- Reviewing the actuary reports and submits the related recommendations to the Board.
- Reviewing the comments of SAMA and the related supervisory and control entities and submits the related recommendations to the Board.
- Reviewing the internal and external auditors' assessment of the internal control Saudi Arabian Monetary Agency Insurance Supervision Department processes.
- Assessing the competence level, efficiency and objectivity of the external auditors, the internal audit department or the internal auditor, and the compliance control department or the compliance offer.
- Following up on the reports issued by SAMA and the related supervisory and control entities in addition to any international developments such as the guidelines of the International Association of Insurance Supervisors and submits the related recommendations to the Board.
- Reviewing and approving the annual and quarterly financial statements.
- Discussing the annual and quarterly financial statements with the external auditors and the company's management before issuing them.

Reviewing the external auditor's comments on the financial statements and follow up actions taken about them
Following up on the important lawsuits filed by or against the company and submits the related periodic reports to the Board
Ensure that all financial transactions are according to the local rules and regulations

The Committee comprises the following members:

BOD Audit Committee	As of 31st December 2012
Hugues de Roquette Buisson	Chairman
Abdulaziz Osman	External
Ibrahim Al Shaia	External

The Committee's Chairman is a board member.

The Audit Committee met five times during 2012 with 100% attendance

Date	Attendance	Percentage	Percentage with Proxy
30/01/2012	Hugues de Roquette Buisson, Abdulaziz Osman, Ibrahim Al Shaia	100%	100%
31/01/2012	Hugues de Roquette Buisson, Abdulaziz Osman, Ibrahim Al Shaia	100%	100%
16/04/2012	Hugues de Roquette Buisson, Abdulaziz Osman, Ibrahim Al Shaia	100%	100%
1/8/2012	Hugues de Roquette Buisson, Abdulaziz Osman, Ibrahim Al Shaia	100%	100%
03/12/2012	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, including the Actuary and Risk management reports 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 correspondents with authorities including their comments and submitted related actions to 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.
- Review the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.

The Internal Audit Department has performed 9 regular missions and 15 adhoc missions during 2012 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 regularly reviewed by the Audit Committee.

The Company has also implemented a 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 met nine times during 2012 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

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.
Duties and responsibilities of the Investment Committee include:

- Assess the investment recommendation made by the top management.
- Prepare and review the investment policy of the Company on a regular basis.
- Set the investment strategy in accordance with the investment policy approved by the BoD.
- Ensure the proper implementation of the investment policy/strategy.
- Establishing and reviewing Investment guidelines for the Company.
- Establishing and reviewing quality criteria for the Company's investment strategy.
- Establishing and reviewing guidelines for the Company's portfolio structure.
- Reviewing the Financial markets' analysis prepared by the Investment department and the asset manager.
- Investment income and performance review against the plan.

The Committee comprises the following members:

BOD Investment Committee	As of 31st December 2012
Abdulaziz Al Habdan	Chairman
Hugues de Roquette Buisson or Heinz Dollberg	Members by alteration
AlWaleed Al Dryaan	Member

The investment committee met twice during 2012 with 84% attendance (84% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
31/01/2012	Abdulaziz Al Habdan, AlWaleed Al Dryaan, Hugues de Roquette Buisson	100%	100%
01/08/2012	Abdulaziz Al Habdan, Heinz Dollberg, Hugues de Roquette Buisson	67%	67%

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 in accordance with the approved policies and standards. The Committee shall ensure that no person who has been previously convicted or any offense affecting honor or honesty is nominated for such membership.
- Review the structure of the Board of Directors and recommend changes.
- 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.
- Prepare description of required capabilities and qualifications for membership in the BoD, including the time that a Board member should reserve for the activities of the Board
- Carve clear policies regarding the indemnities and remuneration of the Board Members and Top Executives; in laying down such policies, the standards related to performance shall be followed
- Approve and evaluate the compensation plans, policies and programs of the Company

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

BOD Nomination & Remuneration Committee	As of 31st December 2012
AlWaleed Al Dryaan	Chairman
Abdulrahman Jawa	Member
Heinz Dollberg	Member

The N&R Committee met three times during 2012 with 78% attendance (100% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
31/01/2012	AlWaleed Al Dryaan, Heinz Dollberg	67%	100%
16/04/2012	AlWaleed Al Dryaan, Abdulrahman Jawa	67%	100%
26/11/2012	AlWaleed Al Dryaan, Abdulrahman Jawa, Heinz Dollberg	100%	100%

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

- Review the new Board members qualifications and profiles
- 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 2012 as well as the remuneration adjustment 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.
- Review the remuneration and employee benefits
- Reviewed the updates on the Company structure as well as the recruitment of new executives.

g) BOD Meetings

The BOD met four times during the year ended 31st December 2012 with attendance of 84% (96% with proxies)

BOD #	Date	Attendance	Percentage	Percentage with Proxy
22	31/01/2012	Abdullah Abdilkader, AlWaleed Al Dryaan, Abdulaziz Al Habdan, Hugues de Roquette Buisson, Heinz Dollberg	84%	100%
23	16/04/2012	Abdullah Abdilkader, AlWaleed Al Dryaan, Abdulrahman Jawa, Abdulaziz Al Habdan, Hugues de Roquette Buisson, Heinz Dollberg	100%	100%
24	01/08/2012	Abdullah Abdilkader, Abdulrahman Jawa, Abdulaziz Al Habdan, Hugues de Roquette Buisson, Heinz Dollberg	84%	100%
25	03/12/2012	Abdulrahman Jawa, Abdulaziz Al Habdan, Hugues de Roquette Buisson, Heinz Dollberg	67%	84%

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 business plan for the following years.
- Discussed Human Resources and Talent Management.
- Approved the updates on the Company Manuals and Procedures following the Committee recommendations; during 2012 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.

h) Risk Management

During 2012, 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:

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.

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.

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.

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.

Currency Exchange Risk

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

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.

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.

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.

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.

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.

Zakat, Legal Payments, and Loans

Allianz Saudi Fransi allocated SAR 3,020,270 for Zakat and Tax in 2012 against SAR 1,824,453 allocated in 2011. There were no loans by the Company. The Following table shows a list of legal payments for the year 2012 compared to the year 2011 and 2010 and 2009.

SAR Million	2012	2011	2010	2009
Customs Expenses	-	-	-	-
Zakat & Tax	3.0	1.8	0.1	0.4
GOSI Expenses	2.0	1.8	1.9	1.4
Visa & Passports	0.4	0.7	0.6	0.3
Inspection & Supervision Fees	3.1	3.4	2.6	1.7
Total	8.5	7.7	5.2	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: During 2012, the Company has restructured its retail team including strong team leaders in all branches. In 2013, the Company will continue its focus on the productivity level of the team in the retail segment with a close monitoring of monthly achievements.

Bancassurance: In 2013, the Company intends to further consolidate its unique business relation with Banque Saudi Fransi and extend the product lines to corporate and commercial clients.

Corporate: Corporate Business will remain amongst the top priority of the Company. During 2013, the Company will further extend its relation with preferred Brokers and producers to build strong and lasting partnerships through agreed service level standards.

Operations: The Company will restructure and optimize the procedures for Corporate and retail business as well as its claims handling capabilities to enhance its customer satisfaction and increase the persistency of the portfolio.

Actuarial: During 2013, the Company will enhance high level technical standards and guidelines. It will review profitability per LoB and adjust the pricing strategy accordingly.

Talent Management: During 2013 the company will continue its investments in human resources to attract and develop young talents and prepare the future generation of managers. The company builds on defining clear career paths and tailored training programmes to achieve satisfaction and effectiveness among all employees.

12. External Independent Auditors and Accounting Standards

In 2012, 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 2012. 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 2012 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 2012 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.

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 doubts concerning the Company’s ability to continue as a going concern.

Allianz Saudi Fransi Cooperative Insurance Company

Financial Statement

Together with the
Independent Auditors' Report
For the year ended 31 December 2012

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 2012 and 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 2012 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

8 Rabia II 1434H
18 February 2013

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	As at 31 December 2012 SR	As at 31 December 2011 SR
Insurance Operations' Assets			
Office equipment and furniture	6	3,795,087	4,323,829
Reinsurers' share of outstanding claims	7	96,951,123	83,230,450
Reinsurers' share of unearned premiums	17	85,464,353	125,258,097
Deferred policy acquisition costs	8	12,328,124	14,221,856
Due from shareholders' operations		-	3,847,909
Unit linked investments	9	533,238,604	471,146,684
Available for sale investments	14	29,881,185	-
Premiums receivable, net	11	128,717,315	126,937,494
Reinsurance balances receivable		23,900,534	18,116,160
Prepayments and other assets	10	2,070,710	2,060,725
Cash and cash equivalents	12	32,987,354	61,900,990
Total Insurance Operations' Assets		**949,334,389**	**911,044,194**
Shareholders' Assets			
Statutory deposit	13	20,076,025	20,076,025
Available for sale investments	14	145,447,419	130,238,596
Due from insurance operations		1,686,645	-
Prepayments and other assets	10	3,857,360	797,934
Cash and cash equivalents	12	341,510	12,670,275
Total Shareholders' Assets		**171,408,959**	**163,782,830**
Total Shareholders And Insurance Operations' Assets		**1,120,743,348**	**1,074,827,024**

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

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

Statement of Financial Position

	Note	As at 31 December 2012 SR	As at 31 December 2011 SR
Insurance Operations' Liabilities			
Employees' end of service benefits	16	6,589,383	6,029,510
Unearned premiums	17	151,699,129	191,658,673
Mathematical reserve	18	534,437,849	472,596,932
Outstanding claims	7	146,860,735	130,437,755
Unearned commission income	19	13,340,083	15,096,686
Due to shareholders operations		1,686,645	-
Reinsurance balances payable		82,367,514	70,306,255
Accrued expenses and other liabilities	20	11,791,166	24,918,383
Total Insurance Operations' Liabilities		948,772,504	911,044,194
Insurance Operations' Surplus			
Accumulated surplus distribution		614,950	-
Unrealized loss on available for sale investments	14	(53,065)	-
Total Insurance Operations' Liabilities And Surplus		949,334,389	911,044,194
Shareholders' Liabilities And Equity			
Due to insurance operations		-	3,847,909
Accrued expenses and other liabilities	20	91,625	116,025
Zakat and tax payable	22	4,420,173	1,824,453
Total Shareholders' Liabilities		4,511,798	5,788,387
Shareholders' Equity			
Share capital	23	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Accumulated losses		(58,382,671)	(65,642,250)
Unrealized gain on available for sale investments	14	2,568,517	925,378
Total Shareholders' Equity		166,897,161	157,994,443
Total Shareholders' Liabilities And Equity		171,408,959	163,782,830
Total Insurance Operations Liabilities,Surplus And Shareholders' Liabilities And Equity		1,120,743,348	1,074,827,024

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

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

Statement of income of insurance operations

	Note	For the year ended 31 December2012 SR	For the year ended 31 December 2011 SR
Gross written premiums	26	621,232,018	683,690,693
Reinsurance premiums ceded	26	(268,916,371)	(325,068,662)
Net written premiums		352,315,647	358,622,031
Changes in unearned premiums	26	33,868,705	(13,884,853)
Changes in reinsurance share of unearned premiums		(34,433,992)	9,933,574
Net change in unearned premiums		(565,287)	(3,951,279)
Net premiums earned	26	351,750,360	354,670,752
Commission earned during the year	19	30,818,622	26,154,130
Unrealized gain on unit linked investments		7,427,732	822,017
Other income		1,122,069	1,189,098
Total revenues		391,118,783	382,835,997
Gross claims paid	7	(357,797,571)	(374,134,970)
Reinsurance share of claims paid	7	151,923,563	167,495,000
Net claims paid		(205,874,008)	(206,639,970)
Changes in gross outstanding claims		(16,422,980)	(50,072,686)
Changes in reinsurance share of outstanding claims		13,720,673	35,299,567
Net outstanding claims		(2,702,307)	(14,773,119)
Net claims incurred		(208,576,315)	(221,413,089)
Change in mathematical reserves and surplus	18	(61,840,917)	(46,295,007)
Commission expenses	8	(39,689,326)	(39,991,185)
Inspection and supervision fees		(3,106,160)	(3,418,453)
General and administrative expenses	27	(71,756,561)	(72,117,694)
Total claims and expenses		(384,969,279)	(383,235,428)
Net surplus/(deficit) for the year		6,149,504	(399,431)
Net (surplus)/deficit transferred to statement of shareholders' operations	3	(5,534,554)	399,431
Net insurance operations surplus after shareholders' appropriation for the year		614,950	-

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

Statement of Shareholders' Operations

	Note	For the year ended 31 December 2012 SR	For the year ended 31 December 2011 SR
Special commission income		4,486,724	2,247,285
Realised gain on sale of available for sale investments		946,187	-
Total revenues		**5,432,911**	**2,247,285**
Net surplus/(deficit) transferred from statement of insurance operations		5,534,554	(399,431)
General and administrative expenses	27	(687,616)	(291,217)
Net income for the year		**10,279,849**	**1,556,637**
Basic and diluted earnings per share	29	**0.51**	**0.08**

Statement Of Comprehensive Income Of Shareholders' Operations

	For the year ended 31 December 2012 SR	For the year ended 31 December 2011 SR
Net income for the year	10,279,849	1,556,637
Provision for zakat and tax (Note 22)	(3,020,270)	(1,911,753)
Fair value change in available for sale investments	2,589,326	(20,437)
Transferred to statement of income on sale of available for sale investments	(946,187)	-
Total comprehensive income/(loss) for the year	**8,902,718**	**(375,553)**

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

Antoine Issa
Chief Executive Officer

Abdulrahman Jawa
BOD Member

Abdullah Mansury
Senior Finance Manager

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 2011	200,000,000	22,711,315	(65,287,134)	945,815	158,369,996
Income for the year	-	-	1,556,637	-	1,556,637
Other comprehensive income:					
- Provision for zakat & tax	-	-	(1,911,753)	-	(1,911,753)
- Fair value change in available for sale investment	-	-	-	(20,437)	(20,437)
Total comprehensive loss for the year					(375,553)
Balance as at 31 December 2011	**200,000,000**	**22,711,315**	**(65,287,134)**	**925,378**	**157,994,443**
Balance as at 1 January 2012	200,000,000	22,711,315	(65,287,134)	925,378	157,994,443
Income for the year	-	-	10,279,849	-	10,279,849
Other comprehensive income:					
- Provision for zakat & tax	-	-	(3,020,270)	-	(3,020,270)
- Fair value change in available for sale investment	-	-	-	2,589,326	2,589,326
- Transferred to statement of income-shareholders operations	-	-	-	(946,187)	(946,187)
Total comprehensive income for the year					**8,902,718**
Balance as at 31 December 2012	**200,000,000**	**22,711,315**	**(58,382,671)**	**2,568,517**	**166,897,161**

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

Statement Of Cash Flows Of Insurance Operations'

	Note	For the year ended 31 December 2012 SR	For the year ended 31 December 2011 SR
Operating Activities			
Insurance operations surplus after shareholders' appropriation for the year		**614,950**	-
Adjustments to reconcile net surplus/deficit to net cash from operating activities:			
Appropriation of surplus/(deficit) to shareholders' operations		5,534,554	(399,431)
Depreciation	6	1,614,034	1,724,299
Employees' end of service benefits		1,283,486	1,776,437
Gain on disposal of office equipment and furniture		(138,400)	-
Unrealized gain on unit linked investments		(7,427,732)	(822,017)
		1,480,892	**2,279,288**
Changes in operating assets and liabilities:			
Deferred policy acquisition costs		1,893,732	(1,504,921)
Premiums receivable, net		(1,654,421)	10,258,265
Prepayments and others assets		(9,985)	514,938
Employees' end of service benefits paid		(723,613)	-
Unearned premiums, net		(165,800)	3,951,279
Mathematical reserve		61,840,917	46,295,008
Unit linked investments		(54,664,188)	(44,834,682)
Outstanding claims, net		2,702,307	14,773,118
Unearned commission income		(1,756,603)	4,059,055
Reinsurance balances payable, net		6,276,885	6,738,346
Accrued expenses and other liabilities		(13,127,217)	17,095,319
Net cash from operating activities		**2,092,906**	**59,625,013**
Investing Activities			
Purchase of office equipment and furniture	6	(1,085,292)	(379,696)
Sale of office equipment and furniture		13,000	-
Purchases of available for sale investments	14	(29,934,250)	-
Net cash used in investing activities		**(31,006,542)**	**(379,696)**
Net change in cash and cash equivalents during the year		**(28,913,636)**	**59,245,317**
Cash And Cash Equivalents At Beginning Of The Year		**61,900,990**	**2,655,673**
Cash And Cash Equivalents At End Of The Year	12	**32,987,354**	**61,900,990**
Non-cash supplemental information:			
Net changes in fair value of available for sale investments		(53,065)	-

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

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

Statement Of Cash Flows Of Shareholders' Operations

	Note	For the year ended 31 December 2012 SR	For the year ended 31 December 2011 SR
Operating Activities			
Net income for the year		**10,279,849**	**1,556,637**
Adjustments to reconcile net income to net cash from operating activities:			
Appropriation of (surplus)/deficit from insurance operations		(5,534,554)	399,431
Realized gain on available for sale investments		(946,187)	-
		3,799,108	**1,956,068**
Changes in operating assets and liabilities:			
Prepayments and other assets		(3,059,426)	346,310
Accrued expenses and other liabilities		(24,400)	(1,301)
Cash from operations		**715,282**	**2,301,077**
Zakat and tax paid during the year	22(c)	(424,550)	(230,722)
Net cash from operating activities		**290,732**	**2,070,355**
Investing Activities			
Purchases of available for sale investments	14	(83,523,310)	(29,042,127) (29,042,127)
Sale of available for sale investments	14	70,903,813	-
Net cash used in investing activities		**(12,619,497)**	**(29,042,127)**
Net Change In Cash And Cash Equivalents During The Year		**(12,328,765)**	**(26,971,772)**
Cash And Cash Equivalents At Beginning Of The Year		**12,670,275**	**39,642,047**
Cash And Cash Equivalents At End Of The Year	12	**341,510**	**12,670,275**
Non-cash supplemental information:			
Net changes in fair value of available for sale investments		2,589,326	(20,437)

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

The **Power** On **Your Side**

Notes To The Financial Statements

For the year ended 31 December 2012

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 5 branches (2011: 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. Commercial Operations

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.

3. 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 Articles of Association require that separate accounts be maintained for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and 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 and losses to be borne by shareholders.

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.

4. 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 2011 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.

IFRS 7 Financial Instruments: Disclosures (amendment)

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for 'transferred financial assets that are derecognised in their entirety 'and transferred assets that are not derecognised in their entirety. The effective date is for annual periods beginning on or after 1 July 2011.

Other amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Company.

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)

Insurance 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 insurance operation.

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

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.

Investments

All investments, excluding those held at fair value through profit and loss, are initially recognized at fair value including the transaction cost associated with the investment. Investment carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of income.

Following initial recognition of the various classes of investment securities, the subsequent period 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

Available-for-sale investments are those equity and debt securities which are neither classified as Held For Trading nor designated as FVIS, that are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices. Unrealised gains or losses arising from changes in fair value of investments are shown either in statement of comprehensive income of shareholdr's operations or as a separate component in the insurance operations' surplus. Realized gains or losses on sale of these investments and commission income are reported in the related statements of insurance operations or shareholder's operations. Any permanent decline in value of investments is adjusted for and reported in the related statement of income -insurance operations or shareholders operations, as impairment charges.

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.

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 financial position 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.

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

Premiums and commissions 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 and commission 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.

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 the related statement of shareholders operations or insurance operations.

Dividend income

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

Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the year 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.

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.

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' share 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 charged to the other comprehensive income.

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.

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 insurance 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 including fire and allied perils and consequential losses associated with the perils insured.

Other general insurance segment comprises of marine, credit, fidelity guarantee insurance and liability.
Protection and saving segment includes a variety of savings 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.

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 financial position date. All differences are taken to the statement of shareholders' operations and insurance operations.

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 financial position 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:

For assets carried at fair value, impairment loss is based on the decline in fair value.
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

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.

5. 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 net of reinsurance share which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the financial position 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 for protection & saving insurance contracts is calculated on the basis of management assumptions that include 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 financial position 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.

6. Office Equipment And Furniture

	Computer and office equipment SR	Motor Vehicles SR	Furniture and fittings SR	Total 2012 SR
Cost:				
At the beginning of the year	7,662,034	891,097	5,453,375	14,006,506
Additions during the year	616,292	407,000	62,000	1,085,292
Disposals for the year	-	(345,500)	-	(345,500)
Balance the end of the year	**8,278,326**	**952,597**	**5,515,375**	**14,746,298**
Accumulated depreciation:				
At the beginning of the year	6,517,009	772,117	2,393,551	9,682,677
Charge for the year	730,498	93,978	789,558	1,614,034
Depreciation on disposals	-	(345,500)	-	(345,500)
Balance at the end of the year	**7,247,507**	**520,595**	**3,183,109**	**10,951,211**
Net book value at 31 December 2012	**1,030,819**	**432,002**	**2,332,266**	**3,795,087**

	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

7. Outstanding Claims

	As at 31 December 2012 (SR)		
	Gross	Reinsurance share	Net
General insurance	136,762,068	(90,740,098)	46,021,970
Protection and Saving insurance	10,098,667	(6,211,025)	3,887,642
Total insurance outstanding claims	**146,860,735**	**(96,951,123)**	**49,909,612**

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

Movement schedule in respect of outstanding claims is as follows:

	2012 SR			2011 SR		
Opening	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
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
Provided during the year	374,220,551	(165,644,236)	**208,576,315**	424,207,656	(202,794,567)	221,413,089
Paid during the year	(357,797,571)	151,923,563	**(205,874,008)**	(374,134,971)	167,495,000	(206,639,971)
	146,860,735	(96,951,123)	**49,909,612**	130,437,755	(83,230,450)	47,207,305
As at December 31						
Reported Claims	133,350,692	(96,951,123)	**36,399,569**	113,414,034	(83,230,450)	30,183,584
IBNR	13,510,043	-	**13,510,043**	17,023,721	-	17,023,721
	146,860,735	**(96,951,123)**	**49,909,612**	130,437,755	(83,230,450)	47,207,305

8. Deferred Policy Acquisition Costs

	2012 SR	2011 SR
Balance at the beginning of the year	14,221,856	12,716,935
Incurred during the year	37,795,594	41,496,106
Amortisation for the year	(39,689,326)	(39,991,185)
Balance at the end of the year	**12,328,124**	14,221,856

9. Unit Linked Investments

The below investment represents, “Fair Value through Income Statement” (FVIS) investment, for unit-linked contracts as at 31 December 2012 and 31 December 2011:

	2012 SR	2011 SR
Local currency funds	**520,015,719**	458,389,836
Foreign currency funds	**13,222,885**	12,756,848
	533,238,604	471,146,684

Market values of funds and portfolios are as follows:

	As at 31 December 2012 SR	As at 31 December 2011 SR
Al Badr Fund Saudi Riyal	141,419,253	106,707,607
Al Saffa Equity Fund	20,389,174	13,307,324
Al Danah GCC Equity Fund	2,861,806	2,161,041
AL Badr Fund US Dollar	5,932,191	6,049,267
Al Naqaa Asia Growth Fund US Dollar	2,118,435	2,085,530
Al Fursan Equity Fund US Dollar	5,172,260	4,622,051
Money Market Fund Saudi Riyal	2,888,472	1,831,996
Saudi Istithmar Fund	2,099,599	1,337,418
Al Ghad/Al Anjal low risk	287,516,690	63,720,569
Al Ghad/Al Anjal Murabaha	62,840,724	269,323,881
	533,238,604	471,146,684

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.

10. Prepayments And Other Assets

	2012 SR		2011 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Prepaid rent	1,447,502	-	1,430,010	-
Deferred incentive plan costs (note 24)	345,001	-	429,692	-
Advances to employees	-	-	4,620	-
Accrued investment income	5,264	3,857,360	-	796,774
Other assets	272,943	-	196,403	1,160
	2,070,710	**3,857,360**	**2,060,725**	**797,934**

11. Premiums Receivable, Net

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

			Past due not impaired	Past due and impaired	
2012	Total	Neither past due nor impaired	Up to 90 days	Less than 180 days	More than 180 days
Amount in SR					
Premiums receivable	159,199,776	-	67,712,687	34,574,483	56,912,606
Provision for doubtful debts	(30,482,461)	-	-	(5,186,172)	(25,296,289)
Premiums receivable, net	**128,717,315**	**-**	**67,712,687**	**29,388,311**	**31,616,317**

			Past due not impaired	Past due and impaired	
2011	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

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:

	2012 SR	2011 SR
Balance at the beginning of the year	30,112,276	26,626,252
Provided for the year	5,887,607	3,486,024
Premium receivable written off during the year	(5,517,422)	-
Balance at the end of the year	**30,482,461**	**30,112,276**

12. Cash And Cash Equivalents

	2012 SR	2011 SR
Insurance operations:		
Cash in hand	127,144	142,123
Cash at bank	32,860,210	61,758,867
	32,987,354	61,900,990
Shareholders' operations:		
Cash at bank	341,510	12,670,275
	341,510	12,670,275

13. 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 (2011: 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.

14. Available For Sale Investments

Investments are classified as follows:

Insurance operations' available for sale investments:

	As at 31 December 2012 (SR)	As at 31 December 2011 (SR)
Bonds-quoted (rated AA by Standard & Poor's)	4,848,750	--
Funds-quoted (unrated)	25,032,435	--
Total	**29,881,185**	--

The cumulative change in fair value of available for sale investments amounting to SR (53,065) is presented within the insurance operation' surplus in the statement of financial position.

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

	2012 SR	2011 SR
Balance at the beginning of the year	-	--
Acquisition during the year	29,934,250	--
Net change in fair value	(53,065)	--
Balance at the end of the year	**29,881,185**	--

Shareholders' available for sale investments:

	As at 31 December 2012 (SR)		
	Quoted	Unquoted	Total
Sukuk	46,100,500	-	46,100,500
Bonds	93,084,505	-	93,084,505
Funds	3,039,336	-	3,039,336
Equities	-	3,223,078	3,223,078
Total	**142,224,341**	**3,223,078**	**145,447,419**

	As at 31 December2011 (SR)		
	Quoted	Unquoted	Total
Sukuk	24,125,000	-	24,125,000
Bonds	47,151,563	-	47,151,563
Funds	55,738,955	-	55,738,955
Equities	-	3,223,078	3,223,078
Total	127,015,518	3,223,078	130,238,596

The cumulative change in fair value of available for sale investments amounting to SR 2,568,517 (31 December 2011: SR 925,378) is presented within the shareholders' equity in the statement of financial position.

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.

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

	2012 SR	2011 SR
Balance at the beginning of the year	130,238,596	101,216,906
Acquisition during the year	83,523,310	29,042,127
Disposals during the year	(70,903,813)	-
Net change in fair value	2,589,326	(20,437)
Balance at the end of the year	**145,447,419**	130,238,596

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.

Following is the credit rating of available for sale investments:

Credit quality	Credit Rating Agency	Financial instrument	31 December 2012	31 December 2011
Very strong quality AA – AA-	Standard and Poor/ Moody's	Bonds / Sukuks	30,857,213	34,720,313
Strong quality A+	Standard and Poor	Sukuk	86,130,505	21,456,250
Satisfactory quality A-	Standard and Poor	Sukuk	5,000,000	5,000,000
Unrated	N/A	Equities/Sukuk/Mutual Funds	23,459,701	69,062,033

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.

15. Related Party Transactions And Balances

The following are the details of major related party transactions during the year ended 31 December 2012 and 31 December 2011and the related affiliate's balances as at 31 December 2012 and 31 December 2011:

Related party	Nature of transaction	2012 SR	2011 SR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Insurance premium written	**34,371,438**	17,341,617
	- Insurance premium ceded	**22,085,731**	39,497,304
	- Gross claims paid	**4,552,914**	11,609,023
	- Reinsurance share of claims paid	**4,933,623**	5,795,670
	- Commission expense	**6,893,243**	4,732,121
	- Commission income	**1,043,859**	1,756,470
	Other expenses		
	- Third party administrator (TPA) fees	**2,540,240**	921,182
Key management personnel	Remuneration and related expenses	**6,124,530**	6,049,356
Board members	Fees and related expenses	**198,030**	204,652

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 and the Chief Financial Officer of the Company. All Unit Linked investments and certain significant available for sale investments are managed by an affiliate, Saudi Fransi Capital.

Cash and cash equivalents include bank accounts, majority of which are maintained with the shareholder of the company, Banque Saudi Fransi.

The significant transactions with the related parties are included in the following balances as at the financial position date:

		As at 31 December 2012 SR	As at 31 December 2011 SR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Accrued expenses	**2,788,153**	1,051,350
	- Premium receivable, net	**13,306,896**	8,824,752
	- Reinsurance balance payable	**15,426,074**	35,260,451
	- Outstanding Claims	**4,112,802**	5,059,274

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Allianz Risk Transfer A.G. Dubai, Allianz France, Allianz Global Corporate and Speciality AG, Allianz World Wide Care, Allianz Global risks U.S Insurance ,Allianz Belgium, Euler Hermes, Allianz SE Zurich, Allianz Insurance Hong Kong, Allianz Global Risks Netherland, Allianz Insurance Singapore, Allianz Insurance New Zealand, Saudi Fransi Insurance Agency, Banque Saudi Fransi, Saudi Fransi Leasing Company, Saudi Next Care, Saudi Fransi Capital.

16. Employees' End Of Service Benefits

	2012 SR	2011 SR
Balance at the beginning of the year	6,029,510	4,253,073
Accrued for the year	1,283,486	1,776,437
Paid during the year	(723,613)	-
Balance at the end of the year	**6,589,383**	**6,029,510**

17. Unearned Premiums

	2012 SR	2011 SR
Balance at the beginning the year	66,400,576	62,449,297
Net premiums written during the year	352,315,647	358,622,031
Net premiums earned during the year	(351,750,360)	(354,670,752)
	66,965,863	66,400,576
Add: reinsurance share of unearned premium	85,464,353	125,258,097
Less: ceased policies	(731,087)	-
Balance at the end of the year	**151,699,129**	**191,658,673**

18. Mathematical Reserve

	2012 SR	2011 SR
Balance at the beginning the year	472,596,932	426,301,924
Change in mathematical reserves and surplus during the year	61,840,917	46,295,008
Balance at the end of the year	**534,437,849**	**472,596,932**

19. Unearned Commission Income

	2012 SR	2011 SR
Balance at the beginning the year	15,096,686	11,037,631
Received during the year	29,062,019	30,213,185
Earned during the year	(30,818,622)	(26,154,130)
Balance at the end of the year	**13,340,083**	**15,096,686**

20. Accrued expenses and other liabilities

	2012 SR		2011 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Withholding taxes	631,388	-	500,000	-
Accrued bonus	4,111,543	-	3,719,813	-
Consultation and professional fees	470,381	-	1,227,113	-
Regulatory fees	823,244	-	1,185,635	-
Inspection and supervision fees	685,948	-	665,569	-
Claims payable	4,886,584	-	17,551,024	-
Others	182,078	91,625	69,229	116,025
	11,791,166	**91,625**	**24,918,383**	**116,025**

21. Claims Development Table

The following table reflects the net incurred claims including both the net claims notified and net incurred but not reported claims for each accident year (excluding the surrenders for protection and savings insurance products) at each financial position date together with the cumulative payments to date. The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of the claims. The company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the company will transfer much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Claims triangulation analysis by accident years for the last five years is set out below;

2012						
Accident Year	2008	2009	2010	2011	2012	Total
Estimate of ultimate claims cost:						
At the end of accident year	37,520,563	59,026,124	98,796,943	102,627,482	112,386,947	-
One year later	32,361,492	70,655,112	121,042,243	112,307,286	-	-
Two years later	34,356,763	71,282,780	112,425,386	-	-	-
Three years later	34,358,417	66,761,732	-	-	-	-
Four years later	29,529,984	-	-	-	-	-
Current estimate of cumulative claims	29,529,984	66,761,732	112,425,386	112,307,286	112,386,947	433,411,335
Cumulative payments to date	(29,460,712)	(66,997,904)	(107,847,236)	(104,984,238)	(77,399,065)	(386,689,155)
Liability recognised in statement of financial position	69,272	(236,172)	4,578,150	7,323,048	34,987,882	46,722,180

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements. The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. However, the sensitivity to changes in claim liabilities net of reinsurance by 5 percent is analysed separately for each class of business while keeping all other assumptions constant. A hypothetical 5% change in claims ratio would impact income by approximately SR 17,587,518 (2011: SR: 17,733,538).

22. Zakat And Income Tax

The provision for zakat and tax for the year ended 31 December 2012 and 31 December 2011 is set out below;

	2012 SR	2011 SR
Provision for zakat – current year	2,022,185	1,526,218
Adjustment of zakat provision for prior year	-	87,300
Provision for tax	998,085	298,235
Zakt and tax	**3,020,270**	**1,911,753**

a) Zakat

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

	2012 SR	2011 SR
Opening share capital	200,000,000	200,000,000
Reserves and opening provisions	(5,389,246)	(38,322,746)
Closing value of long term assets	(21,234,518)	(24,554,856)
	173,376,236	**137,122,398**
Zakatable income for the year	11,814,037	2,647,582
Zakat Base	**185,190,273**	**139,769,980**
Total Saudi share of Zakat base (43.678 %)	80,887,407	61,048,732
Zakat due at 2.5% on Saudi shareholding	**2,022,185**	**1,526,218**

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:

	2012 SR	2011 SR
Net income for the year	10,894,799	1,556,637
Add: Inadmissible expenses	8,542,325	3,500,736
Less : Admissible expenses	(7,623,087)	(1,527,264)
Adjustment of brought forward losses	(2,953,508)	(882,527)
Taxable income	8,860,529	2,647,582
Non Saudi base (56.322%)	4,990,427	1,491,171
Provision for tax (20%)	**998,085**	**298,235**

Movement in zakat and tax payable is as follows:

	2012 SR	2011 SR
Opening balance of zakat and tax payable	1,824,453	143,422
Provided during the year	3,020,270	1,911,753
Payment made during the year	(424,550)	(230,722)
Closing balance of zakat and tax payable	**4,420,173**	**1,824,453**

c) Status of assessments

The Company has filed tax and zakat declaration for the years ended 31 December 2008 to 2011 and the assessments for these years are still outstanding. The Company has filed appeal against Department of Zakat and Income Tax (DZIT) assessment of additional zakat arising from disallowance of long term investments from zakat base for the years 2010 and 2011 amounting to SR 1.748 million. The Company has booked the additional Zakat provision in the financial statements.
The Company is in the process of filing tax and zakat returns for the year ended 31 December 2012 with the (DZIT).

23. Share Capital

The authorized and issued share capital of the Company is SR 200,000,000 as at 31 December 2012 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.

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 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 RSU's if at the time of exercise, provided the eligible personnel were still employed within the Allianz Group.

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. Any future changes from the grant date in the fair value of 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 2012, an amount of SR 660,000 was accrued toward the GEI plan (2011: SR 632,747).

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 2012.

26. Premiums Written And Earned

	As at 31 December 2012 (SR)		
	Gross	Reinsurance share	Net
General insurance	416,632,339	(243,773,278)	172,859,061
Protection & Saving insurance	204,599,679	(25,143,093)	179,456,586
Written premiums	621,232,018	(268,916,371)	352,315,647
Change in unearned premium	33,868,705	(34,433,992)	(565,287)
Earned premiums	655,100,723	(303,350,363)	351,750,360

	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	(13,884,853)	9,933,574	(3,951,279)
Earned premiums	669,805,840	(315,135,088)	354,670,752

27. General And Administrative Expenses

	For the year ended 31 December 2012 SR		For the year ended 31 December 2012 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Employees' costs	52,306,571	617,410	50,481,461	233,692
Provision for doubtful debts (note 11)	5,887,607	-	3,486,024	-
Depreciation (note 6)	1,614,034	-	1,724,299	-
Rent	3,020,993	-	2,941,558	-
Repair and maintenance	1,522,310	-	2,610,569	-
Consultation fees	2,192,009	-	2,301,462	-
Postage & telephone	1,444,760	-	1,896,809	-
Advertisement and promotion	496,103	-	507,000	-
Travel & transportation	334,705	-	294,486	-
Software maintenance	-	-	114,140	-
Board expenses	127,824	70,206	147,127	57,525
Others	2,809,645	-	5,612,759	-
	71,756,561	**687,616**	72,117,694	291,217

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 2012 Amount in SR	No fixed maturity	Up to1 year	2-5 years	More than 5 years	Total
Insurance operations' assets					
Reinsurers› share of outstanding claims	-	96,951,123	-	-	96,951,123
Unit linked investments	533,238,604	-	-	-	533,238,604
Available for sale investments	25,032,435			4,848,750	29,881,185
Premiums receivable	-	128,717,315	-	-	128,717,315
Reinsurance balances receivable	-	23,900,534	-	-	23,900,534
Cash & cash equivalents	-	32,987,354	-	-	32,987,354
	558,271,039	**282,556,326**	**-**	**4,848,750**	**845,676,115**
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	20,076,025
Available for sale investments	6,262,414	10,100,000	69,019,551	60,065,454	145,447,419
Due from insurance operations	-	1,686,645	-	-	1,686,645
Cash & cash equivalents	-	341,510	-	-	341,510
	26,338,439	**12,128,155**	**69,019,551**	**60,065,454**	**167,551,599**

As at 31 December 2012 Amount in SR	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Insurance operations' liabilities					
Employees end of service benefits	6,589,383	-	-	-	6,589,383
Mathematical reserve	534,437,849	-	-	-	534,437,849
Outstanding claims	-	146,860,735	-	-	146,860,735
Due to shareholders operations	-	1,686,645			1,686,645
Reinsurance balance payable	-	82,367,514	-	-	82,367,514
Accrued expenses & other payables	-	11,791,166	-	-	11,791,166
	541,027,232	**242,706,060**	**-**	**-**	**783,733,292**
Shareholders' liabilities					
Accrued expenses & Other liabilities	-	91,625	-	-	91,625
Zakat payable	-	4,420,173	-	-	4,420,173
	-	**4,511,798**	**-**	**-**	**4,511,798**

As at 31 December 2011 Amount in SR	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Insurance operations' 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 to 1 year	2-5 years	More than 5 years	Total
Insurance operations' 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**

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 statement of financial position.

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 15% of the same as at 31 December 2012 (2011: 18%).

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

	As at 31 December 2012		
	SR		
	Insurance Operations	Shareholders' Operations	Total
Premiums receivable	128,717,315	-	128,717,315
Reinsurance share of outstanding claims	96,951,123	-	96,951,123
Reinsurance balances receivable	23,900,534	-	23,900,534
Cash at bank	32,987,354	341,510	33,328,864
Statutory deposit	-	20,076,025	20,076,025
Available for sale investments	4,848,750	139,185,005	144,033,755
	287,405,076	**159,602,540**	**447,007,616**

	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	-	71,276,563	71,276,563
	290,185,094	104,022,863	394,207,957

d) Special commission rate risk

Special commission 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 special commission 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 2012. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2012 would impact special commission income by approximately SR 160,000 (2011; 140,000) 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 1,422,243 (2011: SR 1,270,155).

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 performance 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 statement of financial position 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 Earnings Per Share

	For the year ended 31 December 2012	For the year ended 31 December 2011
Net profit for the year (SR)	10,279,849	1,556,637
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic and diluted earnings per share – (SR)	**0.51**	**0.08**

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 performance and financial position.

31. Segment Information

a) Consistent with the Company's internal reporting process, business segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' cash and cash equivalents, prepaid expenses, due from shareholders' operations and property and equipment. Accordingly they are included in unallocated assets.

Segment liabilities do not include reinsurers' balances payable, employees' end of service benefits, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

Operating segments

Following are the operating segments identified for segment reporting purposes;

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 2012	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
	Saudi Riyals							
Gross written premiums	85,139,484	75,664,607	82,324,376	99,241,396	74,262,476	204,599,679	-	621,232,018
Reinsurance premium ceded	(3,358,423)	(63,726,685)	(38,113,389)	(84,796,412)	(53,778,369)	(25,143,093)	-	(268,916,371)
Net written premium	81,781,061	11,937,922	44,210,987	14,444,984	20,484,107	179,456,586	-	352,315,647
Net premium earned	80,699,448	11,382,355	47,586,474	14,627,214	18,576,593	178,878,276		351,750,360
Unrealized gain on unit linked investments	-	-	-	-	-	7,427,732	-	7,427,732
Net claims incurred	(65,643,056)	(1,338,326)	(40,738,019)	(3,287,372)	(4,409,573)	(93,159,969)		(208,576,315)
Change in mathematical reserves	-	-	-	-	-	(61,840,917)	-	(61,840,917)
Commission (expenses)/ income,net	(10,266,898)	4,818,447	(3,909,665)	6,332,683	3,643,126	(9,488,397)	-	(8,870,704)
Inspection and supervision fees	(425,697)	(378,323)	(411,622)	(496,207)	(371,313)	(1,022,998)	-	(3,106,160)
Net underwriting results	4,363,797	14,484,153	2,527,168	17,176,318	17,438,833	20,793,727	-	76,783,996
Unallocated income	-	-	-	-	-	-	-	1,122,069
Unallocated expenses	-	-	-	-	-	-	-	(71,756,561)
Surplus from insurance operations	-	-	-	-	-	-	-	**6,149,504**
Retained in Insurance operations								(614,950)
Shareholders' total revenue	-	-	-	-	-	-	5,432,911	5,432,911
General & administrative expenses	-	-	-	-	-	-	(687,616)	(687,616)
Net loss for the year								**10,279,849**

As at 31 December 2012	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
	Saudi Riyals							
Insurance Operations' Assets								
Reinsurers' share of unearned premium	54,910	34,986,457	5,138,741	26,341,268	14,667,441	4,275,536	-	85,464,353
Reinsurers' share of outstanding claims	3,603,456	38,557,390	-	35,213,906	13,365,346	6,211,025	-	96,951,123
Deferred policy acquisition costs	4,107,081	3,189,323	557,768	1,992,841	1,529,889	951,222	-	12,328,124
Premium Receivable, gross	39,471,340	34,981,461	12,012,533	26,457,443	37,897,309	8,379,690	-	159,199,776
Provision for doubtful debts	-	-	-	-	-	-	-	(30,482,461)
Unit linked investments	-	-	-	-	-	533,238,604	-	533,238,604
Unallocated assets	-	-	-	-	-	-	-	92,634,870
Shareholders' assets	-	-	-	-	-	-	171,408,959	171,408,959
Total assets								**1,120,743,348**
Insurance Operations' Liabilities								
Unearned premium	38,039,437	41,990,126	11,984,862	32,110,323	22,344,272	5,230,109	-	151,699,129
Outstanding claims	23,839,419	40,225,715	8,000,781	40,717,207	23,978,946	10,098,667	-	146,860,735
Unearned commission income	7,138	6,270,019	-	4,703,587	2,222,882	136,457	-	13,340,083
Mathematical reserves	-	-	-	-	-	534,437,849	-	534,437,849
Unallocated liabilities and surplus	-	-	-	-	-	-	-	102,996,593
Shareholders' liabilities & equity	-	-	-	-	-	-	171,408,959	171,408,959
Total Insurance Operations liabilities and Shareholders' liabilities and equity								**1,120,743,348**

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 loss 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)
Inspection and supervision fees	(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)**
Shareholders' total revenue	-	-	-	-	-	-	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**

b) Geographical segments

The Company during the year ended 31 December 2012, operated only in the Kingdom of Saudi Arabia.

32. Prospective Changes In Accounting Standards

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

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The Company will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 – Fair Value measurement

The standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. Adoption of the standard is not expected to have a material impact on the financial position or performance of the Company.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Adoption of the standard is not expected to have a material impact on the financial position or performance of the Company. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

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

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Company by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. These amendments become effective for annual periods beginning on or after 1 January 2014.

33. Comparative Figures

Certain figures for the year ended 31 December 2011 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 08 Rabi Thani 1434 H, corresponding to 18 February 2013.

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