
**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
LIMITED REVIEW REPORT**

FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2012

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2012**

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**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF AUDIT:

We have reviewed the accompanying interim statement of financial position of Al Rajhi Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at 30 June 2012, the related interim statements of takaful operations, takaful operations' comprehensive income, shareholders' operations and shareholders' comprehensive income for the three and six month periods then ended, the related interim statements of changes in shareholders' equity, takaful operations' cash flows and shareholders' cash flows for the six month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF A MATTER:

Without qualifying our opinion, we draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

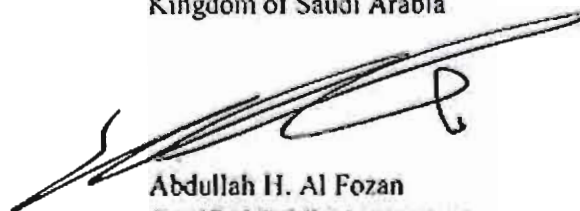
Ernst & Young
P O Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Rashid S. Al Rashoud
Certified Public Accountant
Registration No. 366



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

Abdullah H. Al Fozan
Certified Public Accountant
Licence No. 348



25 Shaban 1433H
(15 July 2012)



**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
TAKAFUL OPERATIONS' ASSETS			
Cash and cash equivalents	6	69,405	48,950
Due from shareholders' operations		203,427	196,822
Contributions receivable, net	7	90,614	61,482
Advances and other assets		-	7,256
Re-takaful share of outstanding claims		31,862	43,976
Available for sale investments	9(ii)(b)	3,941	30,216
Investments held to maturity	9(ii)(a)	-	7,000
Deferred policy acquisition costs		14,302	13,399
Re-takaful share of unearned contributions		104,537	73,345
Amount due from related parties	10(a)	486	-
TOTAL TAKAFUL OPERATIONS' ASSETS		518,574	482,446
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	48,694	1,211
Due from related parties	10(a)	798	957
Management fees receivable		7,732	35,620
Investments at fair value through income statement	9(ii)(c)	31,462	31,125
Available for sale investments	9(ii)(b)	27,407	2,223
Advances, prepayments and other assets		17,608	19,793
Investments held to maturity	9(ii)(a)	147,175	197,175
Statutory deposit	8	20,000	20,000
Property and equipment, net		19,579	15,040
TOTAL SHAREHOLDERS' ASSETS		320,455	323,144
TOTAL ASSETS		839,029	805,590

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
TAKAFUL OPERATIONS' LIABILITIES & SURPLUS			
Gross outstanding claims		80,282	90,240
Payables, accruals and others		51,870	27,606
Management fees payable		7,732	35,620
Re-takaful balances payable		85,962	85,925
Gross unearned contributions		285,164	237,452
Unearned commission income		7,555	5,525
		<u>518,565</u>	<u>482,368</u>
TAKAFUL OPERATION'S SURPLUS			
Fair value reserve	9(i)(b)	9	78
TOTAL TAKAFUL OPERATIONS' LIABILITIES & SURPLUS		<u>518,574</u>	<u>482,446</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Provision for zakat		1,880	1,859
Payables, accruals and others		8,143	12,717
Due to takaful operations		203,427	196,822
Employees' end of service benefits		2,923	2,410
TOTAL SHAREHOLDERS' LIABILITIES		<u>216,373</u>	<u>213,808</u>
SHAREHOLDERS' EQUITY			
Issued share capital		200,000	200,000
Accumulated losses		(96,012)	(90,664)
Fair value reserve	9(ii)(b)	94	-
TOTAL SHAREHOLDERS' EQUITY		<u>104,082</u>	<u>109,336</u>
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		<u>320,455</u>	<u>323,144</u>
TOTAL LIABILITIES AND EQUITY		<u>839,029</u>	<u>805,590</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF TAKAFUL OPERATIONS (UNAUDITED)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2012</i>	<i>30 June 2011</i>	<i>30 June 2012</i>	<i>30 June 2011</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross contributions written	158,229	158,757	320,671	256,161
Re-takaful contributions ceded	(60,031)	(62,639)	(110,510)	(91,679)
Excess of loss	(459)	(462)	(1,367)	(925)
NET CONTRIBUTIONS WRITTEN	97,739	95,656	208,794	163,557
Change in unearned contributions, net	(662)	(34,153)	(16,520)	(51,019)
NET CONTRIBUTIONS EARNED	97,077	61,503	192,274	112,538
Policy fees and other income	496	(254)	765	594
Re-takaful commission income	6,028	1,630	7,644	3,353
TOTAL UNDERWRITING REVENUE	103,601	62,879	200,683	116,485
Gross claims paid	(99,838)	(47,441)	(207,091)	(88,483)
Re-takaful share of claims paid	21,215	10,397	52,413	20,100
NET CLAIMS PAID	(78,623)	(37,044)	(154,678)	(68,383)
Movement in outstanding claims, net	(5,077)	(11,402)	(2,156)	(11,449)
NET CLAIMS INCURRED	(83,700)	(48,446)	(156,834)	(79,832)
Inspection and supervision fees	(987)	(1,431)	(2,334)	(2,397)
Policy acquisition costs	(5,926)	(5,341)	(13,791)	(8,494)
Other expenses	(8)	(1,965)	(765)	(3,611)
TOTAL CLAIMS AND OTHER EXPENSES	(90,621)	(57,183)	(173,724)	(94,334)
NET UNDERWRITING SURPLUS	12,980	5,696	26,959	22,151
Investment income	131	48	506	83
Mudarib's share of investment income	(33)	-	(126)	(9)
Management fees	(13,078)	(56,570)	(27,339)	(91,265)
Net deficit for the period	-	(50,826)	-	(69,040)
Net deficit transferred to shareholders' operations	-	50,826	-	69,040
NET RESULT FOR THE PERIOD	-	-	-	-

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF TAKAFUL OPERATIONS' COMPREHENSIVE
INCOME (UNAUDITED)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2012</i>	<i>30 June 2011</i>	<i>30 June 2012</i>	<i>30 June 2011</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net result for the period	-	-	-	-
Other comprehensive income				
Net change in fair values of available for sale investments	3	-	9	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3	-	9	-







The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

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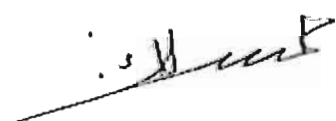
AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS (UNAUDITED)

		For the three month period ended 30 June		For the six month period ended 30 June	
		2012 SR'000	2011 SR'000	2012 SR'000	2011 SR'000
Notes					
REVENUE					
		13,078	56,570	27,339	91,265
		33	-	126	9
		803	241	1,318	563
	9(ii)(c)	(2,631)	585	918	252
		(432)	802	311	802
		1,200	100	2,568	466
		79	-	79	-
		12,130	58,298	32,659	93,357
TOTAL REVENUE					
		(18,161)	(22,382)	(37,986)	(43,052)
		-	(50,826)	-	(69,040)
		(6,031)	(14,910)	(5,327)	(18,735)
LOSS BEFORE ZAKAT					
	11	(110)	(386)	(21)	(930)
		(6,141)	(15,296)	(5,348)	(19,665)
NET LOSS FOR THE PERIOD					
	13	(0.31)	(0.76)	(0.27)	(0.98)
BASIC AND DILUTED LOSS PER SHARE (SR)					

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(UNAUDITED)

	<i>For the three month period ended 30 June</i>		<i>For the six month period ended 30 June</i>	
	<i>2012 SR'000</i>	<i>2011 SR'000</i>	<i>30 June 2012 SR'000</i>	<i>30 June 2011 SR'000</i>
Net loss for the period	(6,141)	(15,296)	(5,348)	(19,665)
Other comprehensive income (loss)				
Net change in fair value of available for sale investments (note 9(ii) (b))	74	(645)	94	(449)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(6,067)	(15,941)	(5,254)	(20,114)







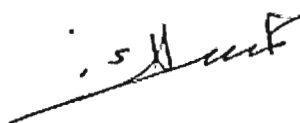
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AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the six month period ended 30 June 2012

	Share capital SR'000	Accumulated losses SR'000	Fair value reserve SR'000	Total SR'000
2011				
Balance as at 1 January 2011	200,000	(57,759)	1,145	143,386
Net loss for the period	-	(19,665)	-	(19,665)
Other comprehensive loss	-	-	(449)	(449)
Total comprehensive loss for the period	-	(19,665)	(449)	(20,114)
Balance as at 30 June 2011	200,000	(77,424)	696	123,272
2012				
Balance as at 1 January 2012	200,000	(90,664)	-	109,336
Net loss for the period	-	(5,348)	-	(5,348)
Other comprehensive income	-	-	94	94
Total comprehensive income for the period	-	(5,348)	94	(5,254)
Balance as at 30 June 2012	200,000	(96,012)	94	104,082







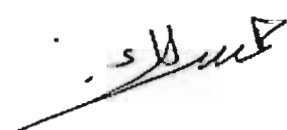
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**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF TAKAFUL OPERATIONS' CASH FLOWS
(UNAUDITED)**

	<i>For the six month period ended</i> 30 June	
	2012	2011
<i>Note</i>	SR'000	SR'000
OPERATING ACTIVITIES		
Net deficit for the period	-	(69,040)
<i>Adjustments for:</i>		
Allowance for doubtful debts	736	3,603
Realised gain on sale of available for sale investments	(78)	-
Deficit transferred to the shareholders' operations	-	69,040
	<u>658</u>	<u>3,603</u>
<i>Net surplus before changes in operating assets and liabilities</i>	658	3,603
<i>Changes in operating assets and liabilities:</i>		
Contributions receivable	(29,868)	(29,355)
Re-takaful share of outstanding claims	12,114	(6,975)
Re-takaful share of unearned contributions	(31,192)	(45,128)
Advances and other assets	7,256	-
Deposit against letters of guarantee	(3,093)	-
Amount due from related parties	(486)	(1,553)
Due from shareholders' operations	(6,605)	(38,857)
Deferred policy acquisition costs	(903)	(5,269)
Gross outstanding claims	(9,958)	19,613
Gross unearned contributions	47,712	96,148
Unearned commission income	2,030	4,366
Re-takaful balances payable	37	56,045
Management fee payable	(27,888)	-
Payables, accruals and others	24,264	4,884
	<u>(15,922)</u>	<u>57,522</u>
Net cash (used in) from operating activities	(15,922)	57,522
INVESTING ACTIVITIES		
Maturities (purchase) of held to maturity investments	7,000	(50,141)
Purchase of available for sale investments	(115,000)	130,000
Sale of available for sale investments	141,284	(99,862)
	<u>33,284</u>	<u>(20,003)</u>
Net cash from (used in) investing activities	33,284	(20,003)
INCREASE IN CASH AND CASH EQUIVALENTS	17,362	37,519
Cash and cash equivalents at the beginning of period	43,900	29,211
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6 61,262	66,730
<i>Non - cash supplemental information:</i>		
Changes in fair value of available for sale investments	9	4

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.







**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

	<i>For the six month period ended</i>	
	<i>30 June</i>	
	<i>30 June 2012</i>	<i>30 June 2011</i>
<i>Notes</i>	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net loss for the period	(5,348)	(19,665)
<i>Adjustments for:</i>		
Depreciation	2,641	1,407
Provision for zakat	21	930
Employees' end of service benefits	513	330
Unrealized gain on investments held at fair value through income statement	(918)	(252)
Realised gain on available for sale investments	79	(802)
Net deficit before changes in operating assets and liabilities	(3,012)	(18,052)
<i>Changes in operating assets and liabilities:</i>		
Due from related parties	159	(596)
Management fee receivable	27,888	-
Advances, prepayments and other assets	2,185	(14,291)
Due to takaful operations	6,605	38,857
Payables, accruals and others	(4,574)	8,273
Zakat paid	-	(2,828)
Net cash from operating activities	29,251	11,363
INVESTING ACTIVITIES		
Purchase of property and equipment	(7,180)	(5,292)
Purchase of available for sale investments, net	(25,169)	19,999
Proceed from sale of FVIS investments, net	581	533
Maturities of held to maturity investments	50,000	28,000
Net cash used in Investing activities	18,232	43,240
INCREASE IN CASH AND CASH EQUIVALENTS	47,483	54,603
Cash and cash equivalents at beginning of the period	1,211	82,979
Cash and cash equivalents at end of the period	48,694	137,582
<i>Non cash supplemental information:</i>		
Changes in fair value of available for sale investments	94	449

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

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

30 June 2012

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Al Rajhi Company for Cooperative Insurance (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010270371 dated 5 Rajab 1430 corresponding to 28 June 2009. The Company was listed on the Saudi stock market on 20 Rajab 1430H (corresponding to 13 July 2009).

The registered office address of the Company is as follows:

Al Rajhi Company for Cooperative Insurance
P O Box 67791
Riyadh 11517
Kingdom of Saudi Arabia

The objectives of the Company are to transact cooperative insurance operations and related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations applicable in the Kingdom of Saudi Arabia. On 29 Dhul-Qi'dah 1430H (corresponding to 17 November 2009), the Company received its license from Saudi Arabian Monetary Agency ("SAMA") to transact cooperative insurance business in the Kingdom of Saudi Arabia and received product approval from SAMA on 17 January 2010.

2 BASIS OF PREPARATION

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale and fair value through income statement (FVIS) investments. The Company has prepared these interim condensed financial statements in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2011. In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The Company's interim results may not be indicative of its annual results.

3 BASIS OF PRESENTATION

The Company's by-laws require separate books to be maintained for takaful and shareholders' operations. Income and expenses directly attributable to each activity are recorded in their respective books.

4 FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest thousand (SR'000).

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting and risk management policies adopted in the preparation of interim condensed financial statements are consistent with those used in the Company's audited financial statements for the year ended 31 December 2011.

New amendments and standards issued but not yet effective

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

- IAS 1 Amendment - Presentation of items of other comprehensive income
- IFRS 13 Fair value measurement

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 June 2012

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

New amendments and standards issued but not yet effective (continued)

- Amendments to IAS 32 and IFRS 7 Financial instruments on asset and liability offsetting

In addition to the above, the Company has chosen not to adopt IFRS 9 (2010) – Financial instruments, which has been published and may also be early adopted, but will not be effective until January 1, 2013.

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

Management (Wakala) fee

The management fee model for motor and general (40%), health (30%) lines of business were based on a fixed charge on gross written contribution till the end of the prior year. During the current period, the Company has amended the model by charging management fee on net contribution for the period after adjusting commission income and cost of production for motor and general at 40% and for health at 30%. The management also charges 25% of the investment revenues of Takaful operations which comprises of its share of the Takaful investment revenues as 'Mudarib'.

6 CASH AND CASH EQUIVALENTS

	30 June 2012 (Unaudited)		31 December 2011 (Audited)	
	<i>Takaful operations</i>	<i>Shareholders' operations</i>	<i>Takaful operations</i>	<i>Shareholders' operations</i>
	<i>(SR'000)</i>	<i>(SR'000)</i>	<i>(SR'000)</i>	<i>(SR'000)</i>
Cash at in hand and at banks	61,262	48,694	13,247	1,211
Murabaha deposits with original maturities of three months or less	-	-	30,653	-
Cash and cash equivalents in the statements of cash flows	61,262	48,694	43,900	1,211
Deposit against letters of guarantee *	8,143	-	5,050	-
	<u>69,405</u>	<u>48,694</u>	<u>48,950</u>	<u>1,211</u>

* Deposits against letters of guarantee comprises amounts placed with a local Bank against issuance of payment guarantees in favour of the Company's service providers. As these cannot be withdrawn before the end of guarantee period, they are restricted in nature.

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 June 2012**

7 CONTRIBUTIONS RECEIVABLE, NET

	<i>30 June 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Due from policyholders	45,155	43,720
Due from related parties ((note 10(a))	56,919	28,486
Gross contributions receivable	102,074	72,206
Allowance for doubtful debts	(11,460)	(10,724)
	90,614	61,482

As at 30 June 2012, the ageing of unimpaired contributions receivable balances is as follows:

	<i>Total SAR'000</i>	<i>Not yet due SAR'000</i>	<i>Neither past due nor impaired SAR'000</i>	<i>91 to 180 days SAR'000</i>	<i>181 to 365 Days SAR'000</i>	<i>Above 365 days SAR'000</i>
(Unaudited)						
30 June 2012	102,074	45,942	30,407	6,926	7,644	11,155
(Audited)						
31 December 2011	72,206	16,595	21,415	8,886	19,183	6,127

The Company classifies balances as 'past due and impaired' on a case-to-case basis. An impairment adjustment is recorded in the interim statement of takaful operations. It is not the practice of the Company to obtain collateral over receivables.

8 STATUTORY DEPOSIT

Statutory deposit amounting to SR 20 million (31 December 2011: SR 20 million) represents 10% of the paid up capital which is maintained in accordance with the Cooperative Insurance Companies Control Law for insurance companies issued by the Saudi Arabian Monetary Agency ("SAMA"). This statutory deposit cannot be withdrawn without the consent of SAMA.

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
30 June 2012

9 INVESTMENTS

Investments are classified as set out below:

(i) TAKAFUL OPERATIONS

(a) Held To Maturity Investments ("HTM")

HTM investments comprise of Murabaha deposits with original maturity of more than three months. During the period ended 30 June 2012, the Murabaha deposits matured and were not renewed. Accordingly, there are no HTM investments held by the insurance operations' as at 30 June 2012 (31 December 2011: SR 7 million).

(b) Available for sale Investments ("AFS")

AFS comprises of investment in a Commodity Fund. The movement during the period / year in AFS investments is set out below:

	<i>30 June 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
At the beginning of the period / year	30,216	-
Purchased during the period / year	115,000	130,000
Sold during the period / year	(141,284)	(99,862)
	<u>3,932</u>	<u>30,138</u>
Net change in fair values	9	78
At the end of the period / year	<u>3,941</u>	<u>30,216</u>

The net change in fair values of AFS amounting to SR 9 thousand (31 December 2011: SR 78 thousand) is presented within Takaful operations' surplus in the interim statement of financial position.

(ii) SHAREHOLDERS' OPERATIONS

(a) Held To Maturity investments ("HTM")

HTM amounting to SR 147 million (31 December 2011: SR 197 million) comprise of Murabaha deposits with original maturities of more than three months.

The movement during the period / year in HTM is set out below:

	<i>30 June 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
At the beginning of the period / year	197,175	28,000
Purchased during the period / year	-	197,175
Maturities during the period / year	(50,000)	(28,000)
At the end of the period / year	<u>147,175</u>	<u>197,175</u>

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 June 2012

9 INVESTMENTS (continued)

(ii) SHAREHOLDERS' OPERATIONS (continued)

(b) Available for sale investments ("AFS")

AFS comprises of investment in a Commodity Fund (the "Fund") and investments in an unquoted company.

The movement during the period / year in AFS is set out below:

	<i>30 June 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
At the beginning of the period / year	2,223	60,870
Purchased during the period / year	52,500	173,000
Sold during the period / year	(27,310)	(231,647)
	<u>27,313</u>	<u>2,223</u>
Net change in fair values	94	-
At the end of the period / year	<u>27,407</u>	<u>2,223</u>

The net change in fair values of available for sale investments amounting to SR 94 thousand is presented within the shareholders' equity in the interim statement of financial position.

AFS investments as at 30 June 2012 includes an investment amounting to SR 2.2 million (31 December 2011: SR 2.2 million) in an unquoted Company, registered in the Kingdom of Saudi Arabia. As there is no quoted price available, this investment has been valued at cost. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

(c) Fair value through income statement ("FVIS")

FVIS investments comprise of a portfolio of equities listed on the Saudi Arabian Stock Exchange ("Tadawul"). The movement during the period / year in FVIS is set out below:

	<i>30 June 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
At the beginning of the period / year	31,125	21,523
Purchased during the period / year	10,516	9,883
Sold during the period / year	(11,097)	-
	<u>30,544</u>	<u>31,406</u>
Net change in fair values	918	(281)
At the end of the period / year	<u>31,462</u>	<u>31,125</u>

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30 June 2012

10 RELATED PARTY TRANSACTIONS AND BALANCES

a) Transactions and balances with related parties:

Related parties represent major shareholders, directors and key management personnel of the Company, and companies which are principally owned by the shareholders and any other entities controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

Following are the details of significant related party transactions during the six month period ended as at 30 June 2012 and 2011 and the related balances as at 30 June 2012 and 31 December 2011:

Related party	Nature of transaction	Amounts of transactions		Balance as at	
		30 June 2012 (Unaudited) SR'000	30 June 2011 (Unaudited) SR'000	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Al Rajhi Insurance Company BSC (shareholder)	Expenses paid on behalf of related party	(148)	595	486	634
	(takaful operations- prior year figure is shown under advances & other assets)				
	Expenses paid on behalf of related party (shareholder's operations)	(159)	-	798	957
	Due from related parties			1,284	1,591
Al Rajhi Bank (shareholder) Affiliate companies	Contribution - policies written	67,848	-	1,216	5,569
	Contribution - policies written	46,108	-	55,703	22,917
	Contributions receivable (note 7)			56,919	28,486
Al Rajhi Bank (shareholder)	Claims incurred and notified during the period	80,194	53,397	15,396	20,774
Al Rajhi Bank (shareholder)	Bank balance (takaful operations)			60,135	12,074
	Bank balance (shareholders' operations)			48,578	637
	Bank balances			108,713	12,711

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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30 June 2012**

10 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amounts of transactions</i>		<i>Balance as at</i>	
		<i>30 June 2012 (Unaudited) SR'000</i>	<i>30 June 2011 (Unaudited) SR'000</i>	<i>30 June 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Al Rajhi Capital (Affiliate)	Available for sale investments of takaful operations			3,941	30,216
	Available for sale investments of shareholders operations			25,184	-
				<u>29,125</u>	<u>30,216</u>
Al Rajhi Capital (Entity significantly influenced by related parties)	Income received from sale of investment in Al Rajhi Capital commodity fund				
	a) Takaful operations	295	-		
	b) Shareholders' operations	<u>91</u>	<u>802</u>		
Al Rajhi Bank (shareholder)	Investment in equities classified as investments at FVIS	-	-	<u>4,621</u>	<u>4,660</u>
Al Rajhi Takaful Agency (ARTA)	Commissions	<u>591</u>	<u>-</u>	<u>(182)</u>	<u>(194)</u>

b) Compensation of key management personnel:

Key Management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period ended is as follows:

	<i>For the six month period ended (Unaudited)</i>	
	<i>30 June 2012 SR'000</i>	<i>30 June 2011 SR'000</i>
Salaries and benefits of key management personnel	2,343	3,431
Shariah committee remuneration	<u>45</u>	<u>232</u>
	<u>2,388</u>	<u>3,663</u>

11 PROVISION FOR ZAKAT

The Zakat charge for the period ended 30 June 2012 amounted to SR 460 thousand which was partially offset by a reversal of Zakat provision for prior years amounting to SR 439 thousand.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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12 SEGMENTAL INFORMATION

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 below is based on current reporting to the Chief Operating Decision Maker. Operating segments do not include shareholders' operations of the Company.

Segment assets do not include insurance operations' cash and cash equivalents, due from insurers, contributions receivable, investments, due from shareholders' operations and advances and other assets. Accordingly they are included in unallocated assets.

Segment liabilities do not include re-takaful balances payable, payables accruals and others. Accordingly they are included in unallocated liabilities.

These unallocated assets and liabilities are not reported to Chief Operating Decision Maker under the related segments and are monitored on a centralized basis.

<i>Operating segments</i>	<i>For the three month period ended 30 June 2012</i>			
	<i>(Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
Gross contributions written	50,377	88,285	19,567	158,229
Re-takaful contributions ceded	(48,917)	(590)	(10,524)	(60,031)
Excess of loss	(173)	(286)	-	(459)
			??	
Net contribution written	1,287	87,409	9,043	97,739
Change in unearned contributions, net	1662	(16,139)	13,815	(662)
Net contribution earned	2,949	71,270	22,858	97,077
Policy fee and other income	28	468	-	496
Re-takaful commission income	5,955	73	-	6,028
Underwriting revenue	8,932	71,811	22,858	103,601
Gross claims paid	(1,776)	(67,509)	(30,553)	(99,838)
Re-takaful share of claims paid	1,117	234	19,864	21,215
Net claims paid	(659)	(67,275)	(10,689)	(78,623)
Movement in outstanding claims, net	414	(6,787)	1,296	(5,077)
Net claims incurred	(245)	(74,062)	(9,393)	(83,700)
Inspection and supervision fees	(252)	(441)	(294)	(987)
Policy acquisition cost	(1,212)	(2,054)	(2,660)	(5,926)
Other expenses	(76)	(29)	97	(8)
Total claims and other expenses	(1,785)	(76,586)	(12,250)	(90,621)
Net underwriting surplus/(deficit) for the period	7,147	(4,775)	10,608	12,980
Investment income				131
Mudarib's share of investment income				(33)
				13,078
Management fees				(13,078)
Net deficit for the period				-

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12 SEGMENTAL INFORMATION (Continued)

<i>Operating segments</i>	<i>Three month period ended 30 June 2011</i> <i>(Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
Gross contributions written	29,755	60,016	68,986	158,757
Re-takaful contributions ceded	(27,407)	(293)	(34,939)	(62,639)
Excess of loss	(202)	(260)	-	(462)
Net contributions written	2,146	59,463	34,047	95,656
Change in unearned contributions, net	(210)	(17,860)	(16,083)	(34,153)
Net contributions earned	1,936	41,603	17,964	61,503
Policy fees and other income	30	18	(302)	(254)
Re-takaful commission income	1,558	72	-	1,630
Underwriting revenue	3,524	41,693	17,662	62,879
Gross claims paid	(2,566)	(32,543)	(12,332)	(47,441)
Re-takaful share of claims paid	1,795	101	8,501	10,397
Net claims paid	(771)	(32,442)	(3,831)	(37,044)
Movement in outstanding claims, net	519	(9,298)	(2,623)	(11,402)
Net claims incurred	(252)	(41,740)	(6,454)	(48,446)
Inspection and supervision fees	(149)	(300)	(982)	(1,431)
Policy acquisition cost	(651)	(1,821)	(2,869)	(5,341)
Other expenses	(327)	(727)	(911)	(1,965)
Total claims and other expenses	(1,379)	(44,588)	(11,216)	(57,183)
Net underwriting surplus/(deficit) for the period	2,145	(2,895)	6,446	5,696
Management fees	(11,868)	(24,006)	(20,696)	(56,570)
	(9,723)	(26,901)	(14,250)	(50,874)
Investment income				48
Mudarib's share of investment income				-
Net deficit for the period				(50,826)

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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12 SEGMENTAL INFORMATION (Continued)

<i>Operating segments</i>	<i>For the six month period ended 30 June 2012</i>			
	<i>(Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
Gross contributions written	69,888	168,150	82,633	320,671
Re-takaful contributions ceded	(61,676)	(729)	(48,105)	(110,510)
Excess of loss	(344)	(1,023)	-	(1,367)
Net contribution written	7,868	166,398	34,528	208,794
Change in unearned contributions, net	430	(31,463)	14,513	(16,520)
Net contribution earned	8,298	134,935	49,041	192,274
Policy fee and other income	67	698	-	765
Re-takaful commission income	7,522	122	-	7,644
Underwriting revenue	15,887	135,755	49,041	200,683
Gross claims paid	(4,027)	(128,881)	(74,183)	(207,091)
Re-takaful share of claims paid	3,899	279	48,235	52,413
Net claims paid	(128)	(128,602)	(25,948)	(154,678)
Movement in outstanding claims, net	39	(7,645)	5,450	(2,156)
Net claims incurred	(89)	(136,247)	(20,498)	(156,834)
Inspection and supervision fees	(349)	(841)	(1,144)	(2,334)
Policy acquisition cost	(2,839)	(5,364)	(5,588)	(13,791)
Other expenses	(167)	(401)	(197)	(765)
Total claims and other expenses	(3,444)	(142,853)	(27,427)	(173,724)
Net underwriting surplus /(deficit) for the period	12,443	(7,098)	21,614	26,959
Investment income				506
Mudarib's share of investment income				(126)
				27,339
Management fees				(27,339)
Net deficit for the period				-

AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
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12 SEGMENTAL INFORMATION (Continued)

Operating segments	For the six month period ended 30 June 2011 (Unaudited)			
	General	Motor	Health	Total
	SR'000			
Gross contributions written	40,716	103,799	111,646	256,161
Re-takaful contributions ceded	(34,917)	(664)	(56,098)	(91,679)
Excess of loss	(404)	(521)	-	(925)
Net contributions written	5,395	102,614	55,548	163,557
Change in unearned contributions, net	(1,857)	(24,417)	(24,745)	(51,019)
Net contributions earned	3,538	78,197	30,803	112,538
Policy fees and other income	50	32	512	594
Re-takaful commission income	3,190	163	-	3,353
Underwriting revenue	6,778	78,392	31,315	116,485
Gross claims paid	(2,932)	(59,971)	(25,580)	(88,483)
Re-takaful share of claims paid	2,059	287	17,754	20,100
Net claims paid	(873)	(59,684)	(7,826)	(68,383)
Movement in outstanding claims, net	(182)	(6,877)	(4,390)	(11,449)
Net claims incurred	(1,055)	(66,561)	(12,216)	(79,832)
Inspection and supervision fees	(203)	(519)	(1,675)	(2,397)
Policy acquisition cost	(1,765)	(3,055)	(3,674)	(8,494)
Other expenses	(572)	(1,464)	(1,575)	(3,611)
Total claims and other expenses	(3,595)	(71,599)	(19,140)	(94,334)
Net underwriting surplus for the period	3,183	6,793	12,175	22,151
Management fees	(16,251)	(41,520)	(33,494)	(91,265)
	(13,068)	(34,727)	(21,319)	(69,114)
Investment income				83
Mudarib's share of investment income				(9)
Net deficit for the period				(69,040)

**AL RAJHI COMPANY FOR COOPERATIVE INSURANCE
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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12 SEGMENTAL INFORMATION (Continued)

<i>Takaful operations' assets</i>	<i>As at 30 June 2012 (Unaudited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
Re-takaful share of outstanding claims	8,844	1,735	21,283	31,862
Re-takaful share of unearned contributions	64,617	730	39,190	104,537
Deferred policy acquisition costs	4,208	4,867	5,227	14,302
Deposit against letters of guarantee	-	8,143	-	8,143
				<u>158,844</u>
Unallocated assets				<u>359,730</u>
Total Assets				<u>518,574</u>
Takaful operations' liabilities				
Gross outstanding claims	11,445	36,102	32,735	80,282
Gross unearned contributions	70,125	140,749	74,290	285,164
Unearned commission income	7,421	134	-	7,555
				<u>373,001</u>
Unallocated liabilities				<u>145,573</u>
Takaful operation's surplus				-
Total liabilities				<u>518,574</u>

<i>Takaful operations' assets</i>	<i>As at 31 December 2011 (Audited)</i>			
	<i>General</i>	<i>Motor</i>	<i>Health</i>	<i>Total</i>
	<i>SR'000</i>			
Re-takaful share of outstanding claims	10,083	1,190	32,703	43,976
Re-takaful share of unearned contributions	25,477	692	47,176	73,345
Deferred policy acquisition cost	1,341	3,622	8,436	13,399
Deposit against letters of guarantee	-	5,050	-	5,050
				<u>135,770</u>
Unallocated assets				<u>346,676</u>
Total Assets				<u>482,446</u>
Takaful operations' liabilities				
Outstanding claims	12,723	27,912	49,605	90,240
Unearned contributions	31,414	109,249	96,789	237,452
Unearned commission income	5,328	197	-	5,525
				<u>333,217</u>
Unallocated liabilities				<u>149,229</u>
Total liabilities				<u>482,446</u>

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13 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share for the six month periods ended 30 June 2012 and 30 June 2011 have been computed by dividing the net loss for period by the weighted average number of issued shares for the period.

14 CONTINGENT LIABILITIES

As at 30 June 2012, the Company's bankers issued letters of guarantee of SR 8.1 million (2011: SR 5.1 million) issued to various motor agencies and workshops as per the terms of the agreements with them.

15 COMPARATIVE FIGURES

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

16 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 15 July 2012 corresponding to 25 Shaban 1433H.