

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2012

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012

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KPMG Al Fozan & Al Sadhan



**INDEPENDENT AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF
THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW:

We have reviewed the accompanying statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at June 30, 2012, and the related statements of insurance operations and accumulated surplus, shareholders' comprehensive income for the three month and six month periods then ended and the statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for six month period then ended and notes 1 to 14 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Limited 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 auditing standards generally accepted in Saudi Arabia, 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 MATTER:

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.

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July 21, 2012



THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

	Notes	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
SR '000			
<u>INSURANCE OPERATIONS' ASSETS</u>			
Property and equipment, net		216,009	176,817
Investment property		9,861	9,861
Investments in associates		104,090	103,317
Available for sale investments	4(i)	1,826,837	1,899,487
Prepaid expenses and other assets		278,213	188,438
Deferred policy acquisition costs		163,743	163,461
Reinsurers' share of outstanding claims, net	5	665,480	739,421
Reinsurers' share of unearned premium		495,558	510,517
Receivables, net	3	1,492,114	1,317,120
Cash and cash equivalents		338,023	143,231
Total insurance operations' assets		<u>5,589,928</u>	<u>5,251,670</u>
<u>SHAREHOLDERS' ASSETS</u>			
Due from insurance operations		86,512	74,914
Accrued investment income		6,846	4,825
Investments in associates		51,929	52,619
Available for sale investments	4(ii)	1,694,731	1,814,301
Statutory deposit	9	75,000	75,000
Cash and cash equivalents		12,890	110,524
Total shareholders' assets		<u>1,927,908</u>	<u>2,132,183</u>
TOTAL ASSETS		<u><u>7,517,836</u></u>	<u><u>7,383,853</u></u>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
		SR '000	
<u>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</u>			
Insurance operations' liabilities:			
Surplus distribution payable		46,634	47,365
Due to shareholders' operations		86,512	74,914
Accrued expenses and other liabilities		1,059,108	870,131
Reserve for Takaful activities		14,854	15,043
Reserve for discontinued operations		8,160	6,982
Outstanding claims	5	1,164,795	1,228,592
Unearned commission income		72,749	72,802
Unearned premium income		2,407,247	2,405,640
Reinsurers' balances payable		675,853	491,691
Total insurance operations' liabilities		5,535,912	5,213,160
Insurance operations' surplus:			
Accumulated surplus		2,400	-
Fair value reserve on investments		51,616	38,510
Total insurance operations' liabilities and surplus		5,589,928	5,251,670
<u>SHAREHOLDERS' LIABILITIES AND EQUITY</u>			
Shareholders' liabilities:			
Accrued expenses and other liabilities		741	627
Dividends payable		5,410	4,448
Zakat		76,034	78,250
Total shareholders' liabilities		82,185	83,325
Shareholders' equity:			
Share capital	6	750,000	750,000
Legal reserve	10	587,812	587,812
Fair value reserve on investments		140,169	160,159
Retained earnings		367,742	550,887
Total Shareholders' equity		1,845,723	2,048,858
Total Shareholders' liabilities and equity		1,927,908	2,132,183
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		7,517,836	7,383,853

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS (UNAUDITED)

	Three month ended June 30, 2012	Three month ended June 30, 2011	Six month ended June 30, 2012	Six month ended June 30, 2011
	SR' 000			
REVENUES				
Gross premiums written	1,382,550	1,249,457	2,461,756	2,075,743
Less: Reinsurance ceded	<u>(396,582)</u>	<u>(429,965)</u>	<u>(600,761)</u>	<u>(604,664)</u>
Net premiums written	985,968	819,492	1,860,995	1,471,079
Changes in unearned premiums	<u>(68,642)</u>	<u>(78,781)</u>	<u>(16,566)</u>	<u>(24,150)</u>
Net premiums earned	917,326	740,711	1,844,429	1,446,929
Reinsurance commissions	31,156	25,858	65,929	51,155
Investment income, net	15,282	13,068	37,394	26,209
Other income, net	<u>3,386</u>	<u>3,157</u>	<u>3,484</u>	<u>5,095</u>
Total revenues	<u>967,150</u>	<u>782,794</u>	<u>1,951,236</u>	<u>1,529,388</u>
COSTS AND EXPENSES				
Gross claims paid	1,004,993	981,869	1,798,807	1,743,633
Less: Reinsurance share	<u>(168,970)</u>	<u>(260,440)</u>	<u>(274,560)</u>	<u>(578,953)</u>
Net claims paid	836,023	721,429	1,524,247	1,164,680
Changes in outstanding claims	<u>(86,541)</u>	<u>(162,326)</u>	<u>10,144</u>	<u>(137,819)</u>
Net claims incurred	749,482	559,103	1,534,391	1,026,861
Policy acquisition costs	94,579	78,141	187,555	156,963
Excess of loss expenses	14,695	7,682	27,187	8,876
Changes in reserves for Takaful activities	<u>(612)</u>	<u>169</u>	<u>(189)</u>	<u>343</u>
Other underwriting expenses	17,318	20,287	38,204	34,882
Operating and selling expenses	63,751	43,716	112,877	93,926
Other General and administrative expenses	<u>9,823</u>	<u>10,950</u>	<u>27,213</u>	<u>23,125</u>
Total costs and expenses	<u>949,036</u>	<u>720,048</u>	<u>1,927,238</u>	<u>1,344,976</u>
Surplus from insurance operations	18,114	62,746	23,998	184,412
Shareholders' appropriation from surplus	<u>(16,302)</u>	<u>(56,472)</u>	<u>(21,598)</u>	<u>(165,971)</u>
Surplus from insurance operations after shareholders' appropriation	1,812	6,274	2,400	18,441
Accumulated surplus, beginning of period	<u>588</u>	<u>12,167</u>	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS, END OF PERIOD	<u>2,400</u>	<u>18,441</u>	<u>2,400</u>	<u>18,441</u>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME (UNAUDITED)

	Three month ended June 30, 2012	Three month ended June 30, 2011	Six month ended June 30, 2012	Six month ended June 30, 2011
Notes	SR '000			
Appropriation of surplus from insurance operations	16,302	56,472	21,598	165,971
Investment income, net	18,760	10,214	75,743	21,929
General and administrative expenses, net	(150)	(314)	(408)	(452)
Income from operations before Zakat	34,912	66,372	96,933	187,448
Zakat	(6,880)	(7,883)	(16,178)	(16,565)
Net income for the period	28,032	58,489	80,755	170,883
Other comprehensive income:				
Change in fair value of investments	(54,763)	11,176	(19,990)	46,613
Comprehensive income for the period	(26,731)	69,665	60,765	217,496
Earnings per share:				
Basic and diluted earnings per share (SR)	0.37	0.78	1.08	2.28
Weighted average number of shares in issue throughout the period	6 & 13 75,000,000	75,000,000	75,000,000	75,000,000

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

	Notes	Share capital	Legal reserve	Fair value reserve on investments	Retained earnings	Total
		SR '000				
Unaudited						
Balance at January 1, 2011		500,000	500,000	167,265	601,739	1,769,004
Dividends	8	-	-	-	(150,000)	(150,000)
Issuance of Bonus Shares Board of Directors' remuneration	6	250,000	-	-	(250,000)	-
	11	-	-	-	(2,100)	(2,100)
Total comprehensive income for the period		-	-	46,613	170,883	217,496
Balance at June 30, 2011		750,000	500,000	213,878	370,522	1,834,400
Unaudited						
Balance at January 1, 2012		750,000	587,812	160,159	550,887	2,048,858
Dividends	8	-	-	-	(262,500)	(262,500)
Board of Directors' remuneration	11	-	-	-	(1,400)	(1,400)
Total comprehensive income for the period		-	-	(19,990)	80,755	60,765
Balance at June 30, 2012		750,000	587,812	140,169	367,742	1,845,723

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)

	Six months ended June 30, 2012	Six months ended June 30, 2011
	SR '000	
Cash flows from operating activities:		
Surplus from insurance operations after shareholders' appropriation	2,400	18,441
Adjustments to reconcile surplus from insurance operations to net cash from operating activities:		
Shareholders' appropriation from surplus	21,598	165,971
Depreciation	7,617	8,078
Bond premium amortization, net	-	510
Gain on sale of investments	(13,235)	(4,278)
Income from investments in associates, net	(5,508)	(5,217)
Operating surplus before changes in operating assets and liabilities	12,872	183,505
Changes in operating assets and liabilities:		
Receivables, net	(174,994)	101,860
Reinsurers' share of outstanding claims	73,941	177,142
Reinsurers' share of unearned premiums	14,959	66,417
Deferred policy acquisition costs	(282)	(12,405)
Prepaid expenses and others assets	(89,775)	(3,114)
Reinsurers' balances payable	184,162	(33,480)
Unearned premium income	1,607	(42,267)
Unearned commission income	(53)	17,338
Outstanding claims	(63,797)	(314,961)
Reserve for discontinued operations	1,178	(2,229)
Reserve for Takaful activities	(189)	343
Accrued expenses and other liabilities	188,977	(67,934)
Due to shareholders'	(10,000)	(136,711)
Net cash from / (used in) operating activities	138,606	(66,496)
Cash flows from investing activities:		
Proceeds from sale and matured investments	545,579	1,015,480
Purchase of investments	(450,853)	(1,015,589)
Property and equipment, net	(46,809)	(18,519)
Dividends received from investments in associates	9,000	4,000
Net cash from (used in) investing activities	56,917	(14,628)
Cash flows from financing activities		
Surplus paid to policyholders	(731)	-
Net cash used in financing activities	(731)	-
Net change in cash and cash equivalents	194,792	(81,124)
Cash and cash equivalents, beginning of period	143,231	148,378
Cash and cash equivalents, end of period	338,023	67,254
Non-cash supplemental information:		
Change in fair value of investments	13,106	(2,538)

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THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

	Six month ended June 30, 2012	Six month ended June 30, 2011
Note	SR '000	
Cash flows from operating activities:		
Net income for the period	80,755	170,883
Adjustments to reconcile net income to net cash provided by operating activities:		
Appropriation of surplus from insurance operations	(21,598)	(165,971)
Gain on sale of investments	(50,602)	(7,143)
Bond premium amortization (discount accretion), net	-	60
Income from investments in associates, net	(6,792)	(3,402)
Operating income before changes in operating assets and liabilities	1,763	(5,573)
Changes in operating assets and liabilities:		
Accrued investment income	(2,021)	(116)
Due from insurance operations	10,000	136,711
Accrued expenses and other liabilities	114	(142)
Zakat, net	(2,216)	3,007
Net cash from operating activities	7,640	133,887
Cash flows from investing activities:		
Statutory deposit	-	(25,000)
Proceeds from sale and matured investments	771,932	796,116
Purchase of investments	(621,723)	(767,938)
Dividends received from investment in associates	7,455	7,397
Net cash from investing activities	157,664	10,575
Cash flows from financing activities:		
Dividends paid	(261,538)	(149,635)
Board of Directors' remuneration	(1,400)	(2,100)
Net cash used in financing activities	(262,938)	(151,735)
Net change in cash and cash equivalents	(97,634)	(7,273)
Cash and cash equivalents, beginning of period	110,524	16,913
Cash and cash equivalents, end of period	12,890	9,640
Non-cash supplemental information:		
Change in fair value of investments	(19,990)	46,613

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

1. GENERAL

The Company for Cooperative Insurance (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986 corresponding to Jumad Awal 8, 1406H under Commercial Registration No. 1010061695. The Company's head office is located on King Fahad Road, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include motor, marine, fire, medical, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003 corresponding to Jumad Thani 2, 1424H the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004 corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Agency ("SAMA") as the principal agency responsible for the application and administration of the Insurance Law and its implementing regulations, granted the Company a license to transact insurance activities in Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004 the Company amended its Articles of Association giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the disposition of the surplus from insurance operations in accordance with the implementing regulations issued by the SAMA, whereby the shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the policyholders are to receive the remaining 10%.

The physical custody and title of all assets related to the insurance operations and shareholders' operations are held by the Company.

2. BASIS OF PREPARATION

(a) Basis of presentation

The interim condensed financial statements for the three months period ended June 30, 2012 have been prepared in accordance with IAS 34 - Interim Financial Reporting.

The interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale investments.



THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

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.

(b) Critical accounting judgments, estimates and assumptions

The preparation of the interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Except mentioned below, the estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2011.

(c) Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2011 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the interim condensed financial statements of the Company

Improvement to IFRSs 2011 (effective date 1 January 2012):

- IAS 1 - Presentation of Financial Statements
- IAS 24 - Related Party Disclosures (revised 2009)
- IAS 34 - Interim Financial Reporting
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 - Segmental reporting

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

2. BASIS OF PREPARATION (continued)

These interim condensed financial statements for the period ended June 30, 2012 should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2011. In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim three month and six month periods presented. The Company's interim results may not be indicative of its annual results.

(d) Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has three reportable segments as follows:

- Medical provides coverage for health insurance.
- Motor insurance.
- Property and Casualty includes coverage for property, engineering, marine, aviation, energy and general accidents insurance.

Operating segments do not include shareholders' operations of the Company.

Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the interim condensed financial statements.

No inter-segment transactions occurred during the period. 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 the interim condensed financial statements of the Company.

(e) Seasonality of operations

There are no seasonal changes that affect insurance operations.



THE COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

3. RECEIVABLES, NET

Receivables of insurance operations are comprised of net amounts due from the following:

	June 30, 2012 SR'000 (Unaudited)	December 31, 2011 SR'000 (Audited)
Policyholders'	1,127,770	1,186,668
Agents	408,089	183,396
Related party (Note 11)	-	2,327
	<u>1,535,859</u>	<u>1,372,391</u>
Receivable from reinsurers'	101,428	66,192
Administrative Service Plan	14,490	14,690
	<u>1,651,777</u>	<u>1,453,273</u>
Provision for doubtful receivables	<u>(159,663)</u>	<u>(136,153)</u>
Net receivables	<u>1,492,114</u>	<u>1,317,120</u>

4. INVESTMENTS

i) Insurance operations:

a) Available for sale investments of the insurance operations are comprised of following:

	June 30, 2012 SR'000 (Unaudited)	December 31, 2011 SR'000 (Audited)
Local / regional money market and fixed income investments	1,544,221	1,634,332
Local / regional equity and equity funds	214,307	200,485
Foreign equity and equity funds	68,309	64,670
Total	<u>1,826,837</u>	<u>1,899,487</u>

Shareholders:

b) Shareholders' available for sale investments are comprised of the following:

	June 30, 2012 SR'000 (Unaudited)	December 31, 2011 SR'000 (Audited)
Local / regional money market and fixed income investments	569,531	676,298
Local / regional equity and equity funds	327,902	317,086
Foreign money market and fixed income investments	319,758	312,125
Foreign equity and equity funds	477,540	508,792
Total	<u>1,694,731</u>	<u>1,814,301</u>

THE COMPANY FOR COOPERATIVE INSURANCE
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

5. OUTSTANDING CLAIMS, NET

Outstanding claims, net are comprised of the following:

	June 30, 2012 SR'000 (Unaudited)	December 31, 2011 SR'000 (Audited)
Gross outstanding claims	1,126,909	1,143,777
Less: realizable value of salvage and recoveries	(133,524)	(82,923)
Add: IBNR	171,410	167,738
Outstanding claims	1,164,795	1,228,592
Less: reinsurers share of outstanding claims, net	(665,480)	(739,421)
Net outstanding claims	<u>499,315</u>	<u>489,171</u>

6. SHARE CAPITAL

The authorized, issued and paid up capital of the Company is SR 750 million at June 30, 2012 (2011: SR 750 million) consisting of 75 million shares of SR 10 each (2011: 75 million shares).

7. CONTINGENT LIABILITIES

As at June 30, 2012, the Company was contingently liable for letters of credit and guarantees amounting to SR 129 million (December 31, 2011 - SR 38 million and June 30, 2011 - SR 43 million) occurring in the normal course of business.

8. SHAREHOLDERS' DIVIDENDS

A dividend of SR 262.5 million was approved at the ordinary general assembly meeting of shareholders on March 12, 2012. SR 261.538 million has been paid until June 30, 2012.

9. STATUTORY DEPOSIT

In compliance with Article 58 of the Insurance Implementing Regulations of the SAMA, the Company has deposited 10 percent of its Share capital, amounting to SR 75 million in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

10. LEGAL RESERVE

In accordance with the Articles of Association and in compliance with Article 70(2g) of the Insurance Implementing Regulations of SAMA, the Company allocates 20% of its net income each year to the legal reserve until it has built up a reserve equal to the capital. The legal reserve is not available for distribution to shareholders until liquidation of the Company.

THE COMPANY FOR COOPERATIVE INSURANCE
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

11. RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of the major related party transactions during the period and the related balances:

	Transactions for the period ended		Balance receivable (payable) as at	
	June 30, 2012 SR'000 (Unaudited) SR'000	June 30, 2011 SR'000 (Unaudited) SR'000	June 30, 2012 SR'000 (Unaudited) SR'000	December 31, 2011 SR'000 (Audited) SR'000
<u>Major shareholders</u>				
Amount of claims paid to owned hospital	21,761	32,051	(2,586)	(1,351)
Medical insurance premiums	7,056	7,330	1,611	2,777
Rent expenses paid	6,709	2,217	-	-
Stationery	637	289	-	-
<u>Associates</u>				
Insurance premiums	204	1,430	13	901
Rent expenses paid	7,409	8,498	(456)	-

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration up to 10% of the remaining profit from shareholders' operations, as defined, based on a decision by the General Assembly. A distribution of SR 1.4 million (2010: SR 2.1 million) has been proposed by the Board of Directors for 2011.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

12. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating 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' property and equipment, prepayments and other assets, due from a related party, premiums receivable and cash and cash equivalents. Accordingly they are included in unallocated assets. Segment liabilities do not include due to shareholders' operations, reinsurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premium receivable and depreciation on the property and equipments) are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

Operating Segments	For the three month period ended June 30, 2012 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written	753,801	278,951	349,798	1,382,550
Net premiums written	684,368	263,507	38,093	985,968
Net premiums earned	622,103	259,964	35,259	917,326
Reinsurance commissions	3,467	4,416	23,273	31,156
Net claims incurred	(545,951)	(191,130)	(12,401)	(749,482)
Policy acquisition costs	(38,646)	(44,466)	(11,467)	(94,579)
Excess of loss expenses	(10,862)	(1,362)	(2,471)	(14,695)
Changes in reserve for Takaful activities	612	-	-	612
Other underwriting expenses	(13,316)	(2,135)	(1,867)	(17,318)
General, administrative, selling and marketing expenses excluding provision for doubtful debts	(27,249)	(16,201)	(12,127)	(55,577)
Profit /(loss) from Insurance Operations	(9,842)	9,086	18,199	17,443
Investment income, net				15,282
Other income, net				3,386
Provision for doubtful receivables				(17,997)
Surplus from Insurance Operations				18,114

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
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12. SEGMENTAL INFORMATION (continued)

Operating Segments	For the three month period ended June 30, 2011 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written	575,583	296,216	377,658	1,249,457
Net premiums written	501,155	281,493	36,844	819,492
Net premiums earned	456,704	252,868	31,139	740,711
Reinsurance commissions	4,016	3,412	18,430	25,858
Net claims incurred	(306,521)	(225,501)	(27,081)	(559,103)
Policy acquisition cost	(26,785)	(42,036)	(9,320)	(78,141)
Excess of loss expenses		(1,824)	(5,858)	(7,682)
Changes in reserve for Takaful activities	(169)	-	-	(169)
Other underwriting expenses	(12,966)	(2,259)	(5,062)	(20,287)
General, administrative, selling and marketing expenses excluding provision for doubtful debts	(24,288)	(18,407)	(15,669)	(58,364)
Profit / (loss) from Insurance Operations	89,991	(33,747)	(13,421)	42,823
Investment income, net				13,068
Other income, net				3,157
Provision for doubtful receivables				3,698
Surplus from Insurance Operations				62,746

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12. SEGMENTAL INFORMATION (continued)

Operating Segments	For the six month period ended June 30, 2012 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written	<u>1,414,841</u>	<u>559,586</u>	<u>487,329</u>	<u>2,461,756</u>
Net premiums written	<u>1,260,119</u>	<u>527,210</u>	<u>73,666</u>	<u>1,860,995</u>
Net premiums earned	<u>1,213,707</u>	<u>548,590</u>	<u>82,132</u>	<u>1,844,429</u>
Reinsurance commissions	7,491	9,105	49,333	65,929
Net claims incurred	(1,141,983)	(369,559)	(22,849)	(1,534,391)
Policy acquisition costs	(75,298)	(87,392)	(24,865)	(187,555)
Excess of loss expenses	(18,700)	(2,996)	(5,491)	(27,187)
Changes in reserve for Takaful activities	189	-	-	189
Other underwriting expenses	(28,820)	(4,438)	(4,946)	(38,204)
General, administrative, selling and marketing expenses excluding provision for doubtful debts	(57,864)	(34,454)	(24,262)	(116,580)
Profit /(loss) from Insurance Operations	<u>(101,278)</u>	<u>58,856</u>	<u>49,052</u>	<u>6,630</u>
Investment income, net				37,394
Other income, net				3,484
Provision for doubtful receivables				(23,510)
Surplus from Insurance Operations				<u>23,998</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
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12. SEGMENTAL INFORMATION (continued)

Operating Segments	For the six month period ended June 30, 2011 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR' 000			
Gross premiums written	985,136	570,308	520,299	2,075,743
Net premiums written	856,807	541,888	72,384	1,471,079
Net premiums earned	887,604	495,094	64,231	1,446,929
Reinsurance commissions	9,006	5,935	36,214	51,155
Net claims incurred	(587,494)	(405,625)	(33,742)	(1,026,861)
Policy acquisition costs	(55,848)	(82,358)	(18,757)	(156,963)
Excess of loss expenses		(2,261)	(6,615)	(8,876)
Changes in reserve for Takaful activities	(343)			(343)
Other underwriting expenses	(22,277)	(4,361)	(8,244)	(34,882)
General, administrative, selling and marketing expenses excluding provision for doubtful debts	(55,912)	(40,760)	(20,555)	(117,227)
Profit /(loss) from Insurance Operations	174,736	(34,336)	12,532	152,932
Investment income, net				26,209
Other income, net				5,095
Provision for doubtful receivables				176
Surplus from Insurance Operations				184,412

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

12. SEGMENTAL INFORMATION (continued)

Insurance operations' assets	As at June 30, 2012 (Unaudited)			
	Medical	Motor	Property & casualty	Total
	SR '000			
Reinsurers' share of unearned premium	156,351	30,719	308,488	495,558
Reinsurers' share of outstanding claims, net	24,429	9,680	631,371	665,480
Deferred policy acquisition cost	57,995	78,676	27,072	163,743
Investments	-	-	-	1,940,788
Unallocated assets	-	-	-	2,324,359
Total assets				5,589,928
Insurance operations' liabilities and surplus				
Unearned premium income	1,466,565	522,411	418,271	2,407,247
Outstanding claims	387,789	51,297	725,709	1,164,795
Unearned commission income	9,516	9,867	53,366	72,749
Reserve for Takaful activities	14,854	-	-	14,854
Unallocated liabilities and surplus	-	-	-	1,930,283
Total liabilities and surplus				5,589,928

Insurance operations' assets	As at December 31, 2011 (Audited)			
	Medical	Motor	Property & casualty	Total
	SR '000			
Reinsurers' share of unearned premium	143,720	29,569	337,228	510,517
Reinsurers' share of outstanding claims, net	59,455	15,815	664,151	739,421
Deferred policy acquisition cost	47,552	84,303	31,606	163,461
Investments	-	-	-	2,012,665
Unallocated assets	-	-	-	1,825,606
Total assets				5,251,670
Insurance operations' liabilities and surplus				
Unearned premium income	1,407,522	542,641	455,477	2,405,640
Outstanding claims	326,500	147,539	754,553	1,228,592
Unearned commission income	8,528	9,279	54,995	72,802
Reserve for Takaful activities	15,043	-	-	15,043
Unallocated liabilities and surplus	-	-	-	1,529,593
Total liabilities and surplus				5,251,670

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012 (UNAUDITED)

13. EARNINGS PER SHARE

Earnings per share has been calculated by dividing the net income for the periods ended June 30, 2012 and 2011 by 75 million shares.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on Ramadan 2, 1433H, corresponding to July 21, 2012.

