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**SABB TAKAFUL COMPANY**

**(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH AND SIX MONTH PERIODS  
ENDED 30 JUNE 2013**

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**Aldar Audit Bureau**

Abdullah Al Basri & Co.



**Independent Auditors' review report on interim condensed financial statements to the shareholders of SABB Takaful Company (A Saudi Joint Stock Company)**

**Scope of review**

We have reviewed the accompanying interim statement of financial position of SABB Takaful Company - a Saudi joint stock company (the "Company") as at June 30, 2013 and the interim statements of comprehensive income - takaful operations and shareholders' operations for the three-month and six-month periods ended 30 June 2013, and statements of changes in shareholders' equity and takaful operations and shareholders' operations cash flows for the six-month period then ended and the notes 1 to 14 which form part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 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 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 the auditing standards generally accepted in the Kingdom of 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 a 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.

**Aldar Audit Bureau**  
Abdullah Al Basri & Co  
P. O. Box 2195  
Riyadh 11451  
Kingdom of Saudi Arabia

**PricewaterhouseCoopers**  
P. O. Box 13933  
Riyadh 11414  
Kingdom of Saudi Arabia

**Abdullah M. Al Basri**  
Certified Public Accountant  
Registration No. 171

**Khalid Mahdhar**  
Certified Public Accountant  
Registration No. 368

Date: July 17, 2013  
Corresponding to: Ramadan 9, 1434H



**SABB Takaful Company (A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF FINANCIAL POSITION**

At 30 June 2013

	Notes	30 June 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
<b><u>TAKAFUL OPERATIONS' ASSETS</u></b>			
Available-for-sale investments	3	476,319	509,613
Contributions receivable, net	4	19,729	24,938
Retakaful share of outstanding claims	6	53,566	46,536
Retakaful share of unearned contributions	7 (b)	7,897	11,642
Deferred policy acquisition costs		1,709	1,444
Prepayments and other receivables		1,754	1,101
Due from shareholders		-	4,141
Cash and cash equivalents	5	41,571	21,507
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>602,545</b>	<b>620,922</b>
<b><u>SHAREHOLDERS' ASSETS</u></b>			
Intangible assets		967	1,106
Motor vehicles		-	12
Held to maturity investments	3	206,513	194,513
Prepayments and other receivables		2,440	2,052
Statutory deposit		34,000	34,000
Due from takaful operations		744	-
Cash and cash equivalents	5	100,860	115,222
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>345,524</b>	<b>346,905</b>
<b>TOTAL ASSETS</b>		<b>948,069</b>	<b>967,827</b>

  
**Mohammed Al Dowais**  
 Chief Financial Officer

  
**Adrian Flowers**  
 Chief Executive Officer

  
**Yousef Al Burshaid**  
 Board Member

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

**SABB Takaful Company (A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

At 30 June 2013

	Notes	30 June 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
<b><u>TAKAFUL OPERATIONS' LIABILITIES</u></b>			
Reserve for takaful activities	7 (a)	469,461	503,240
Surplus distribution payable		2,927	1,534
Unearned contributions	7 (b)	18,103	21,448
Gross outstanding claims	6	70,777	62,524
Unearned commission income		1,611	2,174
Retakaful balances payable, net		14,525	11,757
Payables, accruals and others		19,751	16,852
Provision for employees' end-of-service benefits	11	3,899	-
Due to shareholders		744	-
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES</b>		<b>601,798</b>	<b>619,529</b>
<b>TAKAFUL OPERATIONS' SURPLUS</b>		<b>747</b>	<b>1,393</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>602,545</b>	<b>620,922</b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>SHAREHOLDERS' EQUITY</b>			
Issued share capital		340,000	340,000
Legal reserve		4,800	4,800
Accumulated losses		(5,855)	(10,416)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>338,945</b>	<b>334,384</b>
<b>SHAREHOLDERS' LIABILITIES</b>			
Payables, accruals and others		3,469	3,233
Due to takaful operations		-	4,141
Provision for zakat and tax	13	3,110	5,147
		<b>6,579</b>	<b>12,521</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>345,524</b>	<b>346,905</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>948,069</b>	<b>967,827</b>

  
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# SABB Takaful Company (A Saudi Joint Stock Company)

## INTERIM STATEMENT OF COMPREHENSIVE INCOME - TAKAFUL OPERATIONS (UNAUDITED)

For the three and six months ended 30 June 2013

	Three months ended 30 June 2013 SR'000	Three months ended 30 June 2012 SR'000	Six months ended 30 June 2013 SR'000	Six months ended 30 June 2012 SR'000
<b>Gross contributions written</b>				
- Family Takaful	38,583	52,102	75,124	93,887
- General Takaful	6,784	8,344	11,855	15,439
	<u>45,367</u>	<u>60,446</u>	<u>86,979</u>	<u>109,326</u>
<b>Family Takaful - Planholder charges</b>	5,985	6,516	11,103	10,726
<b>Gross contributions written and Planholder charges</b>	51,352	66,962	98,082	120,052
Retakaful contribution ceded	(12,394)	(9,990)	(23,654)	(20,858)
<b>Net written contribution</b>	38,958	56,972	74,428	99,194
Changes in gross unearned contributions	928	1,735	3,345	4,552
Changes in retakaful share of unearned contributions	(1,644)	(1,912)	(3,745)	(4,553)
Changes in reserve for takaful activities	16,445	(4,647)	42,194	22,018
<b>Net contributions earned</b>	54,687	52,148	116,222	121,211
Fees and commission income	985	525	2,667	1,602
<b>Underwriting revenue</b>	55,672	52,673	118,889	122,813
Gross claims paid	(6,634)	(5,599)	(12,287)	(12,578)
Retakaful share of claims paid	4,678	3,423	8,642	7,240
<b>Net claims paid</b>	(1,956)	(2,176)	(3,645)	(5,338)
Changes in gross outstanding claims	562	(6,222)	(8,253)	2,648
Changes in retakaful share of outstanding claims	583	6,342	7,030	(754)
<b>Net claims incurred</b>	(811)	(2,056)	(4,868)	(3,444)
Surrenders and maturities	(41,527)	(33,068)	(89,152)	(88,749)
<b>Net claims incurred, surrenders and maturities</b>	(42,338)	(35,124)	(94,020)	(92,193)
Policy acquisition costs, net	(2,662)	(4,396)	(4,460)	(7,073)
<b>Total claims, surrenders, maturities and other expenses</b>	(45,000)	(39,520)	(98,480)	(99,266)
<b>Underwriting surplus for the period</b>	10,672	13,153	20,409	23,547
Investment income	355	371	717	769
General and administrative expenses	(6,166)	(8,199)	(13,658)	(17,064)
<b>Net surplus for the period from takaful operations</b>	4,861	5,325	7,468	7,252
Other comprehensive income	-	-	-	-
<b>Total comprehensive income from takaful operations</b>	4,861	5,325	7,468	7,252
Transfer of comprehensive income to Shareholders' operations	(4,375)	(4,793)	(6,721)	(6,527)
<b>Surplus for the period</b>	<u>486</u>	<u>532</u>	<u>747</u>	<u>725</u>

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

  
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Yousef Al Burshaid  
Board Member

**SABB Takaful Company (A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS  
(UNAUDITED)**

For the three and six months ended 30 June 2013

	<i>Note</i>	<i>Three months ended 30 June 2013 SR'000</i>	<i>Three months ended 30 June 2012 SR'000</i>	<i>Six months ended 30 June 2013 SAR'000</i>	<i>Six months ended 30 June 2012 SAR'000</i>
Investment income		199	137	435	315
Income from sukuk		1,160	751	2,292	1,295
Realized gains on financial assets - available for sale investments		-	-	-	412
<b>Total revenue</b>		<b>1,359</b>	<b>888</b>	<b>2,727</b>	<b>2,022</b>
Transfer of comprehensive income from takaful operations		4,375	4,793	6,721	6,527
General and administrative expenses		(555)	(909)	(1,579)	(1,920)
<b>Net profit for the period</b>		<b>5,179</b>	<b>4,772</b>	<b>7,869</b>	<b>6,629</b>
Other comprehensive income					
- Realised gains available for sale investments		-	-	-	(406)
<b>Total comprehensive profit for the period</b>		<b>5,179</b>	<b>4,772</b>	<b>7,869</b>	<b>6,223</b>
<b>Basic and diluted profit per share (SAR)</b>	<b>9</b>	<b>0.15</b>	<b>0.14</b>	<b>0.23</b>	<b>0.19</b>

  
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**SABB Takaful Company (A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the six months ended 30 June 2013

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Change in fair value of available for sale investments</i>	<i>Accumulated losses</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2013	340,000	4,800	-	(10,416)	334,384
Net profit for the period	-	-	-	7,869	7,869
Provision for zakat and tax	-	-	-	(3,308)	(3,308)
Balance as at 30 June 2013	<u>340,000</u>	<u>4,800</u>	<u>-</u>	<u>(5,855)</u>	<u>338,945</u>
Balance as at 1 January 2012	340,000	2,043	406	(16,246)	326,203
Net profit for the period	-	-	-	6,629	6,629
Realized gains on financial assets - available for sale investments	-	-	(406)	-	(406)
Provision for zakat and tax	-	-	-	(2,631)	(2,631)
Balance as at 30 June 2012	<u>340,000</u>	<u>2,043</u>	<u>-</u>	<u>(12,248)</u>	<u>329,795</u>



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**SABB Takaful Company (A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS**

For the six months ended 30 June 2013

	Notes	<i>Six months ended 30 June 2013 SR'000</i>	<i>Six months ended 30 June 2012 SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Surplus from takaful operations after shareholders' appropriation		747	725
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from surplus		6,721	6,527
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		7,468	7,252
<b>Changes in operating assets and liabilities:</b>			
Available for sale investments		33,294	26,564
Contributions receivable, net		5,209	(2,053)
Retakaful share of outstanding claims		(7,030)	1,367
Retakaful share of unearned contributions		3,745	4,553
Deferred policy acquisition costs		(265)	55
Prepayments and other receivables		(653)	(515)
Reserve for takaful activities		(33,779)	(25,544)
Unearned contributions		(3,345)	(4,552)
Gross outstanding claims		8,253	(1,849)
Unearned commission income		(563)	(665)
Retakaful balances payable, net		2,768	631
Payables, accruals and others		2,899	4,023
Provision for employees' end-of-service benefits		3,899	-
<b>Net cash from operating activities</b>		<b>21,900</b>	<b>9,267</b>
<b>FINANCING ACTIVITY</b>			
Due to shareholders, net		(1,836)	4,358
<b>Net cash (used in)/ from financing activity</b>		<b>(1,836)</b>	<b>4,358</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>20,064</b>	<b>13,625</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>21,507</b>	<b>45,240</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>41,571</b>	<b>58,865</b>
<b>Non-cash supplemental information:</b>			
Net change in fair value of available for sale investments	3 (c)	19,518	7,200

  
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**SABB Takaful Company (A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS**

For the six months ended 30 June 2013

	<i>Six months ended 30 June 2013 SR'000</i>	<i>Six months ended 30 June 2012 SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	7,869	6,629
Adjustment to reconcile net profit to net cash provided by operating activities:		
Appropriation of surplus from takaful operations	(6,721)	(6,527)
Amortisation	139	1,174
Depreciation	12	33
	1,299	1,309
<b>Changes in operating assets and liabilities:</b>		
Prepayments and other receivables	(388)	(296)
Payables, accruals and others	236	(727)
Zakat and tax paid	(5,345)	(4,784)
<b>Net cash used in operating activities</b>	<b>(4,198)</b>	<b>(4,498)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of intangible assets	-	(1,349)
Due from takaful operations, net	1,836	(4,358)
Purchase of held to maturity investments	(12,000)	(110,000)
Disposal of available for sale investments	-	50,000
<b>Net cash used in investing activities</b>	<b>(10,164)</b>	<b>(65,707)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,362)</b>	<b>(70,205)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>115,222</b>	<b>174,927</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>100,860</b>	<b>104,722</b>

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 Board Member

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# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2013

### 1. ORGANISATION AND PRINCIPAL ACTIVITIES

SABB Takaful Company (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010234032 dated 20 Jumad Awal 1428H (corresponding to 6 June 2007). The registered address of the Company is P. O. Box 9086, Riyadh 11413, Kingdom of Saudi Arabia.

The purpose of the Company is to transact takaful operations and all related activities. Its principal lines of business include Individual Family, Group Family and General Takaful products. The Company operates only in the Kingdom of Saudi Arabia.

### 2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES

#### a) Basis of preparation

These interim condensed financial statements for the three and six months ended 30 June 2013 have been prepared in accordance with IAS 34 - Interim Financial Reporting.

These interim condensed financial statements have been prepared on a historic cost basis except for the measurement at fair value of available-for-sale investments.

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 2012.

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

#### b) Basis of presentation

The Company's by-laws require that separate accounts to be maintained for takaful and shareholders' operations. Income and expenses directly attributable to either activity are recorded in the respective accounts.

#### c) Significant accounting policies, significant accounting estimates and assumptions and risk management policies

The significant accounting policies, significant accounting estimates and assumptions and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2012, except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect/no financial impact on the condensed interim financial statements of the Company on the current period or prior periods and is expected to have an insignificant effect in future periods:

##### *New standards*

**IFRS 13 Fair value measurements:** Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 had no impact on the measurement of Company's assets and liabilities.

##### *Amendments to existing standards*

- **Amendments to IAS 1 Presentation of financial statements:** amends IAS 1 to revise the way other comprehensive income is presented.

- **Amendments to IFRS 7 Financial Instruments: Disclosure:** Amends the disclosure requirements in IFRS 7 to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 and also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and agreements even if they are not set off under IAS 32.

## SABB Takaful Company (A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2013

#### 2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

##### c) Significant accounting policies, significant accounting estimates and assumptions and risk management policies (continued)

*Addition in accounting policies presented in the annual audited financials for the year ended 31 December 2012:*

Accounting policy for employees' end-of-service benefits

The Company provides end of service benefits to its employees. The liability is calculated at 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 accumulated years of service as defined by the applicable Saudi Arabian labour law. The expense for the period is charged to the interim statement of comprehensive income - takaful operations.

##### d) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The financial statements values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

#### 3. INVESTMENTS

- a) Investments comprise of available for sale and held to maturity investments. An analysis of the investments is set out below:

	<i>30 June 2013 (Unaudited)</i>	
	<i>SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
<i>Available for sale investments – quoted</i>		
Investment in Amanah Mutual Funds	<u>476,319</u>	-
<i>Held to maturity investments</i>		
Saudi Electricity Company Sukuk (SEC-III) – quoted	-	25,000
Saudi Hollandi Bank Sukuk (SHB-I) – unquoted	-	5,000
Bank Al Jazira Sukuk – unquoted	-	20,000
General Authority of Civil Aviation Sukuk (GACA - I) - unquoted	-	50,000
The National Industrialization Company Sukuk (TASNEE - I) - quoted	-	50,000
Olayan Real Estate Company Sukuk (ORECO - I) - quoted	-	10,000
Saudi Binladin Group Limited Sukuk (SBG - III) - unquoted	-	19,513
Saudi Hollandi Bank Sukuk (SHB-II)– quoted	-	15,000
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ) - quoted	-	12,000
	<u>-</u>	<u>206,513</u>
<b>Total investments</b>	<u><u>476,319</u></u>	<u><u>206,513</u></u>

## SABB Takaful Company (A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2013

#### 3. INVESTMENTS (continued)

	31 December 2012 (Audited)	
	SAR'000	
	Takaful Operations	Shareholders
<i>Available for sale investments – quoted</i>		
Investment in Amanah Mutual Funds	509,613	-
<i>Held to maturity investments</i>		
Saudi Electricity Company Sukuk (SEC-III) – quoted	-	25,000
Saudi Hollandi Bank Sukuk (SHB-I) – unquoted	-	5,000
Bank Al Jazira Sukuk – unquoted	-	20,000
General Authority of Civil Aviation Sukuk (GACA - I) - unquoted	-	50,000
The National Industrialization Company Sukuk (TASNEE - I) - quoted	-	50,000
Olayan Real Estate Company Sukuk (ORECO - I) - quoted	-	10,000
Saudi Binladin Group Limited Sukuk (SBG - III) - unquoted	-	19,513
Saudi Hollandi Bank Sukuk (SHB-II)– quoted	-	15,000
	-	194,513
<b>Total investments</b>	<b>509,613</b>	<b>194,513</b>

Available for sale investments in takaful operations represent investments in units of mutual funds managed by HSBC Saudi Arabia Limited, being a related party of the Company.

The SEC-III Sukuk will mature on 30 May 2030, with a 'put option' available to the Company to seek redemption of the instrument on 10 May 2017. In accordance with the decisions and investment strategy of the Company, the said options will be exercised on the respective option dates. Accordingly, they are classified as held to maturity to their respective 'put option' dates.

The SHB-I Sukuk, Bank Al Jazira Sukuk, General Authority of Civil Aviation Sukuk, The National Industrialization Company Sukuk, Olayan Real Estate Company Sukuk, Saudi Binladin Group Limited Sukuk, SHB-II Sukuk and MARAFIQ Sukuk will mature on 29 December 2019, 28 March 2021, 18 January 2022, 21 May 2019, 25 June 2017, 24 July 2013, 26 November 2019 and 27 May 2018 respectively.

b) The fair value of held-to-maturity investments as at 30 June 2013 is SAR 207.25 million (31 December 2012: SAR 196.10 million).

c) The movements in the available for sale investments held to cover unit-linked liabilities were as follows:

	30 June 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
Opening balance	509,613	542,646
Purchased during the period/ year	47,443	52,544
Sold during the period/ year	(100,255)	(117,049)
	456,801	478,141
Net change in fair values of investments	19,518	31,472
Closing balance	476,319	509,613

The Company uses the following hierarchy methods for determining and disclosing the fair value of available for sale investments at the reporting period end:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

## SABB Takaful Company (A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2013

#### 3. INVESTMENTS (continued)

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

However, the Company's available-for-sale investments are classified under Level 2 hierarchy.

d) The movements in the available for sale investments for the shareholders were as follows:

	30 June 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
Opening balance	-	50,406
Sold during the period/ year	-	(50,406)
	-	-
Net change in fair values of investments	-	-
Closing balance	-	-

#### 4. CONTRIBUTIONS RECEIVABLE, NET

	30 June 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
Due from planholders	10,731	9,805
Due from related parties	10,963	17,553
	21,694	27,358
Provision for impairment	(1,965)	(2,420)
	19,729	24,938

#### 5. CASH AND CASH EQUIVALENTS

	30 June 2013 (Unaudited) SAR'000	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	41,571	29,053
Murabaha deposits	-	71,807
	41,571	100,860
	2012 (Audited) SAR'000	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	21,507	3,594
Murabaha deposits	-	111,628
	21,507	115,222

Bank balances are maintained with the Saudi British Bank, a shareholder of the Company.

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6. OUTSTANDING CLAIMS

	<i>30 June 2013 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim and other reserves	16,023	(12,224)	3,799
- Incurred but not reported reserve	16,428	(12,663)	3,765
General Takaful outstanding claims			
- Outstanding claim and other reserves	35,132	(26,985)	8,147
- Incurred but not reported reserve	3,194	(1,694)	1,500
<b>Total outstanding claims</b>	<b>70,777</b>	<b>(53,566)</b>	<b>17,211</b>

  

	<i>31 December 2012 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim and other reserves	10,283	(6,967)	3,316
- Incurred but not reported reserve	7,422	(4,592)	2,830
General Takaful outstanding claims			
- Outstanding claim and other reserves	34,665	(33,268)	1,397
- Incurred but not reported reserve	10,154	(1,709)	8,445
<b>Total outstanding claims</b>	<b>62,524</b>	<b>(46,536)</b>	<b>15,988</b>

7. MOVEMENT IN RESERVE FOR TAKAFUL ACTIVITIES AND UNEARNED CONTRIBUTION INCOME

a) Movement in reserve for takaful activities

	<i>Six months ended 30 June 2013 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2012 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	503,240	534,976
Changes in reserve during the period/ year	(42,194)	(41,971)
Planholder charges	(11,103)	(21,237)
Net change in fair value of investments	19,518	31,472
<b>Balance as at the end of the period/ year</b>	<b>469,461</b>	<b>503,240</b>

The reserve for takaful activities represents the unit linked takaful plan reserve.

b) Movement in unearned contribution

	<i>Six months ended 30 June 2013 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Balance as at the beginning of the period	21,448	(11,642)	9,806
Contribution written during the period	39,535	(22,990)	16,545
Contribution earned during the period	(42,880)	26,735	(16,145)
<b>Balance as at the end of the period</b>	<b>18,103</b>	<b>(7,897)</b>	<b>10,206</b>

## SABB Takaful Company (A Saudi Joint Stock Company)

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#### 7. MOVEMENT IN RESERVE FOR TAKAFUL ACTIVITIES AND UNEARNED CONTRIBUTION INCOME (continued)

##### b) Movement in unearned contribution (continued)

	Year ended 31 December 2012		
	<i>(Audited)</i>		
	<i>Gross</i>	<i>Retakaful</i>	<i>Net</i>
	<i>SAR'000</i>	<i>share</i>	<i>SAR'000</i>
		<i>SAR'000</i>	<i>SAR'000</i>
Balance as at the beginning of the year	21,721	(12,114)	9,607
Contribution written during the year	89,784	(44,972)	44,812
Contribution earned during the year	<u>(90,057)</u>	<u>45,444</u>	<u>(44,613)</u>
Balance as at the end of the year	<u>21,448</u>	<u>(11,642)</u>	<u>9,806</u>

#### 8. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. The Company's gross written contribution, net written contribution, net contributions earned, fees and commission income, net claims incurred, surrenders and maturities, policy acquisition costs - net, underwriting surplus, investment income, general and administrative expenses, net surplus/ (deficit), surplus from takaful operations after shareholders' appropriation, net profit, amortisation, depreciation, purchase of intangible assets, intangible assets, motor vehicles, available for sale investments, contribution receivables, net, retakaful share of outstanding claims and unearned contributions, deferred policy acquisition costs, total assets, reserve for takaful activities, unearned contributions, gross outstanding claims, unearned commission income, and total liabilities, by business segment, are stated below.

Segment assets do not include prepayments and other receivables and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include surplus distribution payable, retakaful balances payable, payables, accruals and others, provision for employees' end of service benefits and due to shareholders. Accordingly they are included in unallocated liabilities.

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



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**8. SEGMENTAL INFORMATION (continued)**

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
<b>For the three months ended</b>					
<b>30 June 2013 (Unaudited)</b>					
Gross written contribution	-	25,460	13,123	6,784	45,367
Net written contribution	-	31,112	3,467	4,379	38,958
Net contributions earned	-	47,556	3,616	3,515	54,687
Fees and commission income	-	185	-	800	985
Net claims incurred	-	392	(716)	(487)	(811)
Surrenders and maturities	-	(41,527)	-	-	(41,527)
Policy acquisition costs, net	-	(1,359)	(114)	(1,189)	(2,662)
<b>Underwriting surplus for the period</b>	-	5,247	2,786	2,639	10,672
Investment income	1,359	355	-	-	1,714
General and administrative expenses	(555)	(1,892)	(1,805)	(2,469)	(6,721)
<b>Net surplus for the period</b>	<b>804</b>	<b>3,710</b>	<b>981</b>	<b>170</b>	<b>5,665</b>
Surplus from takaful operations after shareholders' appropriation					(486)
<b>Net profit for the period</b>					<b>5,179</b>
Amortisation	70	-	-	-	70
Depreciation	3	-	-	-	3
<b>For the six months ended</b>					
<b>30 June 2013 (Unaudited)</b>					
Gross written contribution	-	47,444	27,680	11,855	86,979
Net written contribution	-	57,883	10,651	5,894	74,428
Net contributions earned	-	100,077	10,470	5,675	116,222
Fees and commission income	-	185	-	2,482	2,667
Net claims incurred	-	360	(4,844)	(384)	(4,868)
Surrenders and maturities	-	(89,152)	-	-	(89,152)
Policy acquisition costs, net	-	(2,328)	(968)	(1,164)	(4,460)
<b>Underwriting surplus for the period</b>	-	9,142	4,658	6,609	20,409
Investment income	2,727	717	-	-	3,444
General and administrative expenses	(1,579)	(3,571)	(4,233)	(5,854)	(15,237)
<b>Net surplus for the period</b>	<b>1,148</b>	<b>6,288</b>	<b>425</b>	<b>755</b>	<b>8,616</b>
Surplus from takaful operations after shareholders' appropriation					(747)
<b>Net profit for the period</b>					<b>7,869</b>
Amortisation	139	-	-	-	139
Depreciation	12	-	-	-	12

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
<b>30 June 2013 (Unaudited)</b>					
Intangible assets	967	-	-	-	967
<b>Takaful operations' assets</b>					
Available for sale investments	-	476,319	-	-	476,319
Contribution receivables, net	-	-	14,205	5,524	19,729
Retakaful share of outstanding claims	-	325	24,562	28,679	53,566
Retakaful share of unearned contributions	-	-	1,359	6,538	7,897
Deferred policy acquisition costs	-	-	472	1,237	1,709
Unallocated assets	-	-	-	-	43,325
<b>Total takaful operations' assets</b>					<b>602,545</b>
<b>Total shareholders' assets</b>	<b>345,524</b>	-	-	-	<b>345,524</b>
<b>Total assets</b>					<b>948,069</b>
<b>Takaful operations' liabilities</b>					
Reserve for takaful activities	-	469,461	-	-	469,461
Unearned contributions	-	-	4,397	13,706	18,103
Gross outstanding claims	-	790	31,660	38,327	70,777
Unearned commission income	-	-	-	1,611	1,611
Unallocated liabilities	-	-	-	-	41,846
<b>Total takaful operations' liabilities</b>					<b>601,798</b>
<b>Total shareholders' liabilities</b>	<b>6,579</b>	-	-	-	<b>6,579</b>
<b>Total liabilities</b>					<b>608,377</b>
For the three months ended					
30 June 2012 (Unaudited)					
Gross written contribution	-	37,903	14,199	8,344	60,446
Net written contribution	-	44,090	8,186	4,696	56,972
Net contributions earned	-	39,444	8,316	4,388	52,148
Fees and commission income	-	(20)	(273)	818	525
Net claims incurred	-	638	(3,464)	770	(2,056)
Surrenders	-	(33,068)	-	-	(33,068)
Policy acquisition costs, net	-	(2,818)	(731)	(847)	(4,396)
Underwriting surplus for the period	-	4,176	3,848	5,129	13,153
Investment income	888	356	13	2	1,259
General and administrative expenses	(909)	(2,983)	(1,895)	(3,321)	(9,108)
Net (deficit)/ surplus for the period	(21)	1,549	1,966	1,810	5,304
Surplus from takaful operations after shareholders' appropriation					(532)
Net profit for the period					4,772
Purchase of intangible assets	(1,190)	-	-	-	(1,190)
Amortisation	696	-	-	-	696
Depreciation	16	-	-	-	16

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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### 8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the six months ended					
30 June 2012 (Unaudited)					
Gross written contribution	-	65,711	28,176	15,439	109,326
Net written contribution	-	75,786	15,189	8,219	99,194
Net contributions earned	-	97,803	15,393	8,015	121,211
Fees and commission income	-	(37)	(295)	1,934	1,602
Net claims incurred	-	663	(3,742)	(365)	(3,444)
Surrenders	-	(88,749)	-	-	(88,749)
Policy acquisition costs, net	-	(4,197)	(1,493)	(1,383)	(7,073)
	<u>-</u>	<u>5,483</u>	<u>9,863</u>	<u>8,201</u>	<u>23,547</u>
Underwriting surplus for the period	-	5,483	9,863	8,201	23,547
Investment income	2,022	700	50	19	2,791
General and administrative expenses	(1,920)	(5,829)	(3,710)	(7,525)	(18,984)
	<u>102</u>	<u>354</u>	<u>6,203</u>	<u>695</u>	<u>7,354</u>
Net surplus for the period	102	354	6,203	695	7,354
Surplus from takaful operations after shareholders' appropriation					(725)
Net profit for the period					<u>6,629</u>
Purchase of intangible assets	(1,349)	-	-	-	(1,349)
Amortisation	1,174	-	-	-	1,174
Depreciation	33	-	-	-	33
	<u>1,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,106</u>
31 December 2012 (Audited)					
Intangible assets	1,106	-	-	-	1,106
Motor vehicles	12	-	-	-	12
	<u>1,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,106</u>
Takaful operations' assets					
Available for sale investments	-	509,613	-	-	509,613
Contribution receivables, net	-	-	11,818	13,120	24,938
Retakaful share of outstanding claims	-	186	11,373	34,977	46,536
Retakaful share of unearned contributions	-	-	1,328	10,314	11,642
Deferred policy acquisition costs	-	-	296	1,148	1,444
Unallocated assets	-	-	-	-	26,749
	<u>-</u>	<u>509,613</u>	<u>11,818</u>	<u>13,120</u>	<u>509,613</u>
Total takaful operations' assets					620,922
Total shareholders' assets	346,905	-	-	-	346,905
	<u>346,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,905</u>
Total assets					<u>967,827</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	503,240	-	-	503,240
Unearned contributions	-	-	4,186	17,262	21,448
Gross outstanding claims	-	861	16,844	44,819	62,524
Unearned commission income	-	-	-	2,174	2,174
Unallocated liabilities	-	-	-	-	30,143
	<u>-</u>	<u>503,240</u>	<u>4,186</u>	<u>17,262</u>	<u>503,240</u>
Total takaful operations' liabilities					619,529
Total shareholders' liabilities	12,521	-	-	-	12,521
	<u>12,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,521</u>
Total liabilities					<u>632,050</u>

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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### 9. BASIC AND DILUTED PROFIT PER SHARE

Basic profit per share amounts are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the reporting date as follows:

	<i>Three months ended 30 June 2013 SAR'000 (Unaudited)</i>	<i>Three months ended 30 June 2012 SAR'000 (Unaudited)</i>	<i>Six months ended 30 June 2013 SAR'000 (Unaudited)</i>	<i>Six months ended 30 June 2013 SAR'000 (Unaudited)</i>
Net profit for the period (SAR'000)	<u>5,179</u>	<u>4,772</u>	<u>7,869</u>	<u>6,629</u>
Weighted average number of ordinary share (Number in thousands)	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>
<b>Profit per share (SAR)</b>	<u><b>0.15</b></u>	<u><b>0.14</b></u>	<u><b>0.23</b></u>	<u><b>0.19</b></u>

### 10. RELATED PARTY TRANSACTIONS

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

#### a) Transactions with related parties

The summary of major related party transactions are as follow:

	<i>Three months ended 30 June 2013 SAR'000 (Unaudited)</i>	<i>Three months ended 30 June 2012 SAR'000 (Unaudited)</i>	<i>Six months ended 30 June 2013 SAR'000 (Unaudited)</i>	<i>Six months ended 30 June 2013 SAR'000 (Unaudited)</i>
- Contributions				
- The Saudi British Bank	11,597	10,336	21,358	20,377
- Amlak International Real Estate and Development	<u>44</u>	<u>-</u>	<u>347</u>	<u>-</u>
- Claims				
- The Saudi British Bank	<u>4,703</u>	<u>3,188</u>	<u>9,016</u>	<u>7,470</u>
- Commission and other expenses	<u>3,769</u>	<u>6,091</u>	<u>7,614</u>	<u>10,393</u>

Under 'Commission and other expenses', other expenses were paid to the Saudi British Bank (SABB), a shareholder of the Company whereas commission was paid to SABB Insurance Agency Limited (fully owned by SABB).

#### 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 is as follows.

	<i>Three months period ended 30 June 2013 SAR'000</i>		<i>Three months period ended 30 June 2012 SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	<u>1,002</u>	<u>-</u>	<u>893</u>	<u>-</u>

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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### 10. RELATED PARTY TRANSACTIONS (continued)

#### b) Compensation of key management personnel (continued)

	Six months period ended 30 June 2013 SAR'000		Six months period ended 30 June 2012 SAR'000	
	Takaful Operations	Shareholders	Takaful Operations	Shareholders
Salaries and other benefits	<u>1,929</u>	<u>-</u>	<u>1,786</u>	<u>-</u>

### 11. EMPLOYEES' END-OF-SERVICE BENEFITS

Prior to the quarter ended 31 March 2013, the Company's provision for end-of-service benefits was present in the books of The Saudi British Bank – SABB (a shareholder of the Company). The monthly provision was being settled by the Company on monthly basis with the corresponding charge being booked in the Company's statement of comprehensive income - takaful operations. However, during quarter ended 30 June 2013, the entire accumulated provision for end-of-service benefits (in the books of SABB) was transferred into the Company's bank account. As a result, the related liability for employees' end-of-service benefits is appearing in interim statement of financial position under takaful operation liabilities.

### 12. CONTINGENCIES

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. During quarter ended 30 June 2012, a legal case amounting to SR 65.88 million, which significantly exceeds the claim amount, has been filed against the Company by a policyholder disputing the claim amount under a policy. Based on an independent legal advice, the Company does not believe that policyholder has a valid claim and as a result, as at 30 June 2013, has not made any further provision in excess of the amount deemed appropriate under the said policy. Based on the legal advice, out of SAR 65.88 million, the Company has recorded a provision amounting to SAR 22.92 million for the said claim.

### 13. ZAKAT AND TAX

#### Status of Assessment

During the quarter ended 31 March 2013, the Department of Zakat and Income Tax (DZIT) has issued the final tax/ zakat assessments for the years ended 31 December 2008, 2009, and 2010. However, DZIT has not yet issued the final tax/ zakat assessments for the years ended 31 December 2011 and 2012. During the quarter ended 30 June 2013, the Company has filed an appeal against the final tax/ zakat assessments for the years from 2008 to 2010. The appeal filed is still pending as at 30 June 2013. However, the management believes that no provision is required for the amount under appeal.

### 14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on Ramadan 7, 1434H corresponding to 15 July 2013.