
SABB TAKAFUL COMPANY

(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CODENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS
ENDED 31 MARCH 2013**



Aldar Audit Bureau

Abdullah Al Basri & Co.



KPMG Al Fozan & Al Sadhan

INDEPENDENT AUDITORS' REVIEW REPORT OF 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 31 March 2013, and the related interim statements of comprehensive income of takaful and shareholders' operations for the period then ended, and related interim statements of changes in shareholders' equity and cash flows of takaful and shareholders' operations for the period then ended and the attached notes 1 to 13 which form integral part of the 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 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 Generally Accepted Auditing Standards in 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 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
P. O. Box 2195
Riyadh 11451
Kingdom of Saudi Arabia

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

Abdullah M. Al Basri
Certified Public Accountant
Licence No. 171

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



06 Jumada Al-Akhirah 1434H
16 April 2013




SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2013

		31 March 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
	Notes		
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	491,584	509,613
Contributions receivable, net	4	10,346	24,938
Retakaful share of outstanding claims	6	52,983	46,536
Retakaful share of unearned contributions	7 (b)	9,541	11,642
Deferred policy acquisition costs		1,522	1,444
Prepayments and other receivables		1,344	1,101
Due from shareholders		-	4,141
Cash and cash equivalents	5	45,018	21,507
TOTAL TAKAFUL OPERATIONS' ASSETS		612,338	620,922
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		1,037	1,106
Motor vehicles		3	12
Held to maturity investments	3	194,513	194,513
Prepayments and other receivables		2,278	2,052
Statutory deposit		34,000	34,000
Due from takaful operations		374	-
Cash and cash equivalents	5	113,416	115,222
TOTAL SHAREHOLDERS' ASSETS		345,621	346,905
TOTAL ASSETS		957,959	967,827


Fouad Bahrawi
Chairman


Adrian Flowers
Chief Executive Officer


Mohammed Al Dowais
Chief Financial Officer

The accompanying notes 1 to 13 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION (continued)
At 31 March 2013

		31 March 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
	Notes		
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7 (a)	485,104	503,240
Surplus distribution payable		2,927	1,534
Unearned contributions	7 (b)	19,031	21,448
Gross outstanding claims	6	71,339	62,524
Unearned commission income		1,988	2,174
Retakaful balances payable, net		13,528	11,757
Payables, accruals and others		17,786	16,852
Due to shareholders		374	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES		612,077	619,529
TAKAFUL OPERATIONS' SURPLUS		261	1,393
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		612,338	620,922
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Issued share capital		340,000	340,000
Legal reserve		4,800	4,800
Accumulated losses		(8,984)	(10,416)
TOTAL SHAREHOLDERS' EQUITY		335,816	334,384
SHAREHOLDERS' LIABILITIES			
Payables, accruals and others		3,400	3,233
Due to takaful operations		-	4,141
Provision for zakat and tax		6,405	5,147
		9,805	12,521
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		345,621	346,905
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		957,959	967,827


Fouad Bahrawi
Chairman


Adrian Flowers
Chief Executive Officer


Mohammed Al Dowais
Chief Financial Officer

The accompanying notes 1 to 13 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME - TAKAFUL OPERATIONS

For the three months ended 31 March 2013

	<i>Three months ended 31 March 2013 SR'000 (Unaudited)</i>	<i>Three months ended 31 March 2012 SR'000 (Unaudited)</i>
Gross contributions written		
- Family Takaful	36,541	41,785
- General Takaful	5,071	7,095
	<u>41,612</u>	<u>48,880</u>
Family Takaful - Planholder charges	<u>5,118</u>	<u>4,210</u>
Gross contributions written and Planholder charges	<u>46,730</u>	<u>53,090</u>
Retakaful contribution ceded	(11,260)	(10,868)
Net written contribution	<u>35,470</u>	<u>42,222</u>
Changes in gross unearned contributions	2,417	2,817
Changes in retakaful share of unearned contributions	(2,101)	(2,641)
Changes in reserve for takaful activities	<u>25,749</u>	<u>26,665</u>
Net contributions earned	<u>61,535</u>	<u>69,063</u>
Fees and commission income	1,682	1,116
Underwriting revenue	<u>63,217</u>	<u>70,179</u>
Gross claims paid	(5,653)	(6,979)
Retakaful share of claims paid	<u>3,964</u>	<u>3,817</u>
Net claims paid	<u>(1,689)</u>	<u>(3,162)</u>
Changes in gross outstanding claims	(8,815)	8,870
Changes in retakaful share of outstanding claims	<u>6,447</u>	<u>(7,096)</u>
Net claims incurred	<u>(4,057)</u>	<u>(1,388)</u>
Surrenders	(47,625)	(55,681)
Net claims incurred & surrenders	<u>(51,682)</u>	<u>(57,069)</u>
Policy acquisition costs, net	<u>(1,798)</u>	<u>(2,716)</u>
Total claims, surrenders and other expenses	<u>(53,480)</u>	<u>(59,785)</u>
Underwriting surplus for the period	<u>9,737</u>	<u>10,394</u>
Investment income	362	398
General and administrative expenses	<u>(7,492)</u>	<u>(8,865)</u>
Net surplus for the period from takaful operations	<u>2,607</u>	<u>1,927</u>
Other comprehensive income	-	-
Total comprehensive income from takaful operations	<u>2,607</u>	<u>1,927</u>
Transfer of comprehensive income to Shareholders' operations	<u>(2,346)</u>	<u>(1,734)</u>
Accumulated surplus at the end of period	<u>261</u>	<u>193</u>

The accompanying notes 1 to 13 form part of these interim condensed financial statements.

Fouad Bahrawi
Chairman

Adrian Flowers
Chief Executive Officer

Mohammed Al Dowais
Chief Financial Officer

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS

For the three months ended 31 March 2013

	<i>Note</i>	<i>Three months ended 31 March 2013 SR'000 (Unaudited)</i>	<i>Three months ended 31 March 2012 SR'000 (Unaudited)</i>
Investment income		236	178
Income from sukuk		1,132	544
Realized gains on financial assets - available for sale investments		-	412
Total revenue		1,368	1,134
Transfer of comprehensive income from takaful operations		2,346	1,734
General and administrative expenses		(1,024)	(1,011)
Net profit for the period		2,690	1,857
Other comprehensive income			
- Realised gains available for sale investments		-	(406)
Total comprehensive profit for the period		2,690	1,451
Basic and diluted profit per share (SAR)	9	0.08	0.05


Fouad Bahrawi
Chairman


Adrian Flowers
Chief Executive Officer


Mohammed Al Dowais
Chief Financial Officer

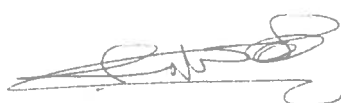
The accompanying notes 1 to 13 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

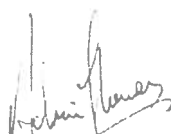
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended 31 March 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
Balance as at 1 January 2013	340,000	4,800	-	(10,416)	334,384
Net profit for the period	-	-	-	2,690	2,690
Provision for zakat and tax	-	-	-	(1,258)	(1,258)
Balance as at 31 March 2013	<u>340,000</u>	<u>4,800</u>	<u>-</u>	<u>(8,984)</u>	<u>335,816</u>
Balance as at 1 January 2012	340,000	2,043	406	(16,246)	326,203
Net profit for the period	-	-	-	1,857	1,857
Realized gains on financial assets - available for sale investments	-	-	(406)	-	(406)
Provision for zakat and tax	-	-	-	(1,157)	(1,157)
Balance as at 31 March 2012	<u>340,000</u>	<u>2,043</u>	<u>-</u>	<u>(15,546)</u>	<u>326,497</u>



Fouad Bahrawi
Chairman



Adrian Flowers
Chief Executive Officer



Mohammed Al Dowais
Chief Financial Officer

The accompanying notes 1 to 13 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS

For the three months ended 31 March 2013

	Three months ended 31 March 2013 SR '000 (Unaudited)	Three months ended 31 March 2012 SR '000 (Unaudited)
Notes		
OPERATING ACTIVITIES		
Surplus from takaful operations after shareholders' appropriation	261	193
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from operating activities:		
Shareholders' appropriation from surplus	2,346	1,734
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities	2,607	1,927
Changes in operating assets and liabilities:		
Available for sale investments	18,029	8,875
Contributions receivable, net	14,592	(2,355)
Retakaful share of outstanding claims	(6,447)	7,016
Retakaful share of unearned contributions	2,101	2,642
Deferred policy acquisition costs	(78)	(41)
Prepayments and other receivables	(243)	(1,036)
Reserve for takaful activities	(18,136)	(7,667)
Unearned contributions	(2,417)	(2,817)
Gross outstanding claims	8,815	(8,665)
Unearned commission income	(186)	(442)
Retakaful balances payable, net	1,771	1367
Payables, accruals and others	934	4,315
Net cash from operating activities	21,342	3,119
FINANCING ACTIVITY		
Due to shareholders, net	2,169	(1,035)
Net cash from/ (used in) financing activity	2,169	(1,035)
INCREASE IN CASH AND CASH EQUIVALENTS	23,511	2,084
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21,507	45,240
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	45,018	47,324
Non-cash supplemental information:		
Net change in fair value of available for sale investments	12,731	23,208

Fouad Bahrawi
Chairman

Adrian Flowers
Chief Executive Officer

Mohammed Al Dowais
Chief Financial Officer

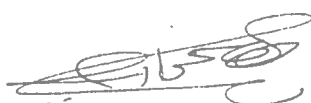
The accompanying notes 1 to 13 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

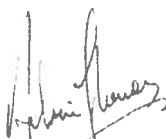
INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS

For the three months ended 31 March 2013

	Three months ended 31 March 2013 SR'000 (Unaudited)	Three months ended 31 March 2012 SR'000 (Unaudited)
<i>Notes</i>		
OPERATING ACTIVITIES		
Net profit for the period	2,690	1,857
Adjustment to reconcile net profit to net cash provided by operating activities:		
Appropriation of surplus from takaful operations	(2,346)	(1,734)
Amortisation	69	478
Depreciation	9	17
	<u>422</u>	<u>618</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(226)	(844)
Payables, accruals and others	167	(139)
	<u>363</u>	<u>(365)</u>
Net cash used in operating activities		
	<u>(2,169)</u>	<u>876</u>
INVESTING ACTIVITIES		
Purchase of intangible assets	-	(159)
Due from takaful operations, net	(2,169)	1,035
Purchase of held to maturity investments	-	(50,000)
Disposal of available for sale investments	-	50,000
	<u>(2,169)</u>	<u>876</u>
Net cash (used in)/ from investing activities		
	<u>(2,169)</u>	<u>876</u>
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>(1,806)</u>	<u>511</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>115,222</u>	<u>174,927</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
5	<u>113,416</u>	<u>175,438</u>



Fouad Bahrawi
Chairman



Adrian Flowers
Chief Executive Officer



Mohammed Al Dowais
Chief Financial Officer

The accompanying notes 1 to 13 form part of these interim condensed financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 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 AND RISK MANAGEMENT POLICIES

a) Basis of preparation

These interim condensed financial statements for the three ended 31 March 2013 have been prepared in accordance with 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 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 and risk management policies

The accounting 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 amendments to IFRS 7 - Financial instruments disclosures, which has had no financial impact on these interim condensed financial statements. Further, the company has chosen not to early adopt the following standards, which has had no financial impact on these interim condensed financial statements:

IFRS 9 - Financial Instruments

IFRS 13 - Fair value measurement

IAS 32 - Financial instruments: Presentation

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.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2013

3. INVESTMENTS

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

<i>31 March 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	491,584	-
<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 (TANSEE - 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
Total investments	491,584	194,513

<i>31 December 2012 (Audited)</i>		
<i>SAR'000</i>		
	<i>Takaful Operations</i>	<i>Shareholders</i>
<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 (TANSEE - 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
Total investments	509,613	194,513

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 and SHB-II Sukuk will mature on 29 December 2019, 28 March 2021, 18 January 2022, 21 May 2019, 25 June 2017, 24 July 2013 and 26 November 2019 respectively.

- b) The fair value of held-to-maturity investments as at 31 March 2013 is SAR 196.39 million (31 December 2012: SAR 196.10 million).

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2013

3. INVESTMENTS (continued)

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

	31 March 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
Opening balance	509,613	542,646
Purchased during the period/ year	21,893	52,544
Sold during the period/ year	(52,653)	(117,049)
	478,853	478,141
Net change in fair values of investments	12,731	31,472
Closing balance	491,584	509,613

Available-for-sale investments are classified as Level 2 hierarchy which is the quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.

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

	31 March 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

	31 March 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
Due from planholders	8,235	9,805
Due from related parties	3,949	17,553
	12,184	27,358
Provision for impairment	(1,838)	(2,420)
	10,346	24,938

5. CASH AND CASH EQUIVALENTS

	31 March 2013 (Unaudited) SAR'000	
	Takaful Operations	Shareholders
Bank balances	45,018	1,506
Murabaha deposits	-	111,910
	45,018	113,416

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2013

5. CASH AND CASH EQUIVALENTS (continued)

	2012 (Audited) SAR '000	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	21,507	3,594
Murabaha deposits	-	111,628
	<u>21,507</u>	<u>115,222</u>

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

6. OUTSTANDING CLAIMS

	31 March 2013 (Unaudited)		
	<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	16,054	(11,434)	4,620
- Incurred but not reported reserve	17,078	(12,841)	4,237
General Takaful outstanding claims			
- Outstanding claim and other reserves	35,056	(26,996)	8,060
- Incurred but not reported reserve	3,151	(1,712)	1,439
Total outstanding claims	<u>71,339</u>	<u>(52,983)</u>	<u>18,356</u>

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

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

a) Movement in reserve for takaful activities

	<i>Three months ended 31 March 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	(25,749)	(41,971)
Planholder charges	(5,118)	(21,237)
Net change in fair value of investments	<u>12,731</u>	<u>31,472</u>
Balance as at the end of the period/ year	<u>485,104</u>	<u>503,240</u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2013

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

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

b) Movement in unearned contribution

	<i>Three months ended 31 March 2013</i>		
	<i>(Unaudited)</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 period	21,448	(11,642)	9,806
Contribution written during the period	19,628	(10,929)	8,699
Contribution earned during the period	(22,045)	13,030	(9,015)
Balance as at the end of the period	19,031	(9,541)	9,490

	<i>Year ended 31 December 2012</i>		
	<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	(90,057)	45,444	(44,613)
Balance as at the end of the year	21,448	(11,642)	9,806

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, policy acquisition costs - net, underwriting surplus, investment income, general and administrative expenses, net (deficit)/ surplus, 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 contributions receivable, prepayments and other receivables and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include retakaful balances payable, due to shareholders and payables, accrued expenses and others. 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.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2013

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 three months ended					
31 March 2013 (Unaudited)					
Gross written contribution	-	21,984	14,557	5,071	41,612
Net written contribution	-	26,771	7,184	1,515	35,470
Net contributions earned	-	52,521	6,854	2,160	61,535
Fees and commission income	-	-	-	1,682	1,682
Net claims incurred	-	(32)	(4,128)	103	(4,057)
Surrenders	-	(47,625)	-	-	(47,625)
Policy acquisition costs, net	-	(969)	(854)	25	(1,798)
Underwriting surplus for the period	-	3,895	1,872	3,970	9,737
Investment income	1,368	362	-	-	1,730
General and administrative expenses	(1,024)	(1,679)	(2,428)	(3,385)	(8,516)
Net surplus/ (deficit) for the period	344	2,578	(556)	585	2,951
Surplus from takaful operations after shareholders' appropriation					(261)
Net profit for the period					2,690
Purchase of intangible assets	-	-	-	-	-
Amortisation	-	-	-	-	69
Depreciation	-	-	-	-	9
31 March 2013 (Unaudited)					
Intangible assets	1,037	-	-	-	1,037
Motor vehicles	3	-	-	-	3
Takaful operations' assets					
Available for sale investments	-	491,584	-	-	491,584
Contribution receivables, net	-	-	6,540	3,806	10,346
Retakaful share of outstanding claims	-	177	24,098	28,708	52,983
Retakaful share of unearned contributions	-	-	1,349	8,192	9,541
Deferred policy acquisition costs	-	-	450	1,072	1,522
Unallocated assets	-	-	-	-	46,362
Total takaful operations' assets					612,338
Total shareholders' assets	345,621	-	-	-	345,621
Total assets					957,959
Takaful operations' liabilities					
Reserve for takaful activities	-	485,104	-	-	485,104
Unearned contributions	-	-	4,536	14,495	19,031
Gross outstanding claims	-	844	32,289	38,206	71,339
Unearned commission income	-	-	-	1,988	1,988
Unallocated liabilities	-	-	-	-	34,615
Total takaful operations' liabilities					612,077
Total shareholders' liabilities	9,805	-	-	-	9,805
Total liabilities					621,882

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2013

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 three months ended					
31 March 2012 (Unaudited)					
Gross written contribution	-	27,808	13,977	7,095	48,880
Net written contribution	-	31,696	7,003	3,523	42,222
Net contributions earned	-	58,359	7,077	3,627	69,063
Fees and commission income	-	-	-	1,116	1,116
Net claims incurred	-	25	(278)	(1,135)	(1,388)
Surrenders	-	(55,681)	-	-	(55,681)
Policy acquisition costs, net	-	(1,396)	(784)	(536)	(2,716)
Underwriting surplus for the period	-	1,307	6,015	3,072	10,394
Investment income	1,134	344	37	17	1,532
General and administrative expenses	(1,011)	(2,846)	(1,815)	(4,204)	(9,876)
Net surplus/ (deficit) for the period	123	(1,195)	4,237	(1,115)	2,050
Surplus from takaful operations after shareholders' appropriation					(193)
Net profit for the period					1,857
Purchase of intangible assets	(159)	-	-	-	(159)
Amortisation	478	-	-	-	478
Depreciation	17	-	-	-	17
31 December 2012 (Audited)					
Intangible assets	1,106	-	-	-	1,106
Motor vehicles	12	-	-	-	12
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
Total takaful operations' assets					620,922
Total shareholders' assets	346,905	-	-	-	346,905
Total assets					967,827
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
Total takaful operations' liabilities					619,529
Total shareholders' liabilities	12,521	-	-	-	12,521
Total liabilities					632,050

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 (continued)

31 March 2013

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 31 March 2013 SAR'000 (Unaudited)</i>	<i>Three months ended 31 March 2012 SAR'000 (Unaudited)</i>
Net profit for the period (SAR'000)	<u>2,690</u>	<u>1,857</u>
Weighted average number of ordinary share (Number in thousands)	<u>34,000</u>	<u>34,000</u>
Profit per share (SAR)	<u>0.08</u>	<u>0.05</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 31 March 2013 SAR'000 (Unaudited)</i>	<i>Three months ended 31 March 2012 SAR'000 (Unaudited)</i>
- Contributions		
- The Saudi British Bank	9,761	10,041
- Amlak	<u>303</u>	<u>271</u>
- Claims		
- The Saudi British Bank	<u>4,313</u>	<u>4,282</u>
- Commission and other expenses -	<u>3,845</u>	<u>4,302</u>

Commission and other expenses pertain to the Saudi British Bank (SABB), a shareholder of the Company, except the commission which 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 31 March 2013 SAR'000</i>		<i>Three months period ended 31 March 2012 SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	<u>927</u>	<u>-</u>	<u>893</u>	<u>-</u>

31 March 2013

11. COMMITMENTS AND 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 31 March 2013, has not made any further provision in excess of the amount deemed appropriate under the said policy.

12. COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to confirm with the presentation in the current period

13. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 06 Jumada Al-Akhirah 1434H corresponding to 16 April 2013.