
SABB TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED 30 SEPTEMBER 2013**



Aldar Audit Bureau

Abdullah AlBasri & 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 September 30, 2013 and the related interim statement of income - takaful operations and interim statement of comprehensive income - shareholders' operations for the three-month and nine-month periods ended September 30, 2013 and interim statements of changes in shareholders' equity and cash flows for takaful and shareholders' operations for the nine-month period then ended and 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.

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Date: October 27, 2013
Corresponding to: Dhu-al-Hijja 22, 1434H



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Notes	30 September 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	459,792	509,613
Contributions receivable, net	4	14,960	24,938
Retakaful share of outstanding claims	6	46,496	46,536
Retakaful share of unearned contributions	7 (b)	8,928	11,642
Deferred policy acquisition costs		1,522	1,444
Prepayments and other receivables		1,116	1,101
Due from shareholders		2,448	4,141
Cash and cash equivalents	5	45,476	21,507
TOTAL TAKAFUL OPERATIONS' ASSETS		580,738	620,922
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		897	1,106
Motor vehicles		-	12
Held to maturity investments	3	206,513	194,513
Prepayments and other receivables		2,060	2,052
Statutory deposit		34,000	34,000
Cash and cash equivalents	5	108,260	115,222
TOTAL SHAREHOLDERS' ASSETS		351,730	346,905
TOTAL ASSETS		932,468	967,827


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 September 2013

	Notes	30 September 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7 (a)	452,076	503,240
Surplus distribution payable		2,927	1,534
Unearned contributions	7 (b)	20,082	21,448
Gross outstanding claims	6	63,771	62,524
Unearned commission income		2,128	2,174
Retakaful balances payable, net		17,988	11,757
Payables, accruals and others		16,888	16,852
Provision for employees' end-of-service benefits	11	3,804	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES		579,664	619,529
TAKAFUL OPERATIONS' SURPLUS		1,074	1,393
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		580,738	620,922
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital		340,000	340,000
Legal reserve		4,800	4,800
Accumulated losses		(3,627)	(10,416)
TOTAL SHAREHOLDERS' EQUITY		341,173	334,384
SHAREHOLDERS' LIABILITIES			
Payables, accruals and others		3,604	3,233
Due to takaful operations		2,448	4,141
Provision for zakat and tax	13	4,505	5,147
		10,557	12,521
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		351,730	346,905
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		932,468	967,827


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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME - TAKAFUL OPERATIONS (UNAUDITED)

For the three and nine months ended 30 September 2013

	<i>Three months ended 30 September 2013 SR'000</i>	<i>Three months ended 30 September 2012 SR'000</i>	<i>Nine months ended 30 September 2013 SR'000</i>	<i>Nine months ended 30 September 2012 SR'000</i>
Gross contributions written				
- Family Takaful	38,655	40,407	113,779	134,294
- General Takaful	8,671	10,502	20,526	25,941
	<u>47,326</u>	<u>50,909</u>	<u>134,305</u>	<u>160,235</u>
Family Takaful - Planholder charges	6,459	4,731	17,562	15,457
Gross contributions written and Planholder charges	53,785	55,640	151,867	175,692
Retakaful contribution ceded	(14,859)	(10,935)	(38,513)	(31,793)
Net written contribution	38,926	44,705	113,354	143,899
Changes in gross unearned contributions	(1,979)	(1,511)	1,366	3,041
Changes in retakaful share of unearned contributions	1,031	1,512	(2,714)	(3,041)
Changes in reserve for takaful activities	24,848	(3,066)	67,042	18,952
Net contributions earned	62,826	41,640	179,048	162,851
Fees and commission income	2,136	1,152	4,803	2,754
Underwriting revenue	64,962	42,792	183,851	165,605
Gross claims paid	(4,737)	(8,272)	(17,024)	(20,850)
Retakaful share of claims paid	3,165	6,950	11,807	14,190
Net claims paid	(1,572)	(1,322)	(5,217)	(6,660)
Changes in gross outstanding claims	7,006	(178)	(1,247)	2,470
Changes in retakaful share of outstanding claims	(7,070)	60	(40)	(694)
Net claims incurred	(1,636)	(1,440)	(6,504)	(4,884)
Surrenders and maturities	(49,173)	(24,267)	(138,325)	(113,016)
Net claims incurred, surrenders and maturities	(50,809)	(25,707)	(144,829)	(117,900)
Policy acquisition costs	(2,331)	(3,841)	(6,791)	(10,914)
Total claims, surrenders, maturities and other expenses	(53,140)	(29,548)	(151,620)	(128,814)
Underwriting surplus for the period	11,822	13,244	32,231	36,791
Investment income	352	376	1,069	1,145
General and administrative expenses	(8,902)	(10,377)	(22,560)	(27,441)
Net surplus for the period from takaful operations	3,272	3,243	10,740	10,495
Transfer of net surplus for the period to shareholders' operations	(2,945)	(2,918)	(9,666)	(9,445)
Net surplus for the period	<u>327</u>	<u>325</u>	<u>1,074</u>	<u>1,050</u>

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


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SABB Takaful Company (A Saudi Joint Stock Company)

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

For the three and nine months ended 30 September 2013

	<i>Note</i>	<i>Three months ended 30 September 2013 SR'000</i>	<i>Three months ended 30 September 2012 SR'000</i>	<i>Nine months ended 30 September 2013 SAR'000</i>	<i>Nine months ended 30 September 2012 SAR'000</i>
Investment income		213	218	648	533
Income from sukuku		1,220	1,022	3,512	2,317
Realized gains on financial assets - available for sale investments		-	-	-	412
Total revenue		1,433	1,240	4,160	3,262
Transfer of net surplus for the period from takaful operations		2,945	2,918	9,666	9,445
General and administrative expenses		(755)	(797)	(2,334)	(2,717)
Net profit for the period		3,623	3,361	11,492	9,990
Other comprehensive income					
- Realised gains on financial assets - available for sale investments		-	-	-	(406)
Total comprehensive income for the period		3,623	3,361	11,492	9,584
Basic and diluted earnings per share (SAR)	9	0.11	0.10	0.34	0.29


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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the nine months ended 30 September 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	-	-	-	11,492	11,492
Provision for zakat and tax	-	-	-	(4,703)	(4,703)
Balance as at 30 September 2013	<u>340,000</u>	<u>4,800</u>	<u>-</u>	<u>(3,627)</u>	<u>341,173</u>
Balance as at 1 January 2012	340,000	2,043	406	(16,246)	326,203
Net profit for the period	-	-	-	9,990	9,990
Realized gains on financial assets - available for sale investments	-	-	(406)	-	(406)
Provision for zakat and tax	-	-	-	(4,010)	(4,010)
Balance as at 30 September 2012	<u>340,000</u>	<u>2,043</u>	<u>-</u>	<u>(10,266)</u>	<u>331,777</u>


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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS

(UNAUDITED)

For the nine months ended 30 September 2013

	<i>Nine months ended 30 September 2013 SR'000</i>	<i>Nine months ended 30 September 2012 SR'000</i>
OPERATING ACTIVITIES		
Surplus from takaful operations after shareholders' appropriation	1,074	1,050
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from operating activities:		
Shareholders' appropriation from surplus	9,666	9,445
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities	10,740	10,495
Changes in operating assets and liabilities:		
Available for sale investments, net	49,821	11,944
Contributions receivable, net	9,978	(4,994)
Retakaful share of outstanding claims	40	1,034
Retakaful share of unearned contributions	2,714	3,042
Deferred policy acquisition costs	(78)	268
Prepayments and other receivables	(15)	(1,264)
Reserve for takaful activities	(51,164)	(10,189)
Unearned contributions	(1,366)	(3,041)
Gross outstanding claims	1,247	(2,475)
Unearned commission income	(46)	276
Retakaful balances payable, net	6,231	(3,356)
Payables, accruals and others	36	6,234
Provision for employees' end-of-service benefits	3,804	-
Net cash from operating activities	31,942	7,974
FINANCING ACTIVITY		
Due from shareholders, net	(7,973)	2,056
Net cash (used in)/ from financing activity	(7,973)	2,056
INCREASE IN CASH AND CASH EQUIVALENTS	23,969	10,030
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21,507	45,240
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	45,476	55,270
Non-cash supplemental information:		
Net change in fair value of available-for-sale investments	33,440	24,220

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS
(UNAUDITED)

For the nine months ended 30 September 2013

	<i>Nine months ended 30 September 2013 SR'000</i>	<i>Nine months ended 30 September 2012 SR'000</i>
OPERATING ACTIVITIES		
Net profit for the period	11,492	9,990
Adjustment to reconcile net profit to net cash used in operating activities:		
Appropriation of surplus from takaful operations	(9,666)	(9,445)
Gain on sale of motor vehicle	-	(23)
Amortisation	209	1,242
Depreciation	12	47
	<u>2,047</u>	<u>1,811</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(8)	(270)
Payables, accruals and others	371	(343)
Due to takaful operations, net	7,973	(2,056)
Zakat and tax paid	(5,345)	(4,784)
	<u>5,038</u>	<u>(5,642)</u>
Net cash from / (used in) operating activities		
INVESTING ACTIVITIES		
Purchase of intangible assets	-	(1,423)
Disposal of motor vehicle	-	73
Purchase of held to maturity investments	(12,000)	(129,513)
Maturity of held to maturity investments	-	10,000
Disposal of available for sale investments	-	50,000
	<u>(12,000)</u>	<u>(70,863)</u>
Net cash used in investing activities		
DECREASE IN CASH AND CASH EQUIVALENTS	(6,962)	(76,505)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	115,222	174,927
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5 <u>108,260</u>	<u>98,422</u>


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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 September 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 nine months ended 30 September 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 have had either insignificant effect or no financial impact on the condensed interim financial statements of the Company on the current period or prior periods and are expected to have a 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 September 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 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 September 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	459,792	-
<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
	-	206,513
Total investments	459,792	206,513

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 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
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, 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 September 2013 is SAR 207.25 million (31 December 2012: SAR 196.10 million).
- c) The movement in the available for sale investments held to cover unit-linked liabilities were as follows:

	30 September 2013 (Unaudited) SAR'000	31 December 2012 (Audited) SAR'000
Opening balance	509,613	542,646
Purchased during the period/ year	68,591	52,544
Sold during the period/ year	(151,852)	(117,049)
	426,352	478,141
Net change in fair values of investments	33,440	31,472
Closing balance	459,792	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 September 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).

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:

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

4. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 September 2013 (Unaudited) SAR'000</i>	<i>31 December 2012 (Audited) SAR'000</i>
Due from planholders	9,011	9,805
Due from related parties	8,157	17,553
	17,168	27,358
Provision for impairment	(2,208)	(2,420)
	14,960	24,938

5. CASH AND CASH EQUIVALENTS

	<i>30 September 2013 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	45,476	6,308
Murabaha deposits	-	101,952
	45,476	108,260
	<i>31 December 2012 (Audited) SAR'000</i>	
	<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.

SABB Takaful Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 September 2013

6. OUTSTANDING CLAIMS

	<i>30 September 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 reserves	12,789	(9,849)	2,940
- Incurred but not reported reserve and other reserves	9,684	(7,220)	2,464
General Takaful outstanding claims			
- Outstanding claim reserves	31,125	(27,777)	3,348
- Incurred but not reported reserve and other reserves	10,173	(1,650)	8,523
Total outstanding claims	63,771	(46,496)	17,275
	<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 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	62,524	(46,536)	15,988

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

a) Movement in reserve for takaful activities

	<i>Nine months ended 30 September 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	(67,042)	(41,971)
Planholder charges	(17,562)	(21,237)
Net change in fair value of investments	33,440	31,472
Balance as at the end of the period/ year	452,076	503,240

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

b) Movement in unearned contribution

	<i>Nine months ended 30 September 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	61,678	(37,518)	24,160
Contribution earned during the period	(63,044)	40,232	(22,812)
Balance as at the end of the period	20,082	(8,928)	11,154

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)

	<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	<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.

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 three months ended					
30 September 2013 (Unaudited)					
Gross written contribution	-	25,183	13,472	8,671	47,326
Net written contribution	-	31,311	3,899	3,716	38,926
Net contributions earned	-	56,159	2,502	4,165	62,826
Fees and commission income	-	351	-	1,785	2,136
Net claims incurred	-	(219)	1,123	(2,540)	(1,636)
Surrenders and maturities	-	(49,173)	-	-	(49,173)
Policy acquisition costs, net	-	(716)	(1,078)	(537)	(2,331)
Underwriting surplus for the period	-	6,402	2,547	2,873	11,822
Investment income	1,433	352	-	-	1,785
General and administrative expenses	(755)	(2,351)	(2,520)	(4,031)	(9,657)
Net surplus/ (deficit) for the period	678	4,403	27	(1,158)	3,950
Surplus from takaful operations after shareholders' appropriation					(327)
Net profit for the period					3,623
Amortisation	70	-	-	-	70
For the nine months ended					
30 September 2013 (Unaudited)					
Gross written contribution	-	72,627	41,152	20,526	134,305
Net written contribution	-	89,194	14,550	9,610	113,354
Net contributions earned	-	156,236	12,972	9,840	179,048
Fees and commission income	-	536	-	4,267	4,803
Net claims incurred	-	141	(3,721)	(2,924)	(6,504)
Surrenders and maturities	-	(138,325)	-	-	(138,325)
Policy acquisition costs, net	-	(3,044)	(2,046)	(1,701)	(6,791)
Underwriting surplus for the period	-	15,544	7,205	9,482	32,231
Investment income	4,160	1,069	-	-	5,229
General and administrative expenses	(2,334)	(5,922)	(6,753)	(9,885)	(24,894)
Net surplus/ (deficit) for the period	1,826	10,691	452	(403)	12,566
Surplus from takaful operations after shareholders' appropriation					(1,074)
Net profit for the period					11,492
Amortisation	209	-	-	-	209
Depreciation	12	-	-	-	12

SABB Takaful Company (A Saudi Joint Stock Company)

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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>
30 September 2013 (Unaudited)					
Intangible assets	897	-	-	-	897
Takaful operations' assets					
Available for sale investments	-	459,792	-	-	459,792
Contribution receivables, net	-	-	7,007	7,953	14,960
Retakaful share of outstanding claims	-	175	16,894	29,427	46,496
Retakaful share of unearned contributions	-	-	2,292	6,636	8,928
Deferred policy acquisition costs	-	-	445	1,077	1,522
Unallocated assets	-	-	-	-	49,040
Total takaful operations' assets					580,738
Total shareholders' assets	351,730	-	-	-	351,730
Total assets					932,468
Takaful operations' liabilities					
Reserve for takaful activities	-	452,076	-	-	452,076
Unearned contributions	-	-	6,727	13,355	20,082
Gross outstanding claims	-	490	21,983	41,298	63,771
Unearned commission income	-	-	-	2,128	2,128
Unallocated liabilities	-	-	-	-	41,607
Total takaful operations' liabilities					579,664
Total shareholders' liabilities	10,557	-	-	-	10,557
Total liabilities					590,221
For the three months ended					
30 September 2012 (Unaudited)					
Gross written contribution	-	26,598	13,809	10,502	50,909
Net written contribution	-	31,002	7,823	5,880	44,705
Net contributions earned	-	27,936	7,669	6,035	41,640
Fees and commission income	-	(16)	605	563	1,152
Net claims incurred	-	(864)	(1,473)	897	(1,440)
Surrenders	-	(24,267)	-	-	(24,267)
Policy acquisition costs, net	-	(2,346)	(525)	(970)	(3,841)
Underwriting surplus for the period	-	443	6,276	6,525	13,244
Investment income	1,240	371	-	5	1,616
General and administrative expenses	(797)	(3,767)	(1,685)	(4,925)	(11,174)
Net surplus/ (deficit) for the period	443	(2,953)	4,591	1,605	3,686
Surplus from takaful operations after shareholders' appropriation					(325)
Net profit for the period					3,361
Purchase of intangible assets	(74)	-	-	-	(74)
Amortisation	68	-	-	-	68
Depreciation	14	-	-	-	14

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 nine months ended					
30 September 2012 (Unaudited)					
Gross written contribution	-	92,309	41,985	25,941	160,235
Net written contribution	-	106,788	23,012	14,099	143,899
Net contributions earned	-	125,739	23,062	14,050	162,851
Fees and commission income	-	(53)	310	2,497	2,754
Net claims incurred	-	(201)	(5,215)	532	(4,884)
Surrenders	-	(113,016)	-	-	(113,016)
Policy acquisition costs, net	-	(6,543)	(2,018)	(2,353)	(10,914)
	<u>-</u>	<u>5,926</u>	<u>16,139</u>	<u>14,726</u>	<u>36,791</u>
Underwriting surplus for the period	-	5,926	16,139	14,726	36,791
Investment income	3,262	1,071	50	24	4,407
General and administrative expenses	(2,717)	(9,596)	(5,395)	(12,450)	(30,158)
	<u>545</u>	<u>(2,599)</u>	<u>10,794</u>	<u>2,300</u>	<u>11,040</u>
Net surplus/ (deficit) for the period					
Surplus from takaful operations after shareholders' appropriation					(1,050)
Net profit for the period					9,990
Purchase of intangible assets	(1,423)	-	-	-	(1,423)
Amortisation	1,242	-	-	-	1,242
Depreciation	47	-	-	-	47
	<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>346,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>620,922</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>667,827</u>
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
	<u>12,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>619,529</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>632,050</u>
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)

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9. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings 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 September 2013 SAR'000 (Unaudited)</i>	<i>Three months ended 30 September 2012 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2013 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2012 SAR'000 (Unaudited)</i>
Net profit for the period (SAR'000)	<u>3,623</u>	<u>3,361</u>	<u>11,492</u>	<u>9,990</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>
Earnings per share (SAR)	<u>0.11</u>	<u>0.10</u>	<u>0.34</u>	<u>0.29</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 follows:

	<i>Three months ended 30 September 2013 SAR'000 (Unaudited)</i>	<i>Three months ended 30 September 2012 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2013 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2012 SAR'000 (Unaudited)</i>
- Contributions				
- The Saudi British Bank	13,282	13,236	34,640	33,613
- Amlak International Real Estate and Development	-	-	347	-
- Claims				
- The Saudi British Bank	3,684	3,691	12,700	11,161
- Commission and other expenses	3,810	4,766	11,424	15,159

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 September 2013 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 September 2012 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	<u>1,016</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)

	<i>Nine months period ended 30 September 2013 SAR'000 (Unaudited)</i>		<i>Nine months period ended 30 September 2012 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	<u>2,945</u>	<u>-</u>	<u>2,679</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 presented in the books of The Saudi British Bank – SABB (a shareholder of the Company). The monthly provision was being settled by the Company on a monthly basis with the corresponding charge being booked in the Company's statement of 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 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, was 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 September 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) 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 filed an appeal against the final tax/ zakat assessments for the years from 2008 to 2010. During the quarter ended 30 September 2013, hearing was held for the said appeal in Preliminary Zakat and Tax Appeal Committee (PAC III). However, the decision of the Committee is still pending as at 30 September 2013. Further, 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 17 Thul-Hijjah 1434H corresponding to 22 October 2013.