
SABB TAKAFUL COMPANY

(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS
ENDED 30 JUNE 2012**



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 30 June 2012, and the related interim statements of takaful operations, shareholders' operations, shareholders' comprehensive operations for the three-month and six-month periods ended 30 June 2012, and statements of changes in shareholders' equity and takaful operations and shareholders' cash flows for the six-month period then ended and the attached notes 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 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.

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26 Shaban 1433H
16 July 2012



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 (Unaudited) SAR'000	31 December 2011 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	516,082	542,646
Contributions receivable, net	4	9,572	7,519
Retakaful share of outstanding claims	6	38,959	40,326
Retakaful share of unearned contributions	7 (b)	7,561	12,114
Deferred policy acquisition costs		2,130	2,185
Prepayments and other receivables		947	432
Cash and cash equivalents	5	58,865	45,240
TOTAL TAKAFUL OPERATIONS' ASSETS		634,116	650,462
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		1,170	995
Motor vehicles		84	117
Held to maturity investments	3	170,000	60,000
Available for sale investments	3	-	50,406
Prepayments and other receivables		1,749	1,453
Statutory deposit		34,000	34,000
Due from takaful operations		23,157	12,272
Cash and cash equivalents	5	104,722	174,927
TOTAL SHAREHOLDERS' ASSETS		334,882	334,170
TOTAL ASSETS		968,998	984,632

Mohammed Al Dowais
Chief Financial Officer

Adrian Flowers
Chief Executive Officer

Fouad Bahrawi
Chairman

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

At 30 June 2012

	Notes	30 June 2012 (Unaudited) SAR'000	31 December 2011 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7 (a)	509,432	534,976
Surplus distribution payable		1,534	79
Unearned contributions	7 (b)	17,169	21,721
Gross outstanding claims	6	55,738	57,587
Unearned commission income		1,590	2,255
Retakaful balances payable, net		8,816	8,185
Payables, accruals and others		15,955	11,932
Due to shareholders		23,157	12,272
TOTAL TAKAFUL OPERATIONS' LIABILITIES		633,391	649,007
TAKAFUL OPERATIONS' SURPLUS		725	1,455
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		634,116	650,462
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Issued share capital		340,000	340,000
Legal reserve		2,043	2,043
Change in fair value of available for sale investments		-	406
Accumulated losses		(12,248)	(16,246)
TOTAL SHAREHOLDERS' EQUITY		329,795	326,203
SHAREHOLDERS' LIABILITIES			
Payables, accruals and others		2,507	3,234
Provision for zakat and tax		2,580	4,733
		5,087	7,967
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		334,882	334,170
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		968,998	984,632

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF TAKAFUL OPERATIONS (UNAUDITED)

For the three and six months ended 30 June 2012

	<i>Three months ended 30 June 2012 SR'000</i>	<i>Three months ended 30 June 2011 SR'000</i>	<i>Six months ended 30 June 2012 SR'000</i>	<i>Six months ended 30 June 2011 SR'000</i>
Gross contributions written				
- Family Takaful	52,102	74,288	93,887	129,128
- General Takaful	8,344	6,706	15,439	14,999
Family Takaful - Planholder charges	6,516	7,236	10,726	12,560
Gross contributions written and Planholder charges	66,962	88,230	120,052	156,687
Retakaful contribution ceded	(9,990)	(5,017)	(20,858)	(9,515)
Net written contribution	56,972	83,213	99,194	147,172
Changes in gross unearned contributions	1,735	10,157	4,552	20,697
Changes in retakaful share of unearned contributions	(1,912)	(7,048)	(4,553)	(13,707)
Changes in reserve for takaful activities	(4,647)	(45,354)	22,018	(64,938)
Net contributions earned	52,148	40,968	121,211	89,224
Fees and commission income	525	1,207	1,602	2,662
Underwriting revenue	52,673	42,175	122,813	91,886
Gross claims paid	(5,599)	(8,323)	(12,578)	(13,889)
Retakaful share of claims paid	3,423	5,318	7,240	8,944
Net claims paid	(2,176)	(3,005)	(5,338)	(4,945)
Changes in gross outstanding claims	(6,222)	350	2,648	(1,401)
Changes in retakaful share of outstanding claims	6,342	813	(754)	1,699
Net claims incurred	(2,056)	(1,842)	(3,444)	(4,647)
Surrenders	(33,068)	(24,176)	(88,749)	(55,212)
Net claims incurred & surrenders	(35,124)	(26,018)	(92,193)	(59,859)
Policy acquisition costs, net	(4,396)	(4,921)	(7,073)	(9,058)
Total claims, surrenders and other expenses	(39,520)	(30,939)	(99,266)	(68,917)
Underwriting surplus for the period	13,153	11,236	23,547	22,969
Investment income	371	294	769	851
General and administrative expenses	(8,199)	(7,969)	(17,064)	(17,844)
Net surplus for the period from takaful operations	5,325	3,561	7,252	5,976
Shareholders' appropriation of surplus from takaful operations	(4,793)	(3,204)	(6,527)	(5,378)
Accumulated surplus at the end of period	532	357	725	598

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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 SHAREHOLDERS' OPERATIONS (UNAUDITED)

For the three and six months ended 30 June 2012

		<i>Three months ended 30 June 2012 SAR'000</i>	<i>Three months ended 30 June 2011 SAR'000</i>	<i>Six months ended 30 June 2012 SAR'000</i>	<i>Six months ended 30 June 2011 SAR'000</i>
	<i>Note</i>				
Investment income		137	179	315	412
Income from sukuks		751	322	1,295	643
Realized gains on financial assets - available for sale investments		-	-	412	-
Total revenue		888	501	2,022	1,055
Shareholders' appropriation of surplus from takaful operations		4,793	3,204	6,527	5,378
General and administrative expenses		(909)	(1,035)	(1,920)	(2,938)
Net profit for the period		4,772	2,670	6,629	3,495
Basic and diluted profit per share (SAR)	9	0.14	0.08	0.19	0.10

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
(UNAUDITED)

For the three and six months ended 30 June 2012

	<i>Note</i>	<i>Three months ended 30 June 2012 SAR'000</i>	<i>Three months ended 30 June 2011 SAR'000</i>	<i>Six months ended 30 June 2012 SAR'000</i>	<i>Six months ended 30 June 2011 SAR'000</i>
Net profit for the period		4,772	2,670	6,629	3,495
Other comprehensive income:					
Change in fair value of available for sale investments	3 (d)	-	51	-	141
Other comprehensive expense:					
Provision for zakat and tax		(1,474)	(1,224)	(2,631)	(2,375)
Total comprehensive profit for the period		3,298	1,497	3,998	1,261

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the six months ended 30 June 2012

	<i>Share capital</i> SAR'000	<i>Legal reserve</i>	<i>Change in fair value of available for sale investments</i> SAR'000	<i>Accumulated losses</i> SAR'000	<i>Total</i> SAR'000
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	340,000	2,043	-	(12,248)	329,795
Balance as at 1 January 2011	340,000	-	154	(19,684)	320,470
Net profit for the period	-	-	-	3,495	3,495
Other comprehensive income	-	-	141	-	141
Provision for zakat and tax	-	-	-	(2,375)	(2,375)
Balance as at 30 June 2011	340,000	-	295	(18,564)	321,731

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF TAKAFUL OPERATIONS' CASH FLOWS

(UNAUDITED)

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 SAR'000	Six months ended 30 June 2011 SAR'000
OPERATING ACTIVITIES			
Surplus from takaful operations after shareholders' appropriation		725	598
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from surplus		6,527	5,378
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		7,252	5,976
Changes in operating assets and liabilities:			
Available for sale investments		26,564	(59,353)
Contributions receivable, net		(2,053)	29,629
Retakaful share of outstanding claims		1,367	(1,507)
Retakaful share of unearned contributions		4,553	13,706
Deferred policy acquisition costs		55	682
Prepayments and other receivables		(515)	(307)
Reserve for takaful activities		(25,544)	59,353
Unearned contributions		(4,552)	(20,697)
Gross outstanding claims		(1,849)	1,116
Unearned commission income		(665)	(1,111)
Retakaful balances payable, net		631	(21,298)
Payables, accruals and others		4,023	(10,041)
Net cash from/ (used in) operating activities		9,267	(3,852)
FINANCING ACTIVITY			
Due to shareholders, net		4,358	9,262
Net cash from financing activity		4,358	9,262
INCREASE IN CASH AND CASH EQUIVALENTS		13,625	5,410
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		45,240	60,164
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	58,865	65,574
Non-cash supplemental information:			
Net change in fair value of available for sale investments	3 (c)	7,200	6,975

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2012

	<i>Notes</i>	<i>Six months ended 30 June 2012 SAR'000</i>	<i>Six months ended 30 June 2011 SAR'000</i>
OPERATING ACTIVITIES			
Net profit for the period		6,629	3,495
Adjustment to reconcile net loss to net cash provided by operating activities:			
Appropriation of surplus from takaful operations		(6,527)	(5,378)
Amortisation		1,174	732
Depreciation		33	33
		<u>1,309</u>	<u>(1,118)</u>
Changes in operating assets and liabilities:			
Prepayments and other receivables		(296)	(420)
Payables, accruals and others		(727)	(51)
Zakat paid		(4,784)	(3,969)
		<u>(4,498)</u>	<u>(5,558)</u>
Net cash used in operating activities			
INVESTING ACTIVITIES			
Purchase of intangible assets		(1,349)	(149)
Due from takaful operations, net		(4,358)	(9,262)
Purchase of held to maturity investments		(110,000)	(20,000)
Disposal of available for sale investments		50,000	19,554
		<u>(65,707)</u>	<u>(9,857)</u>
Net cash used in investing activities			
DECREASE IN CASH AND CASH EQUIVALENTS			
		(70,205)	(15,415)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
		174,927	169,262
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	5	<u>104,722</u>	<u>153,847</u>
Non-cash supplemental information:			
Net change in fair value of available for sale investments	3 (d)	-	141

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SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

30 June 2012

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 six months ended 30 June 2012 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 2011.

In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim 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 2011, except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on these interim condensed financial statements of the Company:

Improvements to IFRSs 2010 (effective date 1 January 2011):

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

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)

30 June 2012

3. INVESTMENTS

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

	30 June 2012 (Unaudited) SAR'000	
	Takaful Operations	Shareholders
<i>Available for sale investments – quoted</i>		
Investment in Amanah Mutual Funds	516,082	-
<i>Held to maturity investments</i>		
Saudi Electricity Company Sukuk (SEC-III) – quoted	-	25,000
Saudi Electricity Company Sukuk (SEC-I) – quoted	-	5,000
SABIC Sukuk (SABIC-II) – quoted	-	5,000
Saudi Hollandi Bank Sukuk – 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
	-	170,000
Total investments	516,082	170,000
	31 December 2011 (Audited) SAR'000	
	Takaful Operations	Shareholders
<i>Available for sale investments – quoted</i>		
Investment in Amanah Mutual Funds	542,646	50,406
<i>Held to maturity investments</i>		
Saudi Electricity Company Sukuk (SEC-III) – quoted	-	25,000
Saudi Electricity Company Sukuk (SEC-I) – quoted	-	5,000
SABIC Sukuk (SABIC-II) – quoted	-	5,000
Saudi Hollandi Bank Sukuk – unquoted	-	5,000
Bank Al Jazira Sukuk – unquoted	-	20,000
	-	60,000
Total investments	542,646	110,406

The SABIC-II Sukuk and SEC-I Sukuk will mature on 15 July 2027, with a 'put option' available to the Company to seek redemption of the instrument on 15 July 2012. 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 Saudi Hollandi Bank Sukuk, Bank Al Jazira Sukuk, General Authority of Civil Aviation Sukuk, The National Industrialization Company Sukuk and Olayan Real Estate Company Sukuk will mature on 29 December 2019, 28 March 2021, 18 January 2022, 21 May 2019 and 25 June 2017 respectively.

- b) The fair value of held-to-maturity investments as at 30 June 2012 is SAR 170.16 million (31 December 2011: SAR 59.96 million).

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

30 June 2012

3. INVESTMENTS (continued)

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

	<i>30 June 2012 (Unaudited) SAR'000</i>	<i>31 December 2011 (Audited) SAR'000</i>
Opening balance	542,646	485,155
Purchased during the period/ year	11,222	147,627
Sold during the period/ year	(44,986)	(83,549)
	<u>508,882</u>	<u>549,233</u>
Net change in fair values of investments	7,200	(6,587)
Closing balance	<u><u>516,082</u></u>	<u><u>542,646</u></u>

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

	<i>30 June 2012 (Unaudited) SAR'000</i>	<i>31 December 2011 (Audited) SAR'000</i>
Opening balance	50,406	50,154
Purchased during the period/ year	(50,406)	-
	<u>-</u>	<u>50,154</u>
Net change in fair values of investments	-	252
Closing balance	<u><u>-</u></u>	<u><u>50,406</u></u>

4. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 June 2012 (Unaudited) SAR'000</i>	<i>31 December 2011 (Audited) SAR'000</i>
Due from planholders	10,407	5,478
Due from a shareholder	990	3,270
	<u>11,397</u>	<u>8,748</u>
Provision for impairment	(1,825)	(1,229)
	<u><u>9,572</u></u>	<u><u>7,519</u></u>

5. CASH AND CASH EQUIVALENTS

	<i>30 June 2012 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	33,865	3,457
Murabaha deposits	25,000	101,265
	<u>58,865</u>	<u>104,722</u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

30 June 2012

5. CASH AND CASH EQUIVALENTS (continued)

	<i>31 December 2011 (Audited)</i>	
	<i>SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	29,207	2,920
Murabaha deposits	16,033	172,007
	<u>45,240</u>	<u>174,927</u>

6. OUTSTANDING CLAIMS

	<i>30 June 2012 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims	20,276	(14,436)	5,840
General Takaful outstanding claims	35,462	(24,523)	10,939
Total outstanding claims	<u>55,738</u>	<u>(38,959)</u>	<u>16,779</u>

	<i>31 December 2011 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims	13,232	(8,862)	4,370
General Takaful outstanding claims	44,355	(31,464)	12,891
Total outstanding claims	<u>57,587</u>	<u>(40,326)</u>	<u>17,261</u>

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

a) Movement in reserve for takaful activities

	<i>Six months ended 30 June 2012 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2011 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	534,976	485,155
Changes in reserve during the period/ year	(22,018)	78,668
Planholder charges	(10,726)	(22,260)
Net change in fair value of investments	7,200	(6,587)
Balance as at the end of the period/ year	<u>509,432</u>	<u>534,976</u>

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

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

30 June 2012

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

b) Movement in unearned contribution income

	<i>Six months ended 30 June 2012 (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	21,721	(12,114)	9,607
Contribution written during the period	43,615	(20,207)	23,408
Contribution earned during the period	(48,167)	24,760	(23,407)
Balance as at the end of the period	17,169	(7,561)	9,608

	<i>Year ended 31 December 2011 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Balance as at the beginning of the year	44,491	(25,960)	18,531
Contribution written during the year	65,071	(30,885)	34,186
Contribution earned during the year	(87,841)	44,731	(43,110)
Balance as at the end of the year	21,721	(12,114)	9,607

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, 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)

30 June 2012

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 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	(1190)	-	-	-	(1,190)
Amortisation	696	-	-	-	696
Depreciation	16	-	-	-	16
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)
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)
Net (deficit)/ surplus for the period	102	354	6,203	695	7,354
Surplus from takaful operations after shareholders' appropriation					(725)
Net profit for the period					6,629
Purchase of intangible assets	(1,349)	-	-	-	(1,349)
Amortisation	1,174	-	-	-	1,174
Depreciation	33	-	-	-	33

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

30 June 2012

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 June 2012 (Unaudited)					
Intangible assets	1,170	-	-	-	1,170
Motor vehicles	84	-	-	-	84
Takaful operations' assets					
Available for sale investments	-	516,082	-	-	516,082
Retakaful share of outstanding claims	-	1,946	12,490	24,523	38,959
Retakaful share of unearned contributions	-	-	951	6,610	7,561
Deferred policy acquisition costs	-	-	419	1,711	2,130
Unallocated assets	-	-	-	-	69,384
Total takaful operations' assets					634,116
Total shareholders' assets	334,882	-	-	-	334,882
Total assets					968,998
Takaful operations' liabilities					
Reserve for takaful activities	-	509,432	-	-	509,432
Unearned contributions	-	-	2,940	14,229	17,169
Gross outstanding claims	-	2,904	17,372	35,462	55,738
Unearned commission income	-	-	-	1,590	1,590
Unallocated liabilities	-	-	-	-	49,462
Total takaful operations' liabilities					633,391
Total shareholders' liabilities	5,087	-	-	-	5,087
Total liabilities					638,478
For the three months ended					
30 June 2011 (Unaudited)					
Gross written contribution	-	69,531	4,757	6,706	80,994
Net written contribution	-	76,463	3,645	3,105	83,213
Net contributions earned	-	31,108	6,825	3,035	40,968
Fees and commission income	-	-	-	1,207	1,207
Net claims incurred	-	(95)	(600)	(1,147)	(1,842)
Surrenders	-	(24,176)	-	-	(24,176)
Policy acquisition costs, net	-	(3,382)	(650)	(889)	(4,921)
Underwriting surplus for the period	-	3,455	5,575	2,206	11,236
Investment income	501	246	28	20	795
General and administrative expenses	(1,035)	(3,131)	(1,702)	(3,136)	(9,004)
Net (deficit)/ surplus for the period	(534)	570	3,901	(910)	3,027
Surplus from takaful operations after shareholders' appropriation					(357)
Net profit for the period					2,670
Purchase of intangible assets	(127)	-	-	-	(127)
Amortisation	379	-	-	-	379
Depreciation	16	-	-	-	16

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

30 June 2012

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholder' 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 2011 (Unaudited)					
Gross written contribution	-	120,151	8,977	14,999	144,127
Net written contribution	-	132,124	7,117	7,931	147,172
Net contributions earned	-	67,186	13,154	8,884	89,224
Fees and commission income	-	-	-	2,662	2,662
Net claims incurred	-	(1,338)	(1,018)	(2,291)	(4,647)
Surrenders	-	(55,212)	-	-	(55,212)
Policy acquisition costs, net	-	(5,351)	(1,950)	(1,757)	(9,058)
Underwriting surplus for the period	-	5,285	10,186	7,498	22,969
Investment income	1,055	719	81	51	1,906
General and administrative expenses	(2,938)	(6,070)	(5,090)	(6,684)	(20,782)
Net (deficit)/ surplus for the period	(1883)	(66)	5,177	865	4,093
Surplus from takaful operations after shareholders' appropriation					(598)
Net profit for the period					3,495
Purchase of intangible assets	(149)	-	-	-	(149)
Amortisation	732	-	-	-	732
Depreciation	33	-	-	-	33
31 December 2011 (Audited)	995	-	-	-	995
Intangible assets	117	-	-	-	117
Motor vehicles					
Takaful operations' assets	-	542,646	-	-	542,646
Available for sale investments	-	1,692	7,170	31,464	40,326
Retakaful share of outstanding claims	-	-	1,717	10,397	12,114
Retakaful share of unearned contributions	-	-	523	1,662	2,185
Deferred policy acquisition costs	-	-	-	-	53,191
Unallocated assets					650,462
Total takaful operations' assets	334,170	-	-	-	334,170
Total shareholders' assets					984,632
Total assets					984,632
Takaful operations' liabilities	-	534,976	-	-	534,976
Reserve for takaful activities	-	-	3,909	17,812	21,721
Unearned contributions	-	2,171	11,060	44,356	57,587
Gross outstanding claims	-	-	-	2,255	2,255
Unearned commission income	-	-	-	-	32,468
Unallocated liabilities					649,007
Total takaful operations' liabilities	7,967	-	-	-	7,967
Total shareholders' liabilities					656,974
Total liabilities					656,974

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)

30 June 2012

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 balance sheet date as follows:

	<i>Three months ended 30 June 2012 SAR'000</i>	<i>Three months ended 30 June 2011 SAR'000</i>	<i>Six months ended 30 June 2012 SAR'000</i>	<i>Six months ended 30 June 2011 SAR'000</i>
Net profit for the period (SAR'000)	<u>4,772</u>	<u>2,670</u>	<u>6,629</u>	<u>3,495</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>
Profit per share (SAR)	<u>0.14</u>	<u>0.08</u>	<u>0.19</u>	<u>0.10</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.

The summary of major related party transactions are as follow:

	<i>Three months ended 30 June 2012 SAR'000</i>	<i>Three months ended 30 June 2011 SAR'000</i>	<i>Six months ended 30 June 2012 SAR'000</i>	<i>Six months ended 30 June 2011 SAR'000</i>
Contributions				
Shareholders, directors and key management personnel	<u>10,336</u>	<u>3,891</u>	<u>20,377</u>	<u>6,808</u>
Claims				
Entities controlled, jointly controlled or significantly influenced by related parties	<u>3,188</u>	<u>6,691</u>	<u>7,470</u>	<u>11,875</u>
Commission and other expenses				
Entities controlled, jointly controlled or significantly influenced by related parties	<u>6,091</u>	<u>7,231</u>	<u>10,393</u>	<u>14,547</u>
Available for sale investments pertaining to Shareholders				
Entities controlled, jointly controlled or significantly influenced by related parties	<u>-</u>	<u>50,295</u>	<u>-</u>	<u>50,295</u>

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, Company does not believe that policyholder has a valid claim and as a result, has not made any further provision in excess of the amount deemed appropriate under the said policy.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

30 June 2012

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 26 Shaban 1433H corresponding to 16 July 2012.