SALAMA Group Commentary on the Consolidated Results For the 1st Qtr 2010

SALAMA achieved 28% growth in premiums in the first quarter of 2010 reaching AED 526 M vs. AED 411 for the same quarter last year. In general, performance and operating efficiency across all subsidiaries in Takaful operations have improved considerably and their net results are impressive, however these good results were hard hit by the negative results from Best Re (SALAMA Retakaful arm) and hence the net results were negative of about AED 7 Million.

The negative result of Best Re was mainly due to an unusual deterioration in the underwriting results emanating from the Far East business. This resulted mainly from a series of large individual losses (in excess of US$ 500K each) reported from the Philippines, Indonesia, China and South Korea. This, combined with an adverse development in respect of two major catastrophe events (Padang earthquake in Indonesia, and Typhoon Ketsana, which hit the Philippines) seriously contributed to this disappointing underwriting performance.

This situation is deemed exceptional. Underwriting remedial actions have already been triggered but it was too early to reap the benefit of such measures. In terms of exposure in catastrophe prone territories such as Indonesia and the Philippines our commitments were cut down. Chronically underperforming accounts were also discontinued.

The two major events referred to above seem to have now stabilized and no material adverse development is anticipated and hence barring no further adverse events occurring in 2010, it is expected that this exceptional situation shall be recouped in the coming quarters and before year-end.