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**SABB TAKAFUL COMPANY**

**(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH AND NINE MONTH PERIODS  
ENDED 30 SEPTEMBER 2015**

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**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, 2015 and the related interim statements of income - takaful operations and comprehensive income - shareholders' operations for the three month and nine month periods ended September 30, 2015, and statements of changes in shareholders' equity and cash flows for takaful and shareholders' operations for the nine month period then ended and the notes 1 to 13 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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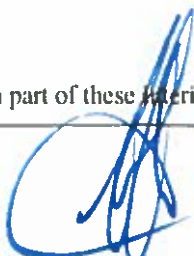
SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	<i>Notes</i>	<b>30 September 2015 (Unaudited) SAR'000</b>	<b>31 December 2014 (Audited) SAR'000</b>
<b><u>TAKAFUL OPERATIONS' ASSETS</u></b>			
Available-for-sale investments	3	383,977	398,747
Contributions receivable, net	4	11,675	11,833
Retakaful share of outstanding claims	6	45,791	54,656
Retakaful share of unearned contributions	7 (b)	10,460	12,848
Deferred policy acquisition costs		1,493	1,411
Prepayments and other receivables		1,329	945
Due from shareholders		-	3,246
Cash and cash equivalents	5	44,420	40,028
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>499,145</b>	<b>523,714</b>
<b><u>SHAREHOLDERS' ASSETS</u></b>			
Intangible assets		1,274	1,194
Motor vehicle		52	65
Held-to-maturity investments	3	187,000	187,000
Statutory deposit		34,000	34,000
Prepayments and other receivables		1,089	1,105
Due from takaful operations		15,004	-
Cash and cash equivalents	5	132,919	143,426
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>371,338</b>	<b>366,790</b>
<b>TOTAL ASSETS</b>		<b>870,483</b>	<b>890,504</b>

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

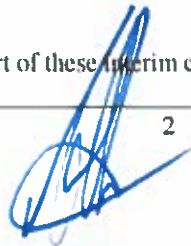

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2015

	Notes	30 September 2015 (Unaudited) SAR'000	31 December 2014 (Audited) SAR'000
<b><u>TAKAFUL OPERATIONS' LIABILITIES</u></b>			
Reserve for takaful activities	7 (a)	375,014	389,166
Provision for employees' end-of-service benefits		5,952	5,056
Surplus distribution payable		6,018	4,427
Gross unearned contributions	7 (b)	17,995	20,310
Unearned commission income		2,267	2,263
Gross outstanding claims	6	56,087	70,186
Retakaful balances payable, net		5,967	3,460
Payables, accruals and others		13,584	27,255
Due to shareholders		15,004	-
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES</b>		<b>497,888</b>	<b>522,123</b>
<b>TAKAFUL OPERATIONS' SURPLUS</b>		<b>1,257</b>	<b>1,591</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>499,145</b>	<b>523,714</b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		340,000	340,000
Legal reserve		11,478	11,478
Retained earnings		13,822	4,247
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>365,300</b>	<b>355,725</b>
<b>SHAREHOLDERS' LIABILITIES</b>			
Payables, accruals and others		1,303	1,948
Due to takaful operations		-	3,246
Provision for zakat and tax	12	4,735	5,871
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>6,038</b>	<b>11,065</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>371,338</b>	<b>366,790</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>870,483</b>	<b>890,504</b>

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

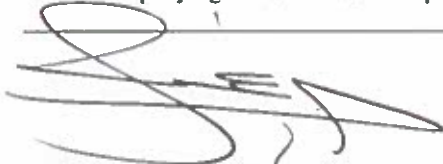
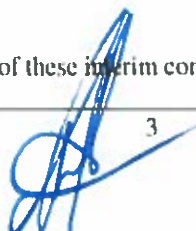

**SABB Takaful Company (A Saudi Joint Stock Company)**

**INTERIM STATEMENT OF INCOME - TAKAFUL OPERATIONS (UNAUDITED)**

For the three and nine months ended 30 September 2015

	<i>Three months ended 30 September 2015 SR'000</i>	<i>Three Months ended 30 September 2014 SR'000</i>	<i>Nine months ended 30 September 2015 SR'000</i>	<i>Nine months ended 30 September 2014 SR'000</i>
<b>Gross contributions written</b>				
- Family Takaful	45,058	41,171	132,049	126,278
- General Takaful	4,972	5,086	16,905	15,685
	<u>50,030</u>	<u>46,257</u>	<u>148,954</u>	<u>141,963</u>
<b>Family Takaful - Planholder charges</b>	6,605	6,015	20,111	19,272
<b>Gross contributions written and Planholder charges</b>	<u>56,635</u>	<u>52,272</u>	<u>169,065</u>	<u>161,235</u>
Retakaful contribution ceded	(13,888)	(12,931)	(39,559)	(35,726)
<b>Net written contribution and Planholder charges</b>	<u>42,747</u>	<u>39,341</u>	<u>129,506</u>	<u>125,509</u>
Changes in gross unearned contributions	(738)	1,303	2,315	3,693
Changes in retakaful share of unearned contributions	(442)	(396)	(2,388)	(3,156)
Changes in reserve for takaful activities	(9,613)	17,366	(29,010)	47,035
<b>Net contributions earned and Planholder charges</b>	<u>31,954</u>	<u>57,614</u>	<u>100,423</u>	<u>173,081</u>
Fees and commission income	884	1,506	3,598	8,559
<b>Underwriting revenue</b>	<u>32,838</u>	<u>59,120</u>	<u>104,021</u>	<u>181,640</u>
Gross claims paid	(9,962)	(9,575)	(30,513)	(35,101)
Retakaful share of claims paid	7,617	6,996	22,662	25,580
<b>Net claims paid</b>	<u>(2,345)</u>	<u>(2,579)</u>	<u>(7,851)</u>	<u>(9,521)</u>
Changes in gross outstanding claims	16,506	(664)	14,099	(12,286)
Changes in retakaful share of outstanding claims	(12,898)	573	(8,865)	11,660
<b>Net claims incurred</b>	<u>1,263</u>	<u>(2,670)</u>	<u>(2,617)</u>	<u>(10,147)</u>
Surrenders and maturities	(17,819)	(43,296)	(57,895)	(128,764)
<b>Net claims incurred, surrenders and maturities</b>	<u>(16,556)</u>	<u>(45,966)</u>	<u>(60,512)</u>	<u>(138,911)</u>
Policy acquisition costs	(1,352)	(1,738)	(4,995)	(9,219)
<b>Total claims, surrenders, maturities and policy acquisition costs</b>	<u>(17,908)</u>	<u>(47,704)</u>	<u>(65,507)</u>	<u>(148,130)</u>
<b>Underwriting surplus for the period</b>	<u>14,930</u>	<u>11,416</u>	<u>38,514</u>	<u>33,510</u>
Investment income	364	358	1,061	1,069
General and administrative expenses	(8,823)	(8,028)	(27,000)	(24,454)
<b>Net surplus for the period from takaful operations</b>	<u>6,471</u>	<u>3,746</u>	<u>12,575</u>	<u>10,125</u>
Transfer of net surplus for the period to shareholders' operations	(5,824)	(3,371)	(11,318)	(9,112)
<b>Net surplus for the period</b>	<u>647</u>	<u>375</u>	<u>1,257</u>	<u>1,013</u>

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 - SHAREHOLDERS' OPERATIONS  
(UNAUDITED)**

For the three and nine months ended 30 September 2015

	<i>Three months ended</i>	<i>Three Months ended</i>	<i>Nine months ended</i>	<i>Nine months ended</i>
	<i>30 September 2015</i>	<i>30 September 2014</i>	<i>30 September 2015</i>	<i>30 September 2014</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Transfer of net surplus for the period from takaful operations	5,824	3,371	11,318	9,112
Income from murabaha deposits	198	201	579	642
Income from sukuku	1,019	1,073	3,068	3,445
<b>Total income</b>	<b>7,041</b>	<b>4,645</b>	<b>14,965</b>	<b>13,199</b>
General and administrative expenses	(667)	(941)	(1,344)	(1,916)
<b>Net profit for the period</b>	<b>6,374</b>	<b>3,704</b>	<b>13,621</b>	<b>11,283</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>6,374</b>	<b>3,704</b>	<b>13,621</b>	<b>11,283</b>
<b>Basic and diluted earnings per share (SAR)</b>	<b>0.19</b>	<b>0.11</b>	<b>0.40</b>	<b>0.33</b>
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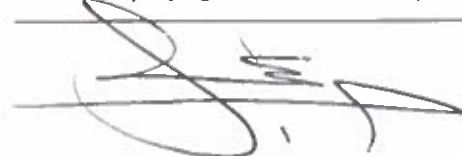
SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(UNAUDITED)

For the nine months ended 30 September 2015

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Retained earnings/ (Accumulated losses)</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2015	340,000	11,478	4,247	355,725
Total comprehensive income for the period	-	-	13,621	13,621
Provision for zakat and tax	-	-	(4,046)	(4,046)
Balance as at 30 September 2015	<u>340,000</u>	<u>11,478</u>	<u>13,822</u>	<u>365,300</u>
Balance as at 1 January 2014	340,000	8,075	(3,471)	344,604
Total comprehensive income for the period	-	-	11,283	11,283
Provision for zakat and tax	-	-	(4,253)	(4,253)
Balance as at 30 September 2014	<u>340,000</u>	<u>8,075</u>	<u>3,559</u>	<u>351,634</u>

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





SABB Takaful Company (A Saudi Joint Stock Company)

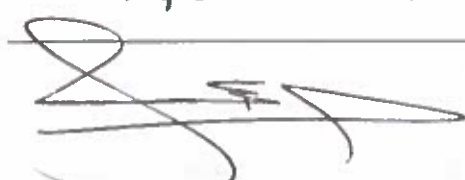
INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS

(UNAUDITED)

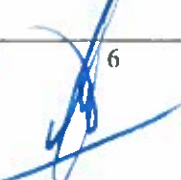
For the nine months ended 30 September 2015

	Notes	Nine months ended 30 September 2015 SR'000	Nine months ended 30 September 2014 SR'000
<b>OPERATING ACTIVITIES</b>			
Surplus from takaful operations after shareholders' appropriation		1,257	1,013
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash used in operating activities:			
Shareholders' appropriation from surplus		11,318	9,112
Reversal of impairment on contribution receivables		(709)	82
Provision for employees' end-of-service benefits		1,105	673
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		<u>12,971</u>	<u>10,880</u>
<b>Changes in operating assets and liabilities:</b>			
Available-for-sale investments, net		14,770	12,840
Contributions receivable, net		867	(1,437)
Retakaful share of outstanding claims		8,865	(11,660)
Retakaful share of unearned contributions		2,388	3,156
Deferred policy acquisition costs		(82)	(247)
Prepayments and other receivables		(384)	(1,016)
Reserve for takaful activities		(14,152)	(13,643)
Payment of employees' end-of-service benefits		(209)	(57)
Gross unearned contributions		(2,315)	(3,693)
Unearned commission income		4	(447)
Gross outstanding claims		(14,099)	12,286
Retakaful balances payable, net		2,507	(9,693)
Payables, accruals and others		(13,671)	(1,781)
Net cash used in operating activities		<u>(2,540)</u>	<u>(4,512)</u>
<b>FINANCING ACTIVITY</b>			
Due to/ (from) shareholders, net		6,932	(3,205)
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,392</b>	<b>(7,717)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>40,028</b>	<b>49,954</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>44,420</b>	<b>42,237</b>
<b>Non-cash supplemental information:</b>			
Net change in fair value of available-for-sale investments	3 (c)	(23,051)	52,664

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



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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 2015

	<i>Nine months ended 30 September 2015 SR'000</i>	<i>Nine months ended 30 September 2014 SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	13,621	11,283
Adjustment to reconcile net profit to net cash used in operating activities:		
Appropriation of surplus from takaful operations	(11,318)	(9,112)
Amortisation	324	247
Depreciation	13	-
	<u>2,640</u>	<u>2,418</u>
<b>Changes in operating assets and liabilities:</b>		
Prepayments and other receivables	16	753
Payables, accruals and others	(645)	(2,248)
	<u>2,011</u>	<u>923</u>
<b>Cash from operating activities</b>	<b>2,011</b>	<b>923</b>
Zakat and tax paid	(5,182)	(5,978)
	<u>(3,171)</u>	<u>(5,055)</u>
<b>Net cash used in operating activities</b>	<b>(3,171)</b>	<b>(5,055)</b>
<b>INVESTING ACTIVITIES</b>		
Maturity of held to maturity investments	-	19,513
Purchase of intangible assets	(404)	(623)
Due (from)/ to takaful operations, net	(6,932)	3,205
	<u>(7,336)</u>	<u>22,095</u>
<b>Net cash (used in)/ from investing activities</b>	<b>(7,336)</b>	<b>22,095</b>
<b>(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(10,507)</b>	<b>17,040</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>143,426</b>	<b>111,664</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>132,919</b>	<b>128,704</b>
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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)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
30 September 2015

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**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 2015 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 2014.

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**

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations and presents the financial statements accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

**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 2014, except for the adoption of the following 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 period:

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2015

#### 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)

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

- IFRS 8 – “Operating segments” has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria.

- IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

- IAS 16 – “Property plant and equipment” and IAS 38 – “Intangible assets”: – the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 – “Related party disclosures”– the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.

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

	<i>30 September 2015</i> <i>SAR’000 (Unaudited)</i>	
	<i>Takaful</i> <i>Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	383,977	-
<i>Held-to-maturity investments – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,000
Saudi Hollandi Bank Sukuk (SHB-II)	-	15,000
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-I)	-	5,000
Bank Al Jazira Sukuk	-	20,000
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,000
The National Industrialization Company Sukuk (TASNEE - I)	-	50,000
Olayan Real Estate Company Sukuk (ORECO - I)	-	10,000
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,000
	-	187,000
<b>Total investments</b>	<b>383,977</b>	<b>187,000</b>

**SABB Takaful Company (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 September 2015**

**3. INVESTMENTS (continued)**

	<i>31 December 2014</i>	
	<i>SAR'000</i> <i>(Audited)</i>	
	<i>Takaful</i> <i>Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	398,747	-
<i>Held-to-maturity investments – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,000
Saudi Hollandi Bank Sukuk (SHB-II)	-	15,000
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-I)	-	5,000
Bank Al Jazira Sukuk	-	20,000
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,000
The National Industrialization Company Sukuk (TASNEE - I)	-	50,000
Olayan Real Estate Company Sukuk (ORECO - I)	-	10,000
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,000
	-	187,000
<b>Total investments</b>	<b>398,747</b>	<b>187,000</b>

Quoted held-to-maturity investments represent sukuks which are listed on Tadawul.

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 maturity profile of held-to-maturity investments is as follows:

<i>Maturity profile - Held-to-maturity investments</i>	<i>Maturity date</i>
- Saudi Electricity Company Sukuk (SEC-III)	10 May 2017
- Saudi Hollandi Bank Sukuk (SHB-II)	26 November 2019
- Saudi Hollandi Bank Sukuk (SHB-I)	29 December 2019
- Bank Al Jazira Sukuk	28 March 2021
- General Authority of Civil Aviation Sukuk (GACA - I)	18 January 2022
- The National Industrialization Company Sukuk (TASNEE - I)	21 May 2019
- Olayan Real Estate Company Sukuk (ORECO - I)	25 June 2017
- The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	27 May 2018

b) The fair value of held-to-maturity investments as at 30 September 2015 is SAR 187.9 million (31 December 2014: SAR 187.33 million).

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

	<i>30 September</i> <i>2015</i> <i>(Unaudited)</i> <i>SAR'000</i>	<i>31 December</i> <i>2014</i> <i>(Audited)</i> <i>SAR'000</i>
Opening balance	398,747	455,806
Purchased during the period/ year	85,156	102,884
Sold during the period/ year	(76,875)	(186,783)
	407,028	371,907
Net change in fair values of investments	(23,051)	26,840
Closing balance	383,977	398,747

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**3. INVESTMENTS (continued)**

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.

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.

**4. CONTRIBUTIONS RECEIVABLE, NET**

	<i>30 September 2015 (Unaudited) SAR'000</i>	<i>31 December 2014 (Audited) SAR'000</i>
Due from policy holders	6,019	6,402
Due from a shareholder (The Saudi British Bank)	5,770	6,254
	<u>11,789</u>	<u>12,656</u>
Provision for impairment	(114)	(823)
	<u>11,675</u>	<u>11,833</u>

**5. CASH AND CASH EQUIVALENTS**

	<i>30 September 2015 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	19,339	1,617
Murabaha deposits	25,081	131,302
	<u>44,420</u>	<u>132,919</u>
	<i>31 December 2014 (Audited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	25,009	5,371
Murabaha deposits	15,019	138,055
	<u>40,028</u>	<u>143,426</u>

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

As at 30 September 2015, murabaha deposits amounting to SAR 20 million (31 December 2014: SAR 35 million) were maintained with the Saudi British Bank, a shareholder of the Company.

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6. OUTSTANDING CLAIMS

	30 September 2015 (Unaudited)		
	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Family Takaful outstanding claims			
- Outstanding claim reserves	9,265	(6,120)	3,145
- Incurred but not reported reserve and other reserves	15,751	(11,462)	4,289
General Takaful outstanding claims			
- Outstanding claim reserves	24,988	(24,400)	588
- Incurred but not reported reserve and other reserves	6,083	(3,809)	2,274
Total outstanding claims	<u>56,087</u>	<u>(45,791)</u>	<u>10,296</u>
	31 December 2014 (Audited)		
	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Family Takaful outstanding claims			
- Outstanding claim reserves	6,661	(4,615)	2,046
- Incurred but not reported reserve and other reserves	14,353	(10,102)	4,251
General Takaful outstanding claims			
- Outstanding claim reserves	37,225	(36,415)	810
- Incurred but not reported reserve and other reserves	11,947	(3,524)	8,423
Total outstanding claims	<u>70,186</u>	<u>(54,656)</u>	<u>15,530</u>

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

a) Movement in reserve for takaful activities

	Nine months ended 30 September 2015 (Unaudited) SAR'000	Year ended 31 December 2014 (Audited) SAR'000
Balance as at the beginning of the period/ year	389,166	447,129
Changes in reserve during the period/ year	29,010	(59,781)
Planholder charges	(20,111)	(25,022)
Net change in fair value of investments	<u>(23,051)</u>	<u>26,840</u>
Balance as at the end of the period/ year	<u>375,014</u>	<u>389,166</u>

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

b) Movement in net unearned contribution

	Nine months ended 30 September 2015 (Unaudited)		
	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Balance as at the beginning of the period	20,310	(12,848)	7,462
Contribution written during the period	62,669	(38,508)	24,161
Contribution earned during the period	<u>(64,984)</u>	<u>40,896</u>	<u>(24,088)</u>
Balance as at the end of the period	<u>17,995</u>	<u>(10,460)</u>	<u>7,535</u>

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

**b) Movement in net unearned contribution (continued)**

	<i>Year ended 31 December 2014</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>	<i>SAR'000</i>
Balance as at the beginning of the year	20,928	(11,671)	9,257
Contribution written during the year	83,667	(51,917)	31,750
Contribution earned during the year	(84,285)	50,740	(33,545)
Balance as at the end of the year	<u>20,310</u>	<u>(12,848)</u>	<u>7,462</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 and planholder charges, net contributions earned and planholder charges, fees and commission income, net claims incurred, surrenders and maturities, policy acquisition costs, 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 vehicle, 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, gross unearned contributions, unearned commission income, gross outstanding claims and total liabilities, by business segment, are stated below.

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

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

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

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
<b>For the three months ended</b>					
<b>30 September 2015 (Unaudited)</b>					
Gross written contribution	-	26,900	18,158	4,972	50,030
Net written contribution and Planholder charges	-	33,158	8,702	887	42,747
Net contributions earned and Planholder charges	-	23,545	6,863	1,546	31,954
Fees and commission income	-	-	26	858	884
Net claims incurred	-	(457)	(3,131)	4,851	1,263
Surrenders and maturities	-	(17,819)	-	-	(17,819)
Policy acquisition costs	-	(725)	(158)	(469)	(1,352)
<b>Underwriting surplus for the period</b>	<b>-</b>	<b>4,544</b>	<b>3,600</b>	<b>6,786</b>	<b>14,930</b>
Investment income	1,217	358	-	6	1,581
General and administrative expenses	(667)	(2,497)	(3,249)	(3,077)	(9,490)
<b>Net surplus for the period</b>	<b>550</b>	<b>2,405</b>	<b>351</b>	<b>3,715</b>	<b>7,021</b>
Surplus from takaful operations after shareholders' appropriation					(647)
<b>Net profit for the period</b>					<b>6,374</b>
Amortisation	119	-	-	-	119
Depreciation	5	-	-	-	5
<b>For the nine months ended</b>					
<b>30 September 2015 (Unaudited)</b>					
Gross written contribution	-	86,285	45,764	16,905	148,954
Net written contribution and Planholder charges	-	105,345	20,434	3,727	129,506
Net contributions earned and Planholder charges	-	76,335	18,925	5,163	100,423
Fees and commission income	-	224	425	2,949	3,598
Net claims incurred	-	(463)	(7,957)	5,803	(2,617)
Surrenders and maturities	-	(57,895)	-	-	(57,895)
Policy acquisition costs	-	(2,598)	(704)	(1,693)	(4,995)
<b>Underwriting surplus for the period</b>	<b>-</b>	<b>15,603</b>	<b>10,689</b>	<b>12,222</b>	<b>38,514</b>
Investment income	3,647	1,048	-	13	4,708
General and administrative expenses	(1,344)	(8,270)	(8,894)	(9,836)	(28,344)
<b>Net surplus for the period</b>	<b>2,303</b>	<b>8,381</b>	<b>1,795</b>	<b>2,399</b>	<b>14,878</b>
Surplus from takaful operations after shareholders' appropriation					(1,257)
<b>Net profit for the period</b>					<b>13,621</b>
Amortisation	324	-	-	-	324
Depreciation	13	-	-	-	13



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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
<b>30 September 2015 (Unaudited)</b>					
Intangible assets	1,274	-	-	-	1,274
Motor vehicle	52	-	-	-	52
<b>Takaful operations' assets</b>					
Available-for-sale investments	-	383,977	-	-	383,977
Contribution receivables, net	-	-	6,424	5,251	11,675
Retakaful share of outstanding claims	-	331	17,250	28,210	45,791
Retakaful share of unearned contributions	-	-	2,713	7,747	10,460
Deferred policy acquisition costs	-	-	467	1,026	1,493
Unallocated assets	-	-	-	-	45,749
<b>Total takaful operations' assets</b>					499,145
<b>Total shareholders' assets</b>	371,338	-	-	-	371,338
<b>Total assets</b>					870,483
<b>Takaful operations' liabilities</b>					
Reserve for takaful activities	-	375,014	-	-	375,014
Gross unearned contributions	-	-	7,669	10,326	17,995
Unearned commission income	-	-	-	2,267	2,267
Gross outstanding claims	-	1,370	23,646	31,071	56,087
Unallocated liabilities	-	-	-	-	46,525
<b>Total takaful operations' liabilities</b>					497,888
<b>Total shareholders' liabilities</b>	6,038	-	-	-	6,038
<b>Total liabilities</b>					503,926
For the three months ended					
30 September 2014 (Unaudited)					
Gross written contribution	-	26,267	14,904	5,086	46,257
Net written contribution and Planholder charges	-	31,971	6,405	965	39,341
Net contributions earned and Planholder charges	-	49,337	6,208	2,069	57,614
Fees and commission income	-	-	-	1,506	1,506
Net claims incurred	-	(679)	(2,033)	42	(2,670)
Surrenders and maturities	-	(43,296)	-	-	(43,296)
Policy acquisition costs	-	(873)	(282)	(583)	(1,738)
Underwriting surplus for the period	-	4,489	3,893	3,034	11,416
Investment income	1,274	351	-	7	1,632
General and administrative expenses	(941)	(2,618)	(2,942)	(2,468)	(8,969)
<b>Net surplus for the period</b>	333	2,222	951	573	4,079
<b>Surplus from takaful operations after shareholders' appropriation</b>					(375)
<b>Net profit for the period</b>					3,704
Purchase of intangible assets	242	-	-	-	242
Amortisation	91	-	-	-	91

**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>
For the nine months ended 30 September 2014 (Unaudited)					
Gross written contribution	-	82,531	43,747	15,685	141,963
Net written contribution and Planholder charges	-	100,777	18,446	6,286	125,509
Net contributions earned and Planholder charges	-	147,812	17,239	8,030	173,081
Fees and commission income	-	470	3,624	4,465	8,559
Net claims incurred	-	(1,251)	(7,914)	(982)	(10,147)
Surrenders and maturities	-	(128,764)	-	-	(128,764)
Policy acquisition costs	-	(2,966)	(4,410)	(1,843)	(9,219)
Underwriting surplus for the period	-	15,301	8,539	9,670	33,510
Investment income	4,087	1,052	-	17	5,156
General and administrative expenses	(1,916)	(7,731)	(7,965)	(8,758)	(26,370)
Net surplus for the period	<u>2,171</u>	<u>8,622</u>	<u>574</u>	<u>929</u>	<u>12,296</u>
Surplus from takaful operations after shareholders' appropriation					(1,013)
Net profit for the period					<u>11,283</u>
Purchase of intangible assets	623	-	-	-	623
Amortisation	247	-	-	-	247
31 December 2014 (Audited)					
Intangible assets	1,194	-	-	-	1,194
Motor vehicle	65	-	-	-	65
Takaful operations' assets					
Available-for-sale investments	-	398,747	-	-	398,747
Contribution receivables, net	-	-	2,417	9,416	11,833
Retakaful share of outstanding claims	-	512	14,204	39,940	54,656
Retakaful share of unearned contributions	-	-	1,926	10,922	12,848
Deferred policy acquisition costs	-	-	439	972	1,411
Unallocated assets	-	-	-	-	44,219
Total takaful operations' assets					523,714
Total shareholders' assets	366,790	-	-	-	366,790
Total assets					<u>890,504</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	389,166	-	-	389,166
Gross unearned contributions	-	-	5,373	14,937	20,310
Unearned commission income	-	-	-	2,263	2,263
Gross outstanding claims	-	1,599	19,415	49,172	70,186
Unallocated liabilities	-	-	-	-	40,198
Total takaful operations' liabilities					522,123
Total shareholders' liabilities	11,065	-	-	-	11,065
Total liabilities					<u>533,188</u>

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

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

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#### 9. BASIC AND DILUTED EARNINGS PER SHARE

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 2015 SR'000 (Unaudited)</i>	<i>Three Months ended 30 September 2014 SR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2015 SR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2014 SR'000 (Unaudited)</i>
Net profit for the period (SAR'000)	<u>6,374</u>	<u>3,704</u>	<u>13,621</u>	<u>11,283</u>
Weighted average number of ordinary shares (Number in thousands)	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>
Profit per share (SAR)	<u>0.19</u>	<u>0.11</u>	<u>0.40</u>	<u>0.33</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 Board of Directors.

##### a) Transactions with related parties

The summary of major related party transactions is as follows:

	<i>Three months ended 30 September 2015 SR'000 (Unaudited)</i>	<i>Three Months ended 30 September 2014 SR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2015 SR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2014 SR'000 (Unaudited)</i>
<b>The Saudi British Bank</b> <i>(a shareholder of the Company)</i>				
Contributions	15,645	11,894	36,001	34,623
Claims paid	6,433	5,339	19,132	23,500
Other expenses				
- IT maintenance cost and related expenses	1,417	1,490	3,972	4,633
- Overheads	44	18	168	103
<b>Amlak International Real Estate and Development</b> <i>(Managing director of Amlak was a board member of the Company)</i>				
Contributions	383	1	1,071	100
<b>Other entities controlled, jointly controlled or significantly influenced by related parties</b>				
Policy acquisition costs paid	1,757	1,738	5,585	9,219
Rebate on unit-linked investments	341	338	997	1,018

'Other expenses' include costs for various services under a management agreement between Saudi British Bank (SABB) and the Company. As per the agreement, SABB will provide operational services to the Company including use of fixed assets and IT infrastructure at a consideration mutually agreed between the parties.

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**10. RELATED PARTY TRANSACTIONS (continued)**

*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 2015 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 September 2014 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	942	-	950	-
End-of-service benefits	29	-	29	-
	<u>971</u>	<u>-</u>	<u>979</u>	<u>-</u>
	<i>Nine months period ended 30 September 2015 SAR'000 (Unaudited)</i>		<i>Nine months period ended 30 September 2014 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	2,826	-	2,722	-
End-of-service benefits	123	-	123	-
	<u>2,949</u>	<u>-</u>	<u>2,845</u>	<u>-</u>

**11. LITIGATION**

The Company is subject to litigation in the normal course of its business. During the 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 the legal advice, out of SAR 65.88 million, the Company recorded a provision amounting to SAR 22.92 million for the said claim.

Based on the hearing held during the quarter ended 30 September 2015, the litigation has been mutually decided in arbitration agreement between the claimant and SABB Takaful Company (the 'Company'). Based on the arbitration agreement, the Company is required to settle the claim for an amount of SAR 9.25 million instead of SAR 22.92 million. The SAMA Committee for Resolution of Insurance Disputes and Violations's final order has also been issued effecting the arbitration agreement. Further, the Company has reflected the financial impacts of arbitration agreement in its books of accounts.

**12. ZAKAT AND TAX**

*Status of Assessment*

During the quarter ended 31 March 2015, the Department of Zakat and Income Tax (DZIT) has issued the final tax certificates for the years from 2008 to 2010. Further, DZIT has yet to commence its review for the years from 2011 to 2014.

**13. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements have been approved by the Board of Directors on 2 Muharram 1437H corresponding to 15 October 2015.