
SABB TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2015**



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 March 31, 2015 and the related interim statements of income - takaful operations, comprehensive income - shareholders' operations, changes in shareholders' equity and cash flows for takaful and shareholders' operations for the three-month period ended March 31, 2015 and 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.

Aldar Audit Bureau
Abdullah Al Basri & Co
P. O. Box 2195
Riyadh 11451
Kingdom of Saudi Arabia

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

PricewaterhouseCoopers
P. O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

Khalid A. Mahdhar
Certified Public Accountant
Registration No. 368



Date: April 20, 2015
Corresponding to: 1 Rajab, 1436H



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	<i>Notes</i>	<i>31 March 2015 (Unaudited) SAR'000</i>	<i>31 December 2014 (Audited) SAR'000</i>
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	404,386	398,747
Contributions receivable, net	4	4,906	11,833
Retakaful share of outstanding claims	6	57,248	54,656
Retakaful share of unearned contributions	7 (b)	12,242	12,848
Deferred policy acquisition costs		1,978	1,411
Prepayments and other receivables		1,731	945
Due from shareholders		392	3,246
Cash and cash equivalents	5	33,448	40,028
TOTAL TAKAFUL OPERATIONS' ASSETS		516,331	523,714
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		1,095	1,194
Motor vehicle		61	65
Held to maturity investments	3	187,000	187,000
Statutory deposit		34,000	34,000
Prepayments and other receivables		1,192	1,105
Cash and cash equivalents	5	138,200	143,426
TOTAL SHAREHOLDERS' ASSETS		361,548	366,790
TOTAL ASSETS		877,879	890,504


Saud Al Naimi
 CFO


Adrian Flowers
 Chief Executive Officer


Majed Najm
 Board Member

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2015

	Notes	31 March 2015 (Unaudited) SAR'000	31 December 2014 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7 (a)	394,822	389,166
Provision for employees' end-of-service benefits		5,338	5,056
Surplus distribution payable		6,018	4,427
Gross unearned contributions	7 (b)	19,041	20,310
Unearned commission income		2,360	2,263
Gross outstanding claims	6	72,492	70,186
Retakaful balances payable, net		3,871	3,460
Payables, accruals and others		12,110	27,255
TOTAL TAKAFUL OPERATIONS' LIABILITIES		516,052	522,123
TAKAFUL OPERATIONS' SURPLUS		279	1,591
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		516,331	523,714
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital		340,000	340,000
Legal reserve		11,478	11,478
Retained earnings		6,721	4,247
TOTAL SHAREHOLDERS' EQUITY		358,199	355,725
SHAREHOLDERS' LIABILITIES			
Payables, accruals and others		1,591	1,948
Due to takaful operations		392	3,246
Provision for zakat and tax	12	1,366	5,871
		3,349	11,065
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		361,548	366,790
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		877,879	890,504


Saud Al Naimi
CFO


Adrian Flowers
Chief Executive Officer


Majed Najm
Board Member

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 months ended 31 March 2015

	<i>Three months ended 31 March 2015 SR'000</i>	<i>Three months ended 31 March 2014 SR'000</i>
Gross contributions written		
- Family Takaful	43,224	38,335
- General Takaful	6,318	4,192
	<u>49,542</u>	<u>42,527</u>
Family Takaful - Planholder charges	6,884	6,680
	<u>56,426</u>	<u>49,207</u>
Gross contributions written and Planholder charges		
Retakaful contribution ceded	(13,003)	(10,549)
	<u>43,423</u>	<u>38,658</u>
Net written contribution and Planholder charges		
Changes in gross unearned contributions	1,269	3,630
Changes in retakaful share of unearned contributions	(606)	(2,534)
Changes in reserve for takaful activities	(11,549)	13,763
	<u>32,537</u>	<u>53,517</u>
Net contributions earned and Planholder charges		
Fees and commission income	984	4,326
	<u>33,521</u>	<u>57,843</u>
Underwriting revenue		
Gross claims paid	(9,463)	(12,479)
Retakaful share of claims paid	6,866	9,643
	<u>(2,597)</u>	<u>(2,836)</u>
Net claims paid		
Changes in gross outstanding claims	(2,306)	(16,890)
Changes in retakaful share of outstanding claims	2,592	13,395
	<u>(2,311)</u>	<u>(6,331)</u>
Net claims incurred		
Surrenders and maturities	(17,889)	(38,135)
	<u>(20,200)</u>	<u>(44,466)</u>
Net claims incurred, surrenders and maturities		
Policy acquisition costs	(1,705)	(4,025)
	<u>(21,905)</u>	<u>(48,491)</u>
Total claims, surrenders, maturities and policy acquisition costs		
Underwriting surplus for the period	11,616	9,352
Investment income	348	339
General and administrative expenses	(9,172)	(7,417)
	<u>2,792</u>	<u>2,274</u>
Net surplus for the period from takaful operations		
Transfer of net surplus for the period to shareholders' operations	(2,513)	(2,047)
	<u>279</u>	<u>227</u>
Net surplus for the period		



Saud Al Naimi
CFO



Adrian Flowers
Chief Executive Officer



Majed Najm
Board Member

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 months ended 31 March 2015

	<i>Note</i>	<i>Three months ended 31 March 2015 SR'000</i>	<i>Three months ended 31 March 2014 SR'000</i>
Transfer of net surplus for the period from takaful operations		2,513	2,047
Income from murabaha deposits		197	232
Income from sukuks		1,032	1,180
Total income		<u>3,742</u>	<u>3,459</u>
General and administrative expenses		(597)	(689)
Net profit for the period		<u>3,145</u>	<u>2,770</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>3,145</u>	<u>2,770</u>
Basic and diluted earnings per share (SAR)	9	<u>0.09</u>	<u>0.08</u>


Saud Al Naimi
CFO


Adrian Flowers
Chief Executive Officer


Majed Najm
Board Member

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the three months ended 31 March 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	-	-	3,145	3,145
Provision for zakat and tax	-	-	(671)	(671)
Balance as at 31 March 2015	<u>340,000</u>	<u>11,478</u>	<u>6,721</u>	<u>358,199</u>
Balance as at 1 January 2014	340,000	8,075	(3,471)	344,604
Total comprehensive income for the period	-	-	2,770	2,770
Provision for zakat and tax	-	-	(1,346)	(1,346)
Balance as at 31 March 2014	<u>340,000</u>	<u>8,075</u>	<u>(2,047)</u>	<u>346,028</u>


Saud Al Naimi
CFO


Adrian Flowers
Chief Executive Officer


Majed Najm
Board Member

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 three months ended 31 March 2015

	Notes	Three months ended 31 March 2015 SR'000	Three months ended 31 March 2014 SR'000
OPERATING ACTIVITIES			
Surplus from takaful operations after shareholders' appropriation		279	227
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash used in operating activities:			
Shareholders' appropriation from surplus		2,513	2,047
(Reversal)/ provision of impairment on contribution receivables		(644)	207
Provision for employees' end-of-service benefits		446	193
		<u>2,594</u>	<u>2,674</u>
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Available for sale investments, net		(5,639)	11,569
Contributions receivable, net		7,571	1,773
Retakaful share of outstanding claims		(2,592)	(13,395)
Retakaful share of unearned contributions		606	2,534
Deferred policy acquisition costs		(567)	(48)
Prepayments and other receivables		(786)	(1,268)
Reserve for takaful activities		5,656	(11,919)
Payment of employees' end-of-service benefits		(164)	(8)
Gross unearned contributions		(1,269)	(3,630)
Unearned commission income		97	(455)
Gross outstanding claims		2,306	16,890
Retakaful balances payable, net		411	(8,711)
Payables, accruals and others		(15,145)	(584)
		<u>(6,921)</u>	<u>(4,578)</u>
FINANCING ACTIVITY			
Due from/ (to) shareholders, net		341	(3,269)
		<u>(6,580)</u>	<u>(7,847)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
		40,028	49,954
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	5	<u>33,448</u>	<u>42,107</u>
Non-cash supplemental information:			
Net change in fair value of available-for-sale investments	3 (c)	<u>991</u>	<u>8,524</u>



Saud Al Naimi
CFO



Adrian Flowers
Chief Executive Officer



Majed Najm
Board Member

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

SABB Takaful Company (A Saudi Joint Stock Company)

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

For the three months ended 31 March 2015

	Note	<i>Three months ended 31 March 2015 SR'000</i>	<i>Three months ended 31 March 2014 SR'000</i>
OPERATING ACTIVITIES			
Net profit for the period		3,145	2,770
Adjustment to reconcile net profit to net cash used in operating activities:			
Appropriation of surplus from takaful operations		(2,513)	(2,047)
Amortisation		99	74
Depreciation		4	-
		<u>735</u>	<u>797</u>
Changes in operating assets and liabilities:			
Prepayments and other receivables		(87)	236
Payables, accruals and others		(357)	(1,427)
		<u>291</u>	<u>(394)</u>
Cash from/ (used in) operating activities		291	(394)
Zakat and tax paid		(5,176)	(5,978)
		<u>(4,885)</u>	<u>(6,372)</u>
Net cash used in operating activities		(4,885)	(6,372)
INVESTING ACTIVITIES			
Purchase of intangibles		-	(381)
Due (to)/ from takaful operations, net		(341)	3,269
		<u>(341)</u>	<u>2,888</u>
Net cash (used in)/ from investing activities		(341)	2,888
DECREASE IN CASH AND CASH EQUIVALENTS		(5,226)	(3,484)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		143,426	111,664
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	138,200	108,180


Saud Al Naimi
CFO


Adrian Flowers
Chief Executive Officer


Majed Najm
Board Member

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

31 March 2015

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 months ended 31 March 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:

Prospective changes in International Financial Reporting Framework

The Company has chosen not to early adopt the following amendments to existing standards and new standards issued but not yet effective for the Company's accounting years beginning on or after 1 January 2015 and is currently assessing their impact.

<u>IFRS</u>	<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
- IFRS 9	Financial instruments	1 January 2018
- Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	1 January 2016

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2015

2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES (continued)

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>31 March 2015</i>	
	<i>SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	404,386	-
<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
Total investments	404,386	187,000

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 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
Total investments	<u>398,747</u>	<u>187,000</u>

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 31 March 2015 is SAR 187 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>31 March</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	29,942	102,884
Sold during the period/ year	(25,294)	(186,783)
	<u>403,395</u>	<u>371,907</u>
Net change in fair values of investments	991	26,840
Closing balance	<u>404,386</u>	<u>398,747</u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2015

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>31 March 2015 (Unaudited) SAR'000</i>	<i>31 December 2014 (Audited) SAR'000</i>
Due from policy holders	5,085	6,402
Due from a shareholder (The Saudi British Bank)	-	6,254
	<u>5,085</u>	<u>12,656</u>
Provision for impairment	(179)	(823)
	<u>4,906</u>	<u>11,833</u>

5. CASH AND CASH EQUIVALENTS

	<i>31 March 2015 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	18,409	6,001
Murabaha deposits	15,039	132,199
	<u>33,448</u>	<u>138,200</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.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2015

6. OUTSTANDING CLAIMS

	<i>31 December 2015 (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	6,716	(5,096)	1,620
- Incurred but not reported reserve and other reserves	15,185	(10,789)	4,396
General Takaful outstanding claims			
- Outstanding claim reserves	37,773	(36,745)	1,028
- Incurred but not reported reserve and other reserves	12,818	(4,618)	8,200
Total outstanding claims	72,492	(57,248)	15,244
	<i>31 December 2014 (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	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	70,186	(54,656)	15,530

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

a) Movement in reserve for takaful activities

	<i>Three months ended 31 March 2015 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2014 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	389,166	447,129
Changes in reserve during the period/ year	11,549	(59,781)
Planholder charges	(6,884)	(25,022)
Net change in fair value of investments	991	26,840
Balance as at the end of the period/ year	394,822	389,166

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

b) Movement in net unearned contribution

	<i>Three months ended 31 March 2015 (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	20,310	(12,848)	7,462
Contribution written during the period	20,123	(12,658)	7,465
Contribution earned during the period	(21,392)	13,264	(8,128)
Balance as at the end of the period	19,041	(12,242)	6,799

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2015

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

b) Movement in net unearned contribution (continued)

	Year ended 31 December 2014 (Audited)		
	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
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 and planholder charges, 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, purchase of intangible assets, amortisation, depreciation, 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, gross outstanding claims, unearned commission income, 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.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2015

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the three months ended					
31 March 2015 (Unaudited)					
Gross written contribution	-	29,419	13,805	6,318	49,542
Net written contribution and Planholder charges	-	35,958	6,032	1,433	43,423
Net contributions earned and Planholder charges	-	24,409	6,158	1,970	32,537
Fees and commission income	-	-	-	984	984
Net claims incurred	-	(78)	(2,170)	(63)	(2,311)
Surrenders and maturities	-	(17,889)	-	-	(17,889)
Policy acquisition costs	-	(985)	(16)	(704)	(1,705)
	<u>-</u>	<u>5,457</u>	<u>3,972</u>	<u>2,187</u>	<u>11,616</u>
Underwriting surplus for the period	-	5,457	3,972	2,187	11,616
Investment income	1,229	344	-	4	1,577
General and administrative expenses	(597)	(2,996)	(2,841)	(3,335)	(9,769)
	<u>632</u>	<u>2,805</u>	<u>1,131</u>	<u>(1,144)</u>	<u>3,424</u>
Net surplus/ (deficit) for the period	632	2,805	1,131	(1,144)	3,424
					<u>3,424</u>
Surplus from takaful operations after shareholders' appropriation					(279)
					<u>3,145</u>
Net profit for the period					3,145
					<u>3,145</u>
Amortisation	99	-	-	-	99
Depreciation	4	-	-	-	4
	<u>99</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99</u>
31 March 2015					
Intangible assets	1,095	-	-	-	1,095
Motor vehicle	61	-	-	-	61
	<u>1,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,095</u>
Takaful operations' assets					
Available-for-sale investments	-	404,386	-	-	404,386
Contribution receivables, net	-	-	3,080	1,826	4,906
Retakaful share of outstanding claims	-	338	15,547	41,363	57,248
Retakaful share of unearned contributions	-	-	1,654	10,588	12,242
Deferred policy acquisition costs	-	-	835	1,143	1,978
Unallocated assets	-	-	-	-	35,571
	<u>-</u>	<u>404,386</u>	<u>17,472</u>	<u>53,017</u>	<u>516,331</u>
Total takaful operations' assets					516,331
Total shareholders' assets	361,548	-	-	-	361,548
	<u>361,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>877,879</u>
Total assets					877,879
					<u>877,879</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	394,822	-	-	394,822
Gross unearned contributions	-	-	4,975	14,066	19,041
Unearned commission income	-	-	-	2,360	2,360
Gross outstanding claims	-	998	20,903	50,591	72,492
Unallocated liabilities	-	-	-	-	27,337
	<u>-</u>	<u>394,822</u>	<u>25,878</u>	<u>66,957</u>	<u>516,052</u>
Total takaful operations' liabilities					516,052
Total shareholders' liabilities	3,349	-	-	-	3,349
	<u>3,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,401</u>
Total liabilities					519,401
					<u>519,401</u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2015

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the three months ended					
31 March 2014 (Unaudited)					
Gross written contribution	-	24,722	13,613	4,192	42,527
Net written contribution and Planholder charges	-	31,044	5,386	2,228	38,658
Net contributions earned and Planholder charges	-	44,807	5,087	3,623	53,517
Fees and commission income	-	-	2,456	1,870	4,326
Net claims incurred	-	(491)	(3,324)	(2,516)	(6,331)
Surrenders and maturities	-	(38,135)	-	-	(38,135)
Policy acquisition costs	-	(972)	(2,334)	(719)	(4,025)
Underwriting surplus for the period	-	5,209	1,885	2,258	9,352
Investment income	1,412	339	-	-	1,751
General and administrative expenses	(689)	(1,954)	(2,424)	(3,039)	(8,106)
Net surplus/ (deficit) for the period	723	3,594	(539)	(781)	2,997
Surplus from takaful operations after shareholders' appropriation					(227)
Net profit for the period					2,770
Purchase of intangible assets	381	-	-	-	381
Amortisation	74	-	-	-	74
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					890,504
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					533,188

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

31 March 2015

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 31 March 2015 (Unaudited)</i>	<i>Three Months ended 31 March 2014 (Unaudited)</i>
Net profit for the period (SAR'000)	<u>3,145</u>	<u>2,770</u>
Weighted average number of ordinary shares (Number in thousands)	<u>34,000</u>	<u>34,000</u>
Earnings per share (SAR)	<u>0.09</u>	<u>0.08</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 31 March 2015 (Unaudited)</i>	<i>Three months ended 31 March 2014 (Unaudited)</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>		
Contributions	10,101	10,042
Claims paid	5,944	10,671
Other expenses		
- IT maintenance cost and related expenses	1,458	1,579
- Overheads	1	42
Investment in murabaha deposits	35,029	15,000
Amlak International Real Estate and Development <i>(Managing director of Amlak was a board member of the Company)</i>		
Contributions	-	82
Claims paid	-	14
Other entities controlled, jointly controlled or significantly influenced by related parties		
Policy acquisition costs paid	1,982	3,818
Rebate on unit-linked investments	326	339

'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 use of IT infrastructure etc. at a consideration mutually agreed between the parties.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2015

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 31 March 2015 SAR'000 (Unaudited)</i>		<i>Three months period ended 31 March 2014 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	942	-	820	-
End-of-service benefits	47	-	24	-

11. CONTINGENCIES

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 an independent legal advice, the Company does not believe that policyholder has a valid claim and as a result, as at 31 March 2015, 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. The hearing process is in progress with SAMA Committee for Resolution of Insurance Disputes and Violations.

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 28 Jumaada al-Thaany 1436H corresponding to 17 April 2015.