
SABB TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED 30 SEPTEMBER 2014**



Aldar Audit Bureau

Abdullah AlBasri & Co.



Independent auditors' review report on interim condensed financial statements to the shareholders' of SABB Takaful Company (A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim statement of financial position of SABB Takaful Company - a Saudi Joint Stock Company (the "Company") as at September 30, 2014 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, 2014, 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 14 which form part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

Emphasis of a matter

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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Date: October 28, 2014
Corresponding to: Muharram 4, 1436H



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2014

	Notes	30 September 2014 (Unaudited) SAR'000	31 December 2013 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	442,966	455,806
Contributions receivable, net	4	9,763	8,408
Retakaful share of outstanding claims	6	58,486	46,826
Retakaful share of unearned contributions	7 (b)	8,515	11,671
Deferred policy acquisition costs		1,540	1,293
Prepayments and other receivables		1,575	559
Due from shareholders		-	741
Cash and cash equivalents	5	42,237	49,954
TOTAL TAKAFUL OPERATIONS' ASSETS		565,082	575,258
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		1,204	828
Held to maturity investments	3	187,000	206,513
Prepayments and other receivables		1,380	2,133
Statutory deposit		34,000	34,000
Due from takaful operations		5,166	-
Cash and cash equivalents	5	128,704	111,664
TOTAL SHAREHOLDERS' ASSETS		357,454	355,138
TOTAL ASSETS		922,536	930,396

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

Majed Najm
Board Member

Adrian Flowers
Chief Executive Officer

Saud Al Naimi
CFO

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2014

	Notes	30 September 2014 (Unaudited) SAR'000	31 December 2013 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7 (a)	433,486	447,129
Surplus distribution payable		4,427	2,927
Unearned contributions	7 (b)	17,235	20,928
Gross outstanding claims	6	76,332	64,046
Provision for employees' end-of-service benefits		4,718	4,102
Unearned commission income		1,928	2,375
Retakaful balances payable, net		1,356	11,049
Payables, accruals and others		19,421	21,202
Due to shareholders		5,166	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES		564,069	573,758
TAKAFUL OPERATIONS' SURPLUS		1,013	1,500
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		565,082	575,258
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital		340,000	340,000
Legal reserve		8,075	8,075
Retained earnings/ (Accumulated losses)		3,559	(3,471)
TOTAL SHAREHOLDERS' EQUITY		351,634	344,604
SHAREHOLDERS' LIABILITIES			
Payables, accruals and others		1,589	3,837
Due to takaful operations		-	741
Provision for zakat and tax	12	4,231	5,956
		5,820	10,534
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		357,454	355,138
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		922,536	930,396

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

Majed Najm
Board Member

Adrian Flowers
Chief Executive Officer

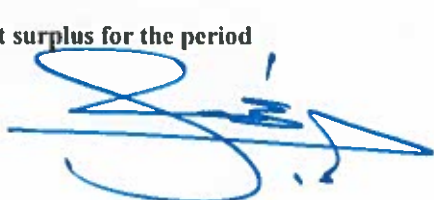
Saud Al Naimi
CFO

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME - TAKAFUL OPERATIONS (UNAUDITED)

For the three and nine months ended 30 September 2014

	Three months ended 30 September 2014 SR'000	Three months ended 30 September 2013 SR'000	Nine months ended 30 September 2014 SR'000	Nine months ended 30 September 2013 SR'000
Gross contributions written				
- Family Takaful	41,171	38,655	126,278	113,779
- General Takaful	5,086	8,671	15,685	20,526
	<u>46,257</u>	<u>47,326</u>	<u>141,963</u>	<u>134,305</u>
Family Takaful - Planholder charges	6,015	6,775	19,272	18,208
Gross contributions written and Planholder charges	52,272	54,101	161,235	152,513
Retakaful contribution ceded	(12,931)	(14,859)	(35,726)	(38,513)
Net written contribution	39,341	39,242	125,509	114,000
Changes in gross unearned contributions	1,303	(1,979)	3,693	1,366
Changes in retakaful share of unearned contributions	(396)	1,031	(3,156)	(2,714)
Changes in reserve for takaful activities	17,366	24,848	47,035	67,042
Net contributions earned	57,614	63,142	173,081	179,694
Fees and commission income	1,506	2,204	8,559	5,257
Underwriting revenue	59,120	65,346	181,640	184,951
Gross claims paid	(9,575)	(4,737)	(35,101)	(17,024)
Retakaful share of claims paid	6,996	3,165	25,580	11,807
Net claims paid	(2,579)	(1,572)	(9,521)	(5,217)
Changes in gross outstanding claims	(664)	7,006	(12,286)	(1,247)
Changes in retakaful share of outstanding claims	573	(7,070)	11,660	(40)
Net claims incurred	(2,670)	(1,636)	(10,147)	(6,504)
Surrenders and maturities	(43,296)	(49,173)	(128,764)	(138,325)
Net claims incurred, surrenders and maturities	(45,966)	(50,809)	(138,911)	(144,829)
Policy acquisition costs	(1,738)	(2,647)	(9,219)	(7,437)
Total claims, surrenders, maturities and policy acquisition costs	(47,704)	(53,456)	(148,130)	(152,266)
Underwriting surplus for the period	11,416	11,890	33,510	32,685
Investment income	358	352	1,069	1,069
General and administrative expenses	(8,028)	(8,970)	(24,454)	(23,014)
Net surplus for the period from takaful operations	3,746	3,272	10,125	10,740
Transfer of net surplus for the period to shareholders' operations	(3,371)	(2,945)	(9,112)	(9,666)
Net surplus for the period	<u>375</u>	<u>327</u>	<u>1,013</u>	<u>1,074</u>





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

Majed Najm
Board Member

Adrian Flowers
Chief Executive Officer

Saud Al Naimi
CFO

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 2014

	<i>Three months ended</i> 30 September 2014 SR'000	<i>Three months ended</i> 30 September 2013 SR'000	<i>Nine months ended</i> 30 September 2014 SR'000	<i>Nine months ended</i> 30 September 2013 SR'000
	<i>Note</i>			
Investment income on murabaha deposits	201	213	642	648
Income from sukus	1,073	1,220	3,445	3,512
Total income	1,274	1,433	4,087	4,160
Transfer of net surplus for the period from takaful operations	3,371	2,945	9,112	9,666
General and administrative expenses	(941)	(755)	(1,916)	(2,334)
Net profit for the period	3,704	3,623	11,283	11,492
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	3,704	3,623	11,283	11,492
Basic and diluted earnings per share (SAR)	0.11	0.11	0.33	0.34
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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 2014

	<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 2014	340,000	8,075	(3,471)	344,604
Net profit 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>
Balance as at 1 January 2013	340,000	4,800	(10,416)	334,384
Net profit for the period			11,492	11,492
Provision for zakat and tax			(4,703)	(4,703)
Balance as at 30 September 2013	<u>340,000</u>	<u>4,800</u>	<u>(3,627)</u>	<u>341,173</u>

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS

(UNAUDITED)

For the nine months ended 30 September 2014

	Notes	Nine months ended 30 September 2014 SR'000	Nine months ended 30 September 2013 SR'000
OPERATING ACTIVITIES			
Surplus from takaful operations after shareholders' appropriation		1,013	1,074
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash (used in)/ from operating activities:			
Shareholders' appropriation from surplus		9,112	9,666
Provision/ (Reversal) of impairment on contribution receivables		82	(212)
Provision for employees' end-of-service benefits		673	317
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		<u>10,880</u>	<u>10,845</u>
Changes in operating assets and liabilities:			
Available for sale investments, net		12,840	49,821
Contributions receivable, net		(1,437)	10,190
Retakaful share of outstanding claims		(11,660)	40
Retakaful share of unearned contributions		3,156	2,714
Deferred policy acquisition costs		(247)	(78)
Prepayments and other receivables		(1,016)	(15)
Reserve for takaful activities		(13,643)	(51,164)
Unearned contributions		(3,693)	(1,366)
Gross outstanding claims		12,286	1,247
Unearned commission income		(447)	(46)
Retakaful balances payable, net		(9,693)	6,231
Payables, accruals and others		(1,781)	36
Provision for employees' end-of-service benefits, net		(57)	3,487
Net cash (used in)/ from operating activities		<u>(4,512)</u>	<u>31,942</u>
FINANCING ACTIVITY			
Due from shareholders, net		(3,205)	(7,973)
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(7,717)	23,969
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		49,954	21,507
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u>42,237</u>	<u>45,476</u>
Non-cash supplemental information:			
Net change in fair value of available-for-sale investments	3 (c)	<u>52,664</u>	<u>33,440</u>

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

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CFO

SABB Takaful Company (A Saudi Joint Stock Company)

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

For the nine months ended 30 September 2014

	Note	<i>Nine months ended 30 September 2014 SR'000</i>	<i>Nine months ended 30 September 2013 SR'000</i>
OPERATING ACTIVITIES			
Net profit for the period		11,283	11,492
Adjustment to reconcile net profit to net cash used in operating activities:			
Appropriation of surplus from takaful operations		(9,112)	(9,666)
Amortisation		247	209
Depreciation		-	12
		<u>2,418</u>	<u>2,047</u>
Changes in operating assets and liabilities:			
Prepayments and other receivables		753	(8)
Payables, accruals and others		(2,248)	371
Zakat and tax paid		(5,978)	(5,345)
		<u>(5,055)</u>	<u>(2,935)</u>
Net cash used in operating activities		<u>(5,055)</u>	<u>(2,935)</u>
INVESTING ACTIVITIES			
Purchase of held to maturity investments		-	(12,000)
Maturity of held to maturity investments		19,513	-
Purchase of intangibles		(623)	-
Due to takaful operations, net		3,205	7,973
		<u>22,095</u>	<u>(4,027)</u>
Net cash from/ (used in) investing activities		<u>22,095</u>	<u>(4,027)</u>
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>17,040</u>	<u>(6,962)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>111,664</u>	<u>115,222</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u><u>128,704</u></u>	<u><u>108,260</u></u>

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

Majed Najm
Board Member

Adrian Flowers
Chief Executive Officer

Saud Al Naimi
CFO

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

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 2014 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 2013.

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 2013, 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 periods:

Amendments to existing standards

Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investments funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss provided it fulfils certain conditions with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.

IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

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)

IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

d) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The financial statements values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

3. INVESTMENTS

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

	<i>30 September 2014 (Unaudited)</i> <i>SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
<i>Available for sale investments – quoted</i>		
Investment in Amanah Mutual Funds	442,966	-
<i>Held to maturity investments</i>		
Saudi Electricity Company Sukuk (SEC-III) – quoted	-	25,000
Saudi Hollandi Bank Sukuk (SHB-I) – unquoted	-	5,000
Bank Al Jazira Sukuk – unquoted	-	20,000
General Authority of Civil Aviation Sukuk (GACA - I) - unquoted	-	50,000
The National Industrialization Company Sukuk (TASNEE - I) - unquoted	-	50,000
Olayan Real Estate Company Sukuk (ORECO - I) – unquoted	-	10,000
Saudi Hollandi Bank Sukuk (SHB-II) – quoted	-	15,000
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ) – unquoted	-	12,000
	<hr/>	<hr/>
	-	187,000
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Total investments	442,966	187,000

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

3. INVESTMENTS (continued)

	31 December 2013 (Audited)	
	SAR'000	
	Takaful Operations	Shareholders
<i>Available for sale investments – quoted</i>		
Investment in Amanah Mutual Funds	455,806	-
<i>Held to maturity investments</i>		
Saudi Electricity Company Sukuk (SEC-III) – quoted	-	25,000
Saudi Hollandi Bank Sukuk (SHB-I) – unquoted	-	5,000
Bank Al Jazira Sukuk – unquoted	-	20,000
General Authority of Civil Aviation Sukuk (GACA - I) - unquoted	-	50,000
The National Industrialization Company Sukuk (TASNEE - I) - unquoted	-	50,000
Olayan Real Estate Company Sukuk (ORECO - I) - unquoted	-	10,000
Saudi Binladin Group Limited Sukuk (SBG - III) - unquoted	-	19,513
Saudi Hollandi Bank Sukuk (SHB-II) – quoted	-	15,000
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ) - unquoted	-	12,000
	-	206,513
Total investments	455,806	206,513

Available for sale investments in takaful operations represent investments in units of mutual funds managed by HSBC Saudi Arabia Limited, being a related party of the Company.

The SEC-III Sukuk will mature on 30 May 2030, with a 'put option' available to the Company to seek redemption of the instrument on 10 May 2017. In accordance with the decisions and investment strategy of the Company, the said options will be exercised on the respective option dates. Accordingly, they are classified as held to maturity to their respective 'put option' dates.

The SHB-I Sukuk, Bank Al Jazira Sukuk, GACA – I Sukuk, TASNEE – I Sukuk, ORECO – I Sukuk, SHB-II Sukuk and MARAFIQ Sukuk will mature on 29 December 2019, 28 March 2021, 18 January 2022, 21 May 2019, 25 June 2017, 26 November 2019 and 27 May 2018 respectively.

b) The fair value of held-to-maturity investments as at 30 September 2014 is SAR 187 million (31 December 2013: SAR 207.25 million).

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

	30 September 2014 (Unaudited) SAR'000	31 December 2013 (Audited) SAR'000
Opening balance	455,806	509,613
Purchased during the period/ year	78,530	94,237
Sold during the period/ year	(144,034)	(196,330)
	390,302	407,520
Net change in fair values of investments	52,664	48,286
Closing balance	442,966	455,806

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

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 2014 (Unaudited) SAR'000</i>	<i>31 December 2013 (Audited) SAR'000</i>
Due from planholders	5,111	3,468
Due from related parties	5,735	5,941
	<u>10,846</u>	<u>9,409</u>
Provision for impairment	(1,083)	(1,001)
	<u>9,763</u>	<u>8,408</u>

5. CASH AND CASH EQUIVALENTS

	<i>30 September 2014 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	27,237	5,810
Murabaha deposits	15,000	122,894
	<u>42,237</u>	<u>128,704</u>
	<i>31 December 2013 (Audited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	49,954	9,468
Murabaha deposits	-	102,196
	<u>49,954</u>	<u>111,664</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

30 September 2014

6. OUTSTANDING CLAIMS

	<i>30 September 2014 (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	11,458	(8,361)	3,097
- Incurred but not reported reserve and other reserves	15,480	(11,233)	4,247
General Takaful outstanding claims			
- Outstanding claim reserves	38,972	(37,522)	1,450
- Incurred but not reported reserve and other reserves	10,422	(1,370)	9,052
Total outstanding claims	76,332	(58,486)	17,846
	<i>31 December 2013 (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	14,068	(10,539)	3,529
- Incurred but not reported reserve and other reserves	11,623	(7,942)	3,681
General Takaful outstanding claims			
- Outstanding claim reserves	29,731	(27,513)	2,218
- Incurred but not reported reserve and other reserves	8,624	(832)	7,792
Total outstanding claims	64,046	(46,826)	17,220

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

a) Movement in reserve for takaful activities

	<i>Nine months ended 30 September 2014 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2013 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	447,129	503,240
Changes in reserve during the period/ year	(47,035)	(80,299)
Planholder charges	(19,272)	(24,098)
Net change in fair value of investments	52,664	48,286
Balance as at the end of the period/ year	433,486	447,129

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

b) Movement in unearned contribution

	<i>Nine months ended 30 September 2014 (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	20,928	(11,671)	9,257
Contribution written during the period	59,432	(34,700)	24,732
Contribution earned during the period	(63,125)	37,856	(25,269)
Balance as at the end of the period	17,235	(8,515)	8,720

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

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

b) Movement in unearned contribution (continued)

	Year ended 31 December 2013		
	<i>(Audited)</i>		
	<i>Gross</i>	<i>Retakaful</i>	<i>Net</i>
	<i>SAR'000</i>	<i>share</i>	<i>SAR'000</i>
		<i>SAR'000</i>	<i>SAR'000</i>
Balance as at the beginning of the year	21,448	(11,642)	9,806
Contribution written during the year	82,273	(48,774)	33,499
Contribution earned during the year	(82,793)	48,745	(34,048)
Balance as at the end of the year	<u>20,928</u>	<u>(11,671)</u>	<u>9,257</u>

8. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. The Company's gross written contribution, net written contribution, net contributions earned, fees and commission income, net claims incurred, surrenders and maturities, policy acquisition costs, 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, available for sale investments, contribution receivables, net, retakaful share of outstanding claims and unearned contributions, deferred policy acquisition costs, total assets, reserve for takaful activities, unearned contributions, gross outstanding claims, unearned commission income, and total liabilities, by business segment, are stated below.

Segment assets do not include prepayments and other receivables, 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, payables, accruals and others, provision for employees' end of service benefits and due to shareholders. Accordingly they are included in unallocated liabilities.

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

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the three months ended					
30 September 2014 (Unaudited)					
Gross written contribution	-	26,267	14,904	5,086	46,257
Net written contribution	-	31,971	6,405	965	39,341
Net contributions earned	-	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)
Net surplus for the period	333	2,222	951	573	4,079
Surplus from takaful operations after shareholders' appropriation					(375)
Net profit for the period					3,704
Purchase of intangible assets	242				242
Amortisation	91	-	-	-	91
For the nine months ended					
30 September 2014 (Unaudited)					
Gross written contribution	-	82,531	43,747	15,685	141,963
Net written contribution	-	100,777	18,446	6,286	125,509
Net contributions earned	-	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	2,171	8,622	574	929	12,296
Surplus from takaful operations after shareholders' appropriation					(1,013)
Net profit for the period					11,283
Purchase of intangible assets	623	-	-	-	623
Amortisation	247	-	-	-	247

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family SAR'000</i>	<i>Group Family SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
30 September 2014 (Unaudited)					
Intangible assets	1,204	-	-	-	1,204
Takaful operations' assets					
Available for sale investments	-	442,966	-	-	442,966
Contribution receivables, net	-	-	5,290	4,473	9,763
Retakaful share of outstanding claims	-	813	18,781	38,892	58,486
Retakaful share of unearned contributions	-	-	2,306	6,209	8,515
Deferred policy acquisition costs	-	-	493	1,047	1,540
Unallocated assets	-	-	-	-	43,812
Total takaful operations' assets					565,082
Total shareholders' assets	357,454	-	-	-	357,454
Total assets					922,536
Takaful operations' liabilities					
Reserve for takaful activities	-	433,486	-	-	433,486
Unearned contributions	-	-	6,864	10,371	17,235
Gross outstanding claims	-	2,093	24,845	49,394	76,332
Unearned commission income	-	-	-	1,928	1,928
Unallocated liabilities	-	-	-	-	35,088
Total takaful operations' liabilities					564,069
Total shareholders' liabilities	5,820	-	-	-	5,820
Total liabilities					569,889
For the three months ended 30 September 2013 (Unaudited)					
Gross written contribution	-	25,183	13,472	8,671	47,326
Net written contribution	-	31,627	3,899	3,716	39,242
Net contributions earned	-	56,475	2,502	4,165	63,142
Fees and commission income	-	419	-	1,785	2,204
Net claims incurred	-	(219)	1,123	(2,540)	(1,636)
Surrenders and maturities	-	(49,173)	-	-	(49,173)
Policy acquisition costs, net	-	(1,032)	(1,078)	(537)	(2,647)
Underwriting surplus for the period	-	6,470	2,547	2,873	11,890
Investment income	1,433	352	-	-	1,785
General and administrative expenses	(755)	(2,419)	(2,520)	(4,031)	(9,725)
Net surplus/ (deficit) for the period	678	4,403	27	(1,158)	3,950
Surplus from takaful operations after shareholders' appropriation					(327)
Net profit for the period					3,623
Amortisation	70	-	-	-	70

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

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 2013 (Unaudited)					
Gross written contribution	-	72,627	41,152	20,526	134,305
Net written contribution	-	89,840	14,550	9,610	114,000
Net contributions earned	-	156,882	12,972	9,840	179,694
Fees and commission income	-	990	-	4,267	5,257
Net claims incurred	-	141	(3,721)	(2,924)	(6,504)
Surrenders and maturities	-	(138,325)	-	-	(138,325)
Policy acquisition costs, net	-	(3,690)	(2,046)	(1,701)	(7,437)
Underwriting surplus for the period	-	15,998	7,205	9,482	32,685
Investment income	4,160	1,069	-	-	5,229
General and administrative expenses	(2,334)	(6,376)	(6,753)	(9,885)	(25,348)
Net surplus for the period	<u>1,826</u>	<u>10,691</u>	<u>452</u>	<u>(403)</u>	<u>12,566</u>
Surplus from takaful operations after shareholders' appropriation					<u>(1,074)</u>
Net profit for the period					<u>11,492</u>
Amortisation	209	-	-	-	209
Depreciation	12	-	-	-	12
31 December 2013 (Audited)					
Intangible assets	<u>828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>828</u>
Takaful operations' assets					
Available for sale investments	-	455,806	-	-	455,806
Contribution receivables, net	-	-	1,089	7,319	8,408
Retakaful share of outstanding claims	-	613	17,868	28,345	46,826
Retakaful share of unearned contributions	-	-	1,750	9,921	11,671
Deferred policy acquisition costs	-	-	375	918	1,293
Unallocated assets	-	-	-	-	51,254
Total takaful operations' assets					<u>575,258</u>
Total shareholders' assets	355,138	-	-	-	<u>355,138</u>
Total assets					<u>930,396</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	447,129	-	-	447,129
Unearned contributions	-	-	5,101	15,827	20,928
Gross outstanding claims	-	1,292	24,399	38,355	64,046
Unearned commission income	-	-	-	2,375	2,375
Unallocated liabilities	-	-	-	-	39,280
Total takaful operations' liabilities					<u>573,758</u>
Total shareholders' liabilities	10,534	-	-	-	<u>10,534</u>
Total liabilities					<u>584,292</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)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2014

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 2014 SAR'000 (Unaudited)</i>	<i>Three months ended 30 September 2013 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2014 SAR'000 (Unaudited)</i>	<i>Nine Months ended 30 September 2013 SAR'000 (Unaudited)</i>
Net profit for the period (SAR'000)	3,704	3,623	11,283	11,492
Weighted average number of ordinary share (Number in thousands)	34,000	34,000	34,000	34,000
Earnings per share (SAR)	0.11	0.11	0.33	0.34

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 2014 SAR'000 (Unaudited)</i>	<i>Three months ended 30 September 2013 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2014 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2013 SAR'000 (Unaudited)</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>				
Contributions	11,894	13,282	34,623	34,640
Claims paid	5,339	3,684	23,500	12,700
Other expenses				
- IT maintenance cost and related expenses	1,490	1,869	4,633	5,383
- Overheads	18	145	103	306
Amlak International Real Estate and Development <i>(Managing director of Amlak being a board member of the Company)</i>				
Contributions	1	-	100	347
Other entities controlled, jointly controlled or significantly influenced by related parties				
Policy acquisition costs	1,738	2,647	9,219	7,437
Rebate on unit-linked investments	338	352	1,018	1,069

'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

30 September 2014

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 2014 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 September 2013 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	950	-	986	-
End-of-service benefits	29	-	30	-
	<u>979</u>	<u>-</u>	<u>1016</u>	<u>-</u>

	<i>Nine months period ended 30 September 2014 SAR'000 (Unaudited)</i>		<i>Nine months period ended 30 September 2013 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	2,722	-	2,817	-
End-of-service benefits	123	-	128	-
	<u>2,845</u>	<u>-</u>	<u>2,945</u>	<u>-</u>

11. CONTINGENCIES

The Company is subject to litigation in the normal course of its business. During quarter ended 30 June 2012, a legal case amounting to SR 65.88 million, which significantly exceeds the claim amount, was filed against the Company by a policyholder disputing the claim amount under a policy. Based on an independent legal advice, the Company does not believe that policyholder has a valid claim and as a result, as at 30 September 2014, 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 2013, the Department of Zakat and Income Tax (DZIT) issued the final tax/ zakat assessments for the years ended 31 December 2008, 2009, and 2010. However, DZIT has not yet issued the final tax/ zakat assessments for the years ended 31 December 2011 and 2012. During the quarter ended 30 June 2013, the Company filed an appeal against the final tax/ zakat assessments for the years from 2008 to 2010. During the quarter ended 30 September 2013, hearing was held for the said appeal in Preliminary Zakat and Tax Appeal Committee (PAC III). During the quarter ended 31 December 2013, Preliminary Zakat and Tax Appeal Committee (PAC III) has decided in favor of the Company in all the matters contested in appeal. During the quarter ended 30 June 2014, DZIT has issued the revised assessment after giving effect to PAC III ruling. However, as at 30 September 2014, DZIT has not yet issued the final tax certificates for the said years.

13. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial statements of the Company.

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 28 Dhul-Hijja 1435H corresponding to 22 October 2014.