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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 2016**

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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, 2016 and the related interim statements of income - takaful operations and comprehensive income - takaful and shareholders' operations for the three and nine month period ended September 30, 2016, 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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Date: October 20, 2016  
Corresponding to: Muharram 19, 1438H



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	<i>Notes</i>	<b>30 September 2016 (Unaudited) SAR'000</b>	<b>31 December 2015 (Audited) SAR'000</b>
<b><u>TAKAFUL OPERATIONS' ASSETS</u></b>			
Available-for-sale investments	3	342,350	374,739
Contributions receivable, net	4	8,554	12,374
Retakaful share of outstanding claims	6	52,843	37,960
Retakaful share of unearned contributions	7 (b)	9,796	14,177
Deferred policy acquisition costs		1,256	1,180
Retakaful balances receivable		56	3,630
Prepayments and other receivables		1,853	939
Due from shareholders' operations		6,941	-
Cash and cash equivalents	5	42,399	43,122
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>466,048</b>	<b>488,121</b>
<b><u>SHAREHOLDERS' ASSETS</u></b>			
Intangible assets		1,269	1,394
Motor vehicle		35	48
Held-to-maturity investments	3	188,456	187,945
Statutory deposit		34,000	34,000
Investment return from statutory deposit		2,073	1,617
Prepayments and other receivables		252	297
Due from takaful operations		-	7,928
Cash and cash equivalents	5	148,312	132,958
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>374,397</b>	<b>366,187</b>
<b>TOTAL ASSETS</b>		<b>840,445</b>	<b>854,308</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 2016

	<i>Notes</i>	<b>30 September 2016 (Unaudited) SAR'000</b>	<b>31 December 2015 (Audited) SAR'000</b>
<b><u>TAKAFUL OPERATIONS' LIABILITIES</u></b>			
Reserve for takaful activities	7 (a)	342,350	374,739
Provision for employees' end-of-service benefits		6,744	6,273
Surplus distribution payable		6,326	6,018
Gross unearned contributions	7 (b)	15,127	21,441
Unearned commission income		2,389	2,950
Gross outstanding claims	6	68,305	47,897
Retakaful balances payable		10,050	5,858
Payables, accruals and others		14,277	14,618
Due to shareholders		-	7,928
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES</b>		<b>465,568</b>	<b>487,722</b>
<b>TAKAFUL OPERATIONS' SURPLUS</b>		<b>480</b>	<b>399</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>466,048</b>	<b>488,121</b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		340,000	340,000
Legal reserve		12,206	12,206
Retained earnings		7,852	2,864
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>360,058</b>	<b>355,070</b>
<b>SHAREHOLDERS' LIABILITIES</b>			
Investment return from statutory deposit		2,073	1,617
Payables, accruals and others		996	4,516
Provision for zakat and income tax	11	4,329	4,984
Due to takaful operations		6,941	-
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>14,339</b>	<b>11,117</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>374,397</b>	<b>366,187</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>840,445</b>	<b>854,308</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 2016

	<i>Three months ended 30 September 2016 SR'000</i>	<i>Three months ended 30 September 2015 SR'000</i>	<i>Nine months ended 30 September 2016 SR'000</i>	<i>Nine months ended 30 September 2015 SR'000</i>
<b>Gross contributions written</b>				
- Family Takaful	39,782	45,058	118,813	132,049
- General Takaful	4,162	4,972	18,630	16,905
	<u>43,944</u>	<u>50,030</u>	<u>137,443</u>	<u>148,954</u>
<b>Family Takaful - Planholder charges</b>	7(a) 5,297	6,605	16,974	20,111
	<u>49,241</u>	<u>56,635</u>	<u>154,417</u>	<u>169,065</u>
<b>Gross contributions written and Planholder charges</b>				
Retakaful contribution ceded	(13,041)	(13,888)	(42,179)	(39,559)
	<u>36,200</u>	<u>42,747</u>	<u>112,238</u>	<u>129,506</u>
<b>Net written contribution and Planholder charges</b>				
Changes in gross unearned contributions	2,947	(738)	6,314	2,315
Changes in retakaful share of unearned contributions	(2,133)	(442)	(4,381)	(2,388)
Changes in reserve for takaful activities	(5,017)	(9,613)	5,780	(29,010)
	<u>31,997</u>	<u>31,954</u>	<u>119,951</u>	<u>100,423</u>
<b>Net contributions earned and Planholder charges</b>				
Fees and commission income	2,088	884	6,300	3,598
	<u>34,085</u>	<u>32,838</u>	<u>126,251</u>	<u>104,021</u>
<b>Underwriting revenue</b>				
Gross claims paid	(5,279)	(9,962)	(24,748)	(30,513)
Retakaful share of claims paid	3,661	7,617	18,124	22,662
	<u>(1,618)</u>	<u>(2,345)</u>	<u>(6,624)</u>	<u>(7,851)</u>
<b>Net claims paid</b>				
Changes in gross outstanding claims	(13,231)	16,506	(20,408)	14,099
Changes in retakaful share of outstanding claims	9,677	(12,898)	14,883	(8,865)
	<u>(5,172)</u>	<u>1,263</u>	<u>(12,149)</u>	<u>(2,617)</u>
<b>Net claims incurred</b>				
Surrenders and maturities	(18,390)	(17,819)	(78,030)	(57,895)
	<u>(23,562)</u>	<u>(16,556)</u>	<u>(90,179)</u>	<u>(60,512)</u>
<b>Net claims incurred, surrenders and maturities</b>				
Policy acquisition costs	(1,110)	(1,352)	(5,405)	(4,995)
	<u>(24,672)</u>	<u>(17,908)</u>	<u>(95,584)</u>	<u>(65,507)</u>
<b>Total claims, surrenders, maturities and policy acquisition costs</b>				
<b>Underwriting surplus for the period</b>	9,413	14,930	30,667	38,514
Investment income	421	364	1,294	1,061
General and administrative expenses	(8,962)	(8,823)	(27,158)	(27,000)
	<u>872</u>	<u>6,471</u>	<u>4,803</u>	<u>12,575</u>
<b>Net surplus for the period from takaful operations</b>				
Transfer of net surplus for the period to shareholders' operations	(785)	(5,824)	(4,323)	(11,318)
	<u>87</u>	<u>647</u>	<u>480</u>	<u>1,257</u>
<b>Net surplus for the period</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 COMPREHENSIVE INCOME - TAKAFUL OPERATIONS  
(UNAUDITED)

For the three and nine months ended 30 September 2016

	<i>Three months ended 30 September 2016 SR'000</i>	<i>Three months ended 30 September 2015 SR'000</i>	<i>Nine months ended 30 September 2016 SR'000</i>	<i>Nine months ended 30 September 2015 SR'000</i>
<b>Net surplus for the period</b>	<b>87</b>	<b>647</b>	<b>480</b>	<b>1,257</b>
<i>Other comprehensive loss</i>				
Fair value change in available for sale investments – unrealized	3(c) <u>(1,547)</u>	<u>(34,520)</u>	<u>(9,635)</u>	<u>(23,051)</u>
<b>Total comprehensive loss from takaful operations for the period</b>	<u><b>(1,460)</b></u>	<u><b>(33,873)</b></u>	<u><b>(9,155)</b></u>	<u><b>(21,794)</b></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 2016

	<i>Note</i>	<i>Three months ended 30 September 2016 SR'000</i>	<i>Three months ended 30 September 2015 SR'000</i>	<i>Nine months ended 30 September 2016 SR'000</i>	<i>Nine months ended 30 September 2015 SR'000</i>
Transfer of net surplus for the period from takaful operations		785	5,824	4,323	11,318
Income from murabaha deposits		1,170	198	2,942	579
Income from sukuku		1,374	1,019	3,681	3,068
<b>Total income</b>		<b>3,329</b>	<b>7,041</b>	<b>10,946</b>	<b>14,965</b>
General and administrative expenses		(583)	(667)	(1,606)	(1,344)
<b>Net profit for the period</b>		<b>2,746</b>	<b>6,374</b>	<b>9,340</b>	<b>13,621</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>2,746</b>	<b>6,374</b>	<b>9,340</b>	<b>13,621</b>
<b>Basic and diluted earnings per share (SAR)</b>	9	<b>0.08</b>	<b>0.19</b>	<b>0.27</b>	<b>0.40</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 CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

For the nine months ended 30 September 2016

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2016	340,000	12,206	2,864	355,070
Total comprehensive income for the period	-	-	9,340	9,340
Provision for zakat and tax	-	-	(4,352)	(4,352)
Balance as at 30 September 2016	<u>340,000</u>	<u>12,206</u>	<u>7,852</u>	<u>360,058</u>
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>

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 2016

	<i>Nine months ended 30 September 2016 SR'000</i>	<i>Nine months ended 30 September 2015 SR'000</i>
	<i>Notes</i>	
<b>OPERATING ACTIVITIES</b>		
Surplus from takaful operations after shareholders' appropriation	480	1,257
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from/ (used in) operating activities:		
Shareholders' appropriation from surplus	4,323	11,318
Provision/ (reversal) of impairment on contribution receivables	434	(709)
Provision for employees' end-of-service benefits	900	1,105
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities	6,137	12,971
<b>Changes in operating assets and liabilities:</b>		
Available-for-sale investments, net	32,389	14,770
Contributions receivable, net	3,386	867
Retakaful share of outstanding claims	(14,883)	8,865
Retakaful share of unearned contributions	4,381	2,388
Deferred policy acquisition costs	(76)	(82)
Retakaful balances receivable	3,574	-
Prepayments and other receivables	(914)	(384)
Reserve for takaful activities	(32,389)	(14,152)
Payment of employees' end-of-service benefits	(429)	(209)
Gross unearned contributions	(6,314)	(2,315)
Unearned commission income	(561)	4
Gross outstanding claims	20,408	(14,099)
Retakaful balances payable	4,192	2,507
Payables, accruals and others	(341)	(13,671)
Surplus distribution paid	(91)	-
Due to shareholders (appropriation of surplus)	(4,323)	(11,318)
<b>Net cash from/ (used in) operating activities</b>	<b>14,146</b>	<b>(13,858)</b>
<b>FINANCING ACTIVITY</b>		
Due (to)/ from shareholders, net	(14,869)	18,250
<b>(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(723)</b>	<b>4,392</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>43,122</b>	<b>40,028</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>42,399</b>	<b>44,420</b>
	5	
<b>Non-cash supplemental information:</b>		
Net change in fair value of available-for-sale investments	3 (c) (9,635)	(23,051)

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 nine months ended 30 September 2016

	<i>Nine months ended 30 September 2016 SR'000</i>	<i>Nine months ended 30 September 2015 SR 000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	9,340	13,621
Adjustment to reconcile net profit to net cash (used in)/ from operating activities:		
Appropriation of surplus from takaful operations	(4,323)	(11,318)
Amortisation	413	324
Depreciation	13	13
Income from sukuks	(3,681)	(3,068)
	1,762	(428)
<b>Changes in operating assets and liabilities:</b>		
Prepayments and other receivables	45	16
Payables, accruals and others	(3,520)	(645)
	(1,713)	(1,057)
<b>Cash used in operating activities</b>	(1,713)	(1,057)
Zakat and tax paid	(5,007)	(5,182)
Due from takaful operations (appropriation of surplus)	4,323	11,318
	(2,397)	5,079
<b>Net cash (used in)/ from operating activities</b>	(2,397)	5,079
<b>INVESTING ACTIVITIES</b>		
Maturity of held-to-maturity investments	20,000	-
Purchase of held-to-maturity investments	(20,000)	-
Income received from sukuks	3,170	3,068
Purchase of intangible assets	(288)	(404)
	2,882	2,664
<b>Net cash from investing activities</b>	2,882	2,664
<b>FINANCING ACTIVITY</b>		
Due from/ (to) shareholders, net	14,869	(18,250)
	15,354	(10,507)
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	15,354	(10,507)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	132,958	143,426
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	148,312	132,919

5

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 2016

### 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 (Protection and Savings – Individual), Group Family (Protection and Savings – Group) 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 2016 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 2015.

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 2015, 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 1 – "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to:
  - The materiality requirements in IAS 1;
  - That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated;
  - That entities have flexibility as to the order in which they present the notes to financial statements; and
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

**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)**

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

- Amendments to IAS 16 – “Property, Plant and Equipment” and IAS 38 – “Intangible Assets”, applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
- Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:
  - IFRS 5 – “Non-current Assets Held for Sale and Discontinued Operations”, amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
  - IFRS 7 – “Financial Instruments: Disclosures” has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
  - IAS 19 – “Employee Benefits” – amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  - IAS 34 – “Interim Financial Reporting” – amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

**d) Functional and presentation currency**

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

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2016

#### 3. INVESTMENTS

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

	30 September 2016 SAR'000 (Unaudited)	
	Takaful Operations	Shareholders
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	342,350	-
<i>Held-to-maturity investment – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,120
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-III)	-	15,181
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,060
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,282
The National Industrialization Company Sukuk (TASNEE)	-	50,600
Olayan Real Estate Company Sukuk (ORECO)	-	10,007
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,130
Bank AlBilad Sukuk	-	20,076
	-	188,456
<b>Total investments</b>	<b>342,350</b>	<b>188,456</b>

	31 December 2015 SAR'000 (Audited)	
	Takaful Operations	Shareholders
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	374,739	-
<i>Held-to-maturity investment – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,066
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-III)	-	15,032
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,007
Bank Al Jazira Sukuk	-	20,133
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,525
The National Industrialization Company Sukuk (TASNEE)	-	50,113
Olayan Real Estate Company Sukuk (ORECO)	-	10,044
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,025
	-	187,945
<b>Total investments</b>	<b>374,739</b>	<b>187,945</b>

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.

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

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2016

#### 3. INVESTMENTS (continued)

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

<i>Maturity profile</i>	<i>Maturity date</i>
- Saudi Electricity Company Sukuk (SEC-III)	10 May 2017
- Saudi Hollandi Bank Sukuk (SHB-III)	26 November 2019
- Saudi Hollandi Bank Sukuk (SHB-IV)	29 December 2019
- General Authority of Civil Aviation Sukuk (GACA - I)	18 January 2022
- The National Industrialization Company Sukuk (TASNEE)	21 May 2019
- Olayan Real Estate Company Sukuk (ORECO)	25 June 2017
- The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	27 May 2018
- Bank AlBilad Sukuk	30 August 2021

b) The fair value of held-to-maturity investments as at 30 September 2016 is SAR 188.46 million (31 December 2015: SAR 188.28 million).

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

	<i>30 September 2016 (Unaudited) SAR'000</i>	<i>31 December 2015 (Audited) SAR'000</i>
Opening balance	374,739	398,747
Purchased during the period/ year	69,198	96,344
Sold during the period/ year	<u>(91,952)</u>	<u>(90,452)</u>
	351,985	404,639
Net change in fair values of investments	<u>(9,635)</u>	<u>(29,900)</u>
Closing balance	<u><u>342,350</u></u>	<u><u>374,739</u></u>

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: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The Company's available-for-sale investments and held-to-maturity investments are classified under Level 1 and Level 2 hierarchy respectively.

#### 4. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 September 2016 (Unaudited) SAR'000</i>	<i>31 December 2015 (Audited) SAR'000</i>
Due from policy holders	5,436	6,228
Due from a shareholder (The Saudi British Bank)	3,698	6,292
	<u>9,134</u>	<u>12,520</u>
Provision for impairment	<u>(580)</u>	<u>(146)</u>
	<u><u>8,554</u></u>	<u><u>12,374</u></u>

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2016

#### 5. CASH AND CASH EQUIVALENTS

	<i>30 September 2016 (Unaudited)</i>	
	<i>SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	22,205	1,537
Murabaha deposits	20,194	146,775
	<u>42,399</u>	<u>148,312</u>

  

	<i>31 December 2015 (Audited)</i>	
	<i>SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	18,122	2,958
Murabaha deposits	25,000	130,000
	<u>43,122</u>	<u>132,958</u>

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

#### 6. OUTSTANDING CLAIMS

	<i>30 September 2016 (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	23,143	(16,280)	6,863
- Incurred but not reported reserve and other reserves	21,003	(15,641)	5,362
General Takaful outstanding claims			
- Outstanding claim reserves	19,497	(17,968)	1,529
- Incurred but not reported reserve and other reserves	4,662	(2,954)	1,708
Total outstanding claims	<u>68,305</u>	<u>(52,843)</u>	<u>15,462</u>

  

	<i>31 December 2015 (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	8,503	(5,846)	2,657
- Incurred but not reported reserve and other reserves	17,356	(12,805)	4,551
General Takaful outstanding claims			
- Outstanding claim reserves	17,216	(16,249)	967
- Incurred but not reported reserve and other reserves	4,822	(3,060)	1,762
Total outstanding claims	<u>47,897</u>	<u>(37,960)</u>	<u>9,937</u>

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2016

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

##### a) Movement in reserve for takaful activities

	<i>Nine months ended 30 September 2016 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2015 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	374,739	389,166
Changes in reserve during the period/ year	(5,780)	41,885
Planholder charges	(16,974)	(26,412)
Net change in fair value of investments	(9,635)	(29,900)
Balance as at the end of the period/ year	<u>342,350</u>	<u>374,739</u>

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

##### b) Movement in net unearned contribution

	<i>Nine months ended 30 September 2016 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Balance as at the beginning of the period	21,441	(14,177)	7,264
Contribution written during the period	65,193	(41,296)	23,897
Contribution earned during the period	(71,507)	45,677	(25,830)
Balance as at the end of the period	<u>15,127</u>	<u>(9,796)</u>	<u>5,331</u>
	<i>Year ended 31 December 2015 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Balance as at the beginning of the year	20,310	(12,848)	7,462
Contribution written during the year	89,877	(57,605)	32,272
Contribution earned during the year	(88,746)	56,276	(32,470)
Balance as at the end of the year	<u>21,441</u>	<u>(14,177)</u>	<u>7,264</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, surplus from takaful operations after shareholders' appropriation, net profit, amortisation, depreciation, purchase of intangible assets and motor vehicle, 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 retakaful balances receivable, prepayments and other receivables and cash and cash equivalents. 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 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

30 September 2016

### 8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection &amp; Savings) SAR'000</i>	<i>Group Family (Protection &amp; Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
<b>For the three months ended</b>					
<b>30 September 2016 (Unaudited)</b>					
Gross written contribution	-	23,407	16,375	4,162	43,944
Net written contribution and Planholder charges	-	28,401	7,173	626	36,200
Net contributions earned and Planholder charges	-	23,385	7,131	1,481	31,997
Fees and commission income	-	-	753	1,335	2,088
Net claims incurred	-	(69)	(4,725)	(378)	(5,172)
Surrenders and maturities	-	(18,390)	-	-	(18,390)
Policy acquisition costs	-	(681)	163	(592)	(1,110)
<b>Underwriting surplus for the period</b>	-	4,245	3,322	1,846	9,413
Investment income	2,544	397	24	-	2,965
General and administrative expenses	(583)	(2,973)	(2,838)	(3,151)	(9,545)
<b>Net surplus/ (deficit) for the period</b>	<b>1,961</b>	<b>1,669</b>	<b>508</b>	<b>(1,305)</b>	<b>2,833</b>
Surplus from takaful operations after shareholders' appropriation					(87)
<b>Net profit for the period</b>					<b>2,746</b>
Purchase of intangibles	150	-	-	-	150
Amortisation	145	-	-	-	145
Depreciation	4	-	-	-	4
<b>For the nine months ended</b>					
<b>30 September 2016 (Unaudited)</b>					
Gross written contribution	-	72,250	46,563	18,630	137,443
Net written contribution and Planholder charges	-	88,341	19,995	3,902	112,238
Net contributions earned and Planholder charges	-	94,122	21,250	4,579	119,951
Fees and commission income	-	440	753	5,107	6,300
Net claims incurred	-	(270)	(11,005)	(874)	(12,149)
Surrenders and maturities	-	(78,030)	-	-	(78,030)
Policy acquisition costs	-	(2,159)	(1,339)	(1,907)	(5,405)
<b>Underwriting surplus for the period</b>	-	14,103	9,659	6,905	30,667
Investment income	6,623	1,232	62	-	7,917
General and administrative expenses	(1,606)	(9,250)	(8,760)	(9,148)	(28,764)
<b>Net surplus/ (deficit) for the period</b>	<b>5,017</b>	<b>6,085</b>	<b>961</b>	<b>(2,243)</b>	<b>9,820</b>
Surplus from takaful operations after shareholders' appropriation					(480)
<b>Net profit for the period</b>					<b>9,340</b>
Purchase of intangibles	288	-	-	-	288
Amortisation	413	-	-	-	413
Depreciation	13	-	-	-	13

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2016

### 8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection &amp; Savings) SAR'000</i>	<i>Group Family (Protection &amp; Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
<b>30 September 2016 (Unaudited)</b>					
Intangible assets	1,269	-	-	-	1,269
Motor vehicle	35	-	-	-	35
<b>Takaful operations' assets</b>					
Available-for-sale investments	-	342,350	-	-	342,350
Contribution receivables, net	-	-	979	7,575	8,554
Retakaful share of outstanding claims	-	441	31,480	20,922	52,843
Retakaful share of unearned contributions	-	-	1,600	8,196	9,796
Deferred policy acquisition costs	-	-	262	994	1,256
Unallocated assets	-	-	-	-	51,249
<b>Total takaful operations' assets</b>					<b>466,048</b>
<b>Total shareholders' assets</b>	<b>374,397</b>	-	-	-	<b>374,397</b>
<b>Total assets</b>					<b>840,445</b>
<b>Takaful operations' liabilities</b>					
Reserve for takaful activities	-	342,350	-	-	342,350
Gross unearned contributions	-	-	4,548	10,579	15,127
Unearned commission income	-	-	-	2,389	2,389
Gross outstanding claims	-	1,554	42,592	24,159	68,305
Unallocated liabilities	-	-	-	-	37,397
<b>Total takaful operations' liabilities</b>					<b>465,568</b>
<b>Total shareholders' liabilities</b>	<b>14,339</b>	-	-	-	<b>14,339</b>
<b>Total liabilities</b>					<b>479,907</b>
<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)
Underwriting surplus for the period	-	4,544	3,600	6,786	14,930
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

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2016

### 8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund</i> SAR'000	<i>Individual Family (Protection &amp; Savings)</i> SAR'000	<i>Group Family (Protection &amp; Savings)</i> SAR'000	<i>General Takaful</i> SAR'000	<i>Total</i> SAR'000
For the nine months ended 30 September 2015 (Unaudited)					
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)
	<u>-</u>	<u>15,603</u>	<u>10,689</u>	<u>12,222</u>	<u>38,514</u>
Underwriting surplus for the period	-	15,603	10,689	12,222	38,514
Investment income	3,647	1,048	-	13	4,708
General and administrative expenses	(1,344)	(8,270)	(8,894)	(9,836)	(28,344)
	<u>2,303</u>	<u>8,381</u>	<u>1,795</u>	<u>2,399</u>	<u>14,878</u>
Net surplus for the period	<u>2,303</u>	<u>8,381</u>	<u>1,795</u>	<u>2,399</u>	<u>14,878</u>
Surplus from takaful operations after shareholders' appropriation					<u>(1,257)</u>
Net profit for the period					<u>13,621</u>
Purchase of intangibles	404	-	-	-	404
Amortisation	324	-	-	-	324
Depreciation	13	-	-	-	13
	<u>741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>741</u>
31 December 2015 (Audited)					
Intangible assets	1,394	-	-	-	1,394
Motor vehicle	48	-	-	-	48
	<u>1,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,442</u>
Takaful operations' assets					
Available-for-sale investments	-	374,739	-	-	374,739
Contribution receivables, net	-	-	3,927	8,447	12,374
Retakaful share of outstanding claims	-	349	18,303	19,308	37,960
Retakaful share of unearned contributions	-	-	2,346	11,831	14,177
Deferred policy acquisition costs	-	-	388	792	1,180
Unallocated assets	-	-	-	-	47,691
	<u>-</u>	<u>374,739</u>	<u>21,656</u>	<u>12,670</u>	<u>409,095</u>
Total takaful operations' assets					<u>488,121</u>
Total shareholders' assets	366,187	-	-	-	366,187
	<u>366,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>854,308</u>
Total assets					<u>854,308</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	374,739	-	-	374,739
Gross unearned contributions	-	-	6,549	14,892	21,441
Unearned commission income	-	-	-	2,950	2,950
Gross outstanding claims	-	1,604	24,255	22,038	47,897
Unallocated liabilities	-	-	-	-	40,695
	<u>-</u>	<u>374,739</u>	<u>24,255</u>	<u>17,840</u>	<u>416,833</u>
Total takaful operations' liabilities					<u>487,722</u>
Total shareholders' liabilities	11,117	-	-	-	11,117
	<u>11,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>498,839</u>
Total liabilities					<u>498,839</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 2016

### 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 2016 SR'000 (Unaudited)</i>	<i>Three months ended 30 September 2015 SR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2016 SR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2015 SR'000 (Unaudited)</i>
Net profit for the period (SAR'000)	<u>2,746</u>	<u>6,374</u>	<u>9,340</u>	<u>13,621</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>
Earnings per share (SAR)	<u>0.08</u>	<u>0.19</u>	<u>0.27</u>	<u>0.40</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 2016 SR'000 (Unaudited)</i>	<i>Three months ended 30 September 2015 SR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2016 SR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2015 SR'000 (Unaudited)</i>
<b>The Saudi British Bank</b> <i>(a shareholder of the Company)</i>				
Contributions	14,626	15,645	36,496	36,001
Claims paid	3,837	6,433	19,239	19,132
Other expenses				
- IT maintenance cost and related expenses	913	1,417	3,209	3,972
- Overheads	26	44	77	168
<b>Other entities controlled, jointly controlled or significantly influenced by related parties</b>				
Policy acquisition costs paid	1,069	1,757	4,238	5,585
<i>HSBC Saudi Arabia Limited - IBSA</i>				
Rebate on unit-linked investments	270	341	893	997

'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.

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2016

### 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 2016 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 September 2015 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	971	-	942	-
End-of-service benefits	45	-	29	-
Directors' remunerations and other benefits	-	155	-	155
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<i>Nine months period ended 30 September 2016 SAR'000 (Unaudited)</i>		<i>Nine months period ended 30 September 2015 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	2,913	-	2,826	-
End-of-service benefits	135	-	123	-
Directors' remunerations and other benefits	-	530	-	516
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 11. ZAKAT AND TAX

#### *Status of Assessment*

During the quarter ended 31 March 2015, the General Authority of Zakat & Tax (GZIT) issued the final tax certificates for the years from 2008 to 2010. However, the GZIT had filed an appeal in the higher appellate forum against the ruling of Preliminary Zakat and Tax Appeal Committee in Company's favour. The appeal was related to a matter assessed in tax years (2008-2010). Further, GZIT has yet to commence its review for the years from 2011 to 2015.

### 12. 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.

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

These interim condensed financial statements have been approved by the Board of Directors on 17 Muharram 1438H corresponding to 18 October 2016.