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**SABB TAKAFUL COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD**  
**ENDED 31 MARCH 2017**

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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE SHAREHOLDERS OF SABB TAKAFUL COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of SABB Takaful Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2017 and the related interim statement of income - takaful operations, interim statements of comprehensive income for takaful operations and shareholders operations, interim statement of changes in shareholders' equity and interim statements of cash flows for takaful operations and shareholders operations for the three-month period then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and Saudi Arabian Monetary Authority (SAMA) guidance on accounting for zakat and taxes. Our responsibility is to express a conclusion on these interim financial information based on our review.

**SCOPE OF REVIEW**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 and SAMA guidance on accounting for zakat and taxes.

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Date: May 11, 2017  
Corresponding to: Sha'ban 15, 1438H



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	31 March 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
<b><u>TAKAFUL OPERATIONS' ASSETS</u></b>			
Available-for-sale investments	3	367,869	353,740
Contributions receivable, net	4	9,023	12,548
Retakaful share of outstanding claims	6	58,766	56,363
Retakaful share of unearned contributions	7 (b)	13,929	13,976
Deferred policy acquisition costs		1,232	1,085
Retakaful balances receivable		2,245	490
Prepayments and other receivables		1,647	1,580
Due from shareholders' operations		26,063	6,020
Cash and cash equivalents	5	22,310	37,175
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>503,084</b>	<b>482,977</b>
<b><u>SHAREHOLDERS' ASSETS</u></b>			
Intangible assets		1,008	1,123
Motor vehicle		295	108
Held-to-maturity investments	3	188,442	188,095
Statutory deposit		34,000	34,000
Investment return from statutory deposit		2,444	2,277
Prepayments and other receivables		365	174
Due from takaful operations		-	-
Cash and cash equivalents	5	172,242	150,815
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>398,796</b>	<b>376,592</b>
<b>TOTAL ASSETS</b>		<b>901,880</b>	<b>859,569</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 31 March 2017

	Notes	31 March 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
<b><u>TAKAFUL OPERATIONS' LIABILITIES</u></b>			
Reserve for takaful activities	7(a),3(c)	367,869	353,740
Provision for employees' end-of-service benefits		7,198	7,030
Surplus distribution payable		6,640	6,144
Gross unearned contributions	7 (b)	19,201	20,574
Unearned commission income		3,024	2,794
Gross outstanding claims	6	75,087	72,302
Retakaful balances payable		12,755	8,015
Payables, accruals and others		11,247	11,882
Due to shareholders		-	-
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES</b>		<b>503,021</b>	<b>482,481</b>
<b>TAKAFUL OPERATIONS' SURPLUS</b>		<b>63</b>	<b>496</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>503,084</b>	<b>482,977</b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		340,000	340,000
Legal reserve		14,577	14,577
Retained earnings		7,383	6,624
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>361,960</b>	<b>361,201</b>
<b>SHAREHOLDERS' LIABILITIES</b>			
Investment return from statutory deposit		2,444	2,277
Payables, accruals and others		1,271	1,393
Provision for zakat and income tax	11	7,058	5,701
Due to takaful operations		26,063	6,020
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>36,836</b>	<b>15,391</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>398,796</b>	<b>376,592</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>901,880</b>	<b>859,569</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 months ended 31 March 2017

	Note	Three months ended 31 March 2017 SR'000	Three Months ended 31 March 2016 SR'000
<b>Gross contributions written</b>		<b>39,254</b>	<b>38,749</b>
- Family Takaful		7,915	7,441
- General Takaful		<u>47,169</u>	<u>46,190</u>
<b>Family Takaful - Planholder charges</b>	7(a)	<b>5,402</b>	<b>5,727</b>
<b>Gross contributions written and Planholder charges</b>		<b>52,571</b>	<b>51,917</b>
Retakaful contribution ceded		<u>(15,039)</u>	<u>(14,677)</u>
<b>Net written contribution and Planholder charges</b>		<b>37,532</b>	<b>37,240</b>
Changes in gross unearned contributions		1,373	1,488
Changes in retakaful share of unearned contributions		(47)	(530)
Changes in reserve for takaful activities		<u>(11,622)</u>	<u>4,714</u>
<b>Net contributions earned and Planholder charges</b>		<b>27,236</b>	<b>42,912</b>
Fees and commission income		<u>1,363</u>	<u>1,951</u>
<b>Underwriting revenue</b>		<b>28,599</b>	<b>44,863</b>
Gross claims paid		<u>(11,104)</u>	<u>(7,772)</u>
Retakaful share of claims paid		7,440	5,793
<b>Net claims paid</b>		<b>(3,664)</b>	<b>(1,979)</b>
Changes in gross outstanding claims		(2,785)	(3,942)
Changes in retakaful share of outstanding claims		<u>2,403</u>	<u>2,686</u>
<b>Net claims incurred</b>		<b>(4,046)</b>	<b>(3,235)</b>
Surrenders and maturities		<u>(14,086)</u>	<u>(28,641)</u>
<b>Net claims incurred, surrenders and maturities</b>		<b>(18,132)</b>	<b>(31,876)</b>
Policy acquisition costs		<u>(1,363)</u>	<u>(1,827)</u>
<b>Total claims, surrenders, maturities and policy acquisition costs</b>		<b>(19,495)</b>	<b>(33,703)</b>
<b>Underwriting surplus for the period</b>		<b>9,104</b>	<b>11,160</b>
Investment income		344	433
General and administrative expenses		<u>(8,820)</u>	<u>(8,832)</u>
<b>Net surplus for the period from takaful operations</b>		<b>628</b>	<b>2,761</b>
Transfer of net surplus for the period to shareholders' operations		<u>(565)</u>	<u>(2,485)</u>
<b>Net surplus for the period</b>		<b>63</b>	<b>276</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 months ended 31 March 2017

		<i>Three months ended 31 March 2017 SR'000</i>	<i>Three Months ended 31 March 2016 SR'000</i>
<b>Net surplus for the period</b>		<b>63</b>	<b>276</b>
<b>Other comprehensive income/ (loss)</b>			
Fair value change in available for sale investments – unrealized	3(c)	7,909	(12,692)
Fair value change in reserve for takaful activities – unrealized	7(a)	(7,909)	12,692
<b>Total comprehensive income from takaful operations for the period</b>		<b>63</b>	<b>276</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 - SHAREHOLDERS' OPERATIONS  
(UNAUDITED)

For the three months ended 31 March 2017

	<i>Note</i>	<i>Three months ended 31 March 2017 SR'000</i>	<i>Three Months ended 31 March 2016 SR'000</i>
Transfer of net surplus for the period from takaful operations		565	2,485
Income from murabaha deposits		686	696
Income from sukuku		1,480	1,170
<b>Total income</b>		<b>2,731</b>	<b>4,351</b>
General and administrative expenses		(615)	(586)
<b>Net profit for the period</b>		<b>2,116</b>	<b>3,765</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>2,116</b>	<b>3,765</b>
<b>Basic and diluted earnings per share (SAR)</b>	9	<b>0.06</b>	<b>0.11</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 three months ended 31 March 2017

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>	<u>SAR'000</u>
Balance as at 1 January 2017	340,000	14,577	6,624	361,201
Total comprehensive income for the period	-	-	2,116	2,116
Provision for zakat and tax	-	-	(1,357)	(1,357)
Balance as at 31 March 2017	<u>340,000</u>	<u>14,577</u>	<u>7,383</u>	<u>361,960</u>
Balance as at 1 January 2016	340,000	12,206	2,864	355,070
Total comprehensive income for the period	-	-	3,765	3,765
Provision for zakat and tax	-	-	(1,518)	(1,518)
Balance as at 31 March 2016	<u>340,000</u>	<u>12,206</u>	<u>5,111</u>	<u>357,317</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 three months ended 31 March 2017

	Notes	Three months ended 31 March 2017 SR'000	Three Months ended 31 March 2016 SR'000
<b>OPERATING ACTIVITIES</b>			
Surplus from takaful operations after shareholders' appropriation		63	276
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from surplus		565	2,485
Provision of impairment on contribution receivables		202	272
Provision for employees' end-of-service benefits		250	385
		<hr/>	<hr/>
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		1,080	3,418
<b>Changes in operating assets and liabilities:</b>			
Available-for-sale investments, net		(14,129)	23,133
Contributions receivable, net		3,323	5,085
Retakaful share of outstanding claims		(2,403)	(2,686)
Retakaful share of unearned contributions		47	530
Deferred policy acquisition costs		(147)	(345)
Retakaful balances receivable		(1,755)	3,361
Prepayments and other receivables		(67)	(635)
Reserve for takaful activities		14,129	(23,133)
Payment of employees' end-of-service benefits		(82)	(146)
Gross unearned contributions		(1,373)	(1,488)
Unearned commission income		230	(4)
Gross outstanding claims		2,785	3,942
Retakaful balances payable		4,740	(1,157)
Payables, accruals and others		(635)	(3,963)
Due to shareholders (appropriation of surplus)		(565)	(2,485)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>5,178</b>	<b>3,427</b>
<b>FINANCING ACTIVITY</b>			
Due from shareholders, net		(20,043)	(884)
		<hr/>	<hr/>
<b>(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(14,865)</b>	<b>2,543</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
		<hr/>	<hr/>
		37,175	43,122
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
		<hr/>	<hr/>
	5	22,310	45,665
<b>Non-cash supplemental information:</b>			
Net change in fair value of available-for-sale investments	3 (c)	7,909	(12,692)
		<hr/>	<hr/>

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 2017

Note	<i>Three months ended 31 March 2017 SR'000</i>	<i>Three Months ended 31 March 2016 SR'000</i>
<b>OPERATING ACTIVITIES</b>		
	2,116	3,765
Net profit for the period		
Adjustment to reconcile net profit to net cash from/ (used in) operating activities:		
	(565)	(2,485)
	146	132
	14	4
	(1,480)	(1,170)
	(19)	-
	<u>212</u>	<u>246</u>
<b>Changes in operating assets and liabilities:</b>		
	(191)	22
	(122)	(3,615)
	<u>(101)</u>	<u>(3,347)</u>
<b>Cash used in operating activities</b>		
	565	2,485
	<u>464</u>	<u>(862)</u>
<b>Net cash from /(used in) operating activities</b>		
<b>INVESTING ACTIVITIES</b>		
	-	20,000
	-	-
	1,133	1,080
	(31)	(55)
	(201)	-
	19	-
	<u>920</u>	<u>21,025</u>
<b>Net cash from investing activities</b>		
<b>FINANCING ACTIVITY</b>		
	20,043	884
	<u>21,427</u>	<u>21,047</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	150,815	132,958
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
5	<u><u>172,242</u></u>	<u><u>154,005</u></u>

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 2017

### 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

During 2017, SAMA issued a circular number 381000074519 dated 14 Rajab 1438H (April 11, 2017) (“Circular”) and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax. The impact of these amendments is that zakat and income tax will be recognized in the interim statement of shareholders’ equity with a corresponding liability in the interim statement of financial position.

Applying the above framework, the interim condensed financial information of the Company as at and for the three month period ended March 31, 2017 have been prepared using the International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) and SAMA guidance for the accounting of zakat and income tax.

Until 2016, the interim condensed financial information of the Company were prepared in accordance with the IAS 34. This change in framework have not resulted in any change in the accounting and presentation of zakat and income tax in this interim condensed financial information since the Company used to charge zakat and income tax directly to the interim statement of changes in shareholders' equity with a corresponding liability in the interim statement of financial position in the prior period/year.

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 2016.

#### 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 accounting policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2016, except for the adoption of amendments to the existing standards as mentioned below which has had no significant financial impact on the financial statements of the Company.

- i) Amendments to IAS 7, Statement of cash flows on disclosure initiative: Applicable for annual periods beginning on or after 1 January 2017

These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017

### 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)

- ii) Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for Unrealised losses: Annual periods beginning on or after 1 January 2017

These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

#### d) Functional and presentation currency

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

### 3. INVESTMENTS

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

	<i>31 March 2017</i>	
	<i>SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	<u>367,869</u>	<u>-</u>
<i>Held-to-maturity investment – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,108
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-III)	-	15,181
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,058
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,279
The National Industrialization Company Sukuk (TASNEE)	-	50,613
Olayan Real Estate Company Sukuk (ORECO)	-	10,005
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,131
Bank AlBilad Sukuk	-	20,067
	<u>-</u>	<u>188,442</u>
<b>Total investments</b>	<u><u>367,869</u></u>	<u><u>188,442</u></u>

**SABB Takaful Company (A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**31 March 2017**

**3. INVESTMENTS (continued)**

	<i>31 December 2016</i> <i>SAR'000 (Audited)</i>	
	<i>Takaful</i> <i>Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	353,740	-
<i>Held-to-maturity investment – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,119
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-III)	-	15,052
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,011
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,602
The National Industrialization Company Sukuk (TASNEE)	-	50,194
Olayan Real Estate Company Sukuk (ORECO)	-	10,007
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,037
Bank AlBilad Sukuk	-	20,073
	<u>-</u>	<u>188,095</u>
Total investments	<u>353,740</u>	<u>188,095</u>

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 sukuks which are listed on Tadawul.

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 2017
- Saudi Hollandi Bank Sukuk (SHB-IV)	12 December 2018
- 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 31 March 2017 is SAR 188.19 million (31 December 2016: SAR 187.85 million).

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

	<i>31 March</i> <i>2017</i> <i>(Unaudited)</i> <i>SAR'000</i>	<i>31 December</i> <i>2016</i> <i>(Audited)</i> <i>SAR'000</i>
Opening balance	353,740	374,739
Purchased during the period/ year	25,708	98,551
Sold during the period/ year	(19,488)	(121,542)
	<u>359,960</u>	<u>351,748</u>
Net change in fair values of investments	7,909	1,992
Closing balance	<u>367,869</u>	<u>353,740</u>

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017

### 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: 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>31 March 2017 (Unaudited) SAR'000</i>	<i>31 December 2016 (Audited) SAR'000</i>
Due from policy holders	9,561	7,267
Due from a shareholder (The Saudi British Bank)	-	5,617
	<u>9,561</u>	<u>12,884</u>
Provision for impairment	(538)	(336)
	<u>9,023</u>	<u>12,548</u>

### 5. CASH AND CASH EQUIVALENTS

	<i>31 March 2017 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	22,310	2,242
Murabaha deposits	-	170,000
	<u>22,310</u>	<u>172,242</u>
	<i>31 December 2016 (Audited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	17,175	3,815
Murabaha deposits	20,000	147,000
	<u>37,175</u>	<u>150,815</u>

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

**SABB Takaful Company (A Saudi Joint Stock Company)**  
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**6. OUTSTANDING CLAIMS**

	<i>31 March 2017 (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	26,378	(19,397)	6,981
- Incurred but not reported reserve and other reserves	23,906	(18,080)	5,826
General Takaful outstanding claims			
- Outstanding claim reserves	19,882	(18,250)	1,632
- Incurred but not reported reserve and other reserves	4,921	(3,039)	1,882
<b>Total outstanding claims</b>	<b>75,087</b>	<b>(58,766)</b>	<b>16,321</b>
	<i>31 December 2016 (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	25,527	(18,560)	6,967
- Incurred but not reported reserve and other reserves	21,687	(16,089)	5,598
General Takaful outstanding claims			
- Outstanding claim reserves	20,320	(18,760)	1,560
- Incurred but not reported reserve and other reserves	4,768	(2,954)	1,814
<b>Total outstanding claims</b>	<b>72,302</b>	<b>(56,363)</b>	<b>15,939</b>

**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 2017 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2016 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	353,740	374,739
Changes in reserve during the period/ year	11,622	105
Planholder charges	(5,402)	(23,096)
Net change in fair value of investments	7,909	1,992
<b>Balance as at the end of the period/ year</b>	<b>367,869</b>	<b>353,740</b>

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



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

b) Movement in net unearned contribution

	<i>Three months ended 31 March 2017</i>		
	<i>(Unaudited)</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	20,574	(13,976)	6,598
Contribution written during the year	21,461	(14,852)	6,609
Contribution earned during the year	(22,834)	14,899	(7,935)
<b>Balance as at the end of the year</b>	<b>19,201</b>	<b>(13,929)</b>	<b>5,272</b>
	<i>Year ended 31 December 2016</i>		
	<i>(Audited)</i>		
	<i>Gross</i>	<i>Retakaful</i>	<i>Net</i>
	<i>SAR'000</i>	<i>share</i>	<i>SAR'000</i>
		<i>SAR'000</i>	<i>SAR'000</i>
Balance as at the beginning of the year	21,441	(14,177)	7,264
Contribution written during the year	93,234	(59,918)	33,316
Contribution earned during the year	(94,101)	60,119	(33,982)
<b>Balance as at the end of the year</b>	<b>20,574</b>	<b>(13,976)</b>	<b>6,598</b>

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)  
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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>31 March 2017 (Unaudited)</b>					
Gross written contribution	-	25,708	13,546	7,915	47,169
Net written contribution and Planholder charges	-	30,923	5,357	1,252	37,532
Net contributions earned and Planholder charges	-	19,301	6,598	1,337	27,236
Fees and commission income	-	-	-	1,363	1,363
Net claims incurred	-	(1,050)	(2,723)	(273)	(4,046)
Surrenders and maturities	-	(14,086)	-	-	(14,086)
Policy acquisition costs	-	(649)	(142)	(572)	(1,363)
	<u>-</u>	<u>3,516</u>	<u>3,733</u>	<u>1,855</u>	<u>9,104</u>
<b>Underwriting surplus for the period</b>	<b>2,166</b>	<b>330</b>	<b>14</b>	<b>-</b>	<b>2,510</b>
Investment income	(615)	(2,926)	(3,114)	(2,780)	(9,435)
General and administrative expenses	<u>1,551</u>	<u>920</u>	<u>633</u>	<u>(925)</u>	<u>2,179</u>
<b>Net surplus/ (deficit) for the period</b>					
Surplus from takaful operations after shareholders' appropriation					(63)
<b>Net profit for the period</b>					<u>2,116</u>
Purchase of intangibles	31	-	-	-	31
Purchase of motor vehicle	201	-	-	-	201
Disposal of motor vehicle	19	-	-	-	19
Amortisation	146	-	-	-	146
Depreciation	14	-	-	-	14
	<u>1,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008</u>
<b>31 March 2017 (Unaudited)</b>					
Intangible assets	295	-	-	-	295
Motor vehicle	<u>295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>295</u>
<b>Takaful operations' assets</b>					
Available-for-sale investments	-	367,869	-	-	367,869
Contribution receivables, net	-	-	3,537	5,486	9,023
Retakaful share of outstanding claims	-	524	36,953	21,289	58,766
Retakaful share of unearned contributions	-	-	2,042	11,887	13,929
Deferred policy acquisition costs	-	-	233	999	1,232
Unallocated assets	-	-	-	-	52,265
					<u>503,084</u>
<b>Total takaful operations' assets</b>					<u>398,796</u>
<b>Total shareholders' assets</b>	<b>398,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>398,796</b>
<b>Total assets</b>					<u>901,880</u>
<b>Takaful operations' liabilities</b>					
Reserve for takaful activities	-	367,869	-	-	367,869
Gross unearned contributions	-	-	4,661	14,540	19,201
Unearned commission income	-	-	-	3,024	3,024
Gross outstanding claims	-	1,898	48,386	24,803	75,087
Unallocated liabilities	-	-	-	-	37,840
					<u>503,021</u>
<b>Total takaful operations' liabilities</b>					<u>36,836</u>
<b>Total shareholders' liabilities</b>	<b>36,836</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,836</b>

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017

Total liabilities

539,857

### 8. SEGMENTAL INFORMATION (continued)

	Shareholders' Fund SAR'000	Individual Family (Protection & Savings) SAR'000	Group Family (Protection & Savings SAR'000	General Takaful SAR'000	Total SAR'000
For the three months ended 31 March 2016 (Unaudited)					
Gross written contribution	-	23,926	14,823	7,441	46,190
Net written contribution and Planholder charges	-	29,364	6,474	1,402	37,240
Net contributions earned and Planholder charges	-	34,078	7,234	1,600	42,912
Fees and commission income	-	-	-	1,951	1,951
Net claims incurred	-	42	(3,356)	79	(3,235)
Surrenders and maturities	-	(28,641)	-	-	(28,641)
Policy acquisition costs	-	(773)	(377)	(677)	(1,827)
	<u>-</u>	<u>4,706</u>	<u>3,501</u>	<u>2,953</u>	<u>11,160</u>
Underwriting surplus for the period	-	4,706	3,501	2,953	11,160
Investment income	1,866	416	17	-	2,299
General and administrative expenses	(586)	(2,678)	(2,993)	(3,161)	(9,418)
	<u>1,280</u>	<u>2,444</u>	<u>525</u>	<u>(208)</u>	<u>4,041</u>
Net surplus/ (deficit) for the period					
Surplus from takaful operations after shareholders' appropriation					(276)
Net income for the period					<u>3,765</u>
Purchase of intangibles	55	-	-	-	55
Amortisation	132	-	-	-	132
Depreciation	4	-	-	-	4
	<u>181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181</u>
31 December 2016 (Audited)					
Intangible assets	1,123	-	-	-	1,123
Motor vehicle	108	-	-	-	108
	<u>1,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,231</u>
Takaful operations' assets					
Available-for-sale investments	-	353,740	-	-	353,740
Contribution receivables, net	-	-	4,650	7,898	12,548
Retakaful share of outstanding claims	-	453	34,195	21,715	56,363
Retakaful share of unearned contributions	-	-	2,974	11,002	13,976
Deferred policy acquisition costs	-	-	336	749	1,085
Unallocated assets	-	-	-	-	45,265
					<u>482,977</u>
Total takaful operations' assets					376,592
Total shareholders' assets	376,592	-	-	-	<u>376,592</u>
Total assets					<u>859,569</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	353,740	-	-	353,740
Gross unearned contributions	-	-	6,833	13,741	20,574
Unearned commission income	-	-	-	2,794	2,794
Gross outstanding claims	-	1,503	45,711	25,088	72,302
Unallocated liabilities	-	-	-	-	33,071
					<u>482,481</u>
Total takaful operations' liabilities					15,391
Total shareholders' liabilities	15,391	-	-	-	<u>15,391</u>

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017

Total liabilities

497,872

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

### 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 2017 SR'000 (Unaudited)</i>	<i>Three months ended 31 March 2016 SR'000 (Unaudited)</i>
Net profit for the period (SAR'000)	2,116	3,765
Weighted average number of ordinary shares (Number in thousands)	34,000	34,000
<b>Earnings per share (SAR)</b>	<b>0.06</b>	<b>0.11</b>

### 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 2017 SR'000 (Unaudited)</i>	<i>Three months ended 31 March 2016 SR'000 (Unaudited)</i>
<b>The Saudi British Bank</b> <i>(a shareholder of the Company)</i>		
Contributions	9,896	10,644
Claims paid	6,971	6,030
Other expenses		
- IT maintenance cost and related expenses	974	1,247
- Overheads	4	10
Investment income on murabaha deposits	34	242
<b>Other entities controlled, jointly controlled or significantly influenced by related parties</b>		
Policy acquisition costs paid	1,171	1,941
<i>HSBC Saudi Arabia Limited - IBSA</i>		
Rebate on unit-linked investments	259	323

'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.

**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 2017 SAR'000 (Unaudited)</i>		<i>Three months period ended 31 December 2016 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	998	-	971	-
End-of-service benefits	41	-	45	-
Directors' remunerations and other benefits	-	167	-	155

**11. ZAKAT AND TAX**

*Status of Assessment*

During the quarter ended 31 March 2015, the General Authority of Zakat & Tax (GAZT) issued the final tax certificates for the years from 2008 to 2010. However, the GAZT had filed an appeal in the Higher Appellate Forum against the ruling of Preliminary Zakat and Tax Appeal Committee which was in Company's favour. The appeal was regarding the matter of deducting the statutory deposits from zakat base for the years (2008-2010). During the quarter ended 31 March 2016, the said appeal was decided in Company's favour. Further, during the year ended 31 December 2016, the GAZT has also started 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 23 Rajab 1438H corresponding to 20 April 2017.