
SABB TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS
ENDED 30 JUNE 2017**



AlAzem & AlSudairy Co.
CPA's & Consultants
Member Crowe Horwath International

**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 30 June 2017 and the related interim statement of income - takaful operations, interim statements of comprehensive income for takaful operations and shareholders operations for the three and six-months period then ended and interim statement of changes in shareholders' equity and interim statements of cash flows for takaful operations and shareholders operations for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this interim 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.

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

Khalid A. Mahdhar
Certified Public Accountant
Registration No. 368

AlAzem & AlSudairy
Certified Public Accountants
P. O. Box 10504
Riyadh 11443
Kingdom of Saudi Arabia

Abdullah M. AlAzem
Certified Public Accountant
Registration No. 335



Date: August 15, 2017
Corresponding to: 23 Dhu Al Qa'dah, 1438H



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	369,508	353,740
Contributions receivable, net	4	10,856	12,548
Retakaful share of outstanding claims	6	56,666	56,363
Retakaful share of unearned contributions	7 (b)	11,583	13,976
Deferred policy acquisition costs		1,339	1,085
Retakaful balances receivable		3,390	490
Prepayments and other receivables		1,126	1,580
Due from shareholders' operations		11,096	6,020
Cash and cash equivalents	5	26,627	37,175
TOTAL TAKAFUL OPERATIONS' ASSETS		492,191	482,977
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		980	1,123
Motor vehicle		273	108
Held-to-maturity investments	3	152,897	188,095
Statutory deposit		34,000	34,000
Investment return from statutory deposit		2,559	2,277
Prepayments and other receivables		308	174
Cash and cash equivalents	5	188,585	150,815
TOTAL SHAREHOLDERS' ASSETS		379,602	376,592
TOTAL ASSETS		871,793	859,569

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

1

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2017

	Notes	30 June 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7(a),3(c)	369,508	353,740
Provision for employees' end-of-service benefits		6,450	7,030
Surplus distribution payable		6,640	6,144
Gross unearned contributions	7 (b)	16,386	20,574
Unearned commission income		2,717	2,794
Gross outstanding claims	6	72,083	72,302
Retakaful balances payable		5,891	8,015
Payables, accruals and others		12,379	11,882
TOTAL TAKAFUL OPERATIONS' LIABILITIES		492,054	482,481
TAKAFUL OPERATIONS' SURPLUS		137	496
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		492,191	482,977
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital		340,000	340,000
Legal reserve		14,577	14,577
Retained earnings		7,980	6,624
TOTAL SHAREHOLDERS' EQUITY		362,557	361,201
SHAREHOLDERS' LIABILITIES			
Investment return from statutory deposit		2,559	2,277
Payables, accruals and others		805	1,393
Provision for zakat and income tax	11	2,585	5,701
Due to takaful operations		11,096	6,020
TOTAL SHAREHOLDERS' LIABILITIES		17,045	15,391
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		379,602	376,592
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		871,793	859,569

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 six months ended 30 June 2017

	Note	Three months ended 30 June 2017 SR'000	Three months ended 30 June 2016 SR'000	Six months ended 30 June 2017 SR'000	Six months ended 30 June 2016 SR'000
Gross contributions written					
- Family Takaful		35,065	40,282	74,319	79,031
- General Takaful		5,370	7,027	13,285	14,468
		<u>40,435</u>	<u>47,309</u>	<u>87,604</u>	<u>93,499</u>
Family Takaful - Planholder charges	7(a)	4,915	5,950	10,317	11,677
		<u>45,350</u>	<u>53,259</u>	<u>97,921</u>	<u>105,176</u>
Gross contributions written and Planholder charges					
Retakaful contribution ceded		(11,515)	(14,461)	(26,554)	(29,138)
		<u>33,835</u>	<u>38,798</u>	<u>71,367</u>	<u>76,038</u>
Net written contribution and Planholder charges					
Changes in gross unearned contributions		2,815	1,879	4,188	3,367
Changes in retakaful share of unearned contributions		(2,346)	(1,718)	(2,393)	(2,248)
Changes in reserve for takaful activities		139	6,083	(11,483)	10,797
		<u>34,443</u>	<u>45,042</u>	<u>61,679</u>	<u>87,954</u>
Net contributions earned and Planholder charges					
Fees and commission income		1,695	2,261	3,058	4,212
		<u>36,138</u>	<u>47,303</u>	<u>64,737</u>	<u>92,166</u>
Underwriting revenue					
Gross claims paid		(15,361)	(11,697)	(26,465)	(19,469)
Retakaful share of claims paid		11,611	8,670	19,051	14,463
		<u>(3,750)</u>	<u>(3,027)</u>	<u>(7,414)</u>	<u>(5,006)</u>
Net claims paid					
Changes in gross outstanding claims		3,004	(3,235)	219	(7,177)
Changes in retakaful share of outstanding claims		(2,100)	2,520	303	5,206
		<u>(2,846)</u>	<u>(3,742)</u>	<u>(6,892)</u>	<u>(6,977)</u>
Net claims incurred					
Surrenders and maturities		(22,539)	(30,999)	(36,625)	(59,640)
		<u>(25,385)</u>	<u>(34,741)</u>	<u>(43,517)</u>	<u>(66,617)</u>
Net claims incurred, surrenders and maturities					
Policy acquisition costs		(1,427)	(2,468)	(2,790)	(4,295)
		<u>(26,812)</u>	<u>(37,209)</u>	<u>(46,307)</u>	<u>(70,912)</u>
Total claims, surrenders, maturities and policy acquisition costs					
Underwriting surplus for the period		9,326	10,094	18,430	21,254
Investment income		489	440	833	873
General and administrative expenses		(9,072)	(9,364)	(17,892)	(18,196)
		<u>743</u>	<u>1,170</u>	<u>1,371</u>	<u>3,931</u>
Net surplus for the period from takaful operations					
Transfer of net surplus for the period to shareholders' operations		(669)	(1,053)	(1,234)	(3,538)
		<u>74</u>	<u>117</u>	<u>137</u>	<u>393</u>
Net surplus for the period					

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 six months ended 30 June 2017

	<i>Notes</i>	<i>Three months ended 30 June 2017</i> SR'000	<i>Three months ended 30 June 2016</i> SR'000	<i>Six months ended 30 June 2017</i> SR'000	<i>Six months ended 30 June 2016</i> SR'000
Net surplus for the period		74	117	137	393
<i>Other comprehensive income/ (loss)</i>					
Fair value change in available for sale investments – unrealized	3(c)	6,693	4,604	14,602	(8,088)
Fair value change in reserve for takaful activities – unrealized	7(a)	(6,693)	(4,604)	(14,602)	8,088
Total comprehensive income from takaful operations for the period		74	117	137	393

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 six months ended 30 June 2017

	<i>Note</i>	<i>Three months ended 30 June 2017 SR '000</i>	<i>Three months ended 30 June 2016 SR '000</i>	<i>Six months ended 30 June 2017 SR '000</i>	<i>Six months ended 30 June 2016 SR '000</i>
Transfer of net surplus for the period from takaful operations		669	1,053	1,234	3,538
Income from murabaha deposits		513	1,076	1,199	1,772
Income from sukus		1,293	1,137	2,773	2,307
Total income		2,475	3,266	5,206	7,617
General and administrative expenses		(688)	(437)	(1,303)	(1,023)
Net profit for the period		1,787	2,829	3,903	6,594
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		1,787	2,829	3,903	6,594
Basic and diluted earnings per share (SAR)	9	0.05	0.08	0.11	0.19

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 six months ended 30 June 2017

	<i>Share capital</i> SAR'000	<i>Legal reserve</i> SAR'000	<i>Retained earnings</i> SAR'000	<i>Total</i> SAR'000
Balance as at 1 January 2017	340,000	14,577	6,624	361,201
Total comprehensive income for the period	-	-	3,903	3,903
Provision for zakat and tax	-	-	(2,547)	(2,547)
Balance as at 30 June 2017	<u>340,000</u>	<u>14,577</u>	<u>7,980</u>	<u>362,557</u>
Balance as at 1 January 2016	340,000	12,206	2,864	355,070
Total comprehensive income for the period	-	-	6,594	6,594
Provision for zakat and tax	-	-	(2,954)	(2,954)
Balance as at 30 June 2016	<u>340,000</u>	<u>12,206</u>	<u>6,504</u>	<u>358,710</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 six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 SR'000	Six Months ended 30 June 2016 SR'000
OPERATING ACTIVITIES			
Surplus from takaful operations after shareholders' appropriation		137	393
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash (used in) / from operating activities:			
Shareholders' appropriation from surplus		1,234	3,538
Provision of impairment on contribution receivables		896	170
Provision for employees' end-of-service benefits		(480)	716
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		1,787	4,817
Changes in operating assets and liabilities:			
Available-for-sale investments, net		(15,768)	30,562
Contributions receivable, net		796	4,295
Retakaful share of outstanding claims		(303)	(5,206)
Retakaful share of unearned contributions		2,393	2,248
Deferred policy acquisition costs		(254)	(539)
Retakaful balances receivable		(3,390)	3,132
Prepayments and other receivables		454	(468)
Reserve for takaful activities		15,768	(30,562)
Payment of employees' end-of-service benefits		(100)	(177)
Gross unearned contributions		(4,188)	(3,367)
Unearned commission income		(77)	(158)
Gross outstanding claims		(219)	7,177
Retakaful balances payable		(1,634)	(972)
Payables, accruals and others		497	1,988
Due from shareholders (appropriation of surplus)		(1,234)	(3,538)
Net cash (used in) / from operating activities		(5,472)	9,232
FINANCING ACTIVITY			
Due from shareholders, net		(5,076)	(2,400)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(10,548)	6,832
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		37,175	43,122
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	26,627	49,954
Non-cash supplemental information:			
Net change in fair value of available-for-sale investments	3 (c)	14,602	(8,088)

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 six months ended 30 June 2017

	<i>Six months ended 30 June 2017 SR'000</i>	<i>Six Months ended 30 June 2016 SR'000</i>
OPERATING ACTIVITIES		
Net profit for the period	3,903	6,594
Adjustment to reconcile net profit to net cash used in operating activities:		
Appropriation of surplus from takaful operations	(1,234)	(3,538)
Amortisation	301	268
Depreciation	36	9
Income from sukuku	(2,773)	(2,307)
Gain on sale of motor vehicle	(19)	-
	<u>214</u>	<u>1,026</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(134)	84
Payables, accruals and others	(588)	(3,683)
Cash used in operating activities	<u>(508)</u>	<u>(2,573)</u>
Zakat and tax paid	(5,663)	(5,007)
Due to takaful operations (appropriation of surplus)	1,234	3,538
Net cash used in operating activities	<u>(4,937)</u>	<u>(4,042)</u>
INVESTING ACTIVITIES		
Maturity of held-to-maturity investments	35,000	20,000
Purchase of held-to-maturity investments	-	-
Income received from sukuku	2,971	2,252
Purchase of intangible assets	(158)	(138)
Purchase of motor vehicle	(201)	-
Proceeds from sale of motor vehicle	19	-
Net cash from investing activities	<u>37,631</u>	<u>22,114</u>
FINANCING ACTIVITY		
Due to takaful operations, net	5,076	2,400
INCREASE IN CASH AND CASH EQUIVALENTS	<u>37,770</u>	<u>20,472</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>150,815</u>	<u>132,958</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>5</u> <u>188,585</u>	<u>153,430</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

30 June 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 statements of the Company as at and for the three month and six month periods ended June 30, 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 statements of the Company were prepared in accordance with 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 statements 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.

- 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

30 June 2017

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

d) Functional and presentation currency

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

3. INVESTMENTS

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

	30 June 2017 SAR'000 (Unaudited)	
	Takaful Operations	Shareholders
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	369,508	-
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-III)	-	15,044
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,009
General Authority of Civil Aviation Sukuk (GACA - 1)	-	50,569
The National Industrialization Company Sukuk (TASNEE)	-	50,179
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,032
Bank AlBilad Sukuk	-	20,064
	-	152,897
Total investments	369,508	152,897
	31 December 2016 SAR'000 (Audited)	
	Takaful Operations	Shareholders
<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 - 1)	-	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
	-	188,095
Total investments	353,740	188,095

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017

3. INVESTMENTS (continued)

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 - 1)	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 June 2017 is SAR 152.90 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>30 June 2017 (Unaudited) SAR'000</i>	<i>31 December 2016 (Audited) SAR'000</i>
Opening balance	353,740	374,739
Purchased during the period/ year	48,108	98,551
Sold during the period/ year	(46,942)	(121,542)
	<u>354,906</u>	<u>351,748</u>
Net change in fair values of investments	14,602	1,992
Closing balance	<u>369,508</u>	<u>353,740</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.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017

4. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 June 2017 (Unaudited) SAR'000</i>	<i>31 December 2016 (Audited) SAR'000</i>
Due from policy holders	12,088	7,267
Due from a shareholder (The Saudi British Bank)	-	5,617
	<u>12,088</u>	<u>12,884</u>
Provision for impairment	(1,232)	(336)
	<u>10,856</u>	<u>12,548</u>

5. CASH AND CASH EQUIVALENTS

	<i>30 June 2017 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	16,627	11,585
Murabaha deposits	10,000	177,000
	<u>26,627</u>	<u>188,585</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)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017

6. OUTSTANDING CLAIMS

	<i>30 June 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	25,510	(18,833)	6,677
- Incurred but not reported reserve and other reserves	24,329	(18,130)	6,199
General Takaful outstanding claims			
- Outstanding claim reserves	17,867	(16,921)	946
- Incurred but not reported reserve and other reserves	4,377	(2,782)	1,595
Total outstanding claims	<u>72,083</u>	<u>56,666</u>	<u>15,417</u>
	<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
Total outstanding claims	<u>72,302</u>	<u>(56,363)</u>	<u>15,939</u>

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

a) Movement in reserve for takaful activities

	<i>Six months ended 30 June 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	11,483	105
Planholder charges	(10,317)	(23,096)
Net change in fair value of investments	14,602	1,992
Balance as at the end of the period/ year	<u>369,508</u>	<u>353,740</u>

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

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017

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

b) Movement in net unearned contribution

	<i>Six months ended 30 June 2017 (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	20,574	(13,976)	6,598
Contribution written during the period	39,496	(26,141)	13,355
Contribution earned during the period	(43,684)	28,534	(15,150)
Balance as at the end of the period	16,386	(11,583)	4,803

	<i>Year ended 31 December 2016 (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	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)
Balance as at the end of the year	20,574	(13,976)	6,598

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 June 2017

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection & Savings) SAR'000</i>	<i>Group Family (Protection & Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the three months ended					
30 June 2017 (Unaudited)					
Gross written contribution	-	22,400	12,665	5,370	40,435
Net written contribution and Planholder charges	-	27,089	5,225	1,521	33,835
Net contributions earned and Planholder charges	-	27,228	6,108	1,107	34,443
Fees and commission income	-	426	-	1,269	1,695
Net claims incurred	-	(552)	(2,741)	447	(2,846)
Surrenders and maturities	-	(22,539)	-	-	(22,539)
Policy acquisition costs	-	(523)	(294)	(610)	(1,427)
Underwriting surplus for the period	-	4,040	3,073	2,213	9,326
Investment income	1,806	479	10	-	2,295
General and administrative expenses	(688)	(3,569)	(2,622)	(2,881)	(9,760)
Net surplus/ (deficit) for the period	1,118	950	461	(668)	1,861
Surplus from takaful operations after shareholders' appropriation					(74)
Net profit for the period					1,787
Purchase of intangibles	127	-	-	-	127
Amortisation	155	-	-	-	155
Depreciation	22	-	-	-	22
For the six months ended					
30 June 2017 (Unaudited)					
Gross written contribution	-	48,108	26,211	13,285	87,604
Net written contribution and Planholder charges	-	58,012	10,582	2,773	71,367
Net contributions earned and Planholder charges	-	46,529	12,706	2,444	61,679
Fees and commission income	-	426	-	2,632	3,058
Net claims incurred	-	(1,602)	(5,464)	174	(6,892)
Surrenders and maturities	-	(36,625)	-	-	(36,625)
Policy acquisition costs	-	(1,172)	(436)	(1,182)	(2,790)
Underwriting surplus for the period	-	7,556	6,806	4,068	18,430
Investment income	3,972	809	24	-	4,805
General and administrative expenses	(1,303)	(6,495)	(5,736)	(5,661)	(19,195)
Net surplus/ (deficit) for the period	2,669	1,870	1,094	(1,593)	4,040
Surplus from takaful operations after shareholders' appropriation					(137)
Net profit for the period					3,903
Purchase of intangibles	158	-	-	-	158
Purchase of motor vehicle	201	-	-	-	201
Disposal of motor vehicle	19	-	-	-	19
Amortisation	301	-	-	-	301
Depreciation	36	-	-	-	36

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection & Savings) SAR'000</i>	<i>Group Family (Protection & Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
30 June 2017 (Unaudited)					
Intangible assets	980	-	-	-	980
Motor vehicle	273	-	-	-	273
Takaful operations' assets					
Available-for-sale investments	-	369,508	-	-	369,508
Contribution receivables, net	-	-	3,790	7,066	10,856
Retakaful share of outstanding claims	-	455	36,508	19,703	56,666
Retakaful share of unearned contributions	-	-	1,217	10,366	11,583
Deferred policy acquisition costs	-	-	247	1,092	1,339
Unallocated assets	-	-	-	-	42,239
Total takaful operations' assets					492,191
Total shareholders' assets	379,602	-	-	-	379,602
Total assets					871,793
Takaful operations' liabilities					
Reserve for takaful activities	-	369,508	-	-	369,508
Gross unearned contributions	-	-	2,951	13,435	16,386
Unearned commission income	-	-	-	2,717	2,717
Gross outstanding claims	-	1,957	47,882	22,244	72,083
Unallocated liabilities	-	-	-	-	31,360
Total takaful operations' liabilities					492,054
Total shareholders' liabilities	17,045	-	-	-	17,045
Total liabilities					509,099
For the three months ended					
30 June 2016 (Unaudited)					
Gross written contribution	-	24,917	15,365	7,027	47,309
Net written contribution and Planholder charges	-	30,576	6,348	1,874	38,798
Net contributions earned and Planholder charges	-	36,659	6,885	1,498	45,042
Fees and commission income	-	440	-	1,821	2,261
Net claims incurred	-	(243)	(2,924)	(575)	(3,742)
Surrenders and maturities	-	(30,999)	-	-	(30,999)
Policy acquisition costs	-	(705)	(1,125)	(638)	(2,468)
Underwriting surplus for the period	-	5,152	2,836	2,106	10,094
Investment income	2,213	419	21	-	2,653
General and administrative expenses	(437)	(3,599)	(2,929)	(2,836)	(9,801)
Net surplus/ (deficit) for the period	1,776	1,972	(72)	(730)	2,946
Surplus from takaful operations after shareholders' appropriation					(117)
Net profit for the period					2,829
Purchase of intangibles	83	-	-	-	83
Amortisation	136	-	-	-	136
Depreciation	5	-	-	-	5

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017

8. SEGMENTAL INFORMATION (continued)

For the six months ended					
30 June 2016 (Unaudited)					
Gross written contribution	-	48,843	30,188	14,468	93,499
Net written contribution and Planholder charges	-	59,940	12,822	3,276	76,038
Net contributions earned and Planholder charges	-	70,737	14,119	3,098	87,954
Fees and commission income	-	440	-	3,772	4,212
Net claims incurred	-	(201)	(6,280)	(496)	(6,977)
Surrenders and maturities	-	(59,640)	-	-	(59,640)
Policy acquisition costs	-	(1,478)	(1,502)	(1,315)	(4,295)
Underwriting surplus for the period	-	9,858	6,337	5,059	21,254
Investment income	4,079	835	38	-	4,952
General and administrative expenses	(1,023)	(6,277)	(5,922)	(5,997)	(19,219)
Net surplus/ (deficit) for the period	3,056	4,416	453	(938)	6,987
Surplus from takaful operations after shareholders' appropriation					(393)
Net profit for the period					6,594
Purchase of intangibles	138	-	-	-	138
Amortisation	268	-	-	-	268
Depreciation	9	-	-	-	9
31 December 2016 (Audited)					
Intangible assets	1,123	-	-	-	1,123
Motor vehicle	108	-	-	-	108
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
Total takaful operations' assets					482,977
Total shareholders' assets	376,592	-	-	-	376,592
Total assets					859,569
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
Total takaful operations' liabilities					482,481
Total shareholders' liabilities	15,391	-	-	-	15,391
Total liabilities					497,872

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 June 2017

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 June 2017 SR'000</i>	<i>Three months ended 30 June 2016 SR'000</i>	<i>Six months ended 30 June 2017 SR'000</i>	<i>Six months ended 30 June 2016 SR'000</i>
Net profit for the period (SAR'000)	<u>1,787</u>	<u>2,829</u>	<u>3,903</u>	<u>6,594</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><u>0.05</u></u>	<u><u>0.08</u></u>	<u><u>0.11</u></u>	<u><u>0.19</u></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 June 2017 SR'000</i>	<i>Three months ended 30 June 2016 SR'000</i>	<i>Six months ended 30 June 2017 SR'000</i>	<i>Six months ended 30 June 2016 SR'000</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>				
Contributions	9,693	11,226	19,589	21,870
Claims paid	7,576	9,372	14,547	15,402
Other expenses				
- IT maintenance cost and related expenses	946	1,049	1,920	2,296
- Overheads	14	41	18	51
Other entities controlled, jointly controlled or significantly influenced by related parties				
Policy acquisition costs paid	924	1,228	2,095	3,169
<i>HSBC Saudi Arabia Limited - IBSA</i>				
Rebate on unit-linked investments	421	300	680	623

'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 June 2017

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 June 2017 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 June 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	42	-	45	-
Directors' remunerations and other benefits	-	156	-	220
	<u>998</u>	<u>156</u>	<u>971</u>	<u>220</u>
	<i>Six months period ended 30 June 2017 SAR'000 (Unaudited)</i>		<i>Six months period ended 30 June 2016 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	1,996	-	1,942	-
End-of-service benefits	83	-	90	-
Directors' remunerations and other benefits	-	323	-	375
	<u>1,996</u>	<u>323</u>	<u>1,942</u>	<u>375</u>

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 15 Thw al-qidah 1438H corresponding to 7 August 2017.