
SABB TAKAFUL COMPANY

(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS
ENDED 30 JUNE 2016**



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 June 30, 2016 and the related interim statements of income - takaful operations and comprehensive income - takaful and shareholders' operations for the three and six month period ended June 30, 2016, and statements of changes in shareholders' equity and cash flows for takaful and shareholders' operations for the six 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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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30 June 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	344,177	374,739
Contributions receivable, net	4	7,909	12,374
Retakaful share of outstanding claims	6	43,166	37,960
Retakaful share of unearned contributions	7 (b)	11,929	14,177
Deferred policy acquisition costs		1,719	1,180
Retakaful balances receivable		498	3,630
Prepayments and other receivables		1,407	939
Cash and cash equivalents	5	49,954	43,122
TOTAL TAKAFUL OPERATIONS' ASSETS		460,759	488,121
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		1,264	1,394
Motor vehicle		39	48
Held-to-maturity investments	3	168,000	187,945
Statutory deposit		34,000	34,000
Investment return from statutory deposit		1,883	1,617
Prepayments and other receivables		213	297
Due from takaful operations		5,528	7,928
Cash and cash equivalents	5	153,430	132,958
TOTAL SHAREHOLDERS' ASSETS		364,357	366,187
TOTAL ASSETS		825,116	854,308

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 June 2016

	Notes	30 June 2016 (Unaudited) SAR'000	31 December 2015 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7 (a)	344,177	374,739
Provision for employees' end-of-service benefits		6,812	6,273
Surplus distribution payable		6,417	6,018
Gross unearned contributions	7 (b)	18,074	21,441
Unearned commission income		2,792	2,950
Gross outstanding claims	6	55,074	47,897
Retakaful balances payable		4,886	5,858
Payables, accruals and others		16,606	14,618
Due to shareholders		5,528	7,928
TOTAL TAKAFUL OPERATIONS' LIABILITIES		460,366	487,722
TAKAFUL OPERATIONS' SURPLUS		393	399
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		460,759	488,121
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital		340,000	340,000
Legal reserve		12,206	12,206
Retained earnings		6,504	2,864
TOTAL SHAREHOLDERS' EQUITY		358,710	355,070
SHAREHOLDERS' LIABILITIES			
Investment return from statutory deposit		1,883	1,617
Payables, accruals and others		833	4,516
Provision for zakat and income tax	11	2,931	4,984
TOTAL SHAREHOLDERS' LIABILITIES		5,647	11,117
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		364,357	366,187
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		825,116	854,308

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 2016

	Note	Three months ended 30 June 2016 SR'000	Three months ended 30 June 2015 SR'000	Six months ended 30 June 2016 SR'000	Six months ended 30 June 2015 SR'000
Gross contributions written					
- Family Takaful		40,282	43,767	79,031	86,991
- General Takaful		7,027	5,615	14,468	11,933
		<u>47,309</u>	<u>49,382</u>	<u>93,499</u>	<u>98,924</u>
Family Takaful - Planholder charges	7(a)	5,950	6,622	11,677	13,506
		<u>53,259</u>	<u>56,004</u>	<u>105,176</u>	<u>112,430</u>
Gross contributions written and Planholder charges					
Retakaful contribution ceded		(14,461)	(12,668)	(29,138)	(25,671)
		<u>38,798</u>	<u>43,336</u>	<u>76,038</u>	<u>86,759</u>
Net written contribution and Planholder charges					
Changes in gross unearned contributions		1,879	1,784	3,367	3,053
Changes in retakaful share of unearned contributions		(1,718)	(1,340)	(2,248)	(1,946)
Changes in reserve for takaful activities		6,083	(7,848)	10,797	(19,397)
		<u>45,042</u>	<u>35,932</u>	<u>87,954</u>	<u>68,469</u>
Net contributions earned and Planholder charges					
Fees and commission income		2,261	1,730	4,212	2,714
		<u>47,303</u>	<u>37,662</u>	<u>92,166</u>	<u>71,183</u>
Underwriting revenue					
Gross claims paid		(11,697)	(11,088)	(19,469)	(20,551)
Retakaful share of claims paid		8,670	8,179	14,463	15,045
		<u>(3,027)</u>	<u>(2,909)</u>	<u>(5,006)</u>	<u>(5,506)</u>
Net claims paid					
Changes in gross outstanding claims		(3,235)	(101)	(7,177)	(2,407)
Changes in retakaful share of outstanding claims		2,520	1,441	5,206	4,033
		<u>(3,742)</u>	<u>(1,569)</u>	<u>(6,977)</u>	<u>(3,880)</u>
Net claims incurred					
Surrenders and maturities		(30,999)	(22,187)	(59,640)	(40,076)
		<u>(34,741)</u>	<u>(23,756)</u>	<u>(66,617)</u>	<u>(43,956)</u>
Net claims incurred, surrenders and maturities					
Policy acquisition costs		(2,468)	(1,938)	(4,295)	(3,643)
		<u>(37,209)</u>	<u>(25,694)</u>	<u>(70,912)</u>	<u>(47,599)</u>
Total claims, surrenders, maturities and policy acquisition costs					
Underwriting surplus for the period		10,094	11,968	21,254	23,584
Investment income		440	349	873	697
General and administrative expenses		(9,364)	(9,005)	(18,196)	(18,177)
		<u>1,170</u>	<u>3,312</u>	<u>3,931</u>	<u>6,104</u>
Net surplus for the period from takaful operations					
Transfer of net surplus for the period to shareholders' operations		(1,053)	(2,981)	(3,538)	(5,494)
		<u>117</u>	<u>331</u>	<u>393</u>	<u>610</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 2016

	<i>Note</i>	<i>Three months ended 30 June 2016 SR'000</i>	<i>Three months ended 30 June 2015 SR'000</i>	<i>Six months ended 30 June 2016 SR'000</i>	<i>Six months ended 30 June 2015 SR'000</i>
Net surplus for the period		117	331	393	610
<i>Other comprehensive income/ (loss)</i>					
Fair value change in available for sale investments - unrealized	3(c)	<u>4,604</u>	<u>10,478</u>	<u>(8,088)</u>	<u>11,469</u>
Total comprehensive income/ (loss) from takaful operations for the period		<u>4,721</u>	<u>10,809</u>	<u>(7,695)</u>	<u>12,079</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 six months ended 30 June 2016

	<i>Note</i>	<i>Three months ended 30 June 2016 SR'000</i>	<i>Three months ended 30 June 2015 SR'000</i>	<i>Six months ended 30 June 2016 SR'000</i>	<i>Six months ended 30 June 2015 SR'000</i>
Transfer of net surplus for the period from takaful operations		1,053	2,981	3,538	5,494
Income from murabaha deposits		1,076	184	1,772	381
Income from sukuks		1,137	1,017	2,307	2,049
Total income		3,266	4,182	7,617	7,924
General and administrative expenses		(437)	(80)	(1,023)	(677)
Net profit for the period		2,829	4,102	6,594	7,247
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		2,829	4,102	6,594	7,247
Basic and diluted earnings per share (SAR)	9	0.08	0.12	0.19	0.21

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 2016

	<u>Share capital</u> SAR'000	<u>Legal reserve</u> SAR'000	<u>Retained earnings</u> SAR'000	<u>Total</u> SAR'000
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>
Balance as at 1 January 2015	340,000	11,478	4,247	355,725
Total comprehensive income for the period	-	-	7,247	7,247
Provision for zakat and tax	-	-	(2,322)	(2,322)
Balance as at 30 June 2015	<u>340,000</u>	<u>11,478</u>	<u>9,172</u>	<u>360,650</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 2016

	<i>Six months ended 30 June 2016 SR'000</i>	<i>Six months ended 30 June 2015 SR'000</i>
<i>Notes</i>		
OPERATING ACTIVITIES		
Surplus from takaful operations after shareholders' appropriation	393	610
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from/ (used in) operating activities:		
Shareholders' appropriation from surplus	3,538	5,494
Provision/ (reversal) of impairment on contribution receivables	170	(664)
Provision for employees' end-of-service benefits	716	811
	<u>4,817</u>	<u>6,251</u>
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		
Changes in operating assets and liabilities:		
Available-for-sale investments, net	30,562	(17,272)
Contributions receivable, net	4,295	8,439
Retakaful share of outstanding claims	(5,206)	(4,033)
Retakaful share of unearned contributions	2,248	1,946
Deferred policy acquisition costs	(539)	(341)
Retakaful balances receivable	3,132	-
Prepayments and other receivables	(468)	(1,154)
Reserve for takaful activities	(30,562)	17,360
Payment of employees' end-of-service benefits	(177)	(209)
Gross unearned contributions	(3,367)	(3,053)
Unearned commission income	(158)	82
Gross outstanding claims	7,177	2,407
Retakaful balances payable	(972)	284
Payables, accruals and others	1,988	(16,213)
Due to shareholders (appropriation of surplus)	(3,538)	(5,494)
	<u>9,232</u>	<u>(11,000)</u>
Net cash from/ (used in) operating activities		
FINANCING ACTIVITY		
Due (to)/ from shareholders, net	(2,400)	11,396
INCREASE IN CASH AND CASH EQUIVALENTS	<u>6,832</u>	<u>396</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>43,122</u>	<u>40,028</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>5</u> <u>49,954</u>	<u>40,424</u>
Non-cash supplemental information:		
Net change in fair value of available-for-sale investments	3 (c) (8,088)	11,469

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 2016

	<i>Six months ended 30 June 2016 SR'000</i>	<i>Six months ended 30 June 2015 SR'000</i>
OPERATING ACTIVITIES		
Net profit for the period	6,594	7,247
Adjustment to reconcile net profit to net cash used in operating activities:		
Appropriation of surplus from takaful operations	(3,538)	(5,494)
Amortisation	268	205
Depreciation	9	8
Income from sukuks	(2,307)	(2,049)
	<u>1,026</u>	<u>(83)</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	84	(31)
Payables, accruals and others	(3,683)	(539)
	<u>(2,573)</u>	<u>(653)</u>
Cash used in operating activities	(2,573)	(653)
Zakat and tax paid	(5,007)	(5,176)
Due from takaful operations (appropriation of surplus)	3,538	5,494
	<u>(4,042)</u>	<u>(335)</u>
Net cash used in operating activities	(4,042)	(335)
INVESTING ACTIVITIES		
Maturity of held-to-maturity investments	20,000	-
Income received from sukuks	2,252	2,049
Purchase of intangible assets	(138)	(334)
	<u>22,114</u>	<u>1,715</u>
Net cash from investing activities	22,114	1,715
FINANCING ACTIVITY		
Due from/ (to) shareholders, net	2,400	(11,396)
	<u>2,400</u>	<u>(11,396)</u>
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	20,472	(10,016)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	132,958	143,426
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	153,430	133,410

Note

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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 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 six months ended 30 June 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 June 2016

3. INVESTMENTS

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

	<i>30 June 2016</i> <i>SAR'000 (Unaudited)</i>	
	<i>Takaful</i> <i>Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	344,177	-
<i>Held-to-maturity investment – Quoted</i>		
Saudi Electricity Company Sukuk (SEC-III)	-	25,113
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-III)	-	15,053
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,011
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,596
The National Industrialization Company Sukuk (TASNEE)	-	50,187
Olayan Real Estate Company Sukuk (ORECO)	-	10,005
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,035
	-	168,000
Total investments	344,177	168,000

	<i>31 December 2015</i> <i>SAR'000</i>	
	<i>Takaful</i> <i>Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	374,739	-
<i>Held-to-maturity investments – 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
Total investments	374,739	187,945

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 sukuk which are listed on Tadawul.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 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

b) The fair value of held-to-maturity investments as at 30 June 2016 is SAR 167.75 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 June 2016 (Unaudited) SAR'000</i>	<i>31 December 2015 (Audited) SAR'000</i>
Opening balance	374,739	398,747
Purchased during the period/ year	48,842	96,344
Sold during the period/ year	<u>(71,316)</u>	<u>(90,452)</u>
	352,265	404,639
Net change in fair values of investments	<u>(8,088)</u>	<u>(29,900)</u>
Closing balance	<u><u>344,177</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: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

4. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 June 2016 (Unaudited) SAR'000</i>	<i>31 December 2015 (Audited) SAR'000</i>
Due from policy holders	7,719	6,228
Due from a shareholder (The Saudi British Bank)	<u>506</u>	<u>6,292</u>
	8,225	12,520
Provision for impairment	<u>(316)</u>	<u>(146)</u>
	<u><u>7,909</u></u>	<u><u>12,374</u></u>

SABB Takaful Company (A Saudi Joint Stock Company)
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5. CASH AND CASH EQUIVALENTS

	<i>30 June 2016 (Unaudited)</i> <i>SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	29,830	2,287
Murabaha deposits	20,124	151,143
	<u>49,954</u>	<u>153,430</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 June 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	11,542	(7,727)	3,815
- Incurred but not reported reserve and other reserves	19,896	(14,828)	5,068
General Takaful outstanding claims			
- Outstanding claim reserves	19,088	(17,696)	1,392
- Incurred but not reported reserve and other reserves	4,548	(2,915)	1,633
Total outstanding claims	<u>55,074</u>	<u>(43,166)</u>	<u>11,908</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)

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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 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	(10,797)	41,885
Planholder charges	(11,677)	(26,412)
Net change in fair value of investments	(8,088)	(29,900)
Balance as at the end of the period/ year	<u>344,177</u>	<u>374,739</u>

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

b) Movement in net unearned contribution

	<i>Three months ended 30 June 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	44,657	(28,558)	16,099
Contribution earned during the period	(48,024)	30,806	(17,218)
Balance as at the end of the period	<u>18,074</u>	<u>(11,929)</u>	<u>6,145</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.

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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 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
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

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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 2016 (Unaudited)					
Intangible assets	1,264	-	-	-	1,264
Motor vehicle	39	-	-	-	39
Takaful operations' assets					
Available-for-sale investments	-	344,177	-	-	344,177
Contribution receivables, net	-	-	3,186	4,723	7,909
Retakaful share of outstanding claims	-	463	22,091	20,612	43,166
Retakaful share of unearned contributions	-	-	1,464	10,465	11,929
Deferred policy acquisition costs	-	-	365	1,354	1,719
Unallocated assets	-	-	-	-	51,859
Total takaful operations' assets					460,759
Total shareholders' assets	364,357	-	-	-	364,357
Total assets					825,116
Takaful operations' liabilities					
Reserve for takaful activities	-	344,177	-	-	344,177
Gross unearned contributions	-	-	4,372	13,702	18,074
Unearned commission income	-	-	-	2,792	2,792
Gross outstanding claims	-	1,527	29,913	23,634	55,074
Unallocated liabilities	-	-	-	-	40,249
Total takaful operations' liabilities					460,366
Total shareholders' liabilities	5,647	-	-	-	5,647
Total liabilities					466,013
For the three months ended					
30 June 2015 (Unaudited)					
Gross written contribution	-	29,966	13,801	5,615	49,382
Net written contribution and Planholder charges	-	36,229	5,700	1,407	43,336
Net contributions earned and Planholder charges	-	28,381	5,904	1,647	35,932
Fees and commission income	-	224	399	1,107	1,730
Net claims incurred	-	72	(2,656)	1,015	(1,569)
Surrenders and maturities	-	(22,187)	-	-	(22,187)
Policy acquisition costs	-	(888)	(530)	(520)	(1,938)
Underwriting surplus for the period	-	5,602	3,117	3,249	11,968
Investment income	1,201	346	-	3	1,550
General and administrative expenses	(80)	(2,777)	(2,804)	(3,424)	(9,085)
Net surplus/ (deficit) for the period	1,121	3,171	313	(172)	4,433
Surplus from takaful operations after shareholders' appropriation					(331)
Net profit for the period					4,102
Amortisation	106	-	-	-	106
Depreciation	4	-	-	-	4

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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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 six months ended					
30 June 2015 (Unaudited)					
Gross written contribution	-	59,385	27,606	11,933	98,924
Net written contribution and Planholder charges	-	72,187	11,732	2,840	86,759
Net contributions earned and Planholder charges	-	52,790	12,062	3,617	68,469
Fees and commission income	-	224	399	2,091	2,714
Net claims incurred	-	(6)	(4,826)	952	(3,880)
Surrenders and maturities	-	(40,076)	-	-	(40,076)
Policy acquisition costs	-	(1,873)	(546)	(1,224)	(3,643)
	<u>-</u>	<u>11,059</u>	<u>7,089</u>	<u>5,436</u>	<u>23,584</u>
Underwriting surplus for the period	-	11,059	7,089	5,436	23,584
Investment income	2,430	690	-	7	3,127
General and administrative expenses	(677)	(5,773)	(5,645)	(6,759)	(18,854)
	<u>1,753</u>	<u>5,976</u>	<u>1,444</u>	<u>(1,316)</u>	<u>7,857</u>
Net surplus/ (deficit) for the period	<u>1,753</u>	<u>5,976</u>	<u>1,444</u>	<u>(1,316)</u>	<u>7,857</u>
Surplus from takaful operations after shareholders' appropriation					
					<u>(610)</u>
Net profit for the period					
					<u>7,247</u>
Amortisation					
	205	-	-	-	205
Depreciation					
	8	-	-	-	8
	<u>205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205</u>
31 December 2015 (Audited)					
Intangible assets	1,394	-	-	-	1,394
Motor vehicle	48	-	-	-	48
	<u>1,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,394</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>22,064</u>	<u>29,978</u>	<u>437,611</u>
Total takaful operations' assets	<u>-</u>	<u>374,739</u>	<u>22,064</u>	<u>29,978</u>	<u>437,611</u>
Total shareholders' assets	366,187	-	-	-	366,187
	<u>366,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,187</u>
Total assets					
	<u>366,187</u>	<u>374,739</u>	<u>22,064</u>	<u>29,978</u>	<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>30,804</u>	<u>17,842</u>	<u>423,385</u>
Total takaful operations' liabilities	<u>-</u>	<u>374,739</u>	<u>30,804</u>	<u>17,842</u>	<u>423,385</u>
Total shareholders' liabilities	11,117	-	-	-	11,117
	<u>11,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,117</u>
Total liabilities					
	<u>11,117</u>	<u>374,739</u>	<u>30,804</u>	<u>17,842</u>	<u>498,839</u>

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

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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 2016 SR'000</i>	<i>Three months ended 30 June 2015 SR'000</i>	<i>Six months ended 30 June 2016 SR'000</i>	<i>Six months ended 30 June 2015 SR'000</i>
Net profit for the period (SAR'000)	<u>2,829</u>	<u>4,102</u>	<u>6,594</u>	<u>7,247</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>0.12</u>	<u>0.19</u>	<u>0.21</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 2016 SR'000</i>	<i>Three months ended 30 June 2015 SR'000</i>	<i>Six months ended 30 June 2016 SR'000</i>	<i>Six months ended 30 June 2015 SR'000</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>				
Contributions	11,226	10,255	21,870	20,356
Claims paid	9,372	6,755	15,402	12,699
Other expenses				
- IT maintenance cost and related expenses	1,049	1,097	2,296	2,555
- Overheads	41	123	51	124
Other entities controlled, jointly controlled or significantly influenced by related parties				
Policy acquisition costs paid	1,228	1,846	3,169	3,828
HSBC Saudi Arabia Limited - IBSA				
Rebate on unit-linked investments	300	330	623	656

'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)

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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 2016 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 June 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	-	47	-
Directors' remunerations and other benefits	-	220	-	224
	<u>-</u>	<u>220</u>	<u>-</u>	<u>224</u>
	<i>Six months period ended 30 June 2016 SAR'000 (Unaudited)</i>		<i>Six months period ended 30 June 2015 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	1,942	-	1,884	-
End-of-service benefits	90	-	94	-
Directors' remunerations and other benefits	-	375	-	362
	<u>-</u>	<u>375</u>	<u>-</u>	<u>362</u>

11. ZAKAT AND TAX

Status of Assessment

During the quarter ended 31 March 2015, the Department of Zakat and Income Tax (DZIT) issued the final tax certificates for the years from 2008 to 2010. However, the DZIT 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, DZIT has yet to commence its review for the years from 2011 to 2014.

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 19 Shawwal 1437H corresponding to 24 July 2016.