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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 2016**

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

**Scope of review**

We have reviewed the accompanying interim statement of financial position of SABB Takaful Company - a Saudi Joint Stock Company (the "Company") as at March 31, 2016 and the related interim statements of income - takaful operations and comprehensive income - takaful and shareholders' operations for the three month period ended March 31, 2016, and statements of changes in shareholders' equity and cash flows for takaful and shareholders' operations for the three 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.

**Aldar Audit Bureau**  
Abdullah Al Basri & Co  
P. O. Box 2195  
Riyadh 11451  
Kingdom of Saudi Arabia

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



**Abdullah M. Al Basri**  
Certified Public Accountant  
Registration No. 171



**Khalid Mandhar**  
Certified Public Accountant  
Registration No. 368



Date: April 19, 2016  
Corresponding to: Rajab 12, 1437H



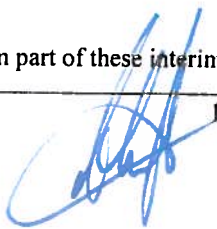
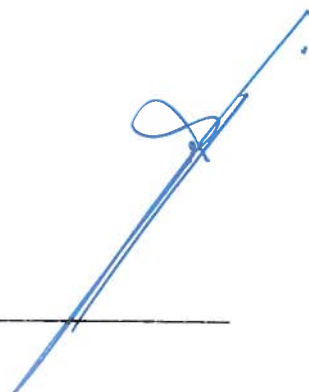
SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2016

|   | Notes | 31 March<br>2016<br>(Unaudited)<br>SAR'000 | 31 December<br>2015<br>(Audited)<br>SAR'000 |
|---|-------|--|---|
| <b><u>TAKAFUL OPERATIONS' ASSETS</u></b>  |       |  |   |
| Available-for-sale investments            | 3     | 351,606                                    | 374,739                                     |
| Contributions receivable, net             | 4     | 7,017                                      | 12,374                                      |
| Retakaful share of outstanding claims     | 6     | 40,646                                     | 37,960                                      |
| Retakaful share of unearned contributions | 7 (b) | 13,647                                     | 14,177                                      |
| Deferred policy acquisition costs         |       | 1,525                                      | 1,180                                       |
| Retakaful balances receivable             |       | 269  | 3,630                                       |
| Prepayments and other receivables         |       | 1,574                                      | 939   |
| Cash and cash equivalents                 | 5     | 45,665                                     | 43,122                                      |
| <b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>   |       | <b>461,949</b>                             | <b>488,121</b>                              |
| <b><u>SHAREHOLDERS' ASSETS</u></b>        |       |  |   |
| Intangible assets                         |       | 1,317                                      | 1,394                                       |
| Motor vehicle                             |       | 44   | 48  |
| Held-to-maturity investments              | 3     | 168,035                                    | 187,945                                     |
| Statutory deposit                         |       | 34,000                                     | 34,000                                      |
| Investment returns from statutory deposit |       | 1,732                                      | 1,617                                       |
| Prepayments and other receivables         |       | 275  | 297   |
| Due from takaful operations               |       | 7,044                                      | 7,928                                       |
| Cash and cash equivalents                 | 5     | 154,005                                    | 132,958                                     |
| <b>TOTAL SHAREHOLDERS' ASSETS</b>         |       | <b>366,452</b>                             | <b>366,187</b>                              |
| <b>TOTAL ASSETS</b>                       |       | <b>828,401</b>                             | <b>854,308</b>                              |

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

At 31 March 2016

|  | Notes | 31 March<br>2016<br>(Unaudited)<br>SAR'000 | 31 December<br>2015<br>(Audited)<br>SAR'000 |
|--|-------|--|---|
| <b><u>TAKAFUL OPERATIONS' LIABILITIES</u></b>  |       |  |   |
| Reserve for takaful activities   | 7 (a) | 351,606                                    | 374,739                                     |
| Provision for employees' end-of-service benefits   |       | 6,512                                      | 6,273                                       |
| Surplus distribution payable   |       | 6,417                                      | 6,018                                       |
| Gross unearned contributions   | 7 (b) | 19,953                                     | 21,441                                      |
| Unearned commission income   |       | 2,946                                      | 2,950                                       |
| Gross outstanding claims   | 6     | 51,839                                     | 47,897                                      |
| Retakaful balances payable   |       | 4,701                                      | 5,858                                       |
| Payables, accruals and others  |       | 10,655                                     | 14,618                                      |
| Due to shareholders  |       | 7,044                                      | 7,928                                       |
| <b>TOTAL TAKAFUL OPERATIONS' LIABILITIES</b>   |       | <b>461,673</b>                             | <b>487,722</b>                              |
| <b>TAKAFUL OPERATIONS' SURPLUS</b>   |       | <b>276</b>                                 | <b>399</b>                                  |
| <b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>                                       |       | <b>461,949</b>                             | <b>488,121</b>                              |
| <b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>   |       |  |   |
| <b>SHAREHOLDERS' EQUITY</b>  |       |  |   |
| Share capital  |       | 340,000                                    | 340,000                                     |
| Legal reserve  |       | 12,206                                     | 12,206                                      |
| Retained earnings  |       | 5,111                                      | 2,864                                       |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  |       | <b>357,317</b>                             | <b>355,070</b>                              |
| <b>SHAREHOLDERS' LIABILITIES</b>   |       |  |   |
| Payables, accruals and others  |       | 901  | 4,516                                       |
| Provision for zakat and income tax   | 11    | 6,502                                      | 4,984                                       |
| Investment returns from statutory deposit  |       | 1,732                                      | 1,617                                       |
| <b>TOTAL SHAREHOLDERS' LIABILITIES</b>   |       | <b>9,135</b>                               | <b>11,117</b>                               |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>  |       | <b>366,452</b>                             | <b>366,187</b>                              |
| <b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES</b> |       | <b>828,401</b>                             | <b>854,308</b>                              |

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

# SABB Takaful Company (A Saudi Joint Stock Company)

## INTERIM STATEMENT OF INCOME - TAKAFUL OPERATIONS (UNAUDITED)

For the three months ended 31 March 2016

|  | <i>Three<br/>months<br/>ended<br/>31 March<br/>2016<br/>SR'000</i> | <i>Three<br/>Months<br/>ended<br/>31 March<br/>2015<br/>SR'000</i> |
|--|--|--|
| <b>Gross contributions written</b>                                       |  |  |
| - Family Takaful   | 38,749   | 43,224   |
| - General Takaful  | 7,441  | 6,318  |
|  | <u>46,190</u>  | <u>49,542</u>  |
| <b>Family Takaful - Planholder charges</b>                               | 5,727  | 6,884  |
|  | <u>51,917</u>  | <u>56,426</u>  |
| <b>Gross contributions written and Planholder charges</b>                |  |  |
| Retakaful contribution ceded   | (14,677)   | (13,003)   |
|  | <u>37,240</u>  | <u>43,423</u>  |
| <b>Net written contribution and Planholder charges</b>                   |  |  |
| Changes in gross unearned contributions                                  | 1,488  | 1,269  |
| Changes in retakaful share of unearned contributions                     | (530)  | (606)  |
| Changes in reserve for takaful activities                                | 4,714  | (11,549)   |
|  | <u>42,912</u>  | <u>32,537</u>  |
| <b>Net contributions earned and Planholder charges</b>                   |  |  |
| Fees and commission income   | 1,951  | 984  |
|  | <u>44,863</u>  | <u>33,521</u>  |
| <b>Underwriting revenue</b>  |  |  |
| Gross claims paid  | (7,772)  | (9,463)  |
| Retakaful share of claims paid   | 5,793  | 6,866  |
|  | <u>(1,979)</u>   | <u>(2,597)</u>   |
| <b>Net claims paid</b>   |  |  |
| Changes in gross outstanding claims                                      | (3,942)  | (2,306)  |
| Changes in retakaful share of outstanding claims                         | 2,686  | 2,592  |
|  | <u>(3,235)</u>   | <u>(2,311)</u>   |
| <b>Net claims incurred</b>   |  |  |
| Surrenders and maturities  | (28,641)   | (17,889)   |
|  | <u>(31,876)</u>  | <u>(20,200)</u>  |
| <b>Net claims incurred, surrenders and maturities</b>                    |  |  |
| Policy acquisition costs   | (1,827)  | (1,705)  |
|  | <u>(33,703)</u>  | <u>(21,905)</u>  |
| <b>Total claims, surrenders, maturities and policy acquisition costs</b> |  |  |
|  | <u>11,160</u>  | <u>11,616</u>  |
| <b>Underwriting surplus for the period</b>                               |  |  |
| Investment income  | 433  | 348  |
| General and administrative expenses                                      | (8,832)  | (9,172)  |
|  | <u>2,761</u>   | <u>2,792</u>   |
| <b>Net surplus for the period from takaful operations</b>                |  |  |
| Transfer of net surplus for the period to shareholders' operations       | (2,485)  | (2,513)  |
|  | <u>276</u>   | <u>279</u>   |
| <b>Net surplus for the period</b>  |  |  |

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME - TAKAFUL OPERATIONS  
(UNAUDITED)

For the three months ended 31 March 2016

|  | <i>Three<br/>months<br/>ended<br/>31 March 2016<br/>SR'000</i> | <i>Three<br/>Months<br/>ended<br/>31 March 2015<br/>SR'000</i> |
|--|--|--|
| <b>Net surplus for the year</b>  | 276  | 279  |
| <b><i>Other comprehensive (loss)/ income</i></b>                                   |  |  |
| Fair value change in available for sale investments - unrealized                   | (12,692)   | 991  |
| <b>Total comprehensive (loss)/ income from takaful operations<br/>for the year</b> | <u>(12,416)</u>  | <u>1,270</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 months ended 31 March 2016

|  | <i>Note</i> | <i>Three<br/>months<br/>ended<br/>31 March<br/>2016<br/>SR'000</i> | <i>Three<br/>Months<br/>ended<br/>31 March<br/>2015<br/>SR 000</i> |
|--|-------------|--|--|
| Transfer of net surplus for the period from takaful operations |             | 2,485  | 2,513  |
| Income from murabaha deposits                                  |             | 696  | 197  |
| Income from sukuks   |             | 1,170  | 1,032  |
| <b>Total income</b>  |             | <b>4,351</b>   | <b>3,742</b>   |
| General and administrative expenses                            |             | (586)  | (597)  |
| <b>Net profit for the period</b>                               |             | <b>3,765</b>   | <b>3,145</b>   |
| Other comprehensive income                                     |             | -  | -  |
| <b>Total comprehensive income for the period</b>               |             | <b>3,765</b>   | <b>3,145</b>   |
| <b>Basic and diluted earnings per share (SAR)</b>              | <i>9</i>    | <b>0.11</b>  | <b>0.09</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 2016

|   | <i>Share<br/>capital</i> | <i>Legal<br/>reserve</i> | <i>Retained<br/>earnings/<br/>(Accumulated<br/>losses)</i> | <i>Total</i>   |
|---|--------------------------|--------------------------|--|----------------|
|   | SAR'000                  | SAR'000                  | SAR'000  | SAR'000        |
| Balance as at 1 January 2016              | 340,000                  | 12,206                   | 2,864  | 355,070        |
| Total comprehensive income for the period | -                        | -                        | 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> |
| Balance as at 1 January 2015              | 340,000                  | 11,478                   | 4,247  | 355,725        |
| Total comprehensive income for the period | -                        | -                        | 3,145  | 3,145          |
| Provision for zakat and tax               | -                        | -                        | (671)  | (671)          |
| Balance as at 31 March 2015               | <u>340,000</u>           | <u>11,478</u>            | <u>6,721</u>   | <u>358,199</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 2016

|   | Notes | Three<br>months<br>ended<br>31 March<br>2016<br>SR'000 | Three<br>months<br>ended<br>31 March<br>2015<br>SR'000 |
|---|-------|--|--|
| <b>OPERATING ACTIVITIES</b>   |       |  |  |
| Surplus from takaful operations after shareholders' appropriation   |       | 276  | 279  |
| Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash (used in)/ from operating activities: |       |  |  |
| Shareholders' appropriation from surplus  |       | 2,485  | 2,513  |
| Provision/ (Reversal) of impairment on contribution receivables   |       | 272  | (644)  |
| Provision for employees' end-of-service benefits  |       | 385  | 446  |
| Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities                                |       | <u>3,418</u>   | <u>2,594</u>   |
| <b>Changes in operating assets and liabilities:</b>   |       |  |  |
| Available-for-sale investments, net   |       | 23,133   | (5,639)  |
| Contributions receivable, net   |       | 5,085  | 7,571  |
| Retakaful share of outstanding claims   |       | (2,686)  | (2,592)  |
| Retakaful share of unearned contributions   |       | 530  | 606  |
| Deferred policy acquisition costs   |       | (345)  | (567)  |
| Retakaful balances receivable   |       | 3,361  | 769  |
| Prepayments and other receivables   |       | (635)  | (786)  |
| Reserve for takaful activities  |       | (23,133)   | 5,656  |
| Payment of employees' end-of-service benefits   |       | (146)  | (164)  |
| Gross unearned contributions  |       | (1,488)  | (1,269)  |
| Unearned commission income  |       | (4)  | 97   |
| Gross outstanding claims  |       | 3,942  | 2,306  |
| Retakaful balances payable  |       | (1,157)  | (358)  |
| Payables, accruals and others   |       | (3,963)  | (15,145)   |
| <b>Net cash from/ (used in) operating activities</b>  |       | <u>5,912</u>   | <u>(6,921)</u>   |
| <b>FINANCING ACTIVITY</b>   |       |  |  |
| Due to/ (from) shareholders, net  |       | (3,369)  | 341  |
| <b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  |       | <u>2,543</u>   | <u>(6,580)</u>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>   |       | <u>43,122</u>  | <u>40,028</u>  |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>   | 5     | <u>45,665</u>  | <u>33,448</u>  |
| <b>Non-cash supplemental information:</b>   |       |  |  |
| Net change in fair value of available-for-sale investments  | 3 (c) | <u>(12,692)</u>  | <u>991</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 - SHAREHOLDERS' OPERATIONS  
(UNAUDITED)

For the three months ended 31 March 2016

|  | <i>Three<br/>months<br/>ended<br/>31 March<br/>2016<br/>SR'000</i> | <i>Three<br/>months<br/>ended<br/>31 March<br/>2015<br/>SR'000</i> |
|--|--|--|
|  | <i>Note</i>  |  |
| <b>OPERATING ACTIVITIES</b>  |  |  |
| Net profit for the period  | 3,765  | 3,145  |
| Adjustment to reconcile net profit to net cash used in operating activities: |  |  |
| Appropriation of surplus from takaful operations                             | (2,485)  | (2,513)  |
| Amortisation   | 132  | 99   |
| Depreciation   | 4  | 4  |
| Income from sukuku   | (1,170)  | (1,032)  |
|  | <u>246</u>   | <u>(297)</u>   |
| <b>Changes in operating assets and liabilities:</b>                          |  |  |
| Prepayments and other receivables  | 22   | (135)  |
| Payables, accruals and others  | (3,615)  | (357)  |
|  | <u>(3,347)</u>   | <u>(789)</u>   |
| <b>Cash used in operating activities</b>                                     | <b>(3,347)</b>   | <b>(789)</b>   |
| Zakat and tax paid   | -  | (5,176)  |
|  | <u>(3,347)</u>   | <u>(5,965)</u>   |
| <b>INVESTING ACTIVITIES</b>  |  |  |
| Maturity of held-to-maturity investments                                     | 20,000   | -  |
| Income received from sukuku  | 1,080  | 1,080  |
| Purchase of intangible assets  | (55)   | -  |
| Due (from)/ to takaful operations, net                                       | 3,369  | (341)  |
|  | <u>24,394</u>  | <u>739</u>   |
| <b>Net cash from investing activities</b>                                    | <b>24,394</b>  | <b>739</b>   |
| <b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                     | <b>21,047</b>  | <b>(5,226)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>              | <b>132,958</b>   | <b>143,426</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                    | <b>5</b><br><u>154,005</u>   | <u>138,200</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 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 months ended 31 March 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
  - 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.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2016

#### 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

31 March 2016

#### 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 2016</i><br><i>SAR'000 (Unaudited)</i> |                     |
|--|--|---------------------|
|  | <i>Takaful Operations</i>                          | <i>Shareholders</i> |
| <i>Available-for-sale investments – Quoted</i>                           |  |                     |
| Investment in Amanah Mutual Funds  | 351,606  | -                   |
| <i>Held-to-maturity investment – Quoted</i>                              |  |                     |
| Saudi Electricity Company Sukuk (SEC-III)                                | -  | 25,093              |
| <i>Held-to-maturity investments – Unquoted</i>                           |  |                     |
| Saudi Hollandi Bank Sukuk (SHB-II)                                       | -  | 15,121              |
| Saudi Hollandi Bank Sukuk (SHB-I)  | -  | 5,043               |
| General Authority of Civil Aviation Sukuk (GACA - I)                     | -  | 50,253              |
| The National Industrialization Company Sukuk (TASNEE - I)                | -  | 50,394              |
| Olayan Real Estate Company Sukuk (ORECO - I)                             | -  | 10,047              |
| The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ) | -  | 12,084              |
|  | -  | 168,035             |
| <b>Total investments</b>   | <b>351,606</b>                                     | <b>168,035</b>      |

|  | <i>31 December 2015</i><br><i>SAR'000</i> |                     |
|--|---|---------------------|
|  | <i>Takaful 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-II)                                       | -   | 15,032              |
| Saudi Hollandi Bank Sukuk (SHB-I)  | -   | 5,007               |
| Bank Al Jazira Sukuk   | -   | 20,133              |
| General Authority of Civil Aviation Sukuk (GACA - I)                     | -   | 50,525              |
| The National Industrialization Company Sukuk (TASNEE - I)                | -   | 50,113              |
| Olayan Real Estate Company Sukuk (ORECO - I)                             | -   | 10,044              |
| The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ) | -   | 12,025              |
|  | -   | 187,945             |
| <b>Total investments</b>   | <b>374,739</b>                            | <b>187,945</b>      |

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

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

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 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 20 17         |
| - Saudi Hollandi Bank Sukuk (SHB-II)                                       | 26 November 20 19    |
| - Saudi Hollandi Bank Sukuk (SHB-I)  | 29 December 20 19    |
| - General Authority of Civil Aviation Sukuk (GACA - I)                     | 18 January 20 22     |
| - The National Industrialization Company Sukuk (TASNEE - I)                | 21 May 20 19         |
| - Olayan Real Estate Company Sukuk (ORECO - I)                             | 25 June 20 17        |
| - The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ) | 27 May 20 18         |

b) The fair value of held-to-maturity investments as at 31 March 2016 is SAR 168.04 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>31 March<br/>2016<br/>(Unaudited)<br/>SAR'000</i> | <i>31 December<br/>2015<br/>(Audited)<br/>SAR'000</i> |
|--|--|---|
| Opening balance                          | 374,739  | 398,747   |
| Purchased during the period/ year        | 23,927   | 96,344  |
| Sold during the period/ year             | (34,368)   | (90,452)  |
|  | <u>364,298</u>                                       | <u>404,639</u>  |
| Net change in fair values of investments | (12,692)   | (29,900)  |
| Closing balance                          | <u>351,606</u>                                       | <u>374,739</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 are classified under Level 2 hierarchy.

### 4. CONTRIBUTIONS RECEIVABLE, NET

|   | <i>31 March<br/>2016<br/>(Unaudited)<br/>SAR'000</i> | <i>31 December<br/>2015<br/>(Audited)<br/>SAR'000</i> |
|---|--|---|
| Due from policy holders                         | 3,473  | 6,228   |
| Due from a shareholder (The Saudi British Bank) | 3,962  | 6,292   |
|   | <u>7,435</u>   | <u>12,520</u>   |
| Provision for impairment                        | (418)  | (146)   |
|   | <u>7,017</u>   | <u>12,374</u>   |

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2016

### 5. CASH AND CASH EQUIVALENTS

|                   | <i>31 March 2016 (Unaudited)</i><br><i>SAR'000</i> |                     |
|-------------------|--|---------------------|
|                   | <i>Takaful<br/>Operations</i>                      | <i>Shareholders</i> |
| Bank balances     | 25,609   | 3,295               |
| Murabaha deposits | 20,056   | 150,710             |
|                   | <u>45,665</u>                                      | <u>154,005</u>      |

|                   | <i>31 December 2015 (Audited)</i><br><i>SAR'000</i> |                     |
|-------------------|---|---------------------|
|                   | <i>Takaful<br/>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.

As at 31 March 2016, murabaha deposits amounting to SAR 225 thousands (31 December 2015: nil) were maintained with the Saudi British Bank, a shareholder of the Company.

### 6. OUTSTANDING CLAIMS

|  | <i>31 March 2016 (Unaudited)</i> |  |                        |
|--|----------------------------------|--|------------------------|
|  | <i>Gross<br/>SAR'000</i>         | <i>Retakaful<br/>share<br/>SAR'000</i> | <i>Net<br/>SAR'000</i> |
| Family Takaful outstanding claims                      |                                  |  |                        |
| - Outstanding claim reserves                           | 13,549                           | (9,563)                                | 3,986                  |
| - Incurred but not reported reserve and other reserves | 18,323                           | (13,622)                               | 4,701                  |
| General Takaful outstanding claims                     |                                  |  |                        |
| - Outstanding claim reserves                           | 15,216                           | (14,346)                               | 870                    |
| - Incurred but not reported reserve and other reserves | 4,751                            | (3,115)                                | 1,636                  |
| Total outstanding claims                               | <u>51,839</u>                    | <u>(40,646)</u>                        | <u>11,193</u>          |

|  | <i>31 December 2015 (Audited)</i> |  |                        |
|--|-----------------------------------|--|------------------------|
|  | <i>Gross<br/>SAR'000</i>          | <i>Retakaful<br/>share<br/>SAR'000</i> | <i>Net<br/>SAR'000</i> |
| Family Takaful outstanding claims                      |                                   |  |                        |
| - Outstanding claim reserves                           | 8,503                             | (5,846)                                | 2,657                  |
| - Incurred but not reported reserve and other reserves | 17,356                            | (12,805)                               | 4,551                  |
| General Takaful outstanding claims                     |                                   |  |                        |
| - Outstanding claim reserves                           | 17,216                            | (16,249)                               | 967                    |
| - Incurred but not reported reserve and other reserves | 4,822                             | (3,060)                                | 1,762                  |
| Total outstanding claims                               | <u>47,897</u>                     | <u>(37,960)</u>                        | <u>9,937</u>           |

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2016

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

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

|   | <i>Three months ended<br/>31 March 2016<br/>(Unaudited)<br/>SAR'000</i> | <i>Year ended<br/>31 December 2015<br/>(Audited)<br/>SAR'000</i> |
|---|---|--|
| Balance as at the beginning of the period/ year | 374,739   | 389,166  |
| Changes in reserve during the period/ year      | (4,714)   | 41,885   |
| Planholder charges                              | (5,727)   | (26,412)   |
| Net change in fair value of investments         | (12,692)  | (29,900)   |
| Balance as at the end of the period/ year       | <u>351,606</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 31 March 2016<br/>(Unaudited)</i> |  |                        |
|--|---|--|------------------------|
|  | <i>Gross<br/>SAR'000</i>                                | <i>Retakaful<br/>share<br/>SAR'000</i> | <i>Net<br/>SAR'000</i> |
| Balance as at the beginning of the period  | 21,441  | (14,177)                               | 7,264                  |
| Contribution written during the period     | 22,264  | (14,388)                               | 7,876                  |
| Contribution earned during the period      | (23,752)  | 14,918                                 | (8,834)                |
| <b>Balance as at the end of the period</b> | <u>19,953</u>   | <u>(13,647)</u>                        | <u>6,306</u>           |

|   | <i>Year ended 31 December 2015<br/>(Audited)</i> |  |                        |
|---|--|--|------------------------|
|   | <i>Gross<br/>SAR'000</i>                         | <i>Retakaful<br/>share<br/>SAR'000</i> | <i>Net<br/>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, cash and cash equivalents and due from shareholders. Accordingly they are included in unallocated assets.

Segment liabilities do not include surplus distribution payable, retakaful balances payable, payables, accruals and others and provision for employees' end of service benefits. 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

31 March 2016

### 8. SEGMENTAL INFORMATION (continued)

|   | <i>Shareholders'<br/>Fund<br/>SAR'000</i> | <i>Individual<br/>Family<br/>(Protection<br/>&amp; Savings)<br/>SAR'000</i> | <i>Group<br/>Family<br/>(Protection<br/>&amp; Savings)<br/>SAR'000</i> | <i>General<br/>Takaful<br/>SAR'000</i> | <i>Total<br/>SAR'000</i> |
|---|---|---|--|--|--------------------------|
| <b>For the three months ended</b>                                 |   |   |  |  |                          |
| <b>31 March 2016 (Unaudited)</b>                                  |   |   |  |  |                          |
| 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)                  |
| <b>Underwriting surplus for the period</b>                        | <b>-</b>                                  | <b>4,706</b>  | <b>3,501</b>   | <b>2,953</b>                           | <b>11,160</b>            |
| Investment income   | 1,866                                     | 416   | 17   | -                                      | 2,299                    |
| General and administrative expenses                               | (586)                                     | (2,678)   | (2,993)  | (3,161)                                | (9,418)                  |
| <b>Net surplus/ (deficit) for the period</b>                      | <b>1,280</b>                              | <b>2,444</b>  | <b>525</b>   | <b>(208)</b>                           | <b>4,041</b>             |
| Surplus from takaful operations after shareholders' appropriation |   |   |  |  | (276)                    |
| <b>Net loss for the period</b>                                    |   |   |  |  | <b>3,765</b>             |
| Purchase of intangibles   | 55  | -   | -  | -                                      | 55                       |
| Amortisation  | 132                                       | -   | -  | -                                      | 132                      |
| Depreciation  | 4   | -   | -  | -                                      | 4                        |
| <b>31 March 2016 (Unaudited)</b>                                  |   |   |  |  |                          |
| Intangible assets   | 1,317                                     | -   | -  | -                                      | 1,317                    |
| Motor vehicle   | 44  | -   | -  | -                                      | 44                       |
| <b>Takaful operations' assets</b>                                 |   |   |  |  |                          |
| Available-for-sale investments                                    | -   | 351,606   | -  | -                                      | 351,606                  |
| Contribution receivables, net                                     | -   | -   | 4,691  | 2,326                                  | 7,017                    |
| Retakaful share of outstanding claims                             | -   | 314   | 22,871   | 17,461                                 | 40,646                   |
| Retakaful share of unearned contributions                         | -   | -   | 1,875  | 11,772                                 | 13,647                   |
| Deferred policy acquisition costs                                 | -   | -   | 342  | 1,183                                  | 1,525                    |
| Unallocated assets  | -   | -   | -  | -                                      | 47,508                   |
| <b>Total takaful operations' assets</b>                           |   |   |  |  | <b>461,949</b>           |
| <b>Total shareholders' assets</b>                                 | <b>366,452</b>                            | <b>-</b>  | <b>-</b>   | <b>-</b>                               | <b>366,452</b>           |
| <b>Total assets</b>   |   |   |  |  | <b>828,401</b>           |
| <b>Takaful operations' liabilities</b>                            |   |   |  |  |                          |
| Reserve for takaful activities                                    | -   | 351,606   | -  | -                                      | 351,606                  |
| Gross unearned contributions                                      | -   | -   | 5,318  | 14,635                                 | 19,953                   |
| Unearned commission income  | -   | -   | -  | 2,946                                  | 2,946                    |
| Gross outstanding claims  | -   | 1,285   | 30,586   | 19,968                                 | 51,839                   |
| Unallocated liabilities   | -   | -   | -  | -                                      | 35,329                   |
| <b>Total takaful operations' liabilities</b>                      |   |   |  |  | <b>461,673</b>           |
| <b>Total shareholders' liabilities</b>                            | <b>9,135</b>                              | <b>-</b>  | <b>-</b>   | <b>-</b>                               | <b>9,135</b>             |
| <b>Total liabilities</b>  |   |   |  |  | <b>470,808</b>           |

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2016

### 8. SEGMENTAL INFORMATION (continued)

|  | <i>Shareholders'<br/>Fund<br/>SAR'000</i> | <i>Individual<br/>Family<br/>SAR'000</i> | <i>Group<br/>Family<br/>SAR'000</i> | <i>General<br/>Takaful<br/>SAR'000</i> | <i>Total<br/>SAR'000</i> |
|--|---|--|-------------------------------------|--|--------------------------|
| For the three months ended<br>31 March 2015 (Unaudited)              |   |  |                                     |  |                          |
| Gross written contribution   | -   | 29,419                                   | 13,805                              | 6,318                                  | 49,542                   |
| Net written contribution and Planholder<br>charges                   | -   | 35,958                                   | 6,032                               | 1,433                                  | 43,423                   |
| Net contributions earned and Planholder<br>charges                   | -   | 24,409                                   | 6,158                               | 1,970                                  | 32,537                   |
| Fees and commission income   | -   | -  | -                                   | 984                                    | 984                      |
| Net claims incurred  | -   | (78)                                     | (2,170)                             | (63)                                   | (2,311)                  |
| Surrenders and maturities  | -   | (17,889)                                 | -                                   | -                                      | (17,889)                 |
| Policy acquisition costs   | -   | (985)                                    | (16)                                | (704)                                  | (1,705)                  |
|  | <u>-</u>                                  | <u>5,457</u>                             | <u>3,972</u>                        | <u>2,187</u>                           | <u>11,616</u>            |
| Underwriting surplus for the period                                  | -   | 5,457                                    | 3,972                               | 2,187                                  | 11,616                   |
| Investment income  | 1,229                                     | 344                                      | -                                   | 4                                      | 1,577                    |
| General and administrative expenses                                  | (597)                                     | (2,996)                                  | (2,841)                             | (3,335)                                | (9,769)                  |
|  | <u>632</u>                                | <u>2,805</u>                             | <u>1,131</u>                        | <u>(1,144)</u>                         | <u>3,424</u>             |
| Net surplus/ (deficit) for the period                                |   |  |                                     |  |                          |
| Surplus from takaful operations after<br>shareholders' appropriation |   |  |                                     |  | (279)                    |
| Net profit for the period  |   |  |                                     |  | <u>3,145</u>             |
| Amortisation   | 99  | -  | -                                   | -                                      | 99                       |
| Depreciation   | 4   | -  | -                                   | -                                      | 4                        |
|  | <u>1,394</u>                              | <u>-</u>                                 | <u>-</u>                            | <u>-</u>                               | <u>1,394</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<br>contributions                         | -   | -  | 2,346                               | 11,831                                 | 14,177                   |
| Deferred policy acquisition costs                                    | -   | -  | 388                                 | 792                                    | 1,180                    |
| Unallocated assets   | -   | -  | -                                   | -                                      | 47,691                   |
|  |   |  |                                     |  | <u>488,121</u>           |
| Total takaful operations' assets                                     |   |  |                                     |  | 488,121                  |
| Total shareholders' assets   | 366,187                                   | -  | -                                   | -                                      | 366,187                  |
|  |   |  |                                     |  | <u>854,308</u>           |
| Total assets   |   |  |                                     |  | 854,308                  |
| 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>487,722</u>           |
| Total takaful operations' liabilities                                |   |  |                                     |  | 487,722                  |
| Total shareholders' liabilities                                      | 11,117                                    | -  | -                                   | -                                      | 11,117                   |
|  |   |  |                                     |  | <u>498,839</u>           |
| Total liabilities  |   |  |                                     |  | 498,839                  |

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

31 March 2016

#### 9. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the reporting date as follows:

|   | <i>Three<br/>months<br/>ended<br/>31 March<br/>2016<br/>SR'000<br/>(Unaudited)</i> | <i>Three<br/>Months<br/>ended<br/>31 March<br/>2015<br/>SR'000<br/>(Unaudited)</i> |
|---|--|--|
| Net profit for the period (SAR'000)                                 | 3,765  | 3,145  |
| Weighted average number of ordinary shares<br>(Number in thousands) | 34,000   | 34,000   |
| <b>Earnings per share (SAR)</b>                                     | <b>0.11</b>  | <b>0.09</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<br/>months<br/>ended<br/>31 March<br/>2016<br/>SR'000<br/>(Unaudited)</i> | <i>Three<br/>Months<br/>ended<br/>31 March<br/>2015<br/>SR'000<br/>(Unaudited)</i> |
|---|--|--|
| <b>The Saudi British Bank</b><br><i>(a shareholder of the Company)</i>                                  |  |  |
| Contributions   | 10,644   | 10,101   |
| Claims paid   | 6,030  | 5,944  |
| Other expenses  |  |  |
| - IT maintenance cost and related expenses  | 1,247  | 1,458  |
| - Overheads   | 10   | 1  |
| Investment in murabaha deposits   | 242  | 35,029   |
| <b>Other entities controlled, jointly controlled or significantly influenced<br/>by related parties</b> |  |  |
| Policy acquisition costs paid   | 1,941  | 1,982  |
| <b>HSBC Saudi Arabia Limited - IBSA</b>   |  |  |
| Rebate on unit-linked investments   | 323  | 326  |

'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

31 March 2016

#### 10. RELATED PARTY TRANSACTIONS (continued)

##### b) Compensation of key management personnel

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows.

|   | <i>Three months period ended<br/>31 March 2016<br/>SAR'000<br/>(Unaudited)</i> |                     | <i>Three months period ended<br/>31 March 2015<br/>SAR'000<br/>(Unaudited)</i> |                     |
|---|--|---------------------|--|---------------------|
|   | <i>Takaful<br/>Operations</i>  | <i>Shareholders</i> | <i>Takaful<br/>Operations</i>  | <i>Shareholders</i> |
| Salaries and other benefits                 | 971  | -                   | 942  | -                   |
| End-of-service benefits                     | 45   | -                   | 47   | -                   |
| Directors' remunerations and other benefits | -  | 155                 | -  | 46                  |

#### 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 has 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 11 Rajab 1437H corresponding to 18 April 2016.