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

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION**  
**FOR THE THREE MONTH AND TWELVE MONTH PERIODS**  
**ENDED 31 DECEMBER 2017**

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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF SABB TAKAFUL COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**INTRODUCTION**

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

**SCOPE OF REVIEW**

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

**CONCLUSION**

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



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CPA's & Consultants  
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### EMPHASIS OF MATTER

We draw attention to Note 2 of the accompanying interim condensed financial information which states that during the three-month period ended 31 December 2017, the Company received a letter from SAMA prohibiting the Company from accepting or renewing policies for protection and savings plans (major line of business) with effect from 3 October 2017 on account of certain non-compliance of relevant laws and regulations. Further, SAMA instructed the Company to appoint a consultant, discuss the matters in the Board of Directors meeting and submit a detailed report regarding the corrective actions taken or to be taken by management after approval from the Board of Directors. On 3 October 2017, the Board of Directors held a meeting and thereafter recommended the appointment of an independent consultant, which was approved by SAMA, to work closely with management to address the matters raised by SAMA. The Company has kept SAMA informed of its progress and continues to take the necessary actions and believes that it will be able to fully resolve the matter at the earliest. The Company's other lines of business are continuing as normal.

Our conclusion is not modified in respect of this matter.

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Date: 20 February 2018  
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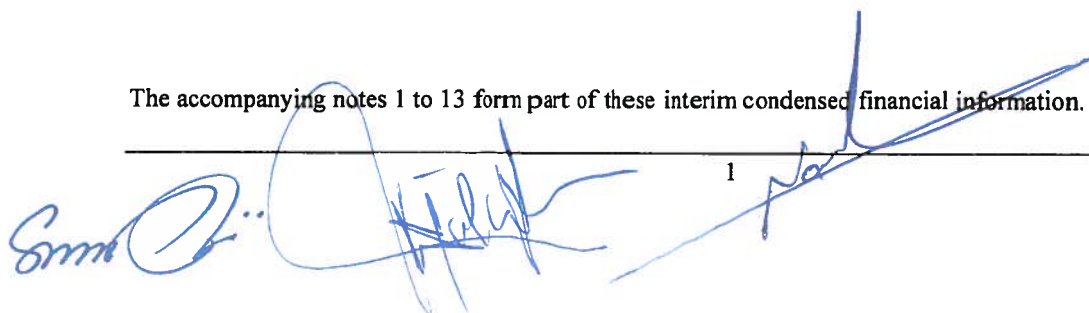
SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	31 December 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
<b><u>TAKAFUL OPERATIONS' ASSETS</u></b>			
Available-for-sale investments	3	381,037	353,740
Contributions receivable, net	4	12,546	12,548
Retakaful share of outstanding claims	6	66,082	56,363
Retakaful share of unearned contributions	7 (b)	10,802	13,976
Deferred policy acquisition costs		824	1,085
Retakaful balances receivable		1,950	490
Prepayments and other receivables		1,463	1,580
Due from shareholders' operations		22,202	6,020
Cash and cash equivalents	5	33,746	37,175
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>530,652</b>	<b>482,977</b>
<b><u>SHAREHOLDERS' ASSETS</u></b>			
Intangible assets		1,728	1,123
Motor vehicle		229	108
Held-to-maturity investments	3	137,864	188,095
Statutory deposit		34,000	34,000
Investment return from statutory deposit		2,800	2,277
Prepayments and other receivables		275	174
Cash and cash equivalents	5	205,353	150,815
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>382,249</b>	<b>376,592</b>
<b>TOTAL ASSETS</b>		<b>912,901</b>	<b>859,569</b>

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

The bottom of the page features several handwritten signatures in blue ink. One signature is clearly legible as 'Sabb' and another as 'Hilal'. There is also a large, stylized signature that appears to be 'Sabb Hilal'.

**SABB Takaful Company (A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF FINANCIAL POSITION (continued)**  
 At 31 December 2017

	Notes	31 December 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
<b><u>TAKAFUL OPERATIONS' LIABILITIES</u></b>			
Reserve for takaful activities	7(a),3(c)	381,037	353,740
Non-unit reserve	7(c)	4,311	-
Provision for employees' end-of-service benefits		7,091	7,030
Surplus distribution payable		6,593	6,144
Gross unearned contributions	7(b)	14,389	20,574
Unearned commission income		2,555	2,794
Gross outstanding claims	6	83,529	72,302
Unexpired risk reserve	7(d)	5,531	-
Retakaful balances payable		8,574	8,015
Payables, accruals and others		17,217	11,882
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES</b>		<b>530,827</b>	<b>482,481</b>
Takaful operations' surplus		-	496
Remeasurements of retirement benefit obligations		(175)	-
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>530,652</b>	<b>482,977</b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		340,000	340,000
Legal reserve		14,577	14,577
(Accumulated losses)/ Retained earnings		(3,275)	6,624
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>351,302</b>	<b>361,201</b>
<b>SHAREHOLDERS' LIABILITIES</b>			
Investment return from statutory deposit		2,800	2,277
Payables, accruals and others		1,493	1,393
Provision for zakat and income tax	11	4,452	5,701
Due to takaful operations		22,202	6,020
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>30,947</b>	<b>15,391</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>382,249</b>	<b>376,592</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>912,901</b>	<b>859,569</b>

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

# SABB Takaful Company (A Saudi Joint Stock Company)

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

For the three month and twelve month periods ended 31 December 2017

	<i>Three months ended 31 December 2017 SR'000</i>	<i>Three months ended 31 December 2016 SR'000</i>	<i>Twelve months ended 31 December 2017 SR'000</i>	<i>Twelve months ended 31 December 2016 SR'000 (Audited)</i>
	<i>Note</i>			
<b>Gross contributions written</b>				
- Family Takaful	33,702	46,706	148,386	165,519
- General Takaful	8,800	10,219	26,698	28,849
	<u>42,502</u>	<u>56,925</u>	<u>175,084</u>	<u>194,368</u>
<b>Family Takaful - Planholder charges</b>	7(a) 4,991	6,122	20,941	23,096
	<u>47,493</u>	<u>63,047</u>	<u>196,025</u>	<u>217,464</u>
<b>Gross contributions written and Planholder charges</b>				
Retakaful contribution ceded	(14,819)	(19,071)	(53,295)	(61,250)
	<u>32,674</u>	<u>43,976</u>	<u>142,730</u>	<u>156,214</u>
<b>Net written contribution and Planholder charges</b>				
Changes in gross unearned contributions	(569)	(5,447)	6,185	867
Changes in retakaful share of unearned contributions	1,309	4,180	(3,174)	(201)
Changes in reserve for takaful activities	(5,554)	(5,885)	(23,233)	(105)
Changes in non-unit reserve	(4,311)	-	(4,311)	-
	<u>23,549</u>	<u>36,824</u>	<u>118,197</u>	<u>156,775</u>
<b>Net contributions earned and Planholder charges</b>				
Changes in unexpired risk reserve	(5,531)	-	(5,531)	-
Fees and commission income	1,105	1,085	5,743	7,385
	<u>19,123</u>	<u>37,909</u>	<u>118,409</u>	<u>164,160</u>
<b>Underwriting revenue</b>				
Gross claims paid	(10,747)	(13,451)	(45,517)	(38,199)
Retakaful share of claims paid	7,790	9,441	33,054	27,565
	<u>(2,957)</u>	<u>(4,010)</u>	<u>(12,463)</u>	<u>(10,634)</u>
<b>Net claims paid</b>				
Changes in gross outstanding claims	(4,927)	(3,997)	(11,227)	(24,405)
Changes in retakaful share of outstanding claims	3,851	3,520	9,719	18,403
	<u>(4,033)</u>	<u>(4,487)</u>	<u>(13,971)</u>	<u>(16,636)</u>
<b>Net claims incurred</b>				
Surrenders and maturities	(16,972)	(22,999)	(73,720)	(101,029)
	<u>(21,005)</u>	<u>(27,486)</u>	<u>(87,691)</u>	<u>(117,665)</u>
<b>Net claims incurred, surrenders and maturities</b>				
Policy acquisition costs	(1,308)	(1,811)	(5,638)	(7,216)
	<u>(22,313)</u>	<u>(29,297)</u>	<u>(93,329)</u>	<u>(124,881)</u>
<b>Total claims, surrenders, maturities and policy acquisition costs</b>				
<b>Underwriting surplus for the period</b>	(3,190)	8,612	25,080	39,279
Investment income	379	432	1,578	1,726
General and administrative expenses	(9,930)	(8,889)	(37,017)	(36,047)
	<u>(12,741)</u>	<u>155</u>	<u>(10,359)</u>	<u>4,958</u>
<b>Net (deficit)/ surplus for the period from takaful operations</b>				
Transfer of net (surplus)/ deficit for the period to shareholders' operations	12,503	(139)	10,359	(4,462)
	<u>(238)</u>	<u>16</u>	<u>-</u>	<u>496</u>
<b>Net (deficit)/ surplus for the period</b>				

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME - TAKAFUL OPERATIONS  
(UNAUDITED)

For the three month and twelve month periods ended 31 December 2017

	Notes	Three months ended 31 December 2017 SR'000	Three months ended 31 December 2016 SR'000	Twelve months ended 31 December 2017 SR'000	Twelve months ended 31 December 2016 SR'000 (Audited)
Net (deficit)/ surplus for the period		(238)	16	-	496
<b>Other comprehensive income/ (loss)</b>					
Fair value change in available for sale investments – unrealized	3(c)	206	(11,627)	25,005	1,992
Fair value change in reserve for takaful activities – unrealized	7(a)	(206)	11,627	(25,005)	(1,992)
Remeasurements of retirement benefit obligations		(3)	-	(175)	-
<b>Total comprehensive (loss)/ income from takaful operations for the period</b>		<b>(241)</b>	<b>16</b>	<b>(175)</b>	<b>496</b>

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

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

**INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS  
(UNAUDITED)**

For the three month and twelve month periods ended 31 December 2017

	<i>Three months ended</i>	<i>Three months ended</i>	<i>Twelve months ended</i>	<i>Twelve months ended</i>
	<i>31 December 2017</i>	<i>31 December 2016</i>	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<i>Note</i>				<i>(Audited)</i>
Transfer of net (deficit)/ surplus for the period from takaful operations	(12,503)	139	(10,359)	4,462
Income from murabaha deposits	836	1,204	2,717	4,146
Income from sukuks	1,112	1,529	5,035	5,210
<b>Total (loss)/ profit</b>	<b>(10,555)</b>	<b>2,872</b>	<b>(2,607)</b>	<b>13,818</b>
General and administrative expenses	(897)	(357)	(2,878)	(1,963)
<b>Net (loss)/ profit for the period</b>	<b>(11,452)</b>	<b>2,515</b>	<b>(5,485)</b>	<b>11,855</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss)/ profit for the period</b>	<b>(11,452)</b>	<b>2,515</b>	<b>(5,485)</b>	<b>11,855</b>
<b>Basic and diluted (loss)/ earnings per share (SAR)</b>	<b>(0.34)</b>	<b>0.07</b>	<b>(0.16)</b>	<b>0.35</b>
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The accompanying notes 1 to 13 form part of these interim condensed financial information.



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(UNAUDITED)

For the twelve month period ended 31 December 2017

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2017	340,000	14,577	6,624	361,201
Total comprehensive loss for the period	-	-	(5,485)	(5,485)
Provision for zakat and tax	-	-	(4,414)	(4,414)
Balance as at 31 December 2017	<u>340,000</u>	<u>14,577</u>	<u>(3,275)</u>	<u>351,302</u>

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2016	340,000	12,206	2,864	355,070
Total comprehensive income for the year	-	-	11,855	11,855
Provision for zakat and tax	-	-	(5,724)	(5,724)
Transfer to legal reserve	-	2,371	(2,371)	-
Balance as at 31 December 2016	<u>340,000</u>	<u>14,577</u>	<u>6,624</u>	<u>361,201</u>

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS

(UNAUDITED)

For the twelve month period ended 31 December 2017

	<i>Twelve months ended 31 December 2017 SR'000</i>	<i>Twelve months ended 31 December 2016 SR'000 (Audited)</i>
<b>OPERATING ACTIVITIES</b>		
Surplus from takaful operations after shareholders' appropriation	-	496
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from operating activities:		
Shareholders' appropriation from surplus	(10,359)	4,462
Provision of impairment on contribution receivables	1,218	190
Provision for employees' end-of-service benefits	37	1,185
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities	(9,104)	6,333
<b>Changes in operating assets and liabilities:</b>		
Available-for-sale investments, net	(27,297)	20,999
Contributions receivable	(1,216)	(364)
Retakaful share of outstanding claims	(9,719)	(18,403)
Retakaful share of unearned contributions	3,174	201
Deferred policy acquisition costs	261	95
Retakaful balances receivable	(1,460)	3,140
Prepayments and other receivables	117	(641)
Reserve for takaful activities	27,297	(20,999)
Non-unit reserve	4,311	-
Payment of employees' end-of-service benefits	(151)	(428)
Gross unearned contributions	(6,185)	(867)
Unearned commission income	(239)	(156)
Gross outstanding claims	11,227	24,405
Unexpired risk reserve	5,531	-
Retakaful balances payable	559	2,157
Payables, accruals and others	5,335	(2,736)
Surplus distribution paid	(47)	(273)
Due from/ (to) shareholders (appropriation of surplus)	10,359	(4,462)
<b>Net cash from operating activities</b>	<b>12,753</b>	<b>8,001</b>
<b>FINANCING ACTIVITY</b>		
Due from shareholders, net	(16,182)	(13,948)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,429)</b>	<b>(5,947)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>37,175</b>	<b>43,122</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>33,746</b>	<b>37,175</b>
<b>Non-cash supplemental information:</b>		
Net change in fair value of available-for-sale investments	3 (c) 25,005	1,992

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS' OPERATIONS  
(UNAUDITED)

For the twelve month period ended 31 December 2017

	Note	Twelve months ended 31 December 2017 SR'000	Twelve months ended 31 December 2016 SR'000 (Audited)
<b>OPERATING ACTIVITIES</b>			
Net (loss)/ profit for the period		(5,485)	11,855
Adjustment to reconcile net profit to net cash used in operating activities:			
Appropriation of surplus from takaful operations		10,359	(4,462)
Amortisation		499	559
Depreciation		80	21
Income from sukuks		(5,035)	(5,210)
Gain on sale of motor vehicle		(19)	-
		<u>399</u>	<u>2,763</u>
<b>Changes in operating assets and liabilities:</b>			
Prepayments and other receivables		(101)	123
Payables, accruals and others		100	(3,123)
		<u>398</u>	<u>(237)</u>
<b>Cash from/ (used in) operating activities</b>		<b>398</b>	<b>(237)</b>
Zakat and tax paid		(5,663)	(5,007)
Due (to)/ from takaful operations (appropriation of surplus)		(10,359)	4,462
		<u>(15,624)</u>	<u>(782)</u>
<b>Net cash used in operating activities</b>		<b>(15,624)</b>	<b>(782)</b>
<b>INVESTING ACTIVITIES</b>			
Maturity of held-to-maturity investments		50,000	20,000
Purchase of held-to-maturity investments		-	(20,000)
Income received from sukuks		5,266	5,060
Purchase of intangible assets		(1,104)	(288)
Purchase of motor vehicle		(201)	(81)
Proceeds from sale of motor vehicle		19	-
		<u>53,980</u>	<u>4,691</u>
<b>Net cash from investing activities</b>		<b>53,980</b>	<b>4,691</b>
<b>FINANCING ACTIVITY</b>			
Due to takaful operations, net		16,182	13,948
		<u>54,538</u>	<u>17,857</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>54,538</b>	<b>17,857</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
		<u>150,815</u>	<u>132,958</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
	5	<u><u>205,353</u></u>	<u><u>150,815</u></u>

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

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

### 1. ORGANISATION AND PRINCIPAL ACTIVITIES

SABB Takaful Company (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010234032 dated 20 Jumad Awal 1428H (corresponding to 6 June 2007). The registered address of the Company is P. O. Box 9086, Riyadh 11413, Kingdom of Saudi Arabia.

The purpose of the Company is to transact takaful operations and all related activities. Its principal lines of business include Individual Family (Protection and Savings – Individual), Group Family (Protection and Savings – Group) and General Takaful products. The Company operates only in the Kingdom of Saudi Arabia.

### 2. BASIS OF PREPARATION, BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS AND RISK MANAGEMENT POLICIES

#### a) Basis of preparation

The interim condensed financial information of the Company ("Company") has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by SAMA for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

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

These interim condensed financial information do not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Company's audited financial information for the year ended 31 December 2016.

During the quarter ended 31 December 2017, the Company received a letter from SAMA prohibiting the Company from accepting or renewing policies for protection and savings plans (major line of business) with effect from 3 October 2017 on account of certain non-compliance of relevant laws and regulations. Further, SAMA instructed the Company to appoint a consultant, discuss the matters in the Board of Directors meeting and required submission of a detailed report regarding the corrective actions taken or to be taken by management after approval from Board of Directors. On 3 October 2017, the Board of Directors held a meeting in this regard.

During the quarter ended 31 December 2017, the Board of Directors recommended the appointment of an independent consultant to work closely with management to address the matters raised by SAMA. The Company received SAMA's no-objection for the recommended consultant. The Company has kept SAMA informed of its progress and continues to take the necessary actions and believes that it will be able to fully resolve the matter at the earliest. The Company's other lines of business are continuing as normal.

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it will be able to continue as a going concern in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial information have been prepared on the going concern basis.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

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

##### 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 information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

##### c) Significant accounting policies, significant accounting estimates and assumptions and risk management policies

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

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

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

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Company's accounting years beginning on or after 1 January 2017 and is currently assessing their impact. Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after January 1, 2017:

- IFRS 9 - "Financial instruments", applicable for the annual periods beginning on or after 1 January 2018, and will be applied retrospectively with some exemptions. The new standard presents revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. IASB had allowed temporary exemption for companies issuing insurance contracts until 2021 or until the new insurance contracts standard is applied, if that is earlier. The Company has decided to defer the implementation of IFRS 9 and expects that IFRS 9 would have certain impact on the classification of available-for-sale investments for takaful operations and held-to-maturity investments for shareholders' operations. Further, the expected credit loss model would have an impact on the impairment assessment of investments, statutory deposit, other receivables and cash and cash equivalents. However, this impact is not considered to be significant.
- IFRS 15 - "Revenue from Contracts with Customers", applicable for the annual periods beginning on or after 1 January 2018, and will replace IAS 18 "Revenue", and establishes a principle based five-step model to be applied to all contracts with customers, except for insurance contracts, financial instruments and lease contracts. IFRS 15 also includes enhanced disclosure requirements. The impact of the adoption of the new standard is being assessed by the Company and is not considered significant.
- IFRS 16 - "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The Company has decided not to early adopt this new standard.
- IFRS 17 - "Insurance Contracts", applicable for the period beginning on or after 1 January 2021, and will supersede IFRS 4 "Insurance Contracts". Earlier adoption permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied. The Company has decided not to early adopt this new standard.

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

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

##### d) Functional and presentation currency

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

#### 3. INVESTMENTS

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

	<i>31 December 2017</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	<b>381,037</b>	-
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-IV)	-	<b>5,010</b>
General Authority of Civil Aviation Sukuk (GACA - I)	-	<b>50,576</b>
The National Industrialization Company Sukuk (TASNEE)	-	<b>50,177</b>
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	<b>12,033</b>
Bank AlBilad Sukuk	-	<b>20,068</b>
	-	<b>137,864</b>
<b>Total investments</b>	<b>381,037</b>	<b>137,864</b>

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

### 3. INVESTMENTS (continued)

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

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

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

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

<i>Maturity profile</i>	<i>Maturity date</i>
- Saudi Hollandi Bank Sukuk (SHB-IV)	12 December 2018
- General Authority of Civil Aviation Sukuk (GACA - I)	18 January 2022
- The National Industrialization Company Sukuk (TASNEE)	21 May 2019
- The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	27 May 2018
- Bank AlBilad Sukuk	30 August 2021

b) The fair value of held-to-maturity investments as at 31 December 2017 is SAR 137.86 million (31 December 2016: SAR 187.85 million).

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

	31 December 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
Opening balance	353,740	374,739
Purchased during the year	107,794	98,551
Sold during the year	(105,502)	(121,542)
	356,032	351,748
Net change in fair values of investments	25,005	1,992
Closing balance	381,037	353,740

The Company uses the following hierarchy methods for determining and disclosing the fair value of available-for-sale investments at the reporting period end:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

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

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

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

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

#### 4. CONTRIBUTIONS RECEIVABLE, NET

	<i>31 December 2017 (Unaudited) SAR'000</i>	<i>31 December 2016 (Audited) SAR'000</i>
Due from policy holders	7,634	7,267
Due from a shareholder (The Saudi British Bank)	6,466	5,617
	<u>14,100</u>	<u>12,884</u>
Provision for impairment	(1,554)	(336)
	<u>12,546</u>	<u>12,548</u>

#### 5. CASH AND CASH EQUIVALENTS

	<i>31 December 2017 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	18,706	7,062
Murabaha deposits	15,040	198,291
	<u>33,746</u>	<u>205,353</u>

	<i>31 December 2016 (Audited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	17,175	3,815
Murabaha deposits	20,000	147,000
	<u>37,175</u>	<u>150,815</u>

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



# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

### 6. OUTSTANDING CLAIMS

	<i>31 December 2017 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	35,717	(27,027)	8,690
- Incurred but not reported reserve and other reserves	23,642	(17,607)	6,035
General Takaful outstanding claims			
- Outstanding claim reserves	19,392	(18,521)	871
- Incurred but not reported reserve and other reserves	4,778	(2,927)	1,851
Total outstanding claims	<u>83,529</u>	<u>(66,082)</u>	<u>17,447</u>
	<i>31 December 2016 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	25,527	(18,560)	6,967
- Incurred but not reported reserve and other reserves	21,687	(16,089)	5,598
General Takaful outstanding claims			
- Outstanding claim reserves	20,320	(18,760)	1,560
- Incurred but not reported reserve and other reserves	4,768	(2,954)	1,814
Total outstanding claims	<u>72,302</u>	<u>(56,363)</u>	<u>15,939</u>

### 7. RESERVE FOR TAKAFUL ACTIVITIES, NET UNEARNED CONTRIBUTION INCOME AND OTHER RESERVES

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

	<i>Twelve months ended 31 December 2017 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2016 (Audited) SAR'000</i>
Balance as at the beginning of the year	353,740	374,739
Changes in reserve during the year	23,233	105
Planholder charges	(20,941)	(23,096)
Net change in fair value of investments	25,005	1,992
Balance as at the end of the year	<u>381,037</u>	<u>353,740</u>

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

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

### NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

#### 7. RESERVE FOR TAKAFUL ACTIVITIES, NET UNEARNED CONTRIBUTION INCOME AND OTHER RESERVES (continued)

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

	<i>Twelve months ended 31 December 2017</i> <i>(Unaudited)</i>		
	<i>Gross</i> <i>SAR'000</i>	<i>Retakaful</i> <i>share</i> <i>SAR'000</i>	<i>Net</i> <i>SAR'000</i>
Balance as at the beginning of the year	20,574	(13,976)	6,598
Contribution written during the year	78,131	(52,362)	25,769
Contribution earned during the year	(84,316)	55,536	(28,780)
<b>Balance as at the end of the year</b>	<b>14,389</b>	<b>(10,802)</b>	<b>3,587</b>

	<i>Year ended 31 December 2016</i> <i>(Audited)</i>		
	<i>Gross</i> <i>SAR'000</i>	<i>Retakaful</i> <i>share</i> <i>SAR'000</i>	<i>Net</i> <i>SAR'000</i>
Balance as at the beginning of the year	21,441	(14,177)	7,264
Contribution written during the year	93,234	(59,918)	33,316
Contribution earned during the year	(94,101)	60,119	(33,982)
<b>Balance as at the end of the year</b>	<b>20,574</b>	<b>(13,976)</b>	<b>6,598</b>

##### c) Non-unit reserve

During the period ended 31 December 2017, the Company has recorded a non-unit reserve of SAR 4.3 million pertaining to individual family segment.

##### d) Unexpired risk reserve

This reserve comprises of an expense overrun reserve of SAR 2.87 million and premium deficiency reserve of SAR 2.66 million pertaining to group family and general takaful segments respectively.

#### 8. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. The Company's gross written contribution, net written contribution and planholder charges, net contributions earned and planholder charges, fees and commission income, net claims incurred, surrenders and maturities, policy acquisition costs, underwriting surplus, investment income, general and administrative expenses, net surplus, surplus from takaful operations after shareholders' appropriation, net profit, amortisation, depreciation, purchase of intangible assets and motor vehicle, intangible assets, motor vehicle, available-for-sale investments, contribution receivables, net, retakaful share of outstanding claims and unearned contributions, deferred policy acquisition costs, total assets, reserve for takaful activities, gross unearned contributions, unearned commission income, gross outstanding claims and total liabilities, by business segment, are stated below.

Segment assets do not include retakaful balances receivable, prepayments and other receivables and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include surplus distribution payable, retakaful balances payable, payables, accruals and others, provision for employees' end of service benefits and due to shareholders. Accordingly they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are not separately reported to chief operating decision maker under the related segments and are monitored on centralised basis.

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

### 8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection &amp; Savings) SAR'000</i>	<i>Group Family (Protection &amp; Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
<b>For the three months ended</b>					
<b>31 December 2017 (Unaudited)</b>					
Gross written contribution	-	22,526	11,176	8,800	42,502
Net written contribution and Planholder charges	-	27,254	4,119	1,301	32,674
Net contributions earned and Planholder charges	-	17,389	4,928	1,232	23,549
Changes in unexpired risk reserve	-	-	(2,868)	(2,663)	(5,531)
Fees and commission income	-	-	-	1,105	1,105
Net claims incurred	-	(428)	(3,157)	(448)	(4,033)
Surrenders and maturities	-	(16,972)	-	-	(16,972)
Policy acquisition costs	-	(435)	(316)	(557)	(1,308)
<b>Underwriting surplus for the period</b>	<b>-</b>	<b>(446)</b>	<b>(1,413)</b>	<b>(1,331)</b>	<b>(3,190)</b>
Investment income	1,948	360	19	-	2,327
General and administrative expenses	(897)	(4,358)	(3,745)	(1,827)	(10,827)
<b>Net surplus/ (deficit) for the period</b>	<b>1,051</b>	<b>(4,444)</b>	<b>(5,139)</b>	<b>(3,158)</b>	<b>(11,690)</b>
Deficit from takaful operations after shareholders' appropriation					238
<b>Net loss for the period</b>					<b>(11,452)</b>
Purchase of intangibles	669	-	-	-	669
Amortisation	124	-	-	-	124
Depreciation	22	-	-	-	22
<b>For the twelve months ended</b>					
<b>31 December 2017 (Unaudited)</b>					
Gross written contribution	-	96,953	51,433	26,698	175,084
Net written contribution and Planholder charges	-	116,961	20,929	4,840	142,730
Net contributions earned and Planholder charges	-	89,417	23,757	5,023	118,197
Changes in unexpired risk reserve	-	-	(2,868)	(2,663)	(5,531)
Fees and commission income	-	426	184	5,133	5,743
Net claims incurred	-	(1,968)	(11,034)	(969)	(13,971)
Surrenders and maturities	-	(73,720)	-	-	(73,720)
Policy acquisition costs	-	(2,214)	(1,134)	(2,290)	(5,638)
<b>Underwriting surplus for the year</b>	<b>-</b>	<b>11,941</b>	<b>8,905</b>	<b>4,234</b>	<b>25,080</b>
Investment income	7,752	1,524	54	-	9,330
General and administrative expenses	(2,878)	(13,702)	(12,135)	(11,180)	(39,895)
<b>Net surplus/ (deficit) for the year</b>	<b>4,874</b>	<b>(237)</b>	<b>(3,176)</b>	<b>(6,946)</b>	<b>(5,485)</b>
Surplus from takaful operations after shareholders' appropriation					-
<b>Net loss for the year</b>					<b>(5,485)</b>
Purchase of intangibles	1,104	-	-	-	1,104
Purchase of motor vehicle	201	-	-	-	201
Proceeds from sale of motor vehicle	19	-	-	-	19
Amortisation	499	-	-	-	499
Depreciation	80	-	-	-	80

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

### 8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection &amp; Savings) SAR'000</i>	<i>Group Family (Protection &amp; Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
<b>31 December 2017 (Unaudited)</b>					
Intangible assets	1,728	-	-	-	1,728
Motor vehicle	229	-	-	-	229
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Takaful operations' assets</b>					
Available-for-sale investments	-	381,037	-	-	381,037
Contribution receivables, net	-	-	1,621	10,925	12,546
Retakaful share of outstanding claims	-	439	44,196	21,447	66,082
Retakaful share of unearned contributions	-	-	586	10,216	10,802
Deferred policy acquisition costs	-	-	61	763	824
Unallocated assets	-	-	-	-	59,361
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total takaful operations' assets</b>					<b>530,652</b>
<b>Total shareholders' assets</b>	<b>382,249</b>	-	-	-	<b>382,249</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>					<b>912,901</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Takaful operations' liabilities</b>					
Reserve for takaful activities	-	381,037	-	-	381,037
Gross unearned contributions	-	-	1,616	12,773	14,389
Unearned commission income	-	-	-	2,555	2,555
Gross outstanding claims	-	2,082	57,278	24,169	83,529
Unallocated liabilities	-	-	-	-	49,317
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total takaful operations' liabilities</b>					<b>530,827</b>
<b>Total shareholders' liabilities</b>	<b>30,947</b>	-	-	-	<b>30,947</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>					<b>561,774</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
For the three months ended					
31 December 2016 (Unaudited)					
Gross written contribution	-	28,884	17,822	10,219	56,925
Net written contribution and Planholder charges	-	34,557	7,705	1,714	43,976
Net contributions earned and Planholder charges	-	28,671	6,794	1,359	36,824
Fees and commission income	-	-	32	1,053	1,085
Net claims incurred	-	63	(4,248)	(302)	(4,487)
Surrenders and maturities	-	(22,999)	-	-	(22,999)
Policy acquisition costs	-	(750)	(315)	(746)	(1,811)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Underwriting surplus for the period	-	4,985	2,263	1,364	8,612
Investment income	2,733	409	23	-	3,165
General and administrative expenses	(357)	(3,349)	(2,889)	(2,651)	(9,246)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net surplus/ (deficit) for the period	2,376	2,045	(603)	(1,287)	2,531
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Surplus from takaful operations after shareholders' appropriation					(16)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net profit for the period					2,515
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Purchase of motor vehicle	81	-	-	-	81
Amortisation	146	-	-	-	146
Depreciation	8	-	-	-	8
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

### 8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund</i> SAR'000	<i>Individual Family (Protection &amp; Savings)</i> SAR'000	<i>Group Family (Protection &amp; Savings)</i> SAR'000	<i>General Takaful</i> SAR'000	<i>Total</i> SAR'000
For the year ended 31 December 2016 (Audited)					
Gross written contribution	-	101,134	64,385	28,849	194,368
Net written contribution and Planholder charges	-	122,898	27,700	5,616	156,214
Net contributions earned and Planholder charges	-	122,793	28,044	5,938	156,775
Fees and commission income	-	440	785	6,160	7,385
Net claims incurred	-	(207)	(15,253)	(1,176)	(16,636)
Surrenders and maturities	-	(101,029)	-	-	(101,029)
Policy acquisition costs	-	(2,909)	(1,654)	(2,653)	(7,216)
Underwriting surplus for the year	-	19,088	11,922	8,269	39,279
Investment income	9,356	1,641	85	-	11,082
General and administrative expenses	(1,963)	(12,599)	(11,649)	(11,799)	(38,010)
Net surplus/ (deficit) for the year	<u>7,393</u>	<u>8,130</u>	<u>358</u>	<u>(3,530)</u>	<u>12,351</u>
Surplus from takaful operations after shareholders' appropriation					<u>(496)</u>
Net profit for the year					<u>11,855</u>
Purchase of intangibles	288	-	-	-	288
Purchase of motor vehicle	81	-	-	-	81
Amortisation	559	-	-	-	559
Depreciation	21	-	-	-	21
31 December 2016 (Audited)					
Intangible assets	1,123	-	-	-	1,123
Motor vehicle	108	-	-	-	108
Takaful operations' assets					
Available-for-sale investments	-	353,740	-	-	353,740
Contribution receivables, net	-	-	4,650	7,898	12,548
Retakaful share of outstanding claims	-	453	34,195	21,715	56,363
Retakaful share of unearned contributions	-	-	2,974	11,002	13,976
Deferred policy acquisition costs	-	-	336	749	1,085
Unallocated assets	-	-	-	-	45,265
Total takaful operations' assets					<u>482,977</u>
Total shareholders' assets	376,592	-	-	-	376,592
Total assets					<u>859,569</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	353,740	-	-	353,740
Gross unearned contributions	-	-	6,833	13,741	20,574
Unearned commission income	-	-	-	2,794	2,794
Gross outstanding claims	-	1,503	45,711	25,088	72,302
Unallocated liabilities	-	-	-	-	33,071
Total takaful operations' liabilities					<u>482,481</u>
Total shareholders' liabilities	15,391	-	-	-	15,391
Total liabilities					<u>497,872</u>

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

# SABB Takaful Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 December 2017

### 9. BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended 31 December 2017 SR'000</i>	<i>Three months ended 31 December 2016 SR'000</i>	<i>Twelve months ended 31 December 2017 SR'000</i>	<i>Twelve months ended 31 December 2016 SR'000 (Audited)</i>
Net (loss)/ profit for the period (SAR'000)	<u>(11,452)</u>	<u>2,515</u>	<u>(5,485)</u>	<u>11,855</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>
(Loss)/ Earnings per share (SAR)	<u>(0.34)</u>	<u>0.07</u>	<u>(0.16)</u>	<u>0.35</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 31 December 2017 SR'000</i>	<i>Three months ended 31 December 2016 SR'000</i>	<i>Twelve months ended 31 December 2017 SR'000</i>	<i>Twelve months ended 31 December 2016 SR'000 (Audited)</i>
<b>The Saudi British Bank</b> <i>(a shareholder of the Company)</i>				
Contributions	13,371	17,592	47,531	53,183
Claims paid	6,803	9,098	27,532	28,337
Other expenses				
- IT maintenance cost and related expenses	932	963	3,664	4,172
- Overheads	75	12	189	89
<b>Other entities controlled, jointly controlled or significantly influenced by related parties</b>				
Policy acquisition costs paid	678	1,233	3,746	5,471
<b>HSBC Saudi Arabia Limited - IBSA</b>				
Rebate on unit-linked investments	330	270	1,340	1,163

'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 31 December 2017 SAR'000 (Unaudited)</i>		<i>Three months period ended 31 December 2016 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	998	-	945	-
End-of-service benefits	48	-	43	-
Directors' remunerations and other benefits	-	307	-	155
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<i>Twelve months period ended 31 December 2017 SAR'000 (Unaudited)</i>		<i>Twelve months period ended 31 December 2016 SAR'000 (Audited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	3,992	-	3,858	-
End-of-service benefits	179	-	178	-
Directors' remunerations and other benefits	-	797	-	685
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**11. ZAKAT AND TAX**

*Status of Assessment*

During the quarter ended 31 March 2015, the General Authority of Zakat & Tax (GAZT) issued the final tax certificates for the years from 2008 to 2010. However, the GAZT had filed an appeal in the Higher Appellate Forum against the ruling of Preliminary Zakat and Tax Appeal Committee which was in Company's favour. The appeal was regarding the matter of deducting the statutory deposit from zakat base for the years (2008-2010). During the quarter ended 31 March 2016, the said appeal was decided in Company's favour. Further, during the year ended 31 December 2016, the GAZT has also started its review for the years from 2011 to 2015.

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### NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

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#### 12. SHARE CAPITAL

The authorized, issued and fully paid up share capital of the Company consists of 34 million ordinary shares of SAR 10 each. On 23 November 2017, HSBC Asia Holdings B.V and related group entities sold their shareholding of 32.5% in SABB Takaful Company to The Saudi British Bank. The shareholding structure of the Company as at 31 December 2017 and 31 December 2016 is as follows:

##### As at 31 December 2017

Shareholders	Shareholding	SAR'000
The Saudi British Bank	65.00%	221,000
Others	35.00%	119,000
	<u>100.00%</u>	<u>340,000</u>

##### As at 31 December 2016

Shareholders	Shareholding	SAR'000
The Saudi British Bank	32.50%	110,500
HSBC Asia Holdings B.V	31.00%	105,400
Others	36.50%	124,100
	<u>100.00%</u>	<u>340,000</u>

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

These interim condensed financial information have been approved by the Board of Directors on 22 Jumada-I 1439H corresponding to 8 February 2018.