
SABB TAKAFUL COMPANY

(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED 30 SEPTEMBER 2018**

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

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of SABB Taifa'ul Company (A Saudi Joint Stock Company) (the "Company") as at 30 September 2018, and the interim statements of income and comprehensive income for the three month and nine month periods then ended, and interim statements of changes in shareholders' equity and cash flows for the nine month period then ended and other explanatory notes (the "interim condensed financial information"). 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) as modified by Saudi Arabian Monetary Authority (SAMA) for the 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 as modified by SAMA for the accounting for zakat and income taxes.

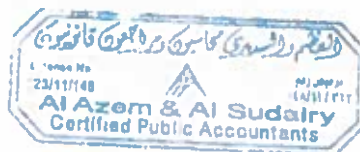
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Date: 08 November 2018
Corresponding to: 30 Safar 1440H



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
ASSETS			
Cash and cash equivalents	5	245,784	239,099
Contributions receivable, net	4	9,071	12,546
Retakaful balances receivable		1,502	1,950
Retakaful share of unearned contributions	7(b)	7,514	10,802
Retakaful share of outstanding claims	6	63,638	66,082
Deferred policy acquisition costs		766	824
Available-for-sale investments	3	368,594	381,037
Held-to-maturity investments	3	126,080	137,864
Prepayments and other receivables		2,729	1,738
Fixed assets, net		163	229
Intangible assets, net		1,864	1,728
Statutory deposit		34,000	34,000
Investment return from statutory deposit		3,298	2,800
TOTAL ASSETS		865,003	890,699

The accompanying notes 1 to 15 form an integral part of these interim condensed financial information.

SABB Takaful Company (A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	30 September 2018 (Unaudited) SAR'000	31 December 2017 (Audited) SAR'000
<u>LIABILITIES</u>			
Payables, accruals and others		26,588	18,710
Provision for zakat and income tax	11	4,456	4,452
Retakaful balances payable		6,426	8,574
Gross unearned contributions	7(b)	10,086	14,389
Unearned commission income		1,781	2,555
Gross outstanding claims	6	76,877	83,529
Unexpired risk reserve	7(d)	4,558	5,531
Non-unit reserve	7(c)	5,795	4,311
Provision for employees' end-of-service benefits		5,712	7,091
Surplus distribution payable		6,593	6,593
Reserve for takaful activities	7(a),3(c)	368,594	381,037
Investment return from statutory deposit		3,298	2,800
TOTAL LIABILITIES		520,764	539,572
Takaful operations' surplus		-	-
Remeasurements of retirement benefit obligations		(246)	(175)
TOTAL LIABILITIES AND TAKAFUL OPERATIONS' SURPLUS		520,518	539,397
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	12	340,000	340,000
Legal reserve		14,577	14,577
Accumulated losses		(10,092)	(3,275)
TOTAL EQUITY		344,485	351,302
TOTAL LIABILITIES, TAKAFUL OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		865,003	890,699

The accompanying notes 1 to 15 form an integral part of these interim condensed financial information.

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three month and nine month periods ended 30 September 2018

	Note	Three months ended 30 September 2018 SAR'000	Three months ended 30 September 2017 SAR'000	Nine months ended 30 September 2018 SAR'000	Nine months ended 30 September 2017 SAR'000
REVENUES					
Gross contributions written					
- Family Takaful		32,567	40,365	90,519	114,684
- General Takaful		4,974	4,613	14,375	17,898
Gross contributions written		37,541	44,978	104,894	132,582
Retakaful contribution ceded					
- Local retakaful contribution ceded		(2,825)	(2,565)	(6,937)	(7,583)
- Foreign retakaful contribution ceded		(8,432)	(9,357)	(24,693)	(30,893)
Planholder charges		3,666	5,633	11,461	15,950
Net contributions written		29,950	38,689	84,725	110,056
Changes in gross unearned contributions		(727)	2,566	4,303	6,754
Changes in retakaful share of unearned contributions		(194)	(2,090)	(3,288)	(4,483)
Net contributions earned		29,029	39,165	85,740	112,327
Fees and commission income		1,408	1,580	5,029	4,638
Total revenue		30,437	40,745	90,769	116,965
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(5,842)	(8,305)	(27,647)	(34,770)
Retakaful share of claims paid		4,158	6,213	21,252	25,264
Surrenders and maturities		(22,668)	(20,123)	(75,576)	(56,748)
Net claims and other benefits paid		(24,352)	(22,215)	(81,971)	(66,254)
Changes in outstanding claims, net		2,262	(779)	2,562	125
Changes in IBNR, net		84	(175)	1,646	(557)
Net claims and other benefits incurred		(22,006)	(23,169)	(77,763)	(66,686)
Changes in reserve for takaful activities		2,376	(6,196)	17,020	(17,679)
Changes in non-unit reserve		(1,316)	-	(1,484)	-
Changes in unexpired risk reserve		(285)	-	973	-
Policy acquisition costs		(5,154)	(1,540)	(6,989)	(4,330)
Total underwriting costs and expenses		(26,385)	(30,905)	(68,243)	(88,695)
Net underwriting income		4,052	9,840	22,526	28,270
OTHER OPERATING (EXPENSES)/ INCOME					
General and administrative expenses		(10,442)	(9,873)	(33,026)	(29,068)
Rebate income		486	330	1,268	1,010
Income from deposits		1,486	718	3,724	2,070
Income from sukuk		1,069	1,150	3,147	3,923
TOTAL OTHER OPERATING EXPENSES, NET		(7,401)	(7,675)	(24,887)	(22,065)
Total (loss)/ income for the period		(3,349)	2,165	(2,361)	6,205
Total loss for the period attributed to the takaful operations		-	(101)	-	(238)
Total (loss)/ income for the period attributable to the shareholders		(3,349)	2,064	(2,361)	5,967
(Loss)/ Earnings per share (SAR per share)	9	(0.099)	0.061	(0.069)	0.176

The accompanying notes 1 to 15 form an integral part of these interim condensed financial information.

SABB Takaful Company (A Saudi Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three month and nine month periods ended 30 September 2018

		<i>Three months ended 30 September 2018</i>	<i>Three months ended 30 September 2017</i>	<i>Nine months ended 30 September 2018</i>	<i>Nine months ended 30 September 2017</i>
	Notes	SAR'000	SAR'000	SAR'000	SAR'000
Total (loss)/ income for the period		(3,349)	2,165	(2,361)	6,205
Other comprehensive income/ (loss)					
<i>Items that will be reclassified to interim statement of income in subsequent periods</i>					
- Fair value change in available for sale investments – unrealized	3(c)	(497)	10,197	16,038	24,799
- Fair value change in reserve for takaful activities – unrealized	7(a)	497	(10,197)	(16,038)	(24,799)
<i>Items that will not be reclassified to interim statement of income in subsequent periods</i>					
- Remeasurements of retirement benefit obligations		(132)	(183)	(71)	(172)
Total comprehensive (loss)/ income for the period		(3,481)	1,982	(2,432)	6,033
Total comprehensive income/ (loss) attributed to the takaful operations		132	82	71	(66)
Total comprehensive (loss)/ income for the period attributable to the shareholders		(3,349)	2,064	(2,361)	5,967

The accompanying notes 1 to 15 form an integral 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 nine months period ended 30 September 2018

	<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 2018	340,000	14,577	(3,275)	351,302
Total comprehensive loss for the period	-	-	(2,361)	(2,361)
Provision for zakat and income tax	-	-	(4,456)	(4,456)
Balance as at 30 September 2018	<u>340,000</u>	<u>14,577</u>	<u>(10,092)</u>	<u>344,485</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 2017	340,000	14,577	6,624	361,201
Total comprehensive income for the period	-	-	5,967	5,967
Provision for zakat and income tax	-	-	(3,897)	(3,897)
Balance as at 30 September 2017	<u>340,000</u>	<u>14,577</u>	<u>8,694</u>	<u>363,271</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial information.

SABB Takaful Company (A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine months period ended 30 September 2018

	Notes	Nine months ended 30 September 2018 SAR'000	Nine months ended 30 September 2017 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)/ profit for the period		(2,361)	6,205
Adjustment for non-cash items:			
Amortisation		443	375
Depreciation		66	58
Income from sukuk		(3,147)	(3,923)
Gain on sale of fixed assets		-	(19)
Provision of impairment on contribution receivables	4	257	838
Provision/ (reversal) for employees' end-of-service benefits		797	(222)
		(3,945)	3,312
Changes in operating assets and liabilities:			
Contributions receivable, net		3,218	(887)
Retakaful balances receivable		448	(249)
Retakaful share of unearned contributions		3,288	4,483
Retakaful share of outstanding claims		2,444	(5,868)
Deferred policy acquisition costs		58	(26)
Available-for-sale investments		12,443	(26,528)
Prepayments and other receivables		(991)	(168)
Payables, accruals and others		7,878	6,246
Retakaful balances payable		(2,148)	(1,510)
Gross unearned contributions		(4,303)	(6,754)
Unearned commission income		(774)	(388)
Gross outstanding claims		(6,652)	6,300
Unexpired risk reserve		(973)	-
Non-unit reserve		1,484	-
Reserve for takaful activities		(12,443)	26,528
		(968)	4,491
Employees' end-of-service benefits paid		(2,247)	(100)
Zakat and income tax paid		(4,452)	(5,663)
Net cash used in operating activities		(7,667)	(1,272)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of held-to-maturity investments		12,000	35,000
Income received from sukuk		2,931	3,786
Purchase of intangible assets		(579)	(435)
Purchase of fixed assets		-	(201)
Proceeds from sale of fixed assets		-	19
Net cash generated from investing activities		14,352	38,169
Net change in cash and cash equivalents		6,685	36,897
Cash and cash equivalents, at the beginning of the period	5	239,099	187,990
Cash and cash equivalents, at the end of the period	5	245,784	224,887
Non-cash supplemental information:			
Net change in fair value of available-for-sale investments		16,038	24,799

The accompanying notes 1 to 15 form an integral part of these interim condensed financial information.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

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 11 April 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.

The interim condensed financial information is prepared under the historical cost convention, except for the measurement at fair value of available-for-sale investments. Further, the interim condensed statement of financial position is not presented using a current/non-current classification.

The interim statement of financial position, statements of income, statement of comprehensive income and cash flows of the takaful operations and shareholders' operations have been presented in note 13 as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the takaful operations and the shareholders' operations. Accordingly, the interim statements of financial position, statements of income, comprehensive income and cash flows prepared for the takaful operations and shareholders' operations reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

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

a) Basis of preparation (continued)

In preparing the Company-level financial information in compliance with IFRS, the balances and transactions of the takaful operations are combined with those of the shareholders' operations. Inter-operation balances, if any, are eliminated in full during amalgamation. The accounting policies adopted for the takaful operations and shareholders' operations are uniform for like transactions and events in similar circumstances.

The interim condensed financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as of and for the year ended 31 December 2017.

These interim condensed financial information are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands.

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 (refer note 13). 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.

b) Significant accounting 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 2017, except for the adoption of amendments to the existing standards which has no significant financial impact on the interim condensed financial information of the Company.

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 year beginning on 1 January 2018 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 1 January 2019:

- IFRS 9 - "Financial instruments", In July 2014, the IASB published IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurements requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the publication of the forthcoming accounting standard for insurance contracts. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9 until the earlier of the effective date of a new insurance contract standard or 2021. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

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

b) Significant accounting policies (continued)

The Company is eligible and has chosen to apply the deferral approach under the amendments to IFRS 4. The impact of the adoption of IFRS 9 on the Company's financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard.

- 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.

c) Significant accounting estimates, assumptions and risk management policies

The preparation of interim condensed financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements for the year ended 31 December 2017.

d) Functional and presentation currency

The functional and presentational currency of the Company is Saudi Riyals. The interim condensed financial information 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 INFORMATION (UNAUDITED)

30 September 2018

3. INVESTMENTS

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

	30 September 2018 (Unaudited)		
	SAR'000		
	Takaful Operations	Shareholders' Operations	Total
<i>Available-for-sale investments – Quoted</i>			
Investment in Amanah Mutual Funds	368,594	-	368,594
<i>Held-to-maturity investments – Unquoted</i>			
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,065	5,065
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,260	50,260
The National Industrialization Company Sukuk (TASNEE)	-	50,674	50,674
Bank AlBilad Sukuk	-	20,081	20,081
	-	126,080	126,080
Total investments	368,594	126,080	494,674

	31 December 2017 (Audited)		
	SAR'000		
	Takaful Operations	Shareholders' Operations	Total
<i>Available-for-sale investments – Quoted</i>			
Investment in Amanah Mutual Funds	381,037	-	381,037
<i>Held-to-maturity investments – Unquoted</i>			
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,010	5,010
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,576	50,576
The National Industrialization Company Sukuk (TASNEE)	-	50,177	50,177
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,033	12,033
Bank AlBilad Sukuk	-	20,068	20,068
	-	137,864	137,864
Total investments	381,037	137,864	518,901

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

3. INVESTMENTS (continued)

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

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
- Bank AlBilad Sukuk	30 August 2021

b) The fair value of held-to-maturity investments as at 30 September 2018 was SAR 126.08 million (31 December 2017: SAR 137.86 million).

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

	<i>30 September 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Opening balance	381,037	353,740
Purchased during the period/ year	58,558	96,953
Sold during the period/ year	(87,039)	(94,661)
	<u>352,556</u>	<u>356,032</u>
Net change in fair values of investments	16,038	25,005
Closing balance	<u>368,594</u>	<u>381,037</u>

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

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

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

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

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

The fair value of investments in mutual funds classified under level 1 is based on quoted market price. The fair value of held to maturity investments classified under level 2 of fair value hierarchy is based on discounted cash flows.

4. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 September 2018 (Unaudited) SAR'000</i>	<i>31 December 2017 (Audited) SAR'000</i>
Due from policy holders	7,527	8,329
Due from a shareholder (The Saudi British Bank – “The Bank”)	3,355	5,771
	<u>10,882</u>	<u>14,100</u>
Provision for impairment	(1,811)	(1,554)
	<u>9,071</u>	<u>12,546</u>

Balances receivables from shareholders account for 30.83% (2017: 40.93%) of the gross receivables, however, the Company does not foresee any credit risk as the Bank has very good credit rating.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

5. CASH AND CASH EQUIVALENTS

	30 September 2018 (Unaudited)		
	SAR'000		
	Takaful Operations	Shareholders' Operations	Total
Bank balances	27,027	2,765	29,792
Murabaha deposits	30,479	185,513	215,992
	<u>57,506</u>	<u>188,278</u>	<u>245,784</u>

	31 December 2017 (Audited)		
	SAR'000		
	Takaful Operations	Shareholders' Operations	Total
Bank balances	18,706	7,062	25,768
Murabaha deposits	15,040	198,291	213,331
	<u>33,746</u>	<u>205,353</u>	<u>239,099</u>

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

6. OUTSTANDING CLAIMS

	30 September 2018 (Unaudited)		
	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Family Takaful outstanding claims			
- Outstanding claims reserves	20,090	(15,125)	4,965
- Incurred but not reported reserve and other reserves	19,285	(14,422)	4,863
General Takaful outstanding claims			
- Outstanding claims reserves	33,377	(31,343)	2,034
- Incurred but not reported reserve and other reserves	4,125	(2,748)	1,377
Total outstanding claims	<u>76,877</u>	<u>(63,638)</u>	<u>13,239</u>

	31 December 2017 (Audited)		
	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Family Takaful outstanding claims			
- Outstanding claims 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 claims 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>

The outstanding claims include SAR 20.95 million as at 30 September 2018 (As at 31 December 2017: SAR 37.69 million) payable to the Bank.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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

a) Movement in reserve for takaful activities

	<i>Nine months ended</i> 30 September 2018 <i>(Unaudited)</i> SAR'000	<i>Year ended</i> 31 December 2017 <i>(Audited)</i> SAR'000
Balance as at the beginning of the period/year	381,037	353,740
Changes in reserve during the period/year	(17,020)	23,233
Planholder charges	(11,461)	(20,941)
Net change in fair value of investments	16,038	25,005
Balance as at the end of the period/year	<u>368,594</u>	<u>381,037</u>

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

b) Movement in net unearned contribution

	<i>Nine months ended 30 September 2018</i> <i>(Unaudited)</i>		
	<i>Gross</i> SAR'000	<i>Retakaful share</i> SAR'000	<i>Net</i> SAR'000
Balance as at the beginning of the period	14,389	(10,802)	3,587
Contribution written during the period	46,336	(30,878)	15,458
Contribution earned during the period	(50,639)	34,166	(16,473)
Balance as at the end of the period	<u>10,086</u>	<u>(7,514)</u>	<u>2,572</u>
	<i>Year ended 31 December 2017</i> <i>(Audited)</i>		
	<i>Gross</i> SAR'000	<i>Retakaful share</i> SAR'000	<i>Net</i> SAR'000
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)
Balance as at the end of the year	<u>14,389</u>	<u>(10,802)</u>	<u>3,587</u>

c) Non-unit reserve

As at 30 September 2018, the Company has recorded a non-unit reserve of SAR 5.80 million (31 December 2017: SAR 4.31 million) pertaining to the individual family segment. The reserve is calculated based on the present value of future assumed expenses less the present value of future income arising from charges on all individual family policies.

d) Unexpired risk reserve

This reserve comprises of an expense overrun reserve of SAR 2.87 million (31 December 2017: SAR 2.87 million) and premium deficiency reserve of SAR 1.69 million (31 December 2017: SAR 2.66 million) pertaining to group family and general takaful segments respectively.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

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 contributions written, net contributions written 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 fixed assets, intangible assets, fixed assets, available-for-sale investments, contribution receivables, net, retakaful share of outstanding claims and unearned contributions, deferred policy acquisition costs, cash and cash equivalents, retakaful balances receivable, held-to-maturity investments, statutory deposit, total assets, reserve for takaful activities, gross unearned contributions, unearned commission income, gross outstanding claims, retakaful balances payable, unexpired risk reserve, non-unit reserve, provision for employees' end-of-service benefits and total liabilities, by business segment, are stated below.

Segment assets do not include prepayments and other receivables and investment return from statutory deposits. Accordingly they are included in unallocated assets.

Segment liabilities do not include surplus distribution payable, provision for zakat and income tax, payables, accruals and others and investment return from statutory deposits. 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.

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection & Savings) SAR'000</i>	<i>Group Family (Protection & Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the three months ended					
30 September 2018 (Unaudited)					
Gross contributions written	-	20,295	12,272	4,974	37,541
Net contributions written	-	23,727	5,300	923	29,950
Net contributions earned	-	23,727	4,242	1,060	29,029
Fees and commission income	-	-	94	1,314	1,408
Total revenue	-	23,727	4,336	2,374	30,437
Net claims and other benefits incurred	-	(22,671)	839	(174)	(22,006)
Changes in reserve for takaful activities	-	2,376	-	-	2,376
Changes in non-unit reserve	-	(1,316)	-	-	(1,316)
Changes in unexpired risk reserve	-	-	-	(285)	(285)
Policy acquisition costs	-	(788)	(3,734)	(632)	(5,154)
Net underwriting income for the period	-	1,328	1,441	1,283	4,052
General and administrative expenses	(857)	(3,644)	(3,197)	(2,744)	(10,442)
Rebate income	-	486	-	-	486
Income from deposits	1,272	87	57	70	1,486
Income from sukuk	1,069	-	-	-	1,069
Total income /(loss) for the period	1,484	(1,743)	(1,699)	(1,391)	(3,349)
Purchase of intangibles	178	-	-	-	178
Amortisation	156	-	-	-	156
Depreciation	22	-	-	-	22

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection & Savings) SAR'000</i>	<i>Group Family (Protection & Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the nine months ended					
30 September 2018 (Unaudited)					
Gross contributions written	-	58,558	31,961	14,375	104,894
Net contributions written	-	69,267	12,748	2,710	84,725
Net contributions earned	-	69,267	12,357	4,116	85,740
Fees and commission income	-	78	306	4,645	5,029
Total revenue	-	69,345	12,663	8,761	90,769
Net claims and other benefits incurred	-	(75,739)	(1,047)	(977)	(77,763)
Changes in reserve for takaful activities	-	17,020	-	-	17,020
Changes in non-unit reserve	-	(1,484)	-	-	(1,484)
Changes in unexpired risk reserve	-	-	-	973	973
Policy acquisition costs	-	(1,257)	(3,934)	(1,798)	(6,989)
Net underwriting income for the period	-	7,885	7,682	6,959	22,526
General and administrative expenses	(2,155)	(11,382)	(9,818)	(9,671)	(33,026)
Rebate income	-	1,268	-	-	1,268
Income from deposits	3,239	195	159	131	3,724
Income from sukuk	3,147	-	-	-	3,147
Total income /(loss) for the period	-4,231	(2,034)	(1,977)	(2,581)	(2,361)
Purchase of intangibles	579	-	-	-	579
Amortisation	443	-	-	-	443
Depreciation	66	-	-	-	66
30 September 2018 (Unaudited)					
Intangible assets, net	1,864	-	-	-	1,864
Fixed assets, net	163	-	-	-	163
Assets					
Cash and cash equivalents	188,278	25,361	18,320	13,825	245,784
Contributions receivable, net	-	-	4,257	4,814	9,071
Retakaful balances receivable	-	-	2,567	(1,065)	1,502
Retakaful share of unearned contributions	-	-	731	6,783	7,514
Retakaful share of outstanding claims	-	242	29,303	34,093	63,638
Deferred policy acquisition costs	-	-	51	715	766
Available-for-sale investments	-	368,594	-	-	368,594
Held-to-maturity investments	126,080	-	-	-	126,080
Statutory deposit	34,000	-	-	-	34,000
Unallocated assets	-	-	-	-	8,054
Total assets					865,003
Liabilities					
Retakaful balances payable	-	465	1,343	4,618	6,426
Gross unearned contributions	-	-	2,152	7,934	10,086
Unearned commission income	-	-	-	1,781	1,781
Gross outstanding claims	-	1,668	37,708	37,501	76,877
Unexpired risk reserve	-	-	2,868	1,690	4,558
Non-unit reserve	-	5,795	-	-	5,795
Provision for employees' end-of-service benefits	-	1,867	1,676	2,169	5,712
Reserve for takaful activities	-	368,594	-	-	368,594
Unallocated liabilities	-	-	-	-	40,935
Total liabilities					520,764

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund</i> SAR'000	<i>Individual Family (Protection & Savings)</i> SAR'000	<i>Group Family (Protection & Savings)</i> SAR'000	<i>General Takaful</i> SAR'000	<i>Total</i> SAR'000
For the three months ended					
30 September 2017 (Unaudited)					
Gross contributions written	-	26,319	14,046	4,613	44,978
Net contributions written	-	31,695	6,228	766	38,689
Net contributions earned	-	31,695	6,123	1,347	39,165
Fees and commission income	-	-	184	1,396	1,580
Total revenue	-	31,695	6,307	2,743	40,745
Net claims and other benefits incurred	-	(20,061)	(2,413)	(695)	(23,169)
Changes in reserve for takaful activities	-	(6,196)	-	-	(6,196)
Policy acquisition costs	-	(607)	(382)	(551)	(1,540)
Net underwriting income for the period	-	4,831	3,512	1,497	9,840
General and administrative expenses	(678)	(2,849)	(2,654)	(3,692)	(9,873)
Rebate income	-	330	-	-	330
Income from deposits	682	25	11	-	718
Income from sukuk	1,150	-	-	-	1,150
Total income /(loss) for the period	1,154	2,337	869	(2,195)	2,165
Purchase of intangibles	277	-	-	-	277
Amortisation	74	-	-	-	74
Depreciation	22	-	-	-	22
For the nine months ended					
30 September 2017 (Unaudited)					
Gross contributions written	-	74,427	40,257	17,898	132,582
Net contributions written	-	89,707	16,810	3,539	110,056
Net contributions earned	-	89,707	18,829	3,791	112,327
Fees and commission income	-	426	184	4,028	4,638
Total revenue	-	90,133	19,013	7,819	116,965
Net claims and other benefits incurred	-	(58,288)	(7,877)	(521)	(66,686)
Changes in reserve for takaful activities	-	(17,679)	-	-	(17,679)
Policy acquisition costs	-	(1,779)	(818)	(1,733)	(4,330)
Net underwriting income for the period	-	12,387	10,318	5,565	28,270
General and administrative expenses	(1,981)	(9,344)	(8,390)	(9,353)	(29,068)
Rebate income	-	1,010	-	-	1,010
Income from deposits	1,881	154	35	-	2,070
Income from sukuk	3,923	-	-	-	3,923
Total income /(loss) for the period	3,823	4,207	1,963	(3,788)	6,205
Purchase of intangibles	435	-	-	-	435
Purchase of fixed assets	201	-	-	-	201
Proceeds from sale of fixed assets	19	-	-	-	19
Amortisation	375	-	-	-	375
Depreciation	58	-	-	-	58

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

8. SEGMENTAL INFORMATION (continued)

	Shareholders' Fund SAR'000	Individual Family (Protection & Savings) SAR'000	Group Family (Protection & Savings) SAR'000	General Takaful SAR'000	Total SAR'000
31 December 2017 (Audited)					
Intangible assets, net	1,728	-	-	-	1,728
Fixed assets, net	229	-	-	-	229
Assets					
Cash and cash equivalents	205,353	18,844	12,876	2,026	239,099
Contributions receivable, net	-	-	1,621	10,925	12,546
Retakaful balances receivable	-	-	589	1,361	1,950
Retakaful share of unearned contributions	-	-	587	10,215	10,802
Retakaful share of outstanding claims	-	438	44,196	21,448	66,082
Deferred policy acquisition costs	-	-	61	763	824
Available-for-sale investments	-	381,037	-	-	381,037
Held-to-maturity investments	137,864	-	-	-	137,864
Statutory deposit	34,000	-	-	-	34,000
Unallocated assets	-	-	-	-	6,495
Total assets					890,699
Liabilities					
Retakaful balances payable	-	356	212	8,006	8,574
Gross unearned contributions	-	-	1,617	12,772	14,389
Unearned commission income	-	-	-	2,555	2,555
Gross outstanding claims	-	2,082	57,278	24,169	83,529
Unexpired risk reserve	-	-	2,868	2,663	5,531
Non-unit reserve	-	4,311	-	-	4,311
Provision for employees' end-of-service benefits	-	2,207	2,088	2,796	7,091
Reserve for takaful activities	-	381,037	-	-	381,037
Unallocated liabilities	-	-	-	-	32,555
Total liabilities					539,572

Company's principal activities as well as majority of the assets are located in the Kingdom of Saudi Arabia.

9. BASIC AND DILUTED EARNINGS PER SHARE

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

	Three months ended 30 September 2018 SAR'000	Three months ended 30 September 2017 SAR'000	Nine months ended 30 September 2018 SAR'000	Nine months ended 30 September 2017 SAR'000
Net (loss)/ profit for the period attributable to the shareholders (SAR'000)	(3,349)	2,064	(2,361)	5,967
Weighted average number of ordinary shares (Number in thousands)	34,000	34,000	34,000	34,000
(Loss)/ Earnings per share (SAR)	(0.099)	0.061	(0.069)	0.176

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

10. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

a) Transactions with related parties

The summary of major related party transactions is as follows:

	<i>Three months ended 30 September 2018 SAR'000</i>	<i>Three months ended 30 September 2017 SAR'000</i>	<i>Nine months ended 30 September 2018 SAR'000</i>	<i>Nine months ended 30 September 2017 SAR'000</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>				
Gross contributions written	11,577	14,571	28,952	34,160
Claims paid	4,618	6,182	23,336	20,729
Other expenses				
- IT maintenance cost and related expenses	703	812	2,098	2,732
- Overheads	-	96	-	114
Investment income on murabaha deposits	334	102	656	154
Other entities controlled, jointly controlled or significantly influenced by related parties				
Policy acquisition costs paid	1,857	973	3,148	3,068
Profit participation payable to SABB	3,602	125	3,602	125
HSBC Saudi Arabia Limited - IBSA				
Rebate on unit-linked investments	486	330	1,268	1,010

'Other expenses' include costs for various services under a management agreement between The Bank and the Company. As per the agreement, The Bank will provide operational services to the Company including use of fixed assets and IT infrastructure at a consideration mutually agreed between the parties.

b) Compensation of key management personnel

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

	<i>Three months period ended 30 September 2018 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 September 2017 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>
Salaries and other benefits	904	-	998	-
End-of-service benefits	58	-	48	-
Directors' remuneration and other benefits	-	210	-	167
	<u>962</u>	<u>210</u>	<u>1,046</u>	<u>167</u>
	<i>Nine months period ended 30 September 2018 SAR'000 (Unaudited)</i>		<i>Nine months period ended 30 September 2017 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>
Salaries and other benefits	2,780	-	2,994	-
End-of-service benefits	179	-	131	-
Directors' remuneration and other benefits	-	703	-	490
	<u>2,959</u>	<u>703</u>	<u>3,125</u>	<u>490</u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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11. ZAKAT AND TAX

Status of Assessment

During the quarter ended 31 March 2015, the General Authority of Zakat and 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.

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. The shareholding structure of the Company as at 30 September 2018 and as at 31 December 2017 is as follows:

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

13. SUPPLEMENTARY INFORMATION

Interim financial information

	SAR '000					
	30 September 2018 (Unaudited)			31 December 2017 (Audited)		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
ASSETS						
Cash and cash equivalents	57,506	188,278	245,784	33,746	205,353	239,099
Contributions receivable, net	9,071	-	9,071	12,546	-	12,546
Retakaful balances receivable	1,502	-	1,502	1,950	-	1,950
Retakaful share of unearned contributions	7,514	-	7,514	10,802	-	10,802
Retakaful share of outstanding claims	63,638	-	63,638	66,082	-	66,082
Deferred policy acquisition costs	766	-	766	824	-	824
Due from/ (to) shareholders'/ takaful operations	719	(719)	-	22,202	(22,202)	-
Available-for-sale investments	368,594	-	368,594	381,037	-	381,037
Held-to-maturity investments	-	126,080	126,080	-	137,864	137,864
Prepayments and other receivables	2,319	410	2,729	1,463	275	1,738
Fixed assets, net	-	163	163	-	229	229
Intangible assets, net	-	1,864	1,864	-	1,728	1,728
Statutory deposit	-	34,000	34,000	-	34,000	34,000
Investment return from statutory deposit	-	3,298	3,298	-	2,800	2,800
TOTAL ASSETS	511,629	353,374	865,003	530,652	360,047	890,699
LIABILITIES						
Payables, accruals and others	25,453	1,135	26,588	17,217	1,493	18,710
Provision for zakat and income tax	-	4,456	4,456	-	4,452	4,452
Retakaful balances payable	6,426	-	6,426	8,574	-	8,574
Gross unearned contributions	10,086	-	10,086	14,389	-	14,389
Unearned commission income	1,781	-	1,781	2,555	-	2,555
Gross outstanding claims	76,877	-	76,877	83,529	-	83,529
Unexpired risk reserve	4,558	-	4,558	5,531	-	5,531
Non-unit reserve	5,795	-	5,795	4,311	-	4,311
Provision for employees' end-of-service benefits	5,712	-	5,712	7,091	-	7,091
Surplus distribution payable	6,593	-	6,593	6,593	-	6,593
Reserve for takaful activities	368,594	-	368,594	381,037	-	381,037
Investment return from statutory deposit	-	3,298	3,298	-	2,800	2,800
TOTAL LIABILITIES	511,875	8,889	520,764	530,827	8,745	539,572
Takaful operations' surplus	-	-	-	-	-	-
Remeasurements of retirement benefit obligations	(246)	-	(246)	(175)	-	(175)
TOTAL LIABILITIES AND TAKAFUL OPERATIONS' SURPLUS	511,629	8,889	520,518	530,652	8,745	539,397
SHAREHOLDERS' EQUITY						
Share capital	-	340,000	340,000	-	340,000	340,000
Legal reserve	-	14,577	14,577	-	14,577	14,577
Accumulated losses	-	(10,092)	(10,092)	-	(3,275)	(3,275)
	-	344,485	344,485	-	351,302	351,302
TOTAL LIABILITIES, TAKAFUL OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	511,629	353,374	865,003	530,652	360,047	890,699

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

13. SUPPLEMENTARY INFORMATION (continued)

Interim statement of income

	SAR '000					
	Three months ended 30 September 2018 (Unaudited)			Three months ended 30 September 2017 (Unaudited)		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written						
- Family Takaful	32,567	-	32,567	40,365	-	40,365
- General Takaful	4,974	-	4,974	4,613	-	4,613
Gross contributions written	37,541	-	37,541	44,978	-	44,978
Retakaful contribution ceded						
- Local retakaful contribution ceded	(2,825)	-	(2,825)	(2,565)	-	(2,565)
- Foreign retakaful contribution ceded	(8,432)	-	(8,432)	(9,357)	-	(9,357)
Planholder charges	3,666	-	3,666	5,633	-	5,633
Net contributions written	29,950	-	29,950	38,689	-	38,689
Changes in gross unearned contributions	(727)	-	(727)	2,566	-	2,566
Changes in retakaful share of unearned contributions	(194)	-	(194)	(2,090)	-	(2,090)
Net contributions earned	29,029	-	29,029	39,165	-	39,165
Fees and commission income	1,408	-	1,408	1,580	-	1,580
Total revenue	30,437	-	30,437	40,745	-	40,745
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(5,842)	-	(5,842)	(8,305)	-	(8,305)
Retakaful share of claims paid	4,158	-	4,158	6,213	-	6,213
Surrenders and maturities	(22,668)	-	(22,668)	(20,123)	-	(20,123)
Net claims and other benefits paid	(24,352)	-	(24,352)	(22,215)	-	(22,215)
Changes in outstanding claims, net	2,262	-	2,262	(779)	-	(779)
Changes in IBNR, net	84	-	84	(175)	-	(175)
Net claims and other benefits incurred	(22,006)	-	(22,006)	(23,169)	-	(23,169)
Changes in reserve for takaful activities	2,376	-	2,376	(6,196)	-	(6,196)
Changes in non-unit reserve	(1,316)	-	(1,316)	-	-	-
Changes in unexpired risk reserve	(285)	-	(285)	-	-	-
Policy acquisition costs	(5,154)	-	(5,154)	(1,540)	-	(1,540)
Total underwriting costs and expenses	(26,385)	-	(26,385)	(30,905)	-	(30,905)
Net underwriting income	4,052	-	4,052	9,840	-	9,840
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses	(9,585)	(857)	(10,442)	(9,195)	(678)	(9,873)
Rebate income	486	-	486	330	-	330
Income from deposits	214	1,272	1,486	36	682	718
Income from sukuk	-	1,069	1,069	-	1,150	1,150
TOTAL OTHER OPERATING EXPENSES, NET	(8,885)	1,484	(7,401)	(8,829)	1,154	(7,675)
Total (loss)/ income for the period	(4,833)	1,484	(3,349)	1,011	1,154	2,165
Shareholders' absorption of deficit/ (surplus transferred to shareholders) from takaful operations	4,833	(4,833)	-	(910)	910	-
Net result after shareholders' absorption of deficit/ transfer of surplus to shareholders	-	(3,349)	(3,349)	101	2,064	2,165

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

13. SUPPLEMENTARY INFORMATION (continued)

Interim statement of income - continued

	SAR '000					
	Nine months ended 30 September 2018 (Unaudited)			Nine months ended 30 September 2017 (Unaudited)		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
REVENUES						
Gross contributions written						
- Family Takaful	90,519	-	90,519	114,684	-	114,684
- General Takaful	14,375	-	14,375	17,898	-	17,898
Gross contributions written	104,894	-	104,894	132,582	-	132,582
Retakaful contribution ceded						
- Local retakaful contribution ceded	(6,937)	-	(6,937)	(7,583)	-	(7,583)
- Foreign retakaful contribution ceded	(24,693)	-	(24,693)	(30,893)	-	(30,893)
Planholder charges	11,461	-	11,461	15,950	-	15,950
Net contributions written	84,725	-	84,725	110,056	-	110,056
Changes in gross unearned contributions	4,303	-	4,303	6,754	-	6,754
Changes in retakaful share of unearned contributions	(3,288)	-	(3,288)	(4,483)	-	(4,483)
Net contributions earned	85,740	-	85,740	112,327	-	112,327
Fees and commission income	5,029	-	5,029	4,638	-	4,638
Total revenue	90,769	-	90,769	116,965	-	116,965
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(27,647)	-	(27,647)	(34,770)	-	(34,770)
Retakaful share of claims paid	21,252	-	21,252	25,264	-	25,264
Surrenders and maturities	(75,576)	-	(75,576)	(56,748)	-	(56,748)
Net claims and other benefits paid	(81,971)	-	(81,971)	(66,254)	-	(66,254)
Changes in outstanding claims, net	2,562	-	2,562	125	-	125
Changes in IBNR, net	1,646	-	1,646	(557)	-	(557)
Net claims and other benefits incurred	(77,763)	-	(77,763)	(66,686)	-	(66,686)
Changes in reserve for takaful activities	17,020	-	17,020	(17,679)	-	(17,679)
Changes in non-unit reserve	(1,484)	-	(1,484)	-	-	-
Changes in unexpired risk reserve	973	-	973	-	-	-
Policy acquisition costs	(6,989)	-	(6,989)	(4,330)	-	(4,330)
Total underwriting costs and expenses	(68,243)	-	(68,243)	(88,695)	-	(88,695)
Net underwriting income	22,526	-	22,526	28,270	-	28,270
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses	(30,871)	(2,155)	(33,026)	(27,087)	(1,981)	(29,068)
Rebate income	1,268	-	1,268	1,010	-	1,010
Income from deposits	485	3,239	3,724	189	1,881	2,070
Income from sukuk	-	3,147	3,147	-	3,923	3,923
TOTAL OTHER OPERATING EXPENSES, NET	(29,118)	4,231	(24,887)	(25,888)	3,823	(22,065)
Total (loss)/ income for the period	(6,592)	4,231	(2,361)	2,382	3,823	6,205
Shareholders' absorption of deficit/ (surplus transferred to shareholders) from takaful operations	6,592	(6,592)	-	(2,144)	2,144	-
Net result after shareholders' absorption of deficit/ transfer of surplus to shareholders	-	(2,361)	(2,361)	238	5,967	6,205

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

13. SUPPLEMENTARY INFORMATION (continued)

Interim statement of comprehensive income

	SAR '000					
	Three months ended 30 September 2018 (Unaudited)			Three months ended 30 September 2017 (Unaudited)		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net result after shareholders' absorption of deficit/ transfer of surplus to shareholders	-	(3,349)	(3,349)	101	2,064	2,165
Other comprehensive income						
<i>Items that will be reclassified to interim condensed statement of income in subsequent periods</i>						
- Fair value change in available for sale investments – unrealized	(497)	-	(497)	10,197	-	10,197
- Fair value change in reserve for takaful activities – unrealized	497	-	497	(10,197)	-	(10,197)
<i>Items that will not be reclassified to interim condensed statement of income in subsequent periods</i>						
- Remeasurements of retirement benefit obligations	(132)	-	(132)	(183)	-	(183)
Total comprehensive (loss)/ income for the period	<u>(132)</u>	<u>(3,349)</u>	<u>(3,481)</u>	<u>(82)</u>	<u>2,064</u>	<u>1,982</u>

	SAR '000					
	Nine months ended 30 September 2018 (Unaudited)			Nine months ended 30 September 2017 (Unaudited)		
	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net result after shareholders' absorption of deficit/ transfer of surplus to shareholders	-	(2,361)	(2,361)	238	5,967	6,205
Other comprehensive loss						
<i>Items that will be reclassified to interim condensed statement of income in subsequent periods</i>						
- Fair value change in available for sale investments – unrealized	16,038	-	16,038	24,799	-	24,799
- Fair value change in reserve for takaful activities – unrealized	(16,038)	-	(16,038)	(24,799)	-	(24,799)
<i>Items that will not be reclassified to interim condensed statement of income in subsequent periods</i>						
- Remeasurements of retirement benefit obligations	(71)	-	(71)	(172)	-	(172)
Total comprehensive (loss)/ income for the period	<u>(71)</u>	<u>(2,361)</u>	<u>(2,432)</u>	<u>66</u>	<u>5,967</u>	<u>6,033</u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

13. SUPPLEMENTARY INFORMATION (continued)

Interim statement of cash flows

		SR '000					
		Nine months ended 30 September 2018 (Unaudited)			Nine months ended 30 September 2017 (Unaudited)		
CASHFLOWS FROM OPERATING ACTIVITIES	FROM OPERATING	Takaful operations	Shareholders' operations	Total	Takaful operations	Shareholders' operations	Total
Net (loss)/ profit for the period		-	(2,361)	(2,361)	238	5,967	6,205
Adjustment for non-cash items:							
Amortisation		-	443	443	-	375	375
Depreciation		-	66	66	-	58	58
Income from sukuk		-	(3,147)	(3,147)	-	(3,923)	(3,923)
Gain on sale of fixed assets		-	-	-	-	(19)	(19)
Shareholders' appropriation from deficit/ surplus		(6,592)	6,592	-	2,144	(2,144)	-
Provision of impairment on contribution receivables		257	-	257	838	-	838
Provision for employees' end-of-service benefits		797	-	797	(222)	-	(222)
		<u>(5,538)</u>	<u>1,593</u>	<u>(3,945)</u>	<u>2,998</u>	<u>314</u>	<u>3,312</u>
Changes in operating assets and liabilities:							
Contributions receivable, net		3,218	-	3,218	(887)	-	(887)
Retakaful balances receivable		448	-	448	(249)	-	(249)
Retakaful share of unearned contributions		3,288	-	3,288	4,483	-	4,483
Retakaful share of outstanding claims		2,444	-	2,444	(5,868)	-	(5,868)
Deferred policy acquisition costs		58	-	58	(26)	-	(26)
Available-for-sale investments		12,443	-	12,443	(26,528)	-	(26,528)
Prepayments and other receivables		(856)	(135)	(991)	(115)	(53)	(168)
Payables, accruals and others		8,236	(358)	7,878	6,565	(319)	6,246
Retakaful balances payable		(2,148)	-	(2,148)	(1,510)	-	(1,510)
Gross unearned contributions		(4,303)	-	(4,303)	(6,754)	-	(6,754)
Unearned commission income		(774)	-	(774)	(388)	-	(388)
Gross outstanding claims		(6,652)	-	(6,652)	6,300	-	6,300
Unexpired risk reserve		(973)	-	(973)	-	-	-
Non-unit reserve		1,484	-	1,484	-	-	-
Reserve for takaful activities		(12,443)	-	(12,443)	26,528	-	26,528
		<u>(2,068)</u>	<u>1,100</u>	<u>(968)</u>	<u>4,549</u>	<u>(58)</u>	<u>4,491</u>
Employees' end-of-service benefits paid		(2,247)	-	(2,247)	(100)	-	(100)
Zakat and tax paid		-	(4,452)	(4,452)	-	(5,663)	(5,663)
Net cash (used in)/ generated from operating activities		<u>(4,315)</u>	<u>(3,352)</u>	<u>(7,667)</u>	<u>4,449</u>	<u>(5,721)</u>	<u>(1,272)</u>
CASHFLOWS FROM INVESTING ACTIVITIES							
Maturity of held-to-maturity investments		-	12,000	12,000	-	35,000	35,000
Income received from sukuk		-	2,931	2,931	-	3,786	3,786
Purchase of intangible assets		-	(579)	(579)	-	(435)	(435)
Purchase of fixed assets		-	-	-	-	(201)	(201)
Proceeds from sale of fixed assets		-	-	-	-	19	19
Net cash generated from investing activities		<u>-</u>	<u>14,352</u>	<u>14,352</u>	<u>-</u>	<u>38,169</u>	<u>38,169</u>
CASHFLOWS FROM FINANCING ACTIVITIES							
Due from/ (to) shareholders/ takaful operations, net		28,075	(28,075)	-	(6,299)	6,299	-
Net change in cash and cash equivalents		23,760	(17,075)	6,685	(1,850)	38,747	36,897
Cash and cash equivalents, beginning of the period		33,746	205,353	239,099	37,175	150,815	187,990
Cash and cash equivalents, end of the period		<u>57,506</u>	<u>188,278</u>	<u>245,784</u>	<u>35,325</u>	<u>189,562</u>	<u>224,887</u>
Non-cash supplemental information:							
Net change in fair value of available for sale investments		<u>16,038</u>	<u>-</u>	<u>16,038</u>	<u>24,799</u>	<u>-</u>	<u>24,799</u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2018

14. 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 information of the Company.

15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

These interim condensed financial information were approved by the Board of Directors on 29 Safar 1440H corresponding to 7 November 2018.