
SABB TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2020**

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Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global

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 30 September 2020, and the related interim statements of income, comprehensive income for the three and nine month periods then ended, and interim statement 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 endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these 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 endorsed in the Kingdom of Saudi Arabia.

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November 10, 2020
(24 Rabi Al Awal 1442H)



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

		30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
	Notes		
ASSETS			
Cash and cash equivalents	5	207,978	146,986
Short term deposits		-	66,277
Contributions and retakaful receivables, net	4	20,612	26,406
Retakaful share of unearned contributions	7(b)	13,417	10,946
Retakaful share of outstanding claims	6	78,499	47,644
Deferred policy acquisition costs		2,001	1,985
Investments			
Available-for-sale financial assets	3	393,808	383,869
Held-to-maturity financial assets	3	146,136	146,372
Prepaid expenses and other assets		4,903	1,062
Fixed assets		23	75
Intangible assets		2,230	2,216
Statutory deposit		34,000	34,000
Accrued income on statutory deposit		4,612	4,355
TOTAL ASSETS		908,219	872,193

Naji AlMustafa



Chief Financial Officer

Hussam Alkhayal



Chief Executive Officer

Mohammad Alshayea



Chairman

The accompanying notes 1 to 16 form an integral part of these interim condensed financial information.

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

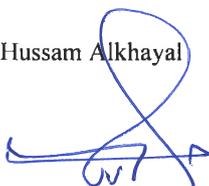
	Notes	30 September 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
<u>LIABILITIES</u>			
Accrued and other liabilities		43,205	43,282
Provision for zakat and income tax	11	4,031	5,778
Retakaful balances payable		26,195	15,864
Unearned contributions	7(b)	17,215	15,703
Unearned retakaful commission		2,495	1,910
Gross outstanding claims	6	99,853	62,290
Unexpired risk reserve	7(d)	4,863	5,889
Non-unit reserve	7(c)	6,455	6,470
Provision for employees' end-of-service benefits		6,150	5,875
Surplus distribution payable		6,593	6,593
Reserve for takaful activities	7(a),3(c)	386,643	376,834
Accrued income on statutory deposit		4,612	4,355
TOTAL LIABILITIES		608,310	550,843
Takaful operations' surplus		-	-
TOTAL LIABILITIES AND TAKAFUL OPERATIONS' SURPLUS		608,310	550,843
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	12	340,000	340,000
Statutory reserve		14,788	14,788
Accumulated losses		(54,560)	(33,264)
Remeasurements of retirement benefit obligations		(1,098)	(823)
Fair value reserve on available-for-sale financial assets		779	649
TOTAL SHAREHOLDERS' EQUITY		299,909	321,350
TOTAL LIABILITIES, TAKAFUL OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		908,219	872,193

Naji AlMustafa



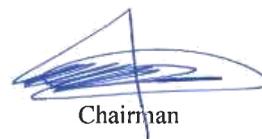
Chief Financial Officer

Hussam Alkhayal



Chief Executive Officer

Mohammad Alshayea



Chairman

The accompanying notes 1 to 16 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 2020

	<i>Notes</i>	<i>Three months ended 30 September 2020 SAR'000</i>	<i>Three months ended 30 September 2019 SAR'000</i>	<i>Nine months ended 30 September 2020 SAR'000</i>	<i>Nine months ended 30 September 2019 SAR'000</i>
REVENUES					
Gross contributions written					
- Family Takaful		40,986	29,285	111,167	88,009
- General Takaful		4,572	6,264	26,527	20,764
		<u>45,558</u>	<u>35,549</u>	<u>137,694</u>	<u>108,773</u>
Retakaful contribution ceded					
- Local retakaful contribution ceded		(1,587)	(2,201)	(6,123)	(5,818)
- Foreign retakaful contribution ceded		(14,764)	(9,746)	(52,300)	(32,723)
Planholder charges		4,236	4,133	12,501	11,942
		<u>33,443</u>	<u>27,735</u>	<u>91,772</u>	<u>82,174</u>
Changes in unearned contributions		2,750	1,268	(1,512)	1,367
Changes in retakaful share of unearned contributions		(2,363)	(1,119)	2,471	(440)
		<u>33,830</u>	<u>27,884</u>	<u>92,731</u>	<u>83,101</u>
Fees and commission income		1,446	1,179	3,848	4,098
Other underwriting income		-	-	1,999	-
		<u>35,276</u>	<u>29,063</u>	<u>98,578</u>	<u>87,199</u>
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		(6,828)	(9,568)	(23,579)	(29,770)
Retakaful share of claims paid		5,268	6,729	18,502	23,838
Surrenders and maturities		(16,195)	(22,564)	(51,775)	(61,156)
		<u>(17,755)</u>	<u>(25,403)</u>	<u>(56,852)</u>	<u>(67,088)</u>
Changes in outstanding claims, net		(3,864)	476	(5,285)	193
Changes in IBNR, net		(261)	644	(1,423)	(910)
		<u>(21,880)</u>	<u>(24,283)</u>	<u>(63,560)</u>	<u>(67,805)</u>
Changes in reserve for takaful activities		(8,528)	3,004	(12,291)	2,899
Changes in non-unit reserve		2,035	(422)	15	(416)
Changes in unexpired risk reserve		428	(64)	1,026	444
Policy acquisition costs		(3,552)	(918)	(10,802)	(3,054)
		<u>(31,497)</u>	<u>(22,683)</u>	<u>(85,612)</u>	<u>(67,932)</u>
		<u>3,779</u>	<u>6,380</u>	<u>12,966</u>	<u>19,267</u>
OTHER OPERATING (EXPENSES)/ INCOME					
General and administrative expenses		(11,051)	(11,918)	(36,770)	(34,830)
Rebate income		330	330	990	990
Income from deposits		372	1,785	2,199	5,081
Income from sukuk		917	739	2,968	2,864
Dividend income		70	-	155	-
		<u>(9,362)</u>	<u>(9,064)</u>	<u>(30,458)</u>	<u>(25,895)</u>
		<u>(5,583)</u>	<u>(2,684)</u>	<u>(17,492)</u>	<u>(6,628)</u>
Net loss for the period before attribution and zakat and tax		-	-	-	-
Net loss for the period attributable to the takaful operations		<u>(5,583)</u>	<u>(2,684)</u>	<u>(17,492)</u>	<u>(6,628)</u>
Net loss for the period attributable to shareholders before zakat and tax		(5,583)	(2,684)	(17,492)	(6,628)
Zakat and tax for the period	11	(1,355)	(1,305)	(3,804)	(4,179)
Net loss attributable to the shareholders after zakat and tax		<u>(6,938)</u>	<u>(3,989)</u>	<u>(21,296)</u>	<u>(10,807)</u>
Loss per share (SAR per share) (Basic)	9	<u>(0.20)</u>	<u>(0.12)</u>	<u>(0.63)</u>	<u>(0.32)</u>

Naji AlMustafa
Chief Financial Officer

Hussam Alkhalayal
Chief Executive Officer

Mohammad Alshayea
Chairman

The accompanying notes 1 to 16 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 2020

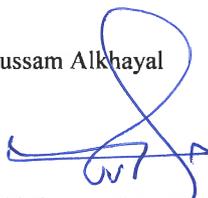
	<i>Three months ended 30 September 2020 SAR'000</i>	<i>Nine months ended 30 September 2020 SAR'000</i>
Net loss attributable to the shareholders after zakat and tax	(6,938)	(21,296)
Other comprehensive (loss)/ income		
<i>Items that will be reclassified to statement of income in subsequent periods</i>		
-	19,254	10,019
-	(19,254)	(10,019)
-	679	130
<i>Items that will not be reclassified to statement of income in subsequent periods</i>		
-	(113)	(275)
Total comprehensive loss for the period	<u><u>(6372)</u></u>	<u><u>(21,441)</u></u>

Naji AlMustafa



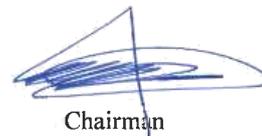
Chief Financial Officer

Hussam Alkhayal



Chief Executive Officer

Mohammad Alshayea



Chairman

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

For the nine month period ended 30 September 2020

	<i>Share Capital</i> SAR'000	<i>Statutory Reserve</i> SAR'000	<i>Remeasurements of retirement benefit obligations</i> SAR'000	<i>Fair value reserve on available-for- sale equity investments</i> SAR'000	<i>Accumulated losses</i> SAR'000	<i>Total</i> SAR'000
Balance as at 1 January 2020	340,000	14,788	(823)	649	(33,264)	321,350
<i>Total comprehensive loss for the period</i>						
Net loss attributable to the shareholders after zakat and tax	-	-	-	-	(21,296)	(21,296)
Remeasurements of retirement benefit obligations	-	-	(275)	-	-	(275)
Fair value reserve on available-for-sale financial assets	-	-	-	130	-	130
Total comprehensive loss for the period	-	-	(275)	130	(21,296)	(21,441)
Balance as at 30 September 2020	<u>340,000</u>	<u>14,788</u>	<u>(1,098)</u>	<u>779</u>	<u>(54,560)</u>	<u>299,909</u>

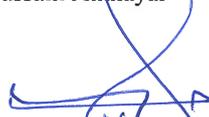
	<i>Share Capital</i> SAR'000	<i>Statutory Reserve</i> SAR'000	<i>Remeasurements of retirement benefit obligations</i> SAR'000	<i>Fair value reserve on available-for- sale equity investments</i> SAR'000	<i>Accumulated losses</i> SAR'000	<i>Total</i> SAR'000
Balance as at 1 January 2019	340,000	14,788	(213)	-	(8,464)	346,111
<i>Total comprehensive loss for the period</i>						
Net loss attributable to the shareholders after zakat and tax	-	-	-	-	(10,807)	(10,807)
Remeasurements of retirement benefit obligations	-	-	(522)	-	-	(522)
Total comprehensive loss for the period	-	-	(522)	-	(10,807)	(11,329)
Balance as at 30 September 2019	<u>340,000</u>	<u>14,788</u>	<u>(735)</u>	<u>-</u>	<u>(19,271)</u>	<u>334,782</u>

Naji AlMustafa



Chief Financial Officer

Hussam Alkhalayal



Chief Executive Officer

Mohammad Alshayea



Chairman

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine month period ended 30 September 2020

Notes	Nine months ended 30 September 2020 SAR'000	Nine months ended 30 September 2019 SAR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before attribution and zakat and tax	(17,492)	(6,628)
Adjustment for non-cash items:		
Amortisation	562	639
Depreciation	52	53
Income from sukuk	(2,994)	(2,864)
Amortization of premium on sukuk	30	24
Amortization of discount on sukuk	(4)	-
Provision/ (Reversal) of impairment on contribution and retakaful receivables	218	456
Provision for employees' end-of-service benefits	1,123	1,321
	(18,505)	(6,999)
Changes in operating assets and liabilities:		
Contributions and retakaful receivables, net	5,576	(3,503)
Short term deposits	66,277	-
Retakaful share of unearned contributions	(2,471)	440
Retakaful share of outstanding claims	(30,855)	10,781
Deferred policy acquisition costs	(16)	246
Available-for-sale financial assets	(9,809)	(16,737)
Prepaid expenses and other assets	(3,841)	(1,604)
Accrued and other liabilities	(77)	12,571
Retakaful balances payable	10,331	1,035
Unearned contributions	1,512	(1,367)
Unearned retakaful commission	585	(476)
Gross outstanding claims	37,563	(10,064)
Unexpired risk reserve	(1,026)	(444)
Non-unit reserve	(15)	416
Reserve for takaful activities	9,809	16,737
	65,038	1,032
Employees' end-of-service benefits paid, net of transfer in Zakat and income tax paid	(1,123)	(1,197)
	(5,551)	(5,958)
Net cash generated from / (used in) operating activities	58,364	(6,123)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of held-to-maturity financial assets	-	(20,370)
Maturity of held-to-maturity investments	-	50,000
Income received from sukuk	3,204	3,284
Purchase of intangible assets	(576)	(1,226)
Net cash generated from investing activities	2,628	31,688
Net change in cash and cash equivalents	60,992	25,565
Cash and cash equivalents, at the beginning of the period	146,986	244,019
Cash and cash equivalents, at the end of the period	207,978	269,584
Non-cash supplemental information:		
Net change in fair value of available-for-sale investments	10,019	31,578
Net change in fair value of available-for-sale investments in local equity shares	130	-

Naji AlMustafa



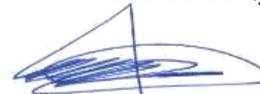
Chief Financial Officer

Hussam Alkhalaf



Chief Executive Officer

Mohammad Alshayea



Chairman

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SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

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 Company is listed on Saudi Stock Exchange ‘Tadawul’. The address of the registered office 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 presentation and measurement

The interim condensed financial information of the Company as at and for the nine month period ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

These financial statements have been prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of unit-linked available-for-sale investments, end of service benefits and reserves for takaful activities are carried at present values using the actuarial valuation. Equity investments classified as available-for-sale investments are carried at closing market value.

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 statements have been prepared on the going concern basis.

The statement of financial position is not presented using a current/non-current classification. However, the following items would generally be classified as non-current such as held-to-maturity investments, fixed assets, intangible assets, statutory deposit and provision for employees’ end-of-service benefits. All other financial statement line items would generally be classified as current.

The Company presents its statement of financial position in order of liquidity. As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for takaful operations and shareholders’ operations and presents the financial statements accordingly (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.

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

a) Basis of presentation and measurement (continued)

The statement of financial position, statements of income, comprehensive income and cash flows of the takaful operations and shareholders' operations which are presented in Note 13 of the financial statements have been provided as supplementary financial information to comply with the requirements of the guidelines issued by SAMA implementing regulations and is not required under IFRSs. SAMA implementing regulations requires the clear segregation of the assets, liabilities, income and expenses of the insurance operations and the shareholders' operations. Accordingly, the statements of financial position, statements of income, comprehensive income and cash flows prepared for the takaful operations and shareholders' operations as referred to above, reflect only the assets, liabilities, income, expenses and comprehensive gains or losses of the respective operations.

In preparing the Company-level interim condensed financial information in compliance with IFRS, the balances and transactions of the insurance operations are amalgamated and combined with those of the shareholders' operations. Inter-operation balances, transactions and unrealised gains or losses, if any, are eliminated in full during amalgamation. The accounting policies adopted for the insurance 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 2019.

b) Critical accounting judgments, estimates and assumptions

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 this interim condensed financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019. However, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of the COVID-19 pandemic. For further details, refer to the note below to these interim condensed financial statements. Management will continue to assess the situation, and reflect any required changes in future reporting periods.

c) Impact of covid-19 on the technical reserves and financial assets

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level, while maintaining acceptable service levels and operational activities and ensuring the safety and wellbeing of its employees.

The liquidity and solvency positions of the Company remain strong as at the date of issuing these interim condensed financial statements.

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

c) Impact of covid-19 on the technical reserves and financial assets (continued)

Notwithstanding these challenges, management believes that the technical reserves on life takaful business remains largely unaffected as the overall mortality due to COVID-19 in the Kingdom of Saudi Arabia is very low. Based on these factors the Company's management believes that the COVID-19 pandemic has had no material effects on Company's reported results for the period ended 30 September 2020. The Company continues to monitor the situation closely.

To cater for any potential impacts, the COVID-19 pandemic may have had on the financial assets of the Company, the Company has performed an assessment in accordance with its accounting policy, to determine whether there is an objective evidence that a financial asset or a group of financial assets has been impaired. For debt financial assets, these include factors such as, significant financial difficulties of issuers or debtors, default or delinquency in payments, probability that the issuer or debtor will enter bankruptcy or other financial reorganization, etc. In case of equities classified under available-for-sale, the Company has performed an assessment to determine whether there is a significant or prolonged decline in the fair value of financial assets below their cost.

Based on these assessments, the Company's management believes that the COVID-19 pandemic has had no material effects on Company's reported results for the three and nine-month periods ended 30 September 2020. The Company's management continues to monitor the situation closely.

d) Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except for the new standards and adoption of the amendments to existing standards which have had either insignificant effect or no financial impact on the interim condensed financial information of the Company on the current period or prior periods and are expected to have a insignificant effect in future period.

Standards issued but not yet effective

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 2019 and is currently assessing their impact:

IFRS 17 - "Insurance Contracts"

Overview

This standard has been published in May, 2017. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 – Insurance contracts.

The new standard applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features provided the entity also issues insurance contracts. It requires to separate the following components from insurance contracts:

- embedded derivatives, if they meet certain specified criteria;
- distinct investment components; and
- any promise to transfer distinct goods or non-insurance services.

These components should be accounted for separately in accordance with the related standards (IFRS 9 and IFRS 15).

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

d) Significant accounting policies (continued)

Standards issued but not yet effective (continued)

Measurement

In contrast to the requirements in IFRS 4, which permitted insurers to continue to use the accounting policies for measurement purposes that existed prior to January 2015, IFRS 17 provides the following different measurement models:

The General Measurement Model (GMM) is based on the following “building blocks”:

- a) the fulfilment cash flows (FCF), which comprise:
 - probability-weighted estimates of future cash flows,
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows,
 - and a risk adjustment for non-financial risk;

- b) the Contractual Service Margin (CSM). The CSM represents the unearned profit for a group of insurance contracts and will be recognized as the entity provides services in the future. The CSM cannot be negative at inception; any net negative amount of the fulfilment cash flows at inception will be recorded in profit or loss immediately. At the end of each subsequent reporting period the carrying amount of a group of insurance contracts is remeasured to be the sum of:
 - the liability for remaining coverage, which comprises the FCF related to future services and the CSM of the group at that date; and
 - the liability for incurred claims, which is measured as the FCF related to past services allocated to the group at that date.

The CSM is adjusted subsequently for changes in cash flows related to future services. Since the CSM cannot be negative, changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss.

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

The Variable Fee Approach (VFA) is a mandatory model for measuring contracts with direct participation features (also referred to as ‘direct participating contracts’). This assessment of whether the contract meets these criteria is made at inception of the contract and not reassessed subsequently. For these contracts, in addition to the adjustment under GMM, the CSM is also adjusted for:

- the entity’s share of the changes in the fair value of underlying items,
- the effect of changes in the time value of money and in financial risks not relating to the underlying items.

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

d) Significant accounting policies (continued)

Standards issued but not yet effective (continued)

In addition, a simplified **Premium Allocation Approach (PAA)** is permitted for the measurement of the liability for the remaining coverage if it provides a measurement that is not materially different from the General Model Measurement or if the coverage period for each contract in the group is one year or less. With the PAA, the liability for remaining coverage corresponds to premiums received at initial recognition less insurance acquisition cash flows. The General Measurement Model remains applicable for the measurement of the liability for incurred claims. However, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid/received in one year or less from the date the claims are incurred.

Effective date

The effective date of IFRS 17 and the deferral of the IFRS 9 temporary exemption in IFRS 4, is currently 1 January 2023, 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 expects a material impact on measurement and disclosure of insurance and reinsurance that will affect both the statement of income and the statement of financial position. The Company has decided not to early adopt this new standard.

Transition

Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Presentation and Disclosures

The Company expects that the new standard will result in a change to the accounting policies for insurance contracts together with amendments to presentation and disclosures.

IFRS 9 - “Financial instruments”

This standard was published on July 24, 2014 and has replaced IAS 39. The new standard addresses the following items related to financial instruments:

i) Classification and measurement:

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. A financial asset is measured at amortized cost if both:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

The financial asset is measured at fair value through other comprehensive income and realized gains or losses are recycled through profit or loss upon sale, if both conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and for sale; and
- the contractual terms of cash flows are SPPI,

Assets not meeting either of these categories are measured at fair value through profit or loss. Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

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

d) Significant accounting policies (continued)

Standards issued but not yet effective (continued)

For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the instruments (including realized gains and losses), dividends being recognized in profit or loss.

Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

ii) Impairment:

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

iii) Hedge accounting:

IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (commonly referred to as "fair value macro hedges"). For these, an entity may continue to apply the hedge accounting requirements currently in IAS 39. This exception was granted largely because the IASB is addressing macro hedge accounting as a separate project.

Effective date

The published effective date of IFRS 9 was 1st January 2018. However, amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on 12th September 2016, changes the existing IFRS 4 to allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 before the IASB's new insurance contract standard (IFRS 17 – Insurance Contracts) becomes effective. The amendments introduce two alternative options:

- Apply a temporary exemption from implementing IFRS 9 until the earlier of:
 - the effective date of a new insurance contract standard; or
 - annual reporting periods beginning on or after January 1, 2023. Additional disclosures related to financial assets are required during the deferral period. This option is only available to entities whose activities are predominately connected with insurance and have not applied IFRS 9 previously; or
- Adopt IFRS 9 but, for designated financial assets, remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contract standard is implemented. During the interim period, additional disclosures are required.

The Company has performed a detailed assessment beginning January 01, 2017: (1) The carrying amount of the Company's liabilities arising from contracts within the scope of IFRS 4 (including deposit components or embedded derivatives unbundled from insurance contracts) were compared to the total carrying amount of all its liabilities; and (2) the total carrying amount of the company's liabilities connected with insurance were compared to the total carrying amount of all its liabilities. Based on these assessments the Company determined that it is eligible for the temporary exemption. Consequently, the Company has decided to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard. Disclosures related to financial assets required during the deferral period are included in the Company's financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

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30 September 2020

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 interim condensed 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>30 September 2020</i> <i>SAR'000 (Unaudited)</i>		
	<i>Takaful</i> <i>Operations</i>	<i>Shareholders'</i> <i>Operations</i>	<i>Total</i>
<i>Available-for-sale investments – Quoted</i>			
Investment in Amanah Mutual Funds – note 3(c)	386,643	-	386,643
Investment in local equity shares – note 3(d)	-	7,165	7,165
	<u>386,643</u>	<u>7,165</u>	<u>393,808</u>
<i>Held-to-maturity investments – Unquoted – note 3(b)</i>			
General Authority of Civil Aviation Sukuk (GACA – I)	-	50,252	50,252
Bank AlBilad Sukuk	-	20,050	20,050
Ministry of Finance Sukuk (MOF-I)	-	10,083	10,083
Ministry of Finance Sukuk (MOF-II)	-	10,360	10,360
Ministry of Finance Sukuk (MOF-III)	-	20,198	20,198
Ministry of Finance Sukuk (MOF-IV)	-	25,251	25,251
Ministry of Finance Sukuk (MOF-V)	4,971	-	4,971
Ministry of Finance Sukuk (MOF-VI)	4,971	-	4,971
	<u>9,942</u>	<u>136,194</u>	<u>146,136</u>
Total investments	<u><u>396,585</u></u>	<u><u>143,359</u></u>	<u><u>539,944</u></u>
	<i>31 December 2019</i> <i>SAR'000 (Audited)</i>		
	<i>Takaful</i> <i>Operations</i>	<i>Shareholders'</i> <i>Operations</i>	<i>Total</i>
<i>Available-for-sale investments – Quoted</i>			
Investment in Amanah Mutual Funds – note 3(c)	376,834	-	376,834
Investment in local equity shares – note 3(d)	-	7,035	7,035
	<u>376,834</u>	<u>7,035</u>	<u>383,869</u>
<i>Held-to-maturity investments – Unquoted – note 3(b)</i>			
General Authority of Civil Aviation Sukuk (GACA – I)	-	50,580	50,580
Bank AlBilad Sukuk	-	20,080	20,080
Ministry of Finance Sukuk (MOF-I)	-	10,168	10,168
Ministry of Finance Sukuk (MOF-II)	-	10,485	10,485
Ministry of Finance Sukuk (MOF-III)	-	20,084	20,084
Ministry of Finance Sukuk (MOF-IV)	-	25,131	25,131
Ministry of Finance Sukuk (MOF-V)	4,922	-	4,922
Ministry of Finance Sukuk (MOF-VI)	4,922	-	4,922
	<u>9,844</u>	<u>136,528</u>	<u>146,372</u>
Total investments	<u><u>386,678</u></u>	<u><u>143,563</u></u>	<u><u>530,241</u></u>

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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.

All the held-to-maturity investments are un-quoted as well as domestic in nature. The maturity profile of held-to-maturity investments is as follows:

<i>Maturity profile</i>	<i>Maturity date</i>
- General Authority of Civil Aviation Sukuk (GACA - I)	18 January 2022
- Bank AlBilad Sukuk	30 August 2021
- Ministry of Finance Sukuk (MOF-I)	23 January 2024
- Ministry of Finance Sukuk (MOF-II)	23 January 2029
- Ministry of Finance Sukuk (MOF-III)	23 March 2025
- Ministry of Finance Sukuk (MOF-IV)	23 March 2030
- Ministry of Finance Sukuk (MOF-V)	23 March 2025
- Ministry of Finance Sukuk (MOF-VI)	23 March 2025

b) The fair value of held-to-maturity investments as at 30 September 2020 was SAR 146.14 million (31 December 2019: SAR 146.89 million).

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

	30 September 2020	31 December 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
	SAR'000	SAR'000
Opening balance	376,834	352,115
Purchased during the period/ year	64,068	77,080
Sold during the period/ year	(64,278)	(97,864)
	376,624	331,331
Net change in fair values of investments	10,019	45,503
Closing balance	386,643	376,834

d) Available- for-sale financial assets - Investment in local equity shares

The movements in the available-for-sale investments in local equity shares were as follows:

	30 September 2020	31 December 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
	SAR'000	SAR'000
Balance as at the beginning of the period/ year	7,035	-
Purchased during the period/ year	-	6,386
Sold during the period/ year	-	-
	7,035	6,386
Net change in fair values of investments	130	649
Balance as at the end of the period/ year	7,165	7,035

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

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

The Company's available-for-sale and held to maturity investments are classified under Level 1 and Level 3 hierarchy respectively.

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4. CONTRIBUTIONS AND RETAKAFUL RECEIVABLES, NET

	<i>30 September 2020 (Unaudited) SAR'000</i>	<i>31 December 2019 (Audited) SAR'000</i>
Policyholders	6,270	1,823
Retakaful companies	92	3,304
Due from The Saudi British Bank – parent of the Company	14,989	21,800
	21,351	26,927
Provision for impairment	(739)	(521)
	20,612	26,406

Balances receivables from a shareholder is 70.20 % (31 December 2019: 80.96 %) of the gross receivables and the Company does not foresee any credit risk as the Bank has very good credit rating.

5. CASH AND CASH EQUIVALENTS

	<i>30 September 2020 (Unaudited) SAR'000</i>		
	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
Bank balances	16,195	1,425	17,620
Murabaha deposits	25,034	165,324	190,358
	41,229	166,749	207,978

	<i>31 December 2019 (Audited) SAR'000</i>		
	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>	<i>Total</i>
Bank balances	15,663	1,852	17,515
Murabaha deposits	25,072	104,399	129,471
	40,735	106,251	146,986

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

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6. OUTSTANDING CLAIMS

	<i>30 September 2020 (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>
Family Takaful outstanding claims			
- Outstanding claims reserves	37,266	(29,545)	7,721
- Incurred but not reported reserve and other reserves	30,148	(23,928)	6,220
General Takaful outstanding claims			
- Outstanding claims reserves	23,686	(20,176)	3,510
- Incurred but not reported reserve and other reserves	8,753	(4,850)	3,903
Total outstanding claims	99,853	(78,499)	21,354
	<i>31 December 2019 (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>
Family Takaful outstanding claims			
- Outstanding claim reserves	17,725	(12,877)	4,848
- Incurred but not reported reserve and other reserves	21,767	(15,486)	6,281
General Takaful outstanding claims			
- Outstanding claim reserves	16,669	(15,571)	1,098
- Incurred but not reported reserve and other reserves	6,129	(3,710)	2,419
Total outstanding claims	62,290	(47,644)	14,646

The gross outstanding claims include SAR 36.13 million as at 30 September 2020 (As at 31 December 2019: SAR 27.13 million) payable to the Bank.

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

a) Movement in reserve for takaful activities

	<i>Nine</i> <i>months</i> <i>ended</i> <i>30 September 2020</i> <i>(Unaudited)</i> <i>SAR'000</i>	<i>Year</i> <i>ended</i> <i>31 December</i> <i>2019</i> <i>(Audited)</i> <i>SAR'000</i>
Balance as at the beginning of the period/year	376,834	352,115
Changes in reserve during the period/year	12,291	(4,610)
Planholder charges	(12,501)	(16,174)
Net change in fair value of investments	10,019	45,503
Balance as at the end of the period/year	386,643	376,834

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 (UNAUDITED)

30 September 2020

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

b) Movement in net unearned contribution

	<i>Nine months ended 30 September 2020</i>		
	<i>(Unaudited)</i>		
	<i>Gross</i>	<i>Retakaful</i>	<i>Net</i>
	<i>SAR'000</i>	<i>share</i>	<i>SAR'000</i>
		<i>SAR'000</i>	<i>SAR'000</i>
Balance as at the beginning of the period	15,703	(10,946)	4,757
Contribution written during the period	73,626	(57,701)	15,925
Contribution earned during the period	(72,114)	55,230	(16,884)
Balance as at the end of the period	17,215	(13,417)	3,798
	<i>Year ended 31 December 2019</i>		
	<i>(Audited)</i>		
	<i>Gross</i>	<i>Retakaful</i>	<i>Net</i>
	<i>SAR'000</i>	<i>share</i>	<i>SAR'000</i>
		<i>SAR'000</i>	<i>SAR'000</i>
Balance as at the beginning of the year	9,565	(6,969)	2,596
Contribution written during the year	78,073	(57,722)	20,351
Contribution earned during the year	(71,935)	53,745	(18,190)
Balance as at the end of the year	15,703	(10,946)	4,757

c) Non-unit reserve

As at 30 September 2020, the Company has recorded a non-unit reserve of SAR 6.5 million (31 December 2019: SAR 6.5 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 premium deficiency reserve of SAR 1.83 million (2019: SAR 2.05 million) and SAR 3.03 million (2019: SAR 3.84 million) pertaining to group family and general takaful segments respectively.

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

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 and other related costs, underwriting surplus, investment income, general and administrative expenses, net surplus/ (deficit), surplus/ (loss) from takaful operations, net profit, purchase of intangible assets and motor vehicle, amortisation, depreciation, intangible assets, 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 and 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, due from shareholders and cash and cash equivalents. Accordingly, they are included in unallocated assets.

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

	<i>Shareholders' Operations 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 month period ended 30 September 2020					
Gross contributions written	-	24,725	16,261	4,572	45,558
Net contributions written	-	28,706	3,975	762	33,443
Net contributions earned	-	28,706	3,977	1,147	33,830
Fees and commission income	-	-	-	1,446	1,446
Other underwriting income	-	-	-	-	-
Total revenue	-	28,706	3,977	2,593	35,276
Net claims and other benefits incurred	-	(16,222)	(3,479)	(2,179)	(21,880)
Changes in reserve for takaful activities	-	(8,528)	-	-	(8,528)
Changes in non-unit reserve	-	2,035	-	-	2,035
Changes in unexpired risk reserve	-	-	(348)	776	428
Policy acquisition costs	-	(488)	(2,393)	(671)	(3,552)
Net underwriting income for the period	-	5,503	(2,243)	519	3,779
General and administrative expenses	(1,096)	(3,675)	(3,389)	(2,891)	(11,051)
Rebate income	-	330	-	-	330
Income from deposits	329	9	17	17	372
Income from sukuk	863	28	26	-	917
Dividend income	70	-	-	-	70
Total income /(loss) for the period before zakat and tax	166	2,195	(5,589)	(2,355)	(5,583)
Zakat and tax for the period	(1,355)	-	-	-	(1,355)
Total loss for the period after zakat and tax	(1,189)	2,195	(5,589)	(2,355)	(6,938)
Purchase of intangibles	93	-	-	-	93
Amortisation	210	-	-	-	210
Depreciation	17	-	-	-	17

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8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Operations 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 month period ended 30 September 2020					
Gross contributions written	-	64,068	47,099	26,527	137,694
Net contributions written	-	75,847	11,815	4,110	91,772
Net contributions earned	-	75,847	12,675	4,209	92,731
Fees and commission income	-	-	-	3,848	3,848
Other underwriting income	-	-	-	1,999	1,999
Total revenue	-	75,847	12,675	10,056	98,578
Net claims and other benefits incurred	-	(52,019)	(6,105)	(5,436)	(63,560)
Changes in reserve for takaful activities	-	(12,291)	-	-	(12,291)
Changes in non-unit reserve	-	15	-	-	15
Changes in unexpired risk reserve	-	-	213	813	1,026
Policy acquisition costs	-	(1,372)	(7,221)	(2,209)	(10,802)
Net underwriting income for the period	-	10,180	(438)	3,224	12,966
General and administrative expenses	(3,055)	(12,601)	(11,477)	(9,637)	(36,770)
Rebate income	-	990	-	-	990
Income from deposits	1,951	50	99	99	2,199
Income from sukuk	2,766	102	100	-	2,968
Dividend income	155	-	-	-	155
Total income/ (loss) for the period before zakat and tax	1,817	(1,279)	(11,716)	(6,314)	(17,492)
Zakat and tax for the period	(3,804)	-	-	-	(3,804)
Total loss for the period after zakat and tax	(1,987)	(1,279)	(11,716)	(6,314)	(21,296)
Purchase of intangibles	576	-	-	-	576
Amortisation	562	-	-	-	562
Depreciation	52	-	-	-	52
30 September 2020 (Unaudited)					
Intangible assets	2,230	-	-	-	2,230
Fixed assets	23	-	-	-	23
Assets					
Cash and cash equivalents	166,749	15,038	12,627	13,564	207,978
Contributions and retakaful receivables, net	-	-	16,012	4,600	20,612
Retakaful share of unearned contributions	-	-	4,401	9,016	13,417
Retakaful share of outstanding claims	-	732	52,741	25,026	78,499
Deferred policy acquisition costs	-	-	932	1,069	2,001
Available-for-sale financial assets	7,165	386,643	-	-	393,808
Held-to-maturity financial assets	136,194	4,971	4,971	-	146,136
Statutory deposit	34,000	-	-	-	34,000
Unallocated assets	-	-	-	-	11,768
Total assets					908,219
Liabilities					
Retakaful balances payable	-	473	15,789	9,933	26,195
Unearned contributions	-	-	6,364	10,851	17,215
Unearned retakaful commission	-	-	-	2,495	2,495
Gross outstanding claims	-	2,666	64,748	32,439	99,853
Unexpired risk reserve	-	-	1,834	3,029	4,863
Non-unit reserve	-	6,455	-	-	6,455
Provision for employees' end-of-service benefits	-	2,491	1,912	1,747	6,150
Reserve for takaful activities	-	386,643	-	-	386,643
Unallocated liabilities	-	-	-	-	58,441
Total liabilities					608,310

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30 September 2020

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Operations</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 month period ended 30 September 2019					
Gross contributions written	-	19,559	9,726	6,264	35,549
Net contributions written	-	23,435	3,471	829	27,735
Net contributions earned	-	23,435	3,572	877	27,884
Fees and commission income	-	-	-	1,179	1,179
Total revenue	-	23,435	3,572	2,056	29,063
Net claims and other benefits incurred	-	(23,305)	(982)	4	(24,283)
Changes in reserve for takaful activities	-	3,004	-	-	3,004
Changes in non-unit reserve	-	(422)	-	-	(422)
Changes in unexpired risk reserve	-	-	67	(131)	(64)
Policy acquisition costs	-	(414)	(92)	(412)	(918)
Net underwriting income for the period	-	2,298	2,565	1,517	6,380
General and administrative expenses	(917)	(4,618)	(3,690)	(2,693)	(11,918)
Rebate income	-	330	-	-	330
Income from deposits	1,539	87	90	69	1,785
Income from sukuk	739	-	-	-	739
Total income/ (loss) for the period before zakat and tax	1,361	(1,903)	(1,035)	(1,107)	(2,684)
Zakat and tax for the period	(1,305)	-	-	-	(1,305)
Total income/ (loss) for the period after zakat and tax	56	(1,903)	(1,035)	(1,107)	(3,989)
Purchase of intangibles	149	-	-	-	149
Amortisation	225	-	-	-	225
Depreciation	18	-	-	-	18
For the nine month period ended 30 September 2019					
Gross contributions written	-	58,257	29,752	20,764	108,773
Net contributions written	-	69,478	10,371	2,325	82,174
Net contributions earned	-	69,478	10,909	2,714	83,101
Fees and commission income	-	639	-	3,459	4,098
Total revenue	-	70,117	10,909	6,173	87,199
Net claims and other benefits incurred	-	(63,031)	(4,617)	(157)	(67,805)
Changes in reserve for takaful activities	-	2,899	-	-	2,899
Changes in non-unit reserve	-	(416)	-	-	(416)
Changes in unexpired risk reserve	-	-	266	178	444
Policy acquisition costs	-	(1,149)	(348)	(1,557)	(3,054)
Net underwriting income for the period	-	8,420	6,210	4,637	19,267
General and administrative expenses	(2,661)	(12,095)	(10,393)	(9,681)	(34,830)
Rebate income	-	990	-	-	990
Income from deposits	4,356	281	220	224	5,081
Income from sukuk	2,864	-	-	-	2,864
Total income/ (loss) for the period before zakat and tax	4,559	(2,404)	(3,963)	(4,820)	(6,628)
Zakat and tax for the period	(4,179)	-	-	-	(4,179)
Total income/ (loss) for the period after zakat and tax	380	(2,404)	(3,963)	(4,820)	(10,807)
Purchase of intangibles	1,226	-	-	-	1,226
Amortisation	639	-	-	-	639
Depreciation	53	-	-	-	53

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

8. SEGMENTAL INFORMATION (continued)

	Shareholders' Operations SAR'000	Individual Family (Protection & Savings) SAR'000	Group Family (Protection & Savings) SAR'000	General Takaful SAR'000	Total SAR'000
31 December 2019 (Audited)					
Intangible assets	2,216	-	-	-	2,216
Fixed assets	75	-	-	-	75
Assets					
Cash and cash equivalents	106,251	14,966	11,218	14,551	146,986
Short term deposits	66,277	-	-	-	66,277
Contributions and retakaful receivables, net	-	-	23,020	3,386	26,406
Retakaful share of unearned contributions	-	-	5,326	5,620	10,946
Retakaful share of outstanding claims	-	743	27,620	19,281	47,644
Deferred policy acquisition costs	-	-	1,214	771	1,985
Available-for-sale financial assets	7,035	376,834	-	-	383,869
Held-to-maturity financial assets	136,528	4,922	4,922	-	146,372
Statutory deposit	34,000	-	-	-	34,000
Unallocated assets	-	-	-	-	7,708
Total assets					872,193
Liabilities					
Retakaful balances payable	-	80	11,971	3,813	15,864
Unearned contributions	-	-	8,149	7,554	15,703
Unearned retakaful commission	-	-	-	1,910	1,910
Gross outstanding claims	-	2,595	36,897	22,798	62,290
Unexpired risk reserve	-	-	2,047	3,842	5,889
Non-unit reserve	-	6,470	-	-	6,470
Provision for employees' end-of-service benefits	-	1,996	1,728	2,151	5,875
Reserve for takaful activities	-	376,834	-	-	376,834
Unallocated liabilities	-	-	-	-	60,008
Total liabilities					550,843

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

For the three-month period ended 30 September 2020 (Unaudited)	Protection & Savings SAR'000	Property & Casualty SAR'000	*Motor SAR'000	Total SAR'000
Gross written contribution				
Individual	24,725	93	-	24,818
Micro enterprises	2	5	-	7
Small enterprises	121	586	-	707
Medium enterprises	532	2,447	-	2,979
Large enterprises	15,606	1,441	-	17,047
	40,986	4,572	-	45,558

*As of date, the Company does not have approval to underwrite Motor product.

For the nine-month period ended 30 September 2020 (Unaudited)	Protection & Savings SAR'000	Property & Casualty SAR'000	*Motor SAR'000	Total SAR'000
Gross written contribution				
Individual	64,068	249	-	64,317
Micro enterprises	2	5	-	7
Small enterprises	132	3,325	-	3,457
Medium enterprises	796	5,587	-	6,383
Large enterprises	46,169	17,361	-	63,530
	111,167	26,527	-	137,694

*As of date, the Company does not have approval to underwrite Motor product.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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8. SEGMENTAL INFORMATION (continued)

For the three-month period ended 30 September 2019 (Unaudited)	<i>Protection & Savings SAR'000</i>	<i>Property & Casualty SAR'000</i>	<i>*Motor SAR'000</i>	<i>Total SAR'000</i>
<u>Gross written contribution</u>				
Individual	19,560	58	-	19,618
Micro enterprises	-	8	-	8
Small enterprises	28	429	-	457
Medium enterprises	97	1,063	-	1,160
Large enterprises	9,600	4,706	-	14,306
	<u>29,285</u>	<u>6,264</u>	<u>-</u>	<u>35,549</u>

**As of date, the Company does not have approval to underwrite Motor product.*

For the nine-month period ended 30 September 2019 (Unaudited)	<i>Protection & Savings SAR'000</i>	<i>Property & Casualty SAR'000</i>	<i>*Motor SAR'000</i>	<i>Total SAR'000</i>
<u>Gross written contribution</u>				
Individual	58,258	241	-	58,499
Micro enterprises	-	8	-	8
Small enterprises	28	970	-	998
Medium enterprises	204	2,119	-	2,323
Large enterprises	29,519	17,426	-	46,945
	<u>88,009</u>	<u>20,764</u>	<u>-</u>	<u>108,773</u>

**As of date, the Company does not have approval to underwrite Motor product.*

9. BASIC LOSS PER SHARE

Loss per share amounts are calculated by dividing the net loss for the year attributable to ordinary shareholders after zakat and tax of the Company by the weighted average number of ordinary shares outstanding at the reporting date as follows:

	<i>Three months ended 30 September 2020 SAR'000 (Unaudited)</i>	<i>Three months ended 30 September 2020 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2020 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2019 SAR'000 (Unaudited)</i>
Net loss for the period attributable to the shareholders after zakat and tax (SAR'000)	<u>(6,938)</u>	<u>(3,989)</u>	<u>(21,296)</u>	<u>(10,807)</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 per share (SAR)	<u>(0.20)</u>	<u>(0.12)</u>	<u>(0.63)</u>	<u>(0.32)</u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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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 2020 SAR'000 (Unaudited)</i>	<i>Three months ended 30 September 2020 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2020 SAR'000 (Unaudited)</i>	<i>Nine months ended 30 September 2019 SAR'000 (Unaudited)</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>				
Contributions	14,854	10,773	48,100	32,103
Claims paid	5,435	8,980	18,778	17,851
Other expenses				
- IT maintenance cost and related expenses	1,050	781	2,478	2,305
Investment income on murabaha deposits	16	194	62	356
Other entities controlled, jointly controlled or significantly influenced by related parties				
Policy acquisition costs paid	1,375	781	2,877	2,707
HSBC Saudi Arabia Limited – IBSA				
Contributions	-	149	1,168	845
Rebate on unit-linked investments	330	330	990	990

'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.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

10. RELATED PARTY TRANSACTIONS

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 month period ended 30 September 2020 SAR'000 (Unaudited)</i>		<i>Three month period ended 30 September 2019 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>
Salaries and other benefits including end-of-service benefits	1,420	-	1,406	-
Directors' remuneration and other benefits	-	450	-	229
Number of key management personnel	5	8	5	8
	<i>Nine month period ended 30 September 2020 SAR'000 (Unaudited)</i>		<i>Nine month period ended 30 September 2019 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>	<i>Takaful Operations</i>	<i>Shareholders' Operations</i>
Salaries and other benefits including end-of-service benefits	4,635	-	3,757	-
Directors' remuneration and other benefits	-	1,194	-	657
Number of key management personnel	5	8	5	8

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. During the year ended 31 December 2016, the GAZT also started its review for the years from 2011 to 2015.

On 27 November 2018, GAZT has issued the tax/zakat assessments for the years ended 31 December 2011 to 2014. In connection with the above assessments of GAZT for the year 2011 to 2014, the Company requested GAZT to provide the details of the tax/zakat assessments in order to provide the Company's point of view on GAZT's action. Accordingly, the GAZT provided the details of tax/zakat and withholding tax assessments for the years ended 31 December 2011 to 2015. During the quarter ended 31 December 2018, the Company had filed an appeal against the above mentioned assessments. The management believes that the Company is in a strong position in the appeal filed as mainly it relates to matters already decided in Company's favour in earlier appeals relating to previous assessments (2007-2010).

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

11. ZAKAT AND TAX (continued)

During the year ended 31 December 2019, GAZT has issued the tax/zakat assessments for the year ended 31 December 2018. In connection with the above assessment of GAZT for the year 2018, the Company requested GAZT to provide the details of the tax/zakat assessments in order to provide the Company's point of view on GAZT's action. Accordingly, the GAZT provided the details of tax/zakat and withholding tax assessments for the year ended 31 December 2018. The Company filed an appeal in first quarter of year 2020 against the said assessment. Subsequent to year ended 31 December 2019, GAZT has requested the information relating to the tax years 2015 to 2017. The Company provided the requested information during first quarter of 2020. During April 2020, GAZT raised a revised assessment for year 2018. In the revised assessment, GAZT has accepted Company's view point with respect to withholding tax and hence GAZT has removed the related additional liability. For the remaining of the exposure amounting to SAR 0.9 million, the Company filed an appeal with The Committee for the Settlement of Tax Violations and Disputes (CSTVD) during quarter ended 30 June 2020. The management strongly believes that the Company is in a strong position with respect to the aforementioned appeal.

Further, during the quarter ended 31 March 2020, GAZT has raised an assessment based on the tax audit conducted with respect to Value Added Tax (VAT). In the said assessment, GAZT has decided to apply 5% VAT on the planholder charges in life insurance policies supplied by SABB Takaful Company under Individual Family with effect from 1 January 2018 till 31 March 2020 along with the late payment penalties, amounting to SAR 1.8 million in total. During quarter ended 30 June 2020, after waiving the penalty amount, GAZT has raised the invoices for settlement amounting to SAR 0.8 million. In response, on 18 June 2020, SABB Takaful submitted an objection letter through the GAZT portal, objecting to the SADAD invoices issued. In parallel to this letter, SABB Takaful made payment under protest to settle all raised invoices by GAZT. A response to this objection letter was received on 13 July 2020 in which GAZT rejected the objection. During the quarter ended 30 September 2020, the Company has filed an appeal with General Secretariat of Tax Committees (GSTC) and currently GSTC response is awaited.

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 2020 and as at 30 September 2019 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>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

13. SUPPLEMENTARY INFORMATION

Interim statement of financial position

	SAR '000					
	30 September 2020 (Unaudited)			31 December 2019 (Audited)		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
ASSETS						
Cash and cash equivalents	41,229	166,749	207,978	40,735	106,251	146,986
Short term deposits	-	-	-	-	66,277	66,277
Contributions and retakaful receivables, net	20,612	-	20,612	26,406	-	26,406
Retakaful share of unearned contributions	13,417	-	13,417	10,946	-	10,946
Retakaful share of outstanding claims	78,499	-	78,499	47,644	-	47,644
Deferred policy acquisition costs	2,001	-	2,001	1,985	-	1,985
Due from/ (to) shareholders'/ takaful operations	38,255	(38,255)	-	22,077	(22,077)	-
Available-for-sale financial assets	386,643	7,165	393,808	376,834	7,035	383,869
Held-to-maturity financial assets	9,942	136,194	146,136	9,844	136,528	146,372
Prepaid expenses and other assets	4,804	99	4,903	769	293	1,062
Fixed assets	-	23	23	-	75	75
Intangible assets	-	2,230	2,230	-	2,216	2,216
Statutory deposit	-	34,000	34,000	-	34,000	34,000
Accrued income on statutory deposit	-	4,612	4,612	-	4,355	4,355
TOTAL ASSETS	595,402	312,817	908,219	537,240	334,953	872,193
LIABILITIES						
Accrued and other liabilities	40,038	3,167	43,205	40,635	2,647	43,282
Provision for zakat and income tax	-	4,031	4,031	-	5,778	5,778
Retakaful balances payable	26,195	-	26,195	15,864	-	15,864
Unearned contributions	17,215	-	17,215	15,703	-	15,703
Unearned retakaful commission	2,495	-	2,495	1,910	-	1,910
Gross outstanding claims	99,853	-	99,853	62,290	-	62,290
Unexpired risk reserve	4,863	-	4,863	5,889	-	5,889
Non-unit reserve	6,455	-	6,455	6,470	-	6,470
Provision for employees' end-of-service benefits	6,150	-	6,150	5,875	-	5,875
Surplus distribution payable	6,593	-	6,593	6,593	-	6,593
Reserve for takaful activities	386,643	-	386,643	376,834	-	376,834
Accrued income on statutory deposit	-	4,612	4,612	-	4,355	4,355
TOTAL LIABILITIES	596,500	11,810	608,310	538,063	12,780	550,843
Takaful operations' surplus	-	-	-	-	-	-
TOTAL LIABILITIES AND TAKAFUL OPERATIONS' SURPLUS	596,500	11,810	608,310	538,063	12,780	550,843
SHAREHOLDERS' EQUITY						
Share capital	-	340,000	340,000	-	340,000	340,000
Statutory reserve	-	14,788	14,788	-	14,788	14,788
Remeasurements of retirement benefit obligations	(1,098)	-	(1,098)	(823)	-	(823)
Fair value reserve on available-for-sale financial assets	-	779	779	-	649	649
Accumulated losses	-	(54,560)	(54,560)	-	(33,264)	(33,264)
	(1,098)	301,007	299,909	(823)	322,173	321,350
TOTAL LIABILITIES, TAKAFUL OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	595,402	312,817	908,219	537,240	334,953	872,193

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

13. SUPPLEMENTARY INFORMATION (continued)

Interim statement of income

	SAR *000					
	For the three month period ended 30 September 2020			For the three month period ended 30 September 2019		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
REVENUES						
Gross contributions written						
- Family Takaful	40,986	-	40,986	29,285	-	29,285
- General Takaful	4,572	-	4,572	6,264	-	6,264
Gross contributions written	45,558	-	45,558	35,549	-	35,549
Retakaful contribution ceded						
- Local retakaful contribution ceded	(1,587)	-	(1,587)	(2,201)	-	(2,201)
- Foreign retakaful contribution ceded	(14,764)	-	(14,764)	(9,746)	-	(9,746)
Planholder charges	4,236	-	4,236	4,133	-	4,133
Net contributions written	33,443	-	33,443	27,735	-	27,735
Changes in gross unearned contributions	2,750	-	2,750	1,268	-	1,268
Changes in retakaful share of unearned contributions	(2,363)	-	(2,363)	(1,119)	-	(1,119)
Net contributions earned	33,830	-	33,830	27,884	-	27,884
Fees and commission income	1,446	-	1,446	1,179	-	1,179
Other underwriting income	-	-	-	-	-	-
Total revenue	35,276	-	35,276	29,063	-	29,063
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(6,828)	-	(6,828)	(9,568)	-	(9,568)
Retakaful share of claims paid	5,268	-	5,268	6,729	-	6,729
Surrenders and maturities	(16,195)	-	(16,195)	(22,564)	-	(22,564)
Net claims and other benefits paid	(17,755)	-	(17,755)	(25,403)	-	(25,403)
Changes in outstanding claims, net	(3,864)	-	(3,864)	476	-	476
Changes in IBNR, net	(261)	-	(261)	644	-	644
Net claims and other benefits incurred	(21,880)	-	(21,880)	(24,283)	-	(24,283)
Changes in reserve for takaful activities	(8,528)	-	(8,528)	3,004	-	3,004
Changes in non-unit reserve	2,035	-	2,035	(422)	-	(422)
Changes in unexpired risk reserve	428	-	428	(64)	-	(64)
Policy acquisition costs	(3,552)	-	(3,552)	(918)	-	(918)
Total underwriting costs and expenses	(31,497)	-	(31,497)	(22,683)	-	(22,683)
Net underwriting income	3,779	-	3,779	6,380	-	6,380
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses	(9,955)	(1,096)	(11,051)	(11,001)	(917)	(11,918)
Rebate income	330	-	330	330	-	330
Income from deposits	43	329	372	246	1,539	1,785
Income from sukuk	54	863	917	-	739	739
Dividend income	-	70	70	-	-	-
TOTAL OTHER OPERATING (EXPENSES)/ INCOME, NET	(9,528)	166	(9,362)	(10,425)	1,361	(9,064)
Net (loss)/ income for the period before attribution and zakat and tax	(5,749)	166	(5,583)	(4,045)	1,361	(2,684)
Shareholders' absorption of deficit/ (surplus transferred to shareholders) from takaful operations	5,749	(5,749)	-	4,045	(4,045)	-
Net loss attributable to the shareholders before zakat and tax	-	(5,583)	(5,583)	-	(2,684)	(2,684)
Zakat and tax for the period	-	(1,355)	(1,355)	-	(1,305)	(1,305)
Net loss attributable to the shareholders after zakat and tax	-	(6,938)	(6,938)	-	(3,989)	(3,989)

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

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13. SUPPLEMENTARY INFORMATION (continued)

	SAR '000					
	For the nine month period ended 30 September 2020			For the nine month period ended 30 September 2019		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
REVENUES						
Gross contributions written						
- Family Takaful	111,167	-	111,167	88,009	-	88,009
- General Takaful	26,527	-	26,527	20,764	-	20,764
Gross contributions written	137,694	-	137,694	108,773	-	108,773
Retakaful contribution ceded						
- Local retakaful contribution ceded	(6,123)	-	(6,123)	(5,818)	-	(5,818)
- Foreign retakaful contribution ceded	(52,300)	-	(52,300)	(32,723)	-	(32,723)
Planholder charges	12,501	-	12,501	11,942	-	11,942
Net contributions written	91,772	-	91,772	82,174	-	82,174
Changes in gross unearned contributions	(1,512)	-	(1,512)	1,367	-	1,367
Changes in retakaful share of unearned contributions	2,471	-	2,471	(440)	-	(440)
Net contributions earned	92,731	-	92,731	83,101	-	83,101
Fees and commission income	3,848	-	3,848	4,098	-	4,098
Other underwriting income	1,999	-	1,999	-	-	-
Total revenue	98,578	-	98,578	87,199	-	87,199
UNDERWRITING COSTS AND EXPENSES						
Gross claims paid	(23,579)	-	(23,579)	(29,770)	-	(29,770)
Retakaful share of claims paid	18,502	-	18,502	23,838	-	23,838
Surrenders and maturities	(51,775)	-	(51,775)	(61,156)	-	(61,156)
Net claims and other benefits paid	(56,852)	-	(56,852)	(67,088)	-	(67,088)
Changes in outstanding claims, net	(5,285)	-	(5,285)	193	-	193
Changes in IBNR, net	(1,423)	-	(1,423)	(910)	-	(910)
Net claims and other benefits incurred	(63,560)	-	(63,560)	(67,805)	-	(67,805)
Changes in reserve for takaful activities	(12,291)	-	(12,291)	2,899	-	2,899
Changes in non-unit reserve	15	-	15	(416)	-	(416)
Changes in unexpired risk reserve	1,026	-	1,026	444	-	444
Policy acquisition costs	(10,802)	-	(10,802)	(3,054)	-	(3,054)
Total underwriting costs and expenses	(85,612)	-	(85,612)	(67,932)	-	(67,932)
Net underwriting income	12,966	-	12,966	19,267	-	19,267
OTHER OPERATING (EXPENSES)/ INCOME						
General and administrative expenses	(33,715)	(3,055)	(36,770)	(32,169)	(2,661)	(34,830)
Rebate income	990	-	990	990	-	990
Income from deposits	248	1,951	2,199	725	4,356	5,081
Income from sukuk	202	2,766	2,968	-	2,864	2,864
Dividend income	-	155	155	-	-	-
TOTAL OTHER OPERATING (EXPENSES)/ INCOME, NET	(32,275)	1,817	(30,458)	(30,454)	4,559	(25,895)
Net (loss)/ income for the period before attribution and zakat and tax	(19,309)	1,817	(17,492)	(11,187)	4,559	(6,628)
Shareholders' absorption of deficit/ (surplus transferred to shareholders) from takaful operations	19,309	(19,309)	-	11,187	(11,187)	-
Net loss attributable to the shareholders before zakat and tax	-	(17,492)	(17,492)	-	(6,628)	(6,628)
Zakat and tax for the period	-	(3,804)	(3,804)	-	(4,179)	(4,179)
Net loss attributable to the shareholders after zakat and tax	-	(21,296)	(21,296)	-	(10,807)	(10,807)

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

13. SUPPLEMENTARY INFORMATION (continued)

Interim statement of comprehensive income

	SAR '000					
	For the three month period ended 30 September 2020			For the three month period ended 30 September 2019		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
Net loss attributable to the shareholders after zakat and tax	-	(6,938)	(6,938)	-	(3,989)	(3,989)
Other comprehensive loss						
<i>Items that will be reclassified to statement of income in subsequent periods</i>						
- Fair value change in unit-linked available for sale investments – unrealized	19,254	-	19,254	1,342	-	1,342
- Fair value change in reserve for takaful activities – unrealized	(19,254)	-	(19,254)	(1,342)	-	(1,342)
- Fair value reserve on available-for-sale equity investments	-	679	679	-	-	-
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
- Remeasurements of employees' end-of-service benefits	(113)	--	(113)	(241)	-	(241)
Total comprehensive income/ (loss) for the period	(113)	(6,259)	(6,372)	(241)	(3,989)	(4,230)

	SAR '000					
	For the nine month period ended 30 September 2020			For the nine month period ended 30 September 2019		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
Net loss attributable to the shareholders after zakat and tax	-	(21,296)	(21,296)	-	(10,807)	(10,807)
Other comprehensive loss						
<i>Items that will be reclassified to statement of income in subsequent periods</i>						
- Fair value change in unit-linked available for sale investments – unrealized	10,019	-	10,019	31,578	-	31,578
- Fair value change in reserve for takaful activities – unrealized	(10,019)	-	(10,019)	(31,578)	-	(31,578)
- Fair value reserve on available-for-sale equity investments	-	130	130	-	-	-
<i>Items that will not be reclassified to statement of income in subsequent periods</i>						
- Remeasurements of employees' end-of-service benefits	(275)	--	(275)	(522)	-	(522)
Total comprehensive loss for the period	(275)	(21,166)	(21,441)	(522)	(10,807)	(11,329)

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

13. SUPPLEMENTARY INFORMATION (continued)

Interim statement of cash flows

	SR '000					
	For the nine month period ended 30 September 2020			For the nine month period ended 30 September 2019		
	Takaful Operations	Shareholders' Operations	Total	Takaful Operations	Shareholders' Operations	Total
CASHFLOWS FROM OPERATING ACTIVITIES						
Net loss for the period before attribution and zakat and tax	-	(17,492)	(17,492)	-	(6,628)	(6,628)
Adjustment for non-cash items:						
Amortisation	-	562	562	-	639	639
Depreciation	-	52	52	-	53	53
Income from sukuk	(198)	(2,796)	(2,994)	-	(2,864)	(2,864)
Amortization of premium on sukuku	-	30	30	-	24	24
Amortization of discount on sukuku	(4)	-	(4)	-	-	-
Shareholders' appropriation from deficit/ surplus	(19,309)	19,309	-	(11,187)	11,187	-
Provision of impairment on contribution and retakaful receivables	218	-	218	456	-	456
Provision for employees' end-of-service benefits	1,123	-	1,123	1,321	-	1,321
	(18,170)	(335)	(18,505)	(9,410)	2,411	(6,999)
Changes in operating assets and liabilities:						
Contributions and retakaful receivable, net	5,576	-	5,576	(3,503)	-	(3,503)
Murabaha deposits	-	66,277	66,277	-	-	-
Retakaful share of unearned contributions	(2,471)	-	(2,471)	440	-	440
Retakaful share of outstanding claims	(30,855)	-	(30,855)	10,781	-	10,781
Deferred policy acquisition costs	(16)	-	(16)	246	-	246
Available-for-sale financial assets	(9,809)	-	(9,809)	(16,737)	-	(16,737)
Prepaid expenses and other assets	(4,035)	194	(3,841)	(1,479)	(125)	(1,604)
Accrued and other liabilities	(597)	520	(77)	12,582	(11)	12,571
Retakaful balances payable	10,331	-	10,331	1,035	-	1,035
Gross unearned contributions	1,512	-	1,512	(1,367)	-	(1,367)
Unearned retakaful commission	585	-	585	(476)	-	(476)
Gross outstanding claims	37,563	-	37,563	(10,064)	-	(10,064)
Unexpired risk reserve	(1,026)	-	(1,026)	(444)	-	(444)
Non-unit reserve	(15)	-	(15)	416	-	416
Reserve for takaful activities	9,809	-	9,809	16,737	-	16,737
	(1,618)	66,656	65,038	(1,243)	2,275	1,032
Employees' end-of-service benefits paid, net of transfer in Zakat and tax paid	(1,123)	-	(1,123)	(1,197)	-	(1,197)
	-	(5,551)	(5,551)	-	(5,958)	(5,958)
Net cash generated from/ (used in) operating activities	(2,741)	61,105	58,364	(2,440)	(3,683)	(6,123)
CASHFLOWS FROM INVESTING ACTIVITIES						
Maturity of held-to-maturity financial assets	-	-	-	-	50,000	50,000
Purchase of held-to-maturity financial assets	-	-	-	-	(20,370)	(20,370)
Income received from sukuk	104	3,100	3,204	-	3,284	3,284
Purchase of intangible assets	-	(576)	(576)	-	(1,226)	(1,226)
Purchase of fixed assets	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-
Net cash generated from investing activities	104	2,524	2,628	-	31,688	31,688
CASHFLOWS FROM FINANCING ACTIVITIES						
Due from/ (to) shareholders'/ takaful operations, net	3,131	(3,131)	-	(28)	28	-
Net change in cash and cash equivalents	494	60,498	60,992	(2,468)	28,033	25,565
Cash and cash equivalents, beginning of the period	40,735	106,251	146,986	49,707	194,312	244,019
Cash and cash equivalents, end of the period	41,229	166,749	207,978	47,239	222,345	269,584
Non-cash supplemental information:						
Net change in fair value of available for sale investments	10,019	-	10,019	31,578	-	31,578
Net change in fair value of available-for-sale investments in local equity shares	-	130	130	-	-	-

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. RISK MANAGEMENT

The Company's risk management policies are consistent with those as disclosed in the annual financial statements for the year ended 31 December 2019 except for the following changes:

a. Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of credit concentrations at granular economic sector, region, counterparty level and take appropriate action where required.

Credit risk concentrations – Based on the review, the Company has identified these sectors being impacted significantly by COVID19 and lower oil price, mainly Food, airlines, freight companies, hotels etc.

The Company's exposure in terms of gross premium receivables to these industries is as follows:

<u>Sector</u>	<u>Amount % of total gross receivables</u>
Food	1.05%
Airlines	-
Freight companies	-
Hotels	-

b. Capital risk management

Management, through various scenario analysis as required by the regulator, has proactively assessed the potential of the COVID-19 by performing stress testing for various variables like: gross premium growth, increase in employee cost, YTD loss ratio, outstanding premium provisions etc and the related impact on the revenue, profitability, loss ratio and solvency ratio. Management has concluded that based on the stress testing performed during Q1 2020, the solvency of the Company can be reduced from 300% to 284%. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

These interim condensed financial information were approved by the Board of Directors on 18 Rabi' al-awwal 1442H corresponding to 4 November 2020.