
SABB TAKAFUL COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED 30 SEPTEMBER 2017



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

SCOPE OF REVIEW

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

CONCLUSION

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



EMPHASIS OF MATTER

We draw attention to Note 2 of the accompanying interim condensed financial information which states that subsequent to the period ended 30 September 2017, the Company received a letter from SAMA prohibiting the Company from accepting or renewing policies for protection and savings plans (major line of business) with effect from 3 October 2017 on account of certain non-compliance of relevant laws and regulations. Further, SAMA instructed the Company to appoint a consultant, discuss the matters in the Board of Directors meeting and required submission of a detailed report regarding the corrective actions taken or to be taken by management after approval from Board of Directors. On 3 October 2017, the Board of Directors held a meeting and thereafter recommended the appointment of an independent consultant, which was subsequently approved by SAMA, to work closely with management to address the matters raised by SAMA. The Company continues to take the necessary actions and believes that it will be able to resolve the matter at the earliest. The Company's other lines of business are continuing as normal.

Our conclusion is not modified in respect of this matter.

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Date: 9 November 2017
Corresponding to: 20 Safar 1439H



SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	30 September 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' ASSETS</u>			
Available-for-sale investments	3	380,268	353,740
Contributions receivable, net	4	12,597	12,548
Retakaful share of outstanding claims	6	62,231	56,363
Retakaful share of unearned contributions	7 (b)	9,493	13,976
Deferred policy acquisition costs		1,111	1,085
Retakaful balances receivable		739	490
Prepayments and other receivables		1,695	1,580
Due from shareholders' operations		10,175	6,020
Cash and cash equivalents	5	35,325	37,175
TOTAL TAKAFUL OPERATIONS' ASSETS		513,634	482,977
<u>SHAREHOLDERS' ASSETS</u>			
Intangible assets		1,183	1,123
Motor vehicle		251	108
Held-to-maturity investments	3	153,232	188,095
Statutory deposit		34,000	34,000
Investment return from statutory deposit		2,678	2,277
Prepayments and other receivables		227	174
Cash and cash equivalents	5	189,562	150,815
TOTAL SHAREHOLDERS' ASSETS		381,133	376,592
TOTAL ASSETS		894,767	859,569

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

At 30 September 2017

	Notes	30 September 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
<u>TAKAFUL OPERATIONS' LIABILITIES</u>			
Reserve for takaful activities	7(a), 3(c)	380,268	353,740
Provision for employees' end-of-service benefits		6,880	7,030
Surplus distribution payable		6,640	6,144
Gross unearned contributions	7 (b)	13,820	20,574
Unearned commission income		2,406	2,794
Gross outstanding claims	6	78,602	72,302
Retakaful balances payable		6,505	8,015
Payables, accruals and others		18,447	11,882
TOTAL TAKAFUL OPERATIONS' LIABILITIES		513,568	482,481
Takaful operations' surplus		238	496
Remeasurements of retirement benefit obligations		(172)	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		513,634	482,977
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY			
Share capital		340,000	340,000
Legal reserve		14,577	14,577
Retained earnings		8,694	6,624
TOTAL SHAREHOLDERS' EQUITY		363,271	361,201
SHAREHOLDERS' LIABILITIES			
Investment return from statutory deposit		2,678	2,277
Payables, accruals and others		1,074	1,393
Provision for zakat and income tax	11	3,935	5,701
Due to takaful operations		10,175	6,020
TOTAL SHAREHOLDERS' LIABILITIES		17,862	15,391
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		381,133	376,592
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' EQUITY AND LIABILITIES		894,767	859,569

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME - TAKAFUL OPERATIONS (UNAUDITED)

For the three month and nine month periods ended 30 September 2017

	Note	Three months ended 30 September 2017 SR'000	Three months ended 30 September 2016 SR'000	Nine months ended 30 September 2017 SR'000	Nine months ended 30 September 2016 SR'000
Gross contributions written					
- Family Takaful		40,365	39,782	114,684	118,813
- General Takaful		4,613	4,162	17,898	18,630
		44,978	43,944	132,582	137,443
Family Takaful - Planholder charges	7(a)	5,633	5,297	15,950	16,974
Gross contributions written and Planholder charges		50,611	49,241	148,532	154,417
Retakaful contribution ceded		(11,922)	(13,041)	(38,476)	(42,179)
Net written contribution and Planholder charges		38,689	36,200	110,056	112,238
Changes in gross unearned contributions		2,566	2,947	6,754	6,314
Changes in retakaful share of unearned contributions		(2,090)	(2,133)	(4,483)	(4,381)
Changes in reserve for takaful activities		(6,196)	(5,017)	(17,679)	5,780
Net contributions earned and Planholder charges		32,969	31,997	94,648	119,951
Fees and commission income		1,580	2,088	4,638	6,300
Underwriting revenue		34,549	34,085	99,286	126,251
Gross claims paid		(8,305)	(5,279)	(34,770)	(24,748)
Retakaful share of claims paid		6,213	3,661	25,264	18,124
Net claims paid		(2,092)	(1,618)	(9,506)	(6,624)
Changes in gross outstanding claims		(6,519)	(13,231)	(6,300)	(20,408)
Changes in retakaful share of outstanding claims		5,565	9,677	5,868	14,883
Net claims incurred		(3,046)	(5,172)	(9,938)	(12,149)
Surrenders and maturities		(20,123)	(18,390)	(56,748)	(78,030)
Net claims incurred, surrenders and maturities		(23,169)	(23,562)	(66,686)	(90,179)
Policy acquisition costs		(1,540)	(1,110)	(4,330)	(5,405)
Total claims, surrenders, maturities and policy acquisition costs		(24,709)	(24,672)	(71,016)	(95,584)
Underwriting surplus for the period		9,840	9,413	28,270	30,667
Investment income		366	421	1,199	1,294
General and administrative expenses		(9,195)	(8,962)	(27,087)	(27,158)
Net surplus for the period from takaful operations		1,011	872	2,382	4,803
Transfer of net surplus for the period to shareholders' operations		(910)	(785)	(2,144)	(4,323)
Net surplus for the period		101	87	238	480

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

SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME - TAKAFUL OPERATIONS
(UNAUDITED)

For the three month and nine month periods ended 30 September 2017

Notes	<i>Three months ended 30 September 2017 SR'000</i>	<i>Three months ended 30 September 2016 SR'000</i>	<i>Nine months ended 30 September 2017 SR'000</i>	<i>Nine Months ended 30 September 2016 SR'000</i>
Net surplus for the period	101	87	238	480
<i>Other comprehensive income/ (loss)</i>				
Fair value change in available for sale investments – unrealized	3(c) 10,197	(1,547)	24,799	(9,635)
Fair value change in reserve for takaful activities – unrealized	7(a) (10,197)	1,547	(24,799)	9,635
Remeasurements of retirement benefit obligations	(183)	-	(172)	-
Total comprehensive (loss)/ income from takaful operations for the period	(82)	87	66	480

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

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SABB Takaful Company (A Saudi Joint Stock Company)

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

For the three month and nine month periods ended 30 September 2017

	Note	Three months ended 30 September 2017 SR'000	Three months ended 30 September 2016 SR'000	Nine months ended 30 September 2017 SR'000	Nine Months ended 30 September 2016 SR'000
Transfer of net surplus for the period from takaful operations		910	785	2,144	4,323
Income from murabaha deposits		682	1,170	1,881	2,942
Income from sukuku		1,150	1,374	3,923	3,681
Total income		2,742	3,329	7,948	10,946
General and administrative expenses		(678)	(583)	(1,981)	(1,606)
Net profit for the period		2,064	2,746	5,967	9,340
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		2,064	2,746	5,967	9,340
Basic and diluted earnings per share (SAR)	9	0.06	0.08	0.18	0.27

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

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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 2017

	<i>Share capital</i> SAR'000	<i>Legal reserve</i> SAR'000	<i>Retained earnings</i> SAR'000	<i>Total</i> 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 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>
Balance as at 1 January 2016	340,000	12,206	2,864	355,070
Total comprehensive income for the period	-	-	9,340	9,340
Provision for zakat and tax	-	-	(4,352)	(4,352)
Balance as at 30 September 2016	<u>340,000</u>	<u>12,206</u>	<u>7,852</u>	<u>360,058</u>

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

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SABB Takaful Company (A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS - TAKAFUL OPERATIONS

(UNAUDITED)

For the nine months ended 30 September 2017

	Notes	Nine months ended 30 September 2017 SR'000	Nine months ended 30 September 2016 SR'000
OPERATING ACTIVITIES			
Surplus from takaful operations after shareholders' appropriation		238	480
Adjustment to reconcile surplus from takaful operations after shareholders' appropriation to net cash from operating activities:			
Shareholders' appropriation from surplus		2,144	4,323
Provision of impairment on contribution receivables		838	434
(Reversal) / provision for employees' end-of-service benefits		(222)	900
Operating surplus before shareholders' appropriations and before changes in operating assets and liabilities		<u>2,998</u>	<u>6,137</u>
Changes in operating assets and liabilities:			
Available-for-sale investments, net		(26,528)	32,389
Contributions receivable, net		(887)	3,386
Retakaful share of outstanding claims		(5,868)	(14,883)
Retakaful share of unearned contributions		4,483	4,381
Deferred policy acquisition costs		(26)	(76)
Retakaful balances receivable		(249)	3,574
Prepayments and other receivables		(115)	(914)
Reserve for takaful activities		26,528	(32,389)
Payment of employees' end-of-service benefits		(100)	(429)
Gross unearned contributions		(6,754)	(6,314)
Unearned commission income		(388)	(561)
Gross outstanding claims		6,300	20,408
Retakaful balances payable		(1,510)	4,192
Payables, accruals and others		6,565	(341)
Surplus distribution paid		-	(91)
Due from shareholders (appropriation of surplus)		(2,144)	(4,323)
Net cash from operating activities		<u>2,305</u>	<u>14,146</u>
FINANCING ACTIVITY			
Due from shareholders, net		(4,155)	(14,869)
CHANGE IN CASH AND CASH EQUIVALENTS		<u>(1,850)</u>	<u>(723)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>37,175</u>	<u>43,122</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u>35,325</u>	<u>42,399</u>
Non-cash supplemental information:			
Net change in fair value of available-for-sale investments	3 (c)	<u>24,799</u>	<u>(9,635)</u>

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

SABB Takaful Company (A Saudi Joint Stock Company)

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

For the nine months ended 30 September 2017

	<i>Nine months ended 30 September 2017 SR'000</i>	<i>Nine months ended 30 September 2016 SR'000</i>
OPERATING ACTIVITIES		
Net profit for the period	5,967	9,340
Adjustment to reconcile net profit to net cash used in operating activities:		
Appropriation of surplus from takaful operations	(2,144)	(4,323)
Amortisation	375	413
Depreciation	58	13
Income from sukuks	(3,923)	(3,681)
Gain on sale of motor vehicle	(19)	-
	<u>314</u>	<u>1,762</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(53)	45
Payables, accruals and others	(319)	(3,520)
	<u>(58)</u>	<u>(1,713)</u>
Cash used in operating activities	<u>(58)</u>	<u>(1,713)</u>
Zakat and tax paid	(5,663)	(5,007)
Due to takaful operations (appropriation of surplus)	2,144	4,323
	<u>(3,577)</u>	<u>(2,397)</u>
Net cash used in operating activities	<u>(3,577)</u>	<u>(2,397)</u>
INVESTING ACTIVITIES		
Maturity of held-to-maturity investments	35,000	20,000
Purchase of held-to-maturity investments	-	(20,000)
Income received from sukuks	3,786	3,170
Purchase of intangible assets	(435)	(288)
Purchase of motor vehicle	(201)	-
Proceeds from sale of motor vehicle	19	-
	<u>38,169</u>	<u>2,882</u>
Net cash from investing activities	<u>38,169</u>	<u>2,882</u>
FINANCING ACTIVITY		
Due to takaful operations, net	4,155	14,869
	<u>4,155</u>	<u>14,869</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>38,747</u>	<u>15,354</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>150,815</u>	<u>132,958</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>189,562</u>	<u>148,312</u>
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The accompanying notes 1 to 13 form part of these interim condensed financial information.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

a) Basis of preparation

During 2017, SAMA issued a circular number 381000074519 dated 14 Rajab 1438H (April 11, 2017) (“Circular”) and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax. The impact of these amendments is that zakat and income tax will be recognized in the interim statement of shareholders’ equity with a corresponding liability in the interim statement of financial position.

Applying the above framework, the interim condensed financial information of the Company as at and for the three month and nine month periods ended 30 September 2017 have been prepared using the International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) and SAMA guidance for the accounting of zakat and income tax.

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

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

Subsequent to the period ended 30 September 2017, the Company received a letter from SAMA prohibiting the Company from accepting or renewing policies for protection and savings plans (major line of business) with effect from 3 October 2017 on account of certain non-compliance of relevant laws and regulations. Further, SAMA instructed the Company to appoint a consultant, discuss the matters in the Board of Directors meeting and required submission of a detailed report regarding the corrective actions taken or to be taken by management after approval from Board of Directors. On 3 October 2017, the Board of Directors held a meeting in this regard.

Subsequently, the Board of Directors recommended the appointment of an independent consultant to work closely with management to address the matters raised by SAMA. The Company received SAMA’s no-objection for the recommended consultant. The Company continues to take the necessary actions and believes that it will be able to resolve the matter at the earliest. The Company’s other lines of business are continuing as normal.

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

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

b) Basis of presentation

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Takaful Operations and Shareholders' Operations and presents the financial information accordingly. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and the Board of Directors.

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

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

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

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

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

- IFRS 9 - "Financial instruments", applicable for the annual periods beginning on or after 1 January 2018, and will be applied retrospectively with some exemptions. The new standard presents revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. IASB had allowed temporary exemption for companies issuing insurance contracts until 2021 or until the new insurance contracts standard is applied, if that is earlier.
- 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.

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017

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

d) Functional and presentation currency

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

3. INVESTMENTS

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

	<i>30 September 2017</i>	
	<i>SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
<i>Available-for-sale investments – Quoted</i>		
Investment in Amanah Mutual Funds	380,268	-
<i>Held-to-maturity investments – Unquoted</i>		
Saudi Hollandi Bank Sukuk (SHB-III)	-	15,164
Saudi Hollandi Bank Sukuk (SHB-IV)	-	5,055
General Authority of Civil Aviation Sukuk (GACA - I)	-	50,257
The National Industrialization Company Sukuk (TASNEE)	-	50,569
The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	-	12,120
Bank AlBilad Sukuk	-	20,067
	-	153,232
Total investments	380,268	153,232

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017

3. INVESTMENTS (continued)

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

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

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

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

<i>Maturity profile</i>	<i>Maturity date</i>
- Saudi Hollandi Bank Sukuk (SHB-III)	26 November 2017
- Saudi Hollandi Bank Sukuk (SHB-IV)	12 December 2018
- General Authority of Civil Aviation Sukuk (GACA - I)	18 January 2022
- The National Industrialization Company Sukuk (TASNEE)	21 May 2019
- The Power and Water Utility Company for Jubail and Yanbu Sukuk (MARAFIQ)	27 May 2018
- Bank AlBilad Sukuk	30 August 2021

b) The fair value of held-to-maturity investments as at 30 September 2017 is SAR 153.23 million (31 December 2016: SAR 187.85 million).

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

	30 September 2017 (Unaudited) SAR'000	31 December 2016 (Audited) SAR'000
Opening balance	353,740	374,739
Purchased during the period/ year	74,427	98,551
Sold during the period/ year	(72,698)	(121,542)
Net change in fair values of investments	355,469	351,748
Closing balance	24,799	1,992
	380,268	353,740

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

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

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

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

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

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

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4. CONTRIBUTIONS RECEIVABLE, NET

	<i>30 September 2017 (Unaudited) SAR'000</i>	<i>31 December 2016 (Audited) SAR'000</i>
Due from policy holders	8,495	7,267
Due from a shareholder (The Saudi British Bank)	5,276	5,617
	<u>13,771</u>	<u>12,884</u>
Provision for impairment	(1,174)	(336)
	<u>12,597</u>	<u>12,548</u>

5. CASH AND CASH EQUIVALENTS

	<i>30 September 2017 (Unaudited) SAR'000</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>
Bank balances	25,325	2,286
Murabaha deposits	10,000	187,276
	<u>35,325</u>	<u>189,562</u>

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

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

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

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6. OUTSTANDING CLAIMS

	<i>30 September 2017 (Unaudited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	29,577	(21,989)	7,588
- Incurred but not reported reserve and other reserves	25,086	(18,936)	6,150
General Takaful outstanding claims			
- Outstanding claim reserves	19,050	(18,236)	814
- Incurred but not reported reserve and other reserves	4,889	(3,070)	1,819
Total outstanding claims	<u>78,602</u>	<u>(62,231)</u>	<u>16,371</u>
	<i>31 December 2016 (Audited)</i>		
	<i>Gross SAR'000</i>	<i>Retakaful share SAR'000</i>	<i>Net SAR'000</i>
Family Takaful outstanding claims			
- Outstanding claim reserves	25,527	(18,560)	6,967
- Incurred but not reported reserve and other reserves	21,687	(16,089)	5,598
General Takaful outstanding claims			
- Outstanding claim reserves	20,320	(18,760)	1,560
- Incurred but not reported reserve and other reserves	4,768	(2,954)	1,814
Total outstanding claims	<u>72,302</u>	<u>(56,363)</u>	<u>15,939</u>

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

a) Movement in reserve for takaful activities

	<i>Nine months ended 30 September 2017 (Unaudited) SAR'000</i>	<i>Year ended 31 December 2016 (Audited) SAR'000</i>
Balance as at the beginning of the period/ year	353,740	374,739
Changes in reserve during the period/ year	17,679	105
Planholder charges	(15,950)	(23,096)
Net change in fair value of investments	24,799	1,992
Balance as at the end of the period/ year	<u>380,268</u>	<u>353,740</u>

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

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

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7. MOVEMENT IN RESERVE FOR TAKAFUL ACTIVITIES AND NET UNEARNED CONTRIBUTION INCOME (continued)

b) Movement in net unearned contribution

	<i>Nine months ended 30 September 2017</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	20,574	(13,976)	6,598
Contribution written during the period	58,155	(37,806)	20,349
Contribution earned during the period	(64,909)	42,289	(22,620)
Balance as at the end of the period	13,820	(9,493)	4,327
	<i>Year ended 31 December 2016</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	21,441	(14,177)	7,264
Contribution written during the year	93,234	(59,918)	33,316
Contribution earned during the year	(94,101)	60,119	(33,982)
Balance as at the end of the year	20,574	(13,976)	6,598

8. SEGMENTAL INFORMATION

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

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

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

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

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection & Savings) SAR'000</i>	<i>Group Family (Protection & Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
For the three months ended					
30 September 2017 (Unaudited)					
Gross written contribution	-	26,319	14,046	4,613	44,978
Net written contribution and Planholder charges	-	31,695	6,228	766	38,689
Net contributions earned and Planholder charges	-	25,499	6,123	1,347	32,969
Fees and commission income	-	-	184	1,396	1,580
Net claims incurred	-	62	(2,413)	(695)	(3,046)
Surrenders and maturities	-	(20,123)	-	-	(20,123)
Policy acquisition costs	-	(607)	(382)	(551)	(1,540)
Underwriting surplus for the period	-	4,831	3,512	1,497	9,840
Investment income	1,832	355	11	-	2,198
General and administrative expenses	(678)	(2,849)	(2,654)	(3,692)	(9,873)
Net surplus/ (deficit) for the period	1,154	2,337	869	(2,195)	2,165
Surplus from takaful operations after shareholders' appropriation					(101)
Net profit for the period					2,064
Purchase of intangibles	277	-	-	-	277
Amortisation	74	-	-	-	74
Depreciation	22	-	-	-	22
For the nine months ended					
30 September 2017 (Unaudited)					
Gross written contribution	-	74,427	40,257	17,898	132,582
Net written contribution and Planholder charges	-	89,707	16,810	3,539	110,056
Net contributions earned and Planholder charges	-	72,028	18,829	3,791	94,648
Fees and commission income	-	426	184	4,028	4,638
Net claims incurred	-	(1,540)	(7,877)	(521)	(9,938)
Surrenders and maturities	-	(56,748)	-	-	(56,748)
Policy acquisition costs	-	(1,779)	(818)	(1,733)	(4,330)
Underwriting surplus for the period	-	12,387	10,318	5,565	28,270
Investment income	5,804	1,164	35	-	7,003
General and administrative expenses	(1,981)	(9,344)	(8,390)	(9,353)	(29,068)
Net surplus/ (deficit) for the period	3,823	4,207	1,963	(3,788)	6,205
Surplus from takaful operations after shareholders' appropriation					(238)
Net profit for the period					5,967
Purchase of intangibles	435	-	-	-	435
Purchase of motor vehicle	201	-	-	-	201
Proceeds from sale of motor vehicle	19	-	-	-	19
Amortisation	375	-	-	-	375
Depreciation	58	-	-	-	58

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017

8. SEGMENTAL INFORMATION (continued)

	<i>Shareholders' Fund SAR'000</i>	<i>Individual Family (Protection & Savings) SAR'000</i>	<i>Group Family (Protection & Savings) SAR'000</i>	<i>General Takaful SAR'000</i>	<i>Total SAR'000</i>
30 September 2017 (Unaudited)					
Intangible assets	1,183	-	-	-	1,183
Motor vehicle	251	-	-	-	251
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Takaful operations' assets					
Available-for-sale investments	-	380,268	-	-	380,268
Contribution receivables, net	-	-	4,414	8,183	12,597
Retakaful share of outstanding claims	-	501	40,424	21,306	62,231
Retakaful share of unearned contributions	-	-	1,087	8,406	9,493
Deferred policy acquisition costs	-	-	130	981	1,111
Unallocated assets	-	-	-	-	47,934
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total takaful operations' assets					513,634
Total shareholders' assets	381,133	-	-	-	381,133
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets					894,767
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Takaful operations' liabilities					
Reserve for takaful activities	-	380,268	-	-	380,268
Gross unearned contributions	-	-	2,926	10,894	13,820
Unearned commission income	-	-	-	2,406	2,406
Gross outstanding claims	-	1,841	52,822	23,939	78,602
Unallocated liabilities	-	-	-	-	38,472
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total takaful operations' liabilities					513,568
Total shareholders' liabilities	17,862	-	-	-	17,862
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities					531,430
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the three months ended					
30 September 2016 (Unaudited)					
Gross written contribution	-	23,407	16,375	4,162	43,944
Net written contribution and Planholder charges	-	28,401	7,173	626	36,200
Net contributions earned and Planholder charges	-	23,385	7,131	1,481	31,997
Fees and commission income	-	-	753	1,335	2,088
Net claims incurred	-	(69)	(4,725)	(378)	(5,172)
Surrenders and maturities	-	(18,390)	-	-	(18,390)
Policy acquisition costs	-	(681)	163	(592)	(1,110)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Underwriting surplus for the period	-	4,245	3,322	1,846	9,413
Investment income	2,544	397	24	-	2,965
General and administrative expenses	(583)	(2,973)	(2,838)	(3,151)	(9,545)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net surplus/ (deficit) for the period	1,961	1,669	508	(1,305)	2,833
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Surplus from takaful operations after shareholders' appropriation					(87)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net profit for the period					2,746
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Purchase of intangibles	150	-	-	-	150
Amortisation	145	-	-	-	145
Depreciation	4	-	-	-	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SABB Takaful Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017

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 nine months ended					
30 September 2016 (Unaudited)					
Gross written contribution	-	72,250	46,563	18,630	137,443
Net written contribution and Planholder charges	-	88,341	19,995	3,902	112,238
Net contributions earned and Planholder charges	-	94,122	21,250	4,579	119,951
Fees and commission income	-	440	753	5,107	6,300
Net claims incurred	-	(270)	(11,005)	(874)	(12,149)
Surrenders and maturities	-	(78,030)	-	-	(78,030)
Policy acquisition costs	-	(2,159)	(1,339)	(1,907)	(5,405)
Underwriting surplus for the period	-	14,103	9,659	6,905	30,667
Investment income	6,623	1,232	62	-	7,917
General and administrative expenses	(1,606)	(9,250)	(8,760)	(9,148)	(28,764)
Net surplus/ (deficit) for the period	<u>5,017</u>	<u>6,085</u>	<u>961</u>	<u>(2,243)</u>	<u>9,820</u>
Surplus from takaful operations after shareholders' appropriation					<u>(480)</u>
Net profit for the period					<u>9,340</u>
Purchase of intangibles	288	-	-	-	288
Amortisation	413	-	-	-	413
Depreciation	13	-	-	-	13
31 December 2016 (Audited)					
Intangible assets	1,123	-	-	-	1,123
Motor vehicle	108	-	-	-	108
Takaful operations' assets					
Available-for-sale investments	-	353,740	-	-	353,740
Contribution receivables, net	-	-	4,650	7,898	12,548
Retakaful share of outstanding claims	-	453	34,195	21,715	56,363
Retakaful share of unearned contributions	-	-	2,974	11,002	13,976
Deferred policy acquisition costs	-	-	336	749	1,085
Unallocated assets	-	-	-	-	45,265
Total takaful operations' assets					<u>482,977</u>
Total shareholders' assets	376,592	-	-	-	<u>376,592</u>
Total assets					<u>859,569</u>
Takaful operations' liabilities					
Reserve for takaful activities	-	353,740	-	-	353,740
Gross unearned contributions	-	-	6,833	13,741	20,574
Unearned commission income	-	-	-	2,794	2,794
Gross outstanding claims	-	1,503	45,711	25,088	72,302
Unallocated liabilities	-	-	-	-	33,071
Total takaful operations' liabilities					<u>482,481</u>
Total shareholders' liabilities	15,391	-	-	-	<u>15,391</u>
Total liabilities					<u>497,872</u>

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

SABB Takaful Company (A Saudi Joint Stock Company)

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9. BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended 30 September 2017 SR'000</i>	<i>Three months ended 30 September 2016 SR'000</i>	<i>Nine months ended 30 September 2017 SR'000</i>	<i>Nine months ended 30 September 2016 SR'000</i>
Net profit for the period (SAR'000)	<u>2,064</u>	<u>2,746</u>	<u>5,967</u>	<u>9,340</u>
Weighted average number of ordinary shares (Number in thousands)	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>
Earnings per share (SAR)	<u>0.06</u>	<u>0.08</u>	<u>0.18</u>	<u>0.27</u>

10. RELATED PARTY TRANSACTIONS

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

a) Transactions with related parties

The summary of major related party transactions is as follows:

	<i>Three months ended 30 September 2017 SR'000</i>	<i>Three months ended 30 September 2016 SR'000</i>	<i>Nine months ended 30 September 2017 SR'000</i>	<i>Nine months ended 30 September 2016 SR'000</i>
The Saudi British Bank <i>(a shareholder of the Company)</i>				
Contributions	14,571	14,626	34,160	36,496
Claims paid	6,182	3,837	20,729	19,239
Other expenses				
- IT maintenance cost and related expenses	812	913	2,732	3,209
- Overheads	96	26	114	77
Other entities controlled, jointly controlled or significantly influenced by related parties				
Policy acquisition costs paid	973	1,069	3,068	4,238
<i>HSBC Saudi Arabia Limited - IBSA</i>				
Rebate on unit-linked investments	330	270	1,010	893

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

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10. RELATED PARTY TRANSACTIONS (continued)

b) Compensation of key management personnel

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

	<i>Three months period ended 30 September 2017 SAR'000 (Unaudited)</i>		<i>Three months period ended 30 September 2016 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	998	-	971	-
End-of-service benefits	48	-	45	-
Directors' remunerations and other benefits	-	167	-	155
	<u>998</u>	<u>167</u>	<u>971</u>	<u>155</u>
	<i>Nine months period ended 30 September 2017 SAR'000 (Unaudited)</i>		<i>Nine months period ended 30 September 2016 SAR'000 (Unaudited)</i>	
	<i>Takaful Operations</i>	<i>Shareholders</i>	<i>Takaful Operations</i>	<i>Shareholders</i>
Salaries and other benefits	2,994	-	2,913	-
End-of-service benefits	131	-	135	-
Directors' remunerations and other benefits	-	490	-	530
	<u>2,994</u>	<u>490</u>	<u>2,913</u>	<u>530</u>

11. ZAKAT AND TAX

Status of Assessment

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

12. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period. These changes were made for better presentation of balances and transactions in the interim condensed financial information of the Company.

13. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

These interim condensed financial information have been approved by the Board of Directors on 16 Raby al-awal 1439H corresponding to 5 November 2017.