

SABB Takaful Company

Board of Directors' Report

2020

SABB  ساب
Takaful تكافل



2020 Report of the Board of Directors

The Board of Directors of SABB Takaful are pleased to submit to the valued shareholders the annual report for the fiscal year ended on December 31, 2020. This annual report, covers the most important developments, financial results, operating activities and disclosures, and is accompanied by the audited financial statements along with the report of the external auditors.

Introduction

SABB Takaful is a Saudi joint stock company established under the Royal Decree No. M/60 dated 18/09/1427H corresponding to 11/10/2006G. The Company began its fiscal year following the issuance of the Ministerial Resolution No. (108) dated 27/04/1428H corresponding to 15/5/2007 approving the establishment of the Company. The Company operates in the Kingdom of Saudi Arabia under the Commercial Registration No. 1010234032 issued in Riyadh on 20/05/1428H corresponding to 6/6/2007G, and the Saudi Central Bank license No. 5/20079 dated 29/08/1428H corresponding to 11/9/2007G, which authorizes the Company to carry out insurance activities for protection, savings and general insurance. The license has been renewed on 28/08/1440H (corresponding to 04/05/2019G) for three years.

The paid-up capital of the Company is SR 340,000,000, divided into 34,000,000 shares, with a par value of SR 10 each. The founding shareholders, the Saudi British Bank (SABB) and HSBC Group subscribed to 22,100,000 shares, representing 65% of the Company's capital. , and the remaining 11,900,000 shares -representing 35% of the Company's capital - were offered for public subscription through an initial public offering during the period from 27/2/1428H corresponding to 17/3/2007 to 8/3/1428H (26/3/2007G) at an offer price of SR 10 per share, and later through the issuance of rights to registered shareholders as at 17/8/1430H (8/8/2009G) at a price of SR 12.50 during the period from 24/8/1430H (15/8/2009G) to 5/9/1430H (26/8/2009G).

On August 20, 2017, HSBC Group and its affiliated companies, expressed their desire to sell their 11,050,000 shares, or 32.5% of the Company's total shares, to SABB. SABB and the Company announced this request to the public through Tadawul on 20/08/2017.

On 23rd of November 2017, SABB and the Company announced the completion of SABB's purchase of the shares owned by HSBC Group after obtaining approvals of the ordinary general assembly of SABB and the regulators.

With the completion of this transaction, SABB now owns a total of 22,100,000 out of 34,000,000 shares, which is 65% of the Company's issued share capital. The articles of association of the Company have been modified to reflect this transaction. These were presented to the extraordinary general assembly of the Company held on 9 January 2018.

SABB Takaful offers a wide range of family and general products compatible with the provisions of Islamic Shariah to meet the needs of customers, including individuals and corporate. SABB Takaful does not own branches however SABB Takaful strategic partnership with SABB Bank allows access to a wide customer base via SABB's Branch network. SABB Takaful does not possess property or assets or trading activities outside Saudi Arabia.

Despite being among the first companies to be licensed in the market, it faced challenges and difficulties, which adversely affected its performance and results. These difficulties and challenges included but are not limited to:

- Intense competition in the insurance market
- General economic challenges
- Limited product range, specifically Takaful does not offer compulsory products.
- Loss of significant business during suspension period which was lifted 1Q2018.

1) Significant Fundamental Developments During the Year

SABB Takaful has focused on aligning its strategy with the relevant initiatives from Saudi Vision of 2030 including reconfiguring the organizational and proposition structure to improve its strategic digital initiatives that will ensure harmonize approach with its partners and meet customers' increasing needs.

In 2019, SABB Takaful re-launched the simple savings product to its product suite to support mass customers in their long-term savings efforts, a key feature of the Financial Sector Development Program of Vision 2030. SABB Takaful also reviewed the charging structure of existing savings products with a view to enhance the value for money aspect of the products and facilitate the savings culture.

The Company has strengthened the sales framework by investing in the infrastructure, firming up the underwriting capabilities, exploring new reinsurance market and filling relevant key positions with a focus to explore the untapped segment of the market and improve product offerings to support the enhance sales and distribution capability which include Critical illness "Cancer", Critical illness "Comprehensive", Contractors All Risks, Contractors Plant and Machinery , Erection All Risks Insurance and Machinery Breakdown.

The Company is most mindful of the robust regulatory environment and is focused on at least meeting the standards required to operate in this market. Considerable work has been done to enhance the Company's Enterprise Risk Management Framework, Governance, Financial Crime Compliance, Customer Care and Cyber Security Framework Requirements.

Impact of Novel Coronavirus (COVID-19)

The existence of coronavirus (Covid-19) was confirmed in early 2020 and has spread across the world, causing disruptions to businesses, economic activity and increase in insurance claims mainly relating to the both medical and life lines of business in those jurisdictions. The management has seen a major impact on the performance in 2020 due to closures of channels which create revenue generation and also on the reserving of IBNR. Outlets of all major sales venues have been closed for three months which impact the company's retail sales.

The Company undertook a series of precautionary actions to deal with the effect of the coronavirus (Covid-19), and implemented its businesses continuity plan by safe guarding employees while ensuring the smooth functioning of day to day activities.

2) Business Strategy

SABB Takaful Company works to provide services and programs that suit individuals and corporates, and this has been achieved through continuing investment in the basic infrastructure to operate in various strategic areas to protection and savings insurance. SABB Takaful principal lines of business are designed to enhance the financial services being offered to the Retail Banking and wealth management and Commercial Banking customers of Banks in Saudi Arabia through Islamic (Sharia) compliant Takaful products as well the retail & commercial sales through the brokers, salesmen, aggregators, Sabb Takaful online.

3) Future Plans and Key Deliverables:

The main characteristics of the plan included the following items:

- Become the leading provider of protection and savings as part of family Takaful offerings.
- Increasing distribution channels through signing with new brokers across the Kingdom.
- Continued investment in technology and digital channels to enhance customer experience.
- Improving digital distribution channels through integrating with aggregators.
- Enhance product awareness and promote savings programs in line with Saudi Central Bank's efforts to develop the early financial planning culture in Saudi Arabia.
- Enhance the commercial proposition with innovative solutions to cater the business protection needs and employee benefits solutions.
- Continuously focus on operational efficiencies and organizational effectiveness.
- Strict adherence to SABB Takaful's Standards of treating the customers fairly, to comply with the laws and regulations, and protect confidential information.
- Improving products offerings with the introduction of new General and Family Takaful products which include but not limited to engineering protection and critical illness.
- Maintain a conservative strategic approach to risk management
- Enhance and strengthen Financial Crime Compliance controls in line with Saudi Central Bank regulations
- Attract, retain and grow talent by being the best place to work.

4) Employees' Professional Development

Building capabilities is one of the main goal of SABB Takaful People Strategy. This includes but not limited to providing learning and development opportunities. Further, SABB Takaful is providing its talented employees the opportunity to attain Insurance related accreditations. These programs will enhance the employee's insurance knowledge which will ultimately help in developing a Saudi talent for succession planning of the key leadership roles.

Accreditation Programs:

- Cert CII
- Dip CII
- Associate of the Society of Actuaries (ASA)

This is in addition to other training programs for the Company's various departments, such as Risk Management, Insurance, International Financial Reporting Standards (IFRS), Data Analysis and Business Reporting Techniques, Financial Analysis & Forecasting, Incident Response and Crisis Communication, Compliance, Human Resources Management, Women's Development Programme, Claims and Accounts and Investment Management, including conferences and workshops within and outside the Kingdom in order to enhance employees' expertise, and to explore the latest trends and best practices in all related fields.

5) Main Business Sectors:

The Company's key business is classified into two major sectors based on the Company's customer's as follows:

a. Individuals—Products

For individuals, the Company offers a wide range of products that offers a protection benefits against death, disability or critical illness. Moreover, the company offers protection to individual assets and liabilities detailed as follows:

Savings Plan	Critical illness "Cancer"
Simple Savings Plan	Critical illness "Comprehensive"
Education Plan	Personal Accident
Retirement Plan	Home
Investment Plan	Travel

b. Corporate—Products

For corporate, the Company offers a wide range of products to protect business assets, employees, liabilities, revenues and credits as follows:

Fire	Goods in Transit
Property All Risks	Public Liability
Business Interruption	Money
Electronic Equipment	Fidelity Guarantee
Contractors All Risks	Group Personal Accident
Erection All Risks Insurance	Trade Credit
Contractors Plant and Machinery	Group Creditors
Machinery Breakdown	Group Care
Marine Cargo	

6) Risk Management Framework

SABB Takaful have established a risk governance framework in line with leading risk management practices. SABB Takaful have adopted the 'Three lines of defense' framework as part of the risk governance framework:

- First Line of Defense consists of risk and control owners that are responsible for the end to end management of risks which they own. They are supported by control owners who are responsible for carrying out control activities
- Second line of defense consists of 'Risk Steward' which principally comprises Compliance and Risk functions. The Risk function sets a policy to manage risk, gives advice and provides independent challenge. In addition, it provides oversight and assesses risk management activities carried out by the First Line.
- The third line of defense, that comprises Internal Audit, provides independent assurance to management and the Board principally over the design and operation of SABB Takaful's governance and internal control processes.

SABB Takaful continues to manage its risk in a prudent and effective manner in line with its risk appetite. The Company's philosophy tolerates risk acceptance commensurate with the Risk appetite and the Risk Strategy which is endorsed by the Board Risk Committee and approved by the Board of Directors annually.

The Risk Management Policy covers operational and non-operational risks including all areas of risk relevant to the

insurance business.

SABB Takaful has a well-established governance structure. The Board of Directors and its Subcommittees meet at least on a quarterly basis and exercise their oversight and guidance to SABB Takaful management.

The Board Risk Committee (BRC) is established to provide recommendations and advice to the Board and Chief Risk Officer on the appropriate actions to be taken to mitigate the risks. The BRC is responsible for identifying risks that may imperil the Company, maintaining an acceptable risk profile for the Company, defining a comprehensive risk management strategy for the Company, and overseeing its implementation. In addition, SABB Takaful have management level Risk Management Committee (RMC) which meets at least on a quarterly basis and is responsible for the control of risk exposures within the Company's business.

Risk Governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on balanced risk acceptance that is commensurate with the risk appetite and the overall strategic plans that is approved by the Board of Directors. The Company is exposed, inter alia, to insurance, reinsurance, commission rate, market and asset liability management, credit, liquidity, Shariah and operational risks. The core of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Conflict of Interest – Risk Management

The Board ensures that related party transactions are carried out fairly and without preference and at an "arm's length basis" and are disclosed as per regulatory directives and are approved in accordance with Board approved authority matrix.

Major risks based on the nature of the business of the Company

a) Insurance Risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insurance events exceed expectations. This could occur in case of the frequency or severity of claims are higher than expected. Insurance risk is monitored regularly by the Company to make sure that levels are within the projected bands.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

In line with the objective to provide quality protection to clients and achieve profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programs. Further, SABB Takaful carries out at least annually stress testing exercise to estimate the likely impact to the

Company's financial position under various scenarios covering underwriting, operational and counterparty risks.

The risks arising from insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Family Takaful (life insurance)

For individual Family Takaful, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined Underwriting Strategy to cover this risk. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also assesses financial, lifestyle and occupational information to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For Group Takaful, the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, for e.g. employees in the same workplace. The Company has a clearly defined underwriting strategy to cover these risks. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests at individual level. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual Family and Group Takaful portfolios are protected through re-insurance arrangements. These protect the Company from adverse mortality/morbidity experience.

Further, SABB Takaful carries out at least annually stress testing exercise to estimate the likely impact to the Company's financial position under various scenarios covering underwriting, operational and counterparty risks.

General Takaful

The Company issues short term general insurance policies and they are expected to produce only short tail claims and are therefore unlikely to effect significant reserve movements. This helps to mitigate general insurance risk. Major products include:

- **Property All Risk, Fire, Business Interruption and Personal Accident Products**

For property insurance contracts, the main risks are fire and business interruption. The Company has only underwritten these policies as per the norms of the reinsurance treaty terms and our underwriting manuals.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim. The maximum net retention by the Company in respect of a claim is limited to SAR 1m as per the reinsurance arrangements in place.

For personal accident insurance contracts, the main risks are death and disability to insured persons due to accidental means. The Company has reinsurance for such claims to limit losses for any individual claim.

- **Marine Cargo Product**

For marine insurance the main risks are loss or damage to the consignment of cargo and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

Further, SABB Takaful carries out at least annually stress testing exercise to estimate the likely impact on the Company's financial position under various scenarios covering underwriting, operational and counterparty risks.

Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its risk by imposing deductibles, maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to, in case of GT: SAR 1 million & in case of FT: SAR 1 million. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Concentration of Takaful Risk

The Company monitors concentration of insurance risks primarily by class of business. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company. The table below sets out the concentration of the outstanding claims and unearned premiums by business segments as at 31 December 2020 and 2019:

2020 (Amounts in SAR '000)

	Outstanding claim reserves - Gross	Outstanding claim reserves - Net	Gross unearned contributions	Net unearned contributions
Individual Family	3,048	2,227	-	-
Group Family	56,030	9,999	11,518	5,894
General Takaful	33,933	6,790	22,765	2,862
	93,011	19,016	34,283	8,756

2019 (Amounts in SAR '000)

	Outstanding claim reserves - Gross	Outstanding claim reserves - Net	Gross unearned contributions	Net unearned contributions
Individual Family	2,595	1,852	-	-
Group Family	36,897	9,277	8,149	2,823
General Takaful	22,798	3,517	7,554	1,934
	62,290	14,646	15,703	4,757

Sources of Uncertainty in Estimation of Future Claim Payments

The key source of estimation uncertainty at the statement of financial position date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions.

Sensitivity of Claims

The Company believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions.

A hypothetical change in the claim ratio, net of reinsurance, would impact net underwriting result as follows:

Impact of change in net claim ratio by + / - 10%

Accident and Liability
Marine
Property
Group

<u>2020</u>	<u>2019</u>
Amount in SAR '000	
148	48
38	41
315	95
1,589	1,008

Claims development

The following reflects the cumulative incurred claims for each successive accident year at each financial position date, together with the cumulative payments to date.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company will transfer much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Claims Development Table

Claims development table gross of reinsurance:

2020

Amounts in SAR '000

	2015 & earlier	2016	2017	2018	2019	2020	Total
Accident year							
Estimate of ultimate claim loss							
- At end of accident year	290,174	63,245	63,579	54,787	37,117	72,525	72,525
- One year later	270,015	57,030	48,474	46,758	35,577	-	35,577
- Two years later	261,477	54,691	48,779	46,345	-	-	46,345
- Three years later	263,987	52,403	48,085	-	-	-	48,085
- Four years later	243,609	51,903	-	-	-	-	51,903
- Five years later	243,586	-	-	-	-	-	243,586
Current estimate of cumulative claims	243,586	51,903	48,085	46,345	35,577	72,525	498,021
Cumulative payments to date	231,358	51,326	47,177	41,787	29,234	40,512	441,394
Outstanding claim reserves	12,228	577	908	4,558	6,343	32,013	56,627
Add: Incurred but not reported (IBNR) and other reserves	219	388	323	590	2,264	32,600	36,384
Liability recognized in the statement of financial position	12,447	965	1,231	5,148	8,607	64,613	93,011

2019

Amounts in SAR '000

	2014 & earlier	2015	2016	2017	2018	2019	Total
Accident year							
Estimate of ultimate claim loss							
- At end of accident year	239,056	51,118	63,245	63,579	54,787	37,117	37,117
- One year later	222,403	47,611	57,030	48,474	46,758	-	46,758
- Two years later	216,448	45,029	54,691	48,779	-	-	48,779
- Three years later	219,783	44,204	-	-	-	-	-

			52,403				52,403
- Four years later	199,922	43,687	-	-	-	-	43,687
- Five years later	199,993	-	-	-	-	-	199,993
Current estimate of cumulative claims	199,993	43,687	52,403	48,779	46,758	37,117	428,737
Cumulative payments to date	187,767	43,593	51,226	46,908	41,579	23,270	394,343
Outstanding claim reserves	12,226	94	1,177	1,871	5,179	13,847	34,394
Add: Incurred but not reported (IBNR) and other reserves	86	46	162	579	2,663	24,360	27,896
Liability recognized in the statement of financial position	12,312	140	1,339	2,450	7,842	38,207	62,290

Claims development table net of reinsurance:

2020

Amounts in SAR '000

	<u>2015 & earlier</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Accident year							
Estimate of ultimate claim loss							
- At end of accident year	81,046	16,596	15,462	11,493	9,608	47,206	47,206
- One year later	71,755	15,463	12,192	9,593	9,300	-	9,300
- Two years later	69,315	14,995	12,251	9,481	-	-	9,481
- Three years later	69,226	14,627	12,053	-	-	-	12,053
- Four years later	69,000	14,386	-	-	-	-	14,386
- Five years later	68,947	-	-	-	-	-	68,947
Current estimate of cumulative claims	68,947	14,386	12,053	9,481	9,300	47,206	161,373
Cumulative payments to date	68,947	14,322	11,831	8,309	7,582	40,512	151,504
Outstanding claim reserves	-	64	222	1,172	1,718	6,694	9,869
Add: Incurred but not reported (IBNR) and other reserves	59	80	67	119	752	8,069	9,147
Liability recognized in the statement of financial position	59	144	289	1,291	2,470	14,763	19,016

2019

Amounts in SAR '000

<u>2014 & earlier</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
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Accident year							
Estimate of ultimate claim loss							
- At end of accident year	67,767	13,279	16,596	15,462	11,493	9,608	9,608
- One year later	59,218	12,537	15,463	12,192	9,593	-	9,593
- Two years later	57,614	11,701	14,995	12,251	-	-	12,251
- Three years later	57,750	11,476	14,627	-	-	-	14,627
- Four years later	57,627	11,373	-	-	-	-	11,373
- Five years later	57,630	-	-	-	-	-	57,630
Current estimate of cumulative claims	57,630	11,373	14,627	12,251	9,593	9,608	115,082
Cumulative payments to date	57,630	11,316	14,262	11,723	8,118	6,087	109,136
Outstanding claim reserves	-	57	365	528	1,475	3,521	5,946
Add: Incurred but not reported (IBNR) and other reserves	48	13	40	160	991	7,448	8,700
Liability recognized in the statement of financial position	48	70	405	688	2,466	10,969	14,646

b) Reinsurance Risk

In order to minimize its financial exposure to potential losses arising from large claims the Company enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss insurance contracts.

In line with the objective to provide security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programs.

Further, to minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. The Company considers reinsurance risk to be minimal as it deals with reinsurers with sound credit ratings.

Reinsurance contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance contracts.

c) Commission Rate Risk

The Company invests in securities and has deposits that are subject to special commission rate risk, it is the risk of changes in special commission rates reducing the overall return on its fixed commission rate bearing securities. The commission rate risk is limited by monitoring changes in commission rates and by investing in floating rate instruments. The Company has no significant concentration of commission rate risk.

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant concentration of commission rate risk.

The sensitivity of the income is the effect of the assumed changes in the special commission rates, with all other variable held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2020. A hypothetical 30 basis points change in the weighted average commission rate of the floating rate financial assets balances at 31 December 2020 would impact commission income by approximately SAR 228 thousand (2019: SAR 449 thousand) annually in aggregate.

Special commission bearing investments of the Company comprise of Murabaha deposits and Sukuks. Murabaha deposits are short term in nature which will be matured within a year and the Sukuk tenure is more than a year.

The commission and non-commission bearing investments of the Company and their maturities as at December 31, 2020 and 2019 are as follows:

Amount in SAR '000	Less than 1 year	More than 1 year	Non-commission bearing	Total
Insurance Operations				
2020	25,037	9,888	-	34,925
2019	25,072	9,844	-	34,916
Shareholders' Operations				
2020	171,370	115,878	-	287,248
2019	170,676	136,528	-	307,204

d) Market Risk and Asset Liability Management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (commission rate risk) and market prices (other price risk).

General Guidelines

- The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company investment committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure within investment policy, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.

The Company issues unit-linked investment policies. In the unit linked business, the plan holder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material risk on unit-linked financial assets.

The Board of Directors of the Company ensure that the overall market risk exposure is maintained at prudent

levels and is consistent with the available capital. While the Board gives a strategic direction and goals, risk management related to market risk is mainly the responsibility of Investment Committee team. The team prepares forecasts showing the effects of various possible changes in market conditions related to risk exposures. This risk is being mitigated through the proper selection of securities. Company maintains diversified portfolio and performs regular monitoring of developments in related markets. In addition, the key factors that affect Sukuk market movements are monitored, including analysis of the operational and financial performance of issuers.

e) Shariah Risk

Shariah risk is the risk of financial loss, regulatory sanction and/or reputational damage to SABB Takaful as a result of failure to comply with the directions, guidelines and conditions issued by SABB Takaful's Shariah Committees in respect of the development, execution, delivery and marketing of Takaful Products.

Shariah rules are open to different interpretations; hence, there are potential risks that a SABB Takaful's product can be interpreted as non-compliant by another Shariah body. To mitigate this, SABB Takaful has ensured that its Shariah Committee members are of high standing. Further, SABB Takaful has a dedicated Shariah Affairs team specializing in Shariah compliant issues.

Shariah risk was also identified as a distinct risk recognized in the business risk heat maps as well at the Shariah Affairs level which are monitored through the appropriate governance committees (Risk Management Committee, Board Risk Committee and Board).

f) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- Considering the nature of held-to-maturity investments, there is a minimal credit risk. Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.

The table below shows the maximum exposure to credit risk for the relevant components of the statement of financial position financial strength.

	2020	
	Takaful Operations	Shareholders
	(SAR'000)	(SAR'000)
Contributions and retakaful receivable, net	45,260	-
Retakaful share of outstanding claims	73,994	-
Cash and cash equivalents	11,972	56,243
Short term deposits	25,037	95,308
Held-to-maturity financial assets	9,888	136,451
Statutory deposit	-	34,000
Other receivables	552	-
	166,703	322,002

	2019	
	Takaful Operations	Shareholders
	SAR'000	SAR'000
Contributions and retakaful receivable, net	26,406	-
Retakaful share of outstanding claims	47,644	-
Cash and cash equivalents	40,735	106,251
Short term deposits	-	66,277
Held-to-maturity financial assets	9,843	136,529
Statutory deposit	-	34,000
Other receivables	220	-
	124,848	343,057

g) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing difference between gross cash outflows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

- The Company's catastrophic excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
- Asset Liability management study is conducted and results presented to Management Committee, Board Investment Committee and Board.

Maturity Profiles

The table below summarizes the maturity profile of the assets and liabilities (for managing liquidity risk) of the Company based on remaining expected contractual obligations. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unit linked liabilities are repayable or transferable on demand and are included in the up to one-year column. Repayments that are subject to notice are treated as if notice were to be given immediately.

----- 2020 -----

	Takaful Operations			Shareholders		
	Up to one year SAR'000	More than one year SAR'000	Total SAR'000	Up to one year SAR'000	More than one year SAR'000	Total SAR'000
ASSETS						
for-sale financial assets	406,636	-	406,636	6,985	-	6,985
maturity financial assets	-	9,888	9,888	-	136,451	136,451
reinsurances and retakaful receivable, net	45,260	-	45,260	-	-	-
share of outstanding claims	73,994	-	73,994	-	-	-
cash equivalents	11,972	-	11,972	56,243	-	56,243
Short term deposits	25,037	-	25,037	95,308	-	95,308
	<u>562,899</u>	<u>9,888</u>	<u>572,787</u>	<u>158,536</u>	<u>136,451</u>	<u>294,987</u>
LIABILITIES						
Reserve for Takaful activities	406,636	-	406,636	-	-	-
Gross outstanding claims	93,011	-	93,011	-	-	-
Retakaful balances payable	25,014	-	25,014	-	-	-
Accrued and other liabilities	45,875	-	45,875	3,560	-	3,560
	<u>570,536</u>	<u>-</u>	<u>570,536</u>	<u>3,560</u>	<u>-</u>	<u>3,560</u>

	Takaful Operations			Shareholders		
	Up to one year SAR'000	More than one year SAR'000	Total SAR'000	Up to one year SAR'000	More than one year SAR'000	Total SAR'000
ASSETS						
Available-for-sale financial assets	376,834	-	376,834	7,035	-	7,035
Held-to-maturity financial assets	-	9,843	9,843		136,529	136,529
Contributions and retakaful receivable, net	26,406	-	26,406	-	-	-
Retakaful share of outstanding claims	47,644	-	47,644	-	-	-
Cash and cash equivalents	40,735	-	40,735	106,251	-	106,251
Short term deposits	-	-	-	66,277	-	66,277
	<u>491,619</u>	<u>9,843</u>	<u>501,462</u>	<u>179,563</u>	<u>136,529</u>	<u>316,092</u>
LIABILITIES						
Reserve for Takaful activities	376,834	-	376,834	-	-	-
Gross outstanding claims	62,290	-	62,290	-	-	-
Retakaful balances payable	15,864	-	15,864	-	-	-
Accrued and other liabilities	40,634	-	40,634	2,648	-	2,648
	<u>495,622</u>	<u>-</u>	<u>495,622</u>	<u>2,648</u>	<u>-</u>	<u>2,648</u>

h) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's transactions are principally in Saudi Arabian Riyals and US Dollar. Management monitors the fluctuations in currency exchange rates and acts accordingly and believes that the foreign currency risk is not significant.

i) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility encompasses the controls in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; and
- Ethical and business standards.
- Adherence to delegated authorities set by the Board

Senior management ensures that the Company's staff has adequate training and experience and fosters effective communication related to operational risk management.

j) Capital Management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulators' capital requirements of the markets in which the Company operates while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and accumulated losses.

As per guidelines laid out by Saudi Central Bank in Article 66 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per Saudi Central Bank Implementing Regulations:

- Minimum Capital Requirement of SAR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is in compliance with capital requirements imposed by Saudi Central Bank with sound solvency margin. The capital structure of the Company as at December 31, 2020 consists of paid-up share capital of SAR 340 million, statutory reserves of SAR 14.8 million and accumulated losses of SAR 64.57 million (December 31, 2019: paid-up share capital of SAR 340 million, statutory reserves of SAR 14.8 million and accumulated losses of SAR 33.26 million in the statement of financial position).

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

k) Fair Values of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability

The management assessed that cash and short-term deposits, receivables from related parties, loans, trade and other payables, bank overdrafts, variable rate loans and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

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.

l) People Risk

The lack of qualified human resources in the Saudi insurance industry has created high demand for competent people and it is challenging to retain key people in such an environment. This is especially for the Saudi nationals due to the push by the government to retain and increase the percentage of the Saudi workforce in the insurance industry. However, SABB Takaful has managed to reach a high Saudization rate of 74.14% as at December 2020 through careful planning of developing Saudis at all levels in the Company from Senior to junior roles. It is also worthy to mention that SABB Takaful has 12 departments as part of its organizational structure and 8 of those departments are headed by qualified and experienced Saudi nationals. The continuous long term succession planning of the Company is committed to ensure that leadership positions of the Company are handled by qualified Saudi nationals who are either developed in-house or employed from the local market.

m) Strategic Risk

The Company's insurance portfolio consists of Family Takaful and General Takaful, however, main line of business is Family Takaful. The Saudi insurance market currently dominated by the general insurance sector represented by marine insurance, property insurance, health insurance and motor insurance. Life insurance makes smaller contribution to the total insurance premiums written in local markets.

SABB Takaful Board approved the strategic direction of the company and to ensure delivery of the strategic priorities, key performance indicators (KPIs) are established enabling tracking of progress by Management and the Board.

n) Product Demand Risk

Family Takaful contributes small proportion to the overall gross written premium of the market. The lack of market penetration of life insurance is due to a number of factors including general negative perception of life insurance within Shariah ambit, young Saudi population with different priorities at this stage of their lives and, unawareness of the life insurance benefits among public. there is a need to create awareness among the general Saudi population about the need and benefits of Shariah compliant life insurance which is also key part of SABB Takaful Marketing Strategy.

o) Distribution Risk

SABB Takaful is operating under a banc assurance model and is heavily reliant on the bank's network for distribution. Since the market awareness of Family Takaful is very low within Saudi Arabia, it is not economically viable to distribute Family Takaful via direct distribution channels as economies of scale cannot be achieved for direct distribution channel in the short to medium term. As the market matures and the public awareness about the importance and benefit of family insurance increases among the Saudi population, direct distribution channels will become economically viable. The implementation of the new mortgage regulations is a step in the right direction as consumer secure mortgages; the importance of securing life coverage to cover the mortgage liability will become apparent.

p) Pricing Risk

The Saudi market has 30 listed insurance companies and their total gross written premium was approximately SAR 29 Billion as at Q3 2020. Top 8 companies generated approximately 78% of the gross written premium. This causes intense pressure among the rest of the insurance companies to acquire business through stressed pricing in order to sustain and increase the small market share. This practice could produce desirable results in shorter term but not sustainable and usually results in loss of capital for insurance companies. SABB Takaful technical guidelines and robust governance process do not allow such practice as the pricing is done to correctly reflect the inherent risks. This sometime result in losing business to competitors willing to write loss making business.

q) Finance Crime Risk

During 2020, significant progress has been made in strengthening internal Financial Crime Compliance (FCC) controls as part of the annual risk identification exercise, number of new controls are introduced to manage this risk, which covered enhancement to the Anti-Money Laundering (AML) monitoring system, Know Your Customer (KYC) policy, Sanctions Policy and introducing a Risk Assessment Methodology (RAM) Policy and improving the awareness of staff.

Due to its significance to SABB Takaful, FCC risk is discussed at all Compliance Committee meetings, Risk Management Committee meetings and is a permanent agenda item of all Audit Committee meetings.

Staff Awareness and development through training and attachments is a priority for SABB Takaful. All staff at are provided with classroom training covering Compliance, AML, Sanctions and Security and Fraud. SABB Takaful has launched a number of training programs through e-Learning covering Operational risk and Information Security in addition to the afore-mentioned compliance related training programs including role based training.

r) Operational Results

a. Income statement

Descriptions	Saudi Riyal ('000s)	2020	2019	2018	2017	2016
Gross contributions written and Planholder charges		218,477	171,327	154,969	196,025	217,464
Net contributions earned		122,993	110,489	113,549	145,741	156,880
Fees and Commission Income		5,352	5,088	5,836	5,743	7,385
Other underwriting income		2,190	-	-	-	-

Underwriting revenue	130,535	115,577	119,385	151,484	164,265
Net claims and other benefits incurred	(80,557)	(90,936)	(102,413)	(87,691)	(117,665)
Changes in reserves for takaful activities, non-unit & unexpired risk reserves	(20,462)	821	19,256	(33,075)	(105)
Policy acquisition costs	(14,863)	(5,630)	(3,552)	(5,638)	(7,216)
Total underwriting costs and expenses	(115,882)	(95,745)	(86,709)	(126,404)	(124,986)
Net underwriting income	14,653	19,832	32,676	25,080	39,279
Investment income	8,544	11756	11147	9330	11,082
General and administrative expenses	(49,735)	(50,686)	(42,767)	(39,895)	(38,010)
Total income/ (loss) for the year	(26,538)	(19,098)	1,056	(5,485)	12,351
Takaful operations surplus	-	-	-	-	496
Net (loss)/ income for the year attributable to shareholders before zakat and tax	(26,538)	(19,098)	1,056	(5,485)	11,855
Zakat and tax for the year	(4,764)	(5,702)	(6,034)	(4,414)	(5,724)
Net (loss)/ profit attributable to the shareholders after zakat and tax	(31,302)	(24,800)	(4,978)	(9,899)	6,131
(Loss)/ Earning per share - SAR per share	(0.92)	(0.73)	(0.15)	(0.29)	0.18

s) Balance Sheet

Descriptions	Saudi Riyal ('000)				
	2020	2019	2018	2017	2016
Assets					
Cash and cash equivalents	68,215	146,986	244,019	239,099	187,990
Short term deposits	120,345	66,277	-	-	-
Contributions and retakaful receivables, net	45,260	26,406	12,650	14,496	13,038
Retakaful share of unearned contributions	25,527	10,946	6,969	10,802	13,976
Retakaful share of outstanding claims	73,994	47,644	57,730	66,082	56,363
Deferred policy acquisition costs	3,947	1,985	1,019	824	1,085
<i>Investments</i>					
Available-for-sale financial assets	413,621	383,869	352,115	381,037	353,740
Held-to-maturity financial assets	146,339	146,372	120,899	137,864	188,095
Prepaid expenses and other assets	3,762	1,062	1,232	1,738	1,754
Fixed assets	8	75	146	229	108
Intangible assets	2,029	2,216	1,859	1,728	1,123
Statutory deposit	34,000	34,000	34,000	34,000	34,000
Accrued income on statutory deposit	4,612	4,355	3,509	2,800	2,277
TOTAL ASSETS	941,659	872,193	836,147	890,699	853,549
Liabilities					
Accrued and other liabilities	49,435	43,282	19,378	18,710	13,275
Provision for zakat and income tax	4,991	5,778	6,034	4,452	5,701
Retakaful balances payable	25,014	15,864	5,880	8,574	8,015

Unearned contributions	34,283	15,703	9,565	14,389	20,574
Unearned retakaful commission	4,722	1,910	2,290	2,555	2,794
Gross outstanding claims	93,011	62,290	71,186	83,529	72,302
Unexpired risk reserve	8,836	5,889	2,991	5,531	0
Non-unit reserve	7,607	6,470	5,579	4,311	0
Provision for employees' end-of-service benefits	6,316	5,875	4,916	7,091	7,030
Surplus distribution payable	6,593	6,593	6,593	6,593	6,144
Reserve for takaful activities	406,636	376,834	352,115	381,037	353,740
Accrued income on statutory deposit	4,612	4,355	3,509	2,800	2,277
TOTAL LIABILITIES	652,056	550,843	490,036	539,572	491,852
Takaful operations' surplus	-	-	-	-	-
TOTAL LIABILITIES AND TAKAFUL OPERATIONS' SURPLUS	652,056	550,843	490,036	539,572	491,852
SHAREHOLDERS' EQUITY					
Share capital	340,000	340,000	340,000	340,000	340,000
Statutory reserve	14,788	14,788	14,788	14,577	14,577
Accumulated losses	(64,566)	(33,264)	(8,464)	(3,275)	6,624
Remeasurements of retirement benefit obligations	(1,218)	(823)	(213)	(175)	496
Fair value reserve on available-for-sale financial assets	599	649	-	-	-
TOTAL EQUITY	289,603	321,350	346,111	351,127	361,697
TOTAL LIABILITIES, TAKAFUL OPERATIONS' SURPLUS					
AND SHAREHOLDERS' EQUITY	941,659	872,193	836,147	890,699	853,549

C. Operational Results

Descriptions	Saudi Riyal ('000)			
	2020	2019	Change	%
Gross contributions written and Planholder charges	218,477	171,327	47,150	27.52%
Net contributions earned	122,993	110,489	12,504	11.32%
Fees and Commission Income	5,352	5,088	264	5.19%
Other underwriting income	2,190	-	2,190	100%
Underwriting revenue	130,535	115,577	14,958	12.94%
Net claims and other benefits incurred	(80,557)	(90,936)	10,379	- 11.41%
Changes in reserves for takaful activities, non-unit & unexpired risk reserves	(20,462)	821	(21,283)	- 2592%
Policy acquisition costs	(14,863)	(5,630)	(9,233)	-164%
Total underwriting costs and expenses	(115,882)	(95,745)	(20,137)	-21%
Net underwriting income	14,653	19,832	(5,179)	- 26.11%
Investment income	8,544	11,756	(3,212)	- 27.32%
General and administrative expenses	(49,735)	(50,686)	951	1.88%
Total income/ (loss) for the year	(26,538)	(19,098)	(7,440)	-39%

Contributions

The gross contributions written and plan holder charges for the year ended 31 December 2020 amounted to SAR 218 million, which is 27.52% increase comparing with 171 million gross contributions written and plan holder charges of 2019.

The net contributions earned amounted to SAR 123 million for the year ended 31 December 2020, which is 11.32% increase compared to the net contributions earned of SAR 110.5M million on 2019. The Company recorded underwriting revenue of SAR 130.5 million in 2020 comparing to SAR 115.6 million during 2019 which represent an increase of 12.94%.

Claims

The net claims incurred (including surrenders and maturities) during 2020 amounted to SAR 80.6 million as compared to SAR 90.9 million in 2019 which represent a decrease of 11.41%.

Investments

Investment income resulted in SAR 8.5 million in 2020 compared with SAR 11.7 million in 2019 with a decrease of 27.32%.

Expenses

General and administrative expenses resulted in SAR 49.7 million in 2020 compared with SAR 50.7 million in 2019 with a decrease of 1.88 %.

Net Income/(Loss)

The Company has recorded a net loss before zakat and tax of SAR 26.5 million for the year ended 31 December 2020 compared to a net loss before zakat and tax of SAR 19.10 million for the year ended 31 December 2019 which represents an increase variation of 39%.

Loss per share (after zakat and tax) for the year ended 31 December 2020 is SAR 0.92 against loss per share (after zakat and tax) of SAR 0.73 for the year ended 31 December 2019.

7) Geographical Distribution of Business Activities

SABB Takaful does not own branches at the present time. Neither does it possess property or assets or trading activities outside Saudi Arabia. The following is an analysis of the gross written contributions classified by customer segment and geographic distribution of business activities:

Year (SAR '000)	Segments	Central Province	Eastern Province	Western Province	Grand Total
2020	Gross Written Contributions				
	Individual Family	24,828	32,500	26,190	83,518
	General Takaful	39,582	5,786	3,712	49,080
	Group Family	65,365	2,562	1,156	69,083
2019	Gross Written Contributions				
	Individual Family	25,627	25,523	25,930	77,080
	General Takaful	19,869	4,036	2,746	26,651
	Group Family	50,603	22	797	51,422
2018	Gross Written Contributions				
	Individual Family	26,659	23,893	27,419	77,971
	General Takaful	12,303	5,172	2,947	20,422
	Group Family	40,855	119	599	41,573
2017	Gross Written Contributions				
	Individual Family	33,824	28,507	34,622	96,953
	General Takaful	17,302	5,151	4,245	26,698
	Group Family	46,494	227	4,712	51,433
2016	Gross Written Contributions				
	Individual Family	34,866	28,441	37,827	101,134
	General Takaful	19,803	4,481	4,565	28,849
	Group Family	52,336	1,195	10,854	64,385
2015	Gross Written Contributions				
	Individual Family	35,616	34,237	42,454	112,306
	General Takaful	49,679	1,928	9,226	29,043
	Group Family	20,964	3,570	4,509	60,834

8) Significant Accounting Policies

The significant accounting policies applied in preparation of these financial statements 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 adoption of new standards as mentioned below.

a. Adoption of new standards and amendments

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), have been effective from 1 January 2020 and accordingly adopted by the Company. The Company has assessed that these amendments currently have no significant impact on the Company's financial statements:

Standard / Amendments	Description	Date
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards.	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020

b. 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 2020 and is currently assessing their impact:

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17	Insurance Contracts	1 January 2023
IFRS 9	Financial Instruments	1 January 2023
Amendments to IFRS 16	COVID-19 – Related Rent Concessions	1 June 2020
Amendments to IAS 37	Onerous contracts – Cost of Fulfilling a contract	1 January 2023

9) Dividends

As the company accumulated losses for financial year, there will be no dividend distribution for 2020.

10) Profit Distribution Policy

This policy is set out in Article 45 of the Company's by-laws. Accordingly, the Shareholders' profits shall be distributed as follows:

- Zakat and tax allocations are to be withheld.
- Twenty percent (20%) of the net profits shall be set aside to form a statutory reserve. Such setting aside shall be discontinued when said reserve totals the entire paid-up capital.
- The Ordinary General Assembly may set aside a percentage of the annual net profits to form an additional reserve(s) to the extent required to achieve the Company's interests or to distribute fixed profits, as far as possible, to Shareholders.

11) Remuneration of the Members of the Board of Directors and Board committees,

And Senior Executives

Annual remuneration for the members of the Board and members of the committees is determined in accordance with shareholder approvals as per the requirements of the Company's Articles of Association.

2020 (SAR'000)	Salaries & remuneration	Allowances	Annual and periodic bonuses*	Any remuneration or other benefits in kind paid monthly or annually**
Board of Directors				
Non-Executive Board Members	268	20	-	-
Independent Board Members	540	50	-	-
Senior Executives whose appointment requires Saudi Central Bank no objection	3,243	1,045	1,129	2,081

*Includes cash bonus

**Includes end of service benefit for resigned senior executives and accommodation rent

Top five senior executives (including CEO and CFO)

Senior Executives	Fixed remunerations				Variable remunerations						End-of- service award	Total Remunerations for Board executives, if any	Aggregate Amount
	Salaries	Allowances	In-Kind benefit	Total	Periodic remunerations	Profits	Short-term incentives plans	Longterm incentives plans	General shares (Insert the value)	Total			
Chief Executive Officer	1,184,328.00	407,676.00	140,766.80	1,732,770.80	750,000.00	-	-	-	-	750,000.00	183,368.75	-	2,666,139.55
Chief Risk Officer	624,000.00	303,600.00	77,000.00	1,004,600.00	380,000.00	-	-	-	-	380,000.00	117,877.63	-	1,502,477.63
Chief Operating Officer	1,143,000.00	388,050.00	152,944.00	1,683,994.00	467,000.00	-	-	-	-	467,000.00	730,247.95	-	2,881,241.95
Chief Technical Officer	378,000.00	131,109.68	43,749.00	552,858.68	-	-	-	-	-	-	22,564.38	-	575,423.06
Chief Financial Officer	608,000.00	190,000.00	14,000.00	69,000.00	75,900.00	-	-	-	-	75,900.00	104,404.70	-	173,404.70
TOTAL	3,937,328.00	1,420,435.68	428,459.80	5,043,223.48	1,672,900.00	0	0	0	0	1,672,900.00	1,158,463.41	-	7,798,686.89

Board Members (SAR'000)	Annual fees	Allowance for attending Board meetings	Total
First: Independent members			
Feras Abalkhail	180	10	190
Ayman AlTaweel	180	20	200
Salman Ahmed	180	20	200
Total	540	50	590
Second: Non Executive members			
Mohammad AlShayea (Chairman)	240	20	260
Bashaar AlQunaibit (Deputy Chairman)	-	-	-
Sami AlMuhaid*	28	0	28
Yasser AlBarrak	-	-	-
Faris AlShareef	-	-	-
Maha AlSudairi	-	-	-
Total	268	20	288

* Sami AlMuhaid resigned on 26 Feb 2020.

Committees Members 2020 (SAR'000)	Fixed Remuneration	Allowance for attending Committeemeetings	Total
Audit Committee Members	240	135	375
Remuneration and Nomination Committee Members	13	45	58
Board Risk Committee Members	-	-	-
Executive Committee Members	-	25	25
Investment Committee	-	20	20

Committees Members 2020 (SAR'000)	Fix Remuneration	Allowance for attending Committee meetings	Total
First : Audit Committee			

Salman Ahmed	-	45	45
Dr. Abubaker Bagabir	120	45	165
Khalid AlThukair	120	45	165
Total	240	135	375
Second : Risk committee			
Yasser AlBarrak	-	-	-
Fadhel AL Munasif	-	-	-
Shaima Khan	-	-	-
Total	-	-	-
Third : Investment Committee			
Abdulwahid AlMatar	-	-	-
Feras Abalkhail	-	20	20
Faris AlShareef	-	-	-
Total	-	20	20
Fourth : Executive Committee			
Mohammad AlShayea	-	25	25
Bashaar AlQunaibit	-	-	-
Hussam AlKhayal	-	-	-
Total	-	25	25
Fifth : Remuneration and compensation Committee			
Feras Abalkhail	-	20	20
Ayman AlTaweel	-	20	20
Faisal Jadu*	13	5	18
Total	13	45	58

As per special agreement, four members of the non-executive directors who are representing the constituent

shareholder (SABB):

- Bashaar AlQunaibit
- Yasser Al Barrak
- Faris AlShareef
- Maha AlSudairy

have decided to waive their rights for obtaining attendance allowance and annual remuneration. Non-Board members of committees: Investment committee Chairman Mr. Abdulwahid AlMatar, and Board Risk Committee member Mr. Fadhel Al Munasif and Ms. Shaima Khan decided to waive their right to obtaining attendance allowance and annual remuneration. No other arrangement or waiver agreement for which any of the independent members of the board of directors or of the senior executive waived any of the benefits or remuneration.

In addition, SABB Takaful has committed to the remuneration and compensation of the members of the Board of Directors based on what is stated in the remuneration policy and is compatible with Article 19 of the Company's Articles of Association approved by General Assembly.

12) Contracts and Transactions with Related Parties

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. The following is the detailed transactions during 2019 and 2020.

13.1 Transactions with related parties

Details of significant transactions carried out during the year with related parties are as follows:

	2020 SAR'000	2019 SAR'000
The Saudi British Bank <i>(a shareholder of the Company)</i>		
Contributions	72,132	55,855
Claims paid	39,826	23,942
Other expenses		
IT maintenance cost and related expenses	3,423	2,997
Investment income on murabaha deposits	72	709
Other entities controlled, jointly controlled or significantly influenced by related parties		
Policy acquisition costs paid	3,925	3,798
 <i>HSBC Saudi Arabia Limited – IBSA</i>		
Contributions	1,634	1,141
Rebate on unit-linked investments	1,425	1,524

1. Contributions and claims paid in the above table, comprise details of number of contracts in which the Company was transacted with related parties. This include different insurance contracts with the Saudi British Bank (SABB) and HSBC Saudi Arabia, which were made on an arm's length basis and under the terms and conditions applicable to other parties.

2. Policy acquisition costs comprise commissions paid by the Company to SABB Insurance Agency Limited, a limited liability company of the Saudi British Bank (SABB). The main activities of the company focus on acting as exclusive insurance agent of SABB Takaful as per an agreement between the two parties.

3. The management of the investment funds is performed by HSBC Saudi Arabia by managing the plan holder investment funds for FamilyTakaful contracts in the Multi assets mutual funds.

4. "Other expenses" include costs for various services under a management agreement between The Saudi British Bank (SABB) and the Company. As per the agreement, SABB provides operational services to the Company including use of fixed assets and IT infrastructure for a fee that is mutually agreed between the two parties.

13.2 Related Parties Balances

Details of the receivables from and payables to related parties at the reporting date are as follows:

		2020	2019
	Nature	Amounts in SAR'000	
HSBC Saudi Arabia			
Available-for-sale financial assets	Asset	406,636	376,834
Rebate on unit-linked financial assets	Asset	552	220
The Saudi British Bank			
Contribution receivable – gross	Asset	26,028	21,800
Bank balances	Asset	12,724	17,515
Statutory deposit	Asset	34,000	34,000
Gross outstanding claims	Liability	46,405	27,134
Other expenses under service level agreement	Liability	2,894	2,114
Profit commission payable	Liability	-	176
SABB Insurance Agency Limited			
Commission payable	Liability	930	954

13.3 Agreements with Related Parties

The following table sets out the agreements with related parties

The agreement	Related party name	Agreement term	Start date	End date
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Service level Agreement – Information Technology Services Supply Agreement*	SABB Bank	5 years	01-Jan-2020	31-Dec-2024
Outsourcing Agreement – Information Security Risk Services Supply Agreement	SABB Bank	5 years	01-Jun-2019	30-Jun-2024
Building Lease Contract	SABB Bank	Annual	01-Jan-2015	Auto renewal
Investment Service Agreement	HSBC Saudi Arabia	Annual	08 08-Dec-2016	Auto renewal
Agency Agreement	SABB Insurance Agency Limited	3 years	24-Dec-2018	Auto renewal

13) Regulatory Payments

Regulatory payments by the Company during 2020 mainly consist of Zakat and Income Tax, Withholding Tax, Value Added Tax, Supervision and inspection cost paid to the regulatory authorities and payments to General Organization for Social Insurance (GOSI) for staff insurance contributions. Due to the nature of these expenses, it is usually subject to adjustments and changes at the time of the settlement with the respective regulatory party. The following table contains the payments and due amounts to the regulatory parties as at 31 December 2020:

Description (SAR '000)	2020	
	Paid	Due (as of 31 Dec 2020)
Zakat	5,526	4,991
With Holding Tax	787	10
Income Tax	-	-
General organization for social insurance	2,231	199
Capital Market Authority	109	-
Saudi Central Bank	994	280
VAT	5,087	1,564
Total	14,734	7,044

14) The Rules and Regulations of the Committees of the Board of Directors

During previous years, the Company completed the preparation of the rules and regulations of the Board of Directors and all sub-committees emanating from the Board of Directors in a manner consistent with the provisions of the Governance Principles document, the criteria for appointment in insurance companies, the insurance companies control system and rules, the corporate governance regulations issued by the Capital Market Authority and the corporate governance regulations for Insurance issued by Saudi Central Bank and the Companies Acts. The Board of Directors has approved the rules of work for all Board committees, while the General Assembly of the Bank agreed to approve the rules of the Audit and Nomination and Remuneration Committees, as required by the supervisory directives.

The committees shall take into account in accordance with their work rules, the review of their performance, status and work rules on an annual basis in order to ensure that their work is carried out in the most effective manner and their commitment to comply with the supervisory requirements, and to recommend any changes it deems appropriate for the approval of the Board of Directors and then the General Assembly.

Evaluating the Effectiveness of the Board and its Members and the activities of the Board Committees

As stipulated by the supervisory directives included in the principles of corporate governance document, the corporate governance regulations and the SABB Takaful corporate governance document, the Board of Directors annually assesses the effectiveness of its members, the size of their participation in its work, either individually or as a group, and the effectiveness of the committees emanating from the Board. The design and preparation of frameworks to take into account the effectiveness of the work of the Board's committees and their work as required by the scope of work assigned to them has been taken into consideration.

Training Programs for Board Members and Board Committees

The desire of the Company to enhance the skills of the members of the Board of Directors and the committees emanating from the Board in the various aspects of the insurance industry. It has been planned to design and conduct training programs directly and others through e-learning, and these programs include all members of the Board and members of its committees.

15) A Description of any Interest in a Class of Voting Shares Held by Persons (other than the Company's Directors, Senior Executives and their Relatives)

During the year, the Company did not receive any notifications from shareholders or related persons regarding the change in their ownership percentage in the Company's shares in accordance with the disclosure requirements of the Capital Market Authority's Listing Rules.

16) Description of any interest of the Board Members or Senior Executives and their Relatives in the Shares or Debt Instruments of the Company

a) Members of the Board of Directors:

Name of stakeholder	Beginning of the year 1 st January 2020		End of the year 31 st December 2020		Net change during the year	
	No. of Shares	Ownership percentage	No. of Shares	Ownership percentage	No. of Shares	Ownership percentage
Mohammad AlShayea	0	0.00%	0	0.00%	0	0.00%
Bashaar AlQunaibit	0	0.00%	0	0.00%	0	0.00%
Sami AlMuhaid*	0	0.00%	0	0.00%	0	0.00%
Feras Abalkhail	0	0.00%	0	0.00%	0	0.00%
Yasser AlBarrak	0	0.00%	0	0.00%	0	0.00%

Ayman AlTawil	0	0.00%	0	0.00%	0	0.00%
Salman Ahmed	0	0.00%	0	0.00%	0	0.00%
Fairs AlShareef**	0	0.00%	0	0.00%	0	0.00%
Maha AlSudairi**	0	0.00%	0	0.00%	0	0.00%
<i>*Sami AlMuhaid – Resigned on 26 Feb 2020.</i>						
<i>**Fairs AlShareef – Appointment as Board Member as per Saudi Central Bank letter dated 21 July 2020</i>						
<i>**Maha AlSudairi – Appointment as Board Member as per Saudi Central Bank letter dated 21 July 2020</i>						

b) Senior Management

Senior Executives, their Spouses and Minor Children						
Name of stakeholder	Beginning of the year 1 st January 2020		End of the year 31 st December 2020		Net change during the year	
	No. of Shares	Ownership percentage	No. of Shares	Ownership percentage	No. of Shares	Ownership percentage
Hussam AlKhayal	0	0.00%	0	0.00%	0	0.00%
Naji AlMustafa	0	0.00%	0	0.00%	0	0.00%
Mohammad Hassabo	0	0.00%	0	0.00%	0	0.00%
Nawal AlShammari	0	0.00%	0	0.00%	0	0.00%
Zaki AlIsmail	0	0.00%	0	0.00%	0	0.00%

17) Description of any Interest in the Voting Stock, Option Rights and Subscription

Rights of Major Shareholders

Major Shareholders

Name of Interest Holder	Start of the year		End of the year		Net change during the year	
	No. of Shares	Ownership percentage	No. of Shares	Ownership percentage	No. of Shares	Ownership percentage
SABB	22,100,000	65.00%	22,100,000	65.00%	-	-

18) Board Members and Related Committees

a) Formulation of the Board of Directors

The Board of Directors is formed of eight (8) members who are elected and appointed for a three (3) Gregorian years' cycle. Five of whom represent SABB, so that the number of members representing a legal entity are (5) members, and the remaining (3) members are independent members.

In 2020, the formation of the Board was changed as Mr. Sami AlMuhaid has resigned from the Board membership on 26 Feb 2020. During the new Board membership cycle, Mr. Bashaar AlQunaibit has been appointed as Deputy chairman; in addition, Mr. Faris AlShareef and Mrs. Maha AlSudairi have been appointed as Non-Executive Board members starting from 21 July 2020.

In light of this, the Company's board of directors is formed on December 31, 2020 from the following members whose members are classified according to what is stated in the Corporate Governance Regulations issued by the Capital Market Authority and the Corporate Governance Regulations issued by the Saudi Arabian Monetary Authority:

Name of the Board member and membership classification
Mohammad Abdulaziz AlShayea Non-Executive Board Member, Chairman of the Board of Directors
Bashar bin Yahya AlQunaibit Non-Executive Board Member, Deputy Chairman of the Board of Directors
Feras Abdulaziz Abalkhail Independent Board Member
Yasser bin Ali AlBarrak Non-Executive Board Member
Ayman Wajih AlTawil Independent Board Member
Salman Ahmed Independent Board Member
Faris AlShareef Non-Executive Board Member
Maha AlSudairi Non-Executive Board Member

Director name & membership classification	Names of the companies in which a Board member is a member of their current Board member or manager - (Legal entity type / Location) 2020
Mohammad AlShayea Non-Executive Director Chairman Start of Term: 08 April 2018 End of Term: 14 May 2022	National Transformation Program Center (Government / Saudi Arabia) Alessa Industries Company (Not Listed / Saudi Arabia) SABB Takaful (Listed / Saudi Arabia) The General Authority for Competition (Government Authority / Saudi Arabia) Saudi White Cement (Listed / Saudi Arabia) AMLAK International for Real Estate Finance Co. (Listed / Saudi Arabia) HSBC Saudi Arabia (Closed Joint Stock / Saudi Arabia)
Bashaar AlQunaibit Non-executive Director Deputy Chairman Start of Term: 15 May 2019 End of Term: 14 May 2022	Saudi British Bank (Listed / Saudi Arabia) SABB Insurance Agency Limited (Limited / Saudi Arabia) Saudi Financial Lease Contract Registry Company (SIJIL) (Joint Stock Company / Saudi Arabia) SABB Takaful (Listed / Saudi Arabia)
Feras Abalkhail Independent Director Start of Term: 15 October 2018 End of Term: 14 May 2022	Human Resources Development Fund (Not Listed / Saudi Arabia) SABB Takaful (Listed / Saudi Arabia) Tamkeen Technologies (Not Listed / Saudi Arabia) HRDF

	(Not Listed / Saudi Arabia)
Yasser AlBarrak Non-executive Director Start of Term: 15 May 2019 End of Term: 14 May 2022	Institutional Banking at SABB Bank (Listed / Saudi Arabia) SABB Takaful (Listed / Saudi Arabia)
Ayman AlTawil Independent Director Start of Term: 15 May 2019 End of Term: 14 May 2022	Saudi Arabian Military Industries (SAMI) (Closed Listed / Saudi Arabia) Aircraft Accessories and Components Company (Not Listed / Saudi Arabia) SAAF- Foundation (Not Listed / Saudi Arabia) Governance & Compliance Company (Not Listed / Saudi Arabia) SABB Takaful (Listed / Saudi Arabia)
Salman Ahmed Independent Director Start of Term: 15 May 2019 End of Term: 14 May 2022	Yanal Financing Company (Not Listed / Saudi Arabia) Saudi Steel Pipe Co. (Listed / Saudi Arabia) Tullet Liberty WLL (Not Listed / Bahrain) Albaraka Bank Pakistan Limited (Not Listed / Pakistan) SABB Takaful (Listed / Saudi Arabia)
Faris AlShareef* Non-executive Director Start of Term: 21 July 2020 End of Term: 14 May 2022	Saudi British Bank (Listed / Saudi Arabia) SABB Takaful (Listed / Saudi Arabia)

Maha AlSudairi** Non-executive Director Start of Term: 21 July 2020 End of Term: 14 May 2022	Saudi British Bank (Listed / Saudi Arabia) SABB Takaful (Listed / Saudi Arabia)
**Faris AlShareef – Appointment as Board Member as per Saudi Central Bank letter dated 21 July 2020	
**Maha AlSudairi – Appointment as Board Member as per Saudi Central Bank letter dated 21 July 2020	

b) Profiles of the Board of Directors

Name	Current Position	Former Position	Qualifications	Experience
Mr. Mohammad AlShayea	Chairman of Board of Directors at SABB Takaful. Audit Committee Member of National Transformation Program Center. Board Member of Alessa Industries Company. Board Member of the General Authority for Competition. Audit Committee Member of Saudi White Cement. Risk Committee Member of Amlak International for Real Estate Finance. Chairman of Audit Committee of Amlak International for Real Estate Finance.	Board Member of NAJM for Insurance Services. Chairman of the Audit Committee of NAJM for Insurance Services. Board Member, Executive Committee member, and Chairman of Audit committee of Saudi Ground Services. Board Member of the Public Pension Fund. Board Member of STUSID Bank (Tunisia). Member of the Audit Committee of STUSID Bank, and then the Chairman of the Committee. Vice Chairman of the Permanent Committee of Anti Money Laundering in KSA. Board Member of the	Bachelor's Degree in Accountancy from Imam Muhammad Ibn Saud, KSA. Master's Degree in Accountancy from University of Illinois, Urbana-Champaign, USA	Leadership experience of more than 30 years in the financial, insurance and government institutions

	<p>Board Member of HSBC Saudi Arabia.</p> <p>Chairman of HSBC Saudi Arabia Audit Committee.</p>	<p>Accounting and Auditing Organization of the GCC.</p> <p>Member of the Accounting Standard Committee within the Saudi Organization for CPAs.</p> <p>Member of the Quality Monitoring Committee within the Saudi Organization for CPAs.</p> <p>Member of the Advisory Board of Business and Economics College – Qassim University.</p> <p>Member of the Founding Committee for the Real Estate Refinance Company – PIF.</p> <p>Chief Executive Officer, Medgulf</p> <p>Various positions at Saudi Central Bank</p>		
Bashaar AlQunaibit	<p>Deputy Managing Director - Retail Banking & Wealth Management with immediate effect in SABB Bank.</p> <p>Board Member at SIJIL</p>	<p>Chief Human Resources Officer at SABB Bank.</p> <p>General Manager Branches and Private Banking in SABB Bank</p> <p>Head of Branches and sales in SABB Bank</p>	<p>Bachelor Degree in Business Administration from King Saud University, Saudi Arabia</p>	<p>Over 15 years of experience in Banking industry. In addition, 4 years' experience in Saudi Central Bank</p>
Feras Abalkhail	<p>Chief Executive Business Officer at Human Resources Development Fund</p>	<p>Vice President of Strategy and Transformation at the Saudi Public Transport Company Saudi Public Transport Company (SAPTCO)</p> <p>Vice president for marketing and Customer Experience in:</p> <p>Saudi Public Transport Company (SAPTCO)</p>	<p>Bachelor's degree in Marketing from King Fahad University, KSA</p> <p>Master's degree in International Marketing, from Strathclyde University, Scotland</p>	<p>More than 19 years of experience in both public and private sector, namely; Saudi Industrial Development fund, Saudi Telecom Company, Etihad Etisalat, Badir Program for Technology Incubators, Saudi Exports, and SAPTCO</p>

Yasser AlBarak	General Manager Institutional Banking at SABB Bank	Co-Head of Global Banking and Corporate Banking at SABB Bank	Bachelor Degree in Management Information System from King Fahad University for Petroleum & Minerals, Saudi Arabia	More than 16 years' experience in banking industry.
Ayman AlTawil	Vice President Governance and Compliance at Saudi Arabian Military Industries (SAMI)	Executive Director of Governance, Compliance and Legal Affairs In the Saudi Ground Services Company	Bachelor's degree in financial and administrative sciences with a major in Business Administration from the University of Amman in the Hashemite Kingdom of Jordan	Vast experiences in Compliance, AML, Corporate Governance, legal in Insurance company, and other listed companies.
Salman Ahmed	Audit Committee Member: Yanal Financing Company Board member and Chairman Remuneration & Nominations Committee: Saudi Steel Pipes Company Non-executive Director: Tullet Liberty WLL	Audit Committee Member in: Alistithmar Capital MedGulf Saudi Arabia Albaraka Bank Pakistan Limited Board member and Senior partner in: Manara Equity Partners Regional Managing	Chartered Accountant (Member – Institute of Chartered Accountants in England & Wales) Member – Institute of Chartered Accountants of Pakistan) Corporate Finance Qualification (Institute of Chartered Accountants in England & Wales)	A professional with 43 years of experience in Board / Governance, Risk, Advisory, Audit, Accounting, Finance and Investments. This experience was gained in the United Kingdom, Channel Islands,

	<p>(Not Listed / Bahrain)</p> <p>Board member, Chairman Risk Committee and member Executive Committee:</p> <p>Albaraka Bank Pakistan Limited (Not Listed / Pakistan)</p>	<p>Director in:</p> <p>Ansbacher Middle East</p> <p>Partner in</p> <p>PricewaterhouseCoopers</p>	<p>Certified Director Corporate Governance (Certified director - Pakistan)</p>	<p>Bahrain, Saudi Arabia and the UAE. He has been a Director of a number of Financial Institutions, Chairman of a bank's Risk Committee, member of a bank's Executive Committee as well as a member of audit committees in a number of companies.</p>
Faris AlShareef**	<p>Chief Strategy Officer in SABB Bank</p>	<p>Deputy Chief Financial Officer at SABB</p>	<p>Bachelor degree of Accountant at King Fahd University of Petroleum and Minerals.</p>	<p>A dynamic financial leader with distinguished experience in different finance leadership roles within local, international, private and public companies (Ernst & Young, General Electric, Bahri and Saudi British Bank "SABB")</p>
Maha AlSudairi*	<p>Chief Risk Officer at SABB Bank</p>	<p>Head of Compliance at SABB Bank</p> <p>Chief Compliance Officer at Alawwal Bank</p>	<p>Masters degree of International Finance at Kingston University.</p> <p>Bachelor degree of English Translation at King Saud University</p>	<p>More than ten years' experience in Governance, Compliance & legal field at financial sectors.</p>
**Faris AlShareef – Appointment as Board Member as per SAUDI CENTRAL BANK letter dated 21 July 2020				
**Maha AlSudairi – Appointment as Board Member as per SAUDI CENTRAL BANK letter dated 21 July 2020				

c) Profiles of the Board of Committee Members (not Directors of the Board)

Name	Current Position	Former Position	Qualifications	Experience
Dr. Abubaker Bagabir Audit Committee Member	Audit Committee Member in: SISCO Al Nahdi Medical Company Baeshan Tea Company Abdulatif Jameel United Finance Co. Rolaco Trading & Contracting Holding	Audit Committee Member in: Al Nahdi Medical Company Baeshan Tea Company Abdulatif Jameel United Finance Co. Rolaco Trading & Contracting Holding	Doctor of Philosophy in Finance & Accounting from the University of Strathclyde, UK Master of Social Science in Accounting from University of Birmingham, UK Bachelor of Science in Accounting from University of Khartoum, Sudan	Over 32 years' experience as a leader in finance & accounting at Saudi Arabia's preeminent bank. Highly qualified as an academic and practitioner of accounting and finance. Experienced in applying International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) in complex banking environments.
Hussam AlKhayal Member of the Executive Committee	Chief Executive Officer at SABB Takaful Company	General Manager, Corporate Banking, and Acting Head of Personal Banking at Alawwal Bank	Bachelor's degree in Business Administration from the University of Illinois, USA. Master's degree in Business Administration from Loyola University, USA. Master's degree in International Marketing from Strathclyde University, UK	Experience of more than 23 years in the banking and marketing sectors. And CEO of SABB Takaful from July 2019 to date.
Faisal Jadu Member of the Nomination and Remuneration Committee	Director General Financial Skills Center at Ministry of Finance.	General Manager of Human Resources at the Saudi British Bank Head of Performance Management, Rewards, and Organizational Development at the Saudi British Bank	Bachelor's degree in Management Information Systems from King Fahad University of Petroleum and Minerals, Kingdom of Saudi Arabia. And many professional certificates in the field of management and human resources	15 years of experience in the field of human resources

Khaled AlThukair Member of the audit committee	Chief Executive Auditor of the National Housing Company	Chief wealth Management SALIC	Bachelor's degree in Accounting from King Saud University, Kingdom of Saudi Arabia	28 years of experience in the audit field and in other fields such as finance, economics, accounting, and management
Fadel AlMunasif Member of the risk committee	Head of Audit – Wholesale Banking at SABB Bank.	Head of operational risk and internal control in the Saudi British Bank. Head of Operational Risk Management & Risk Projects at Saudi Hollandi Bank. Head of Products and Sales at Saudi Hollandi Bank. Regional Sales Head at Saudi Hollandi Bank.	Bachelor's in Computer Science at Caltech University. Master of Business Administration from California State University, United States of America	15 years of experience in sales and risk in the banking sector
Abdulwahid AlMatar Chairman of Investment Committee	Head of Balance Sheet Management at SABB Bank.	Management, Treasury Group at Saudi British Bank (HSBC Group Associate) AGM, Head of Trading, Alawwal Bank (formerly Saudi Hollandi Bank)	Bachelor degree, Finance at King Fahad University for Petroleum and Minerals.	23 Experience in Management, Finance, and Treasury.
Shaima Khan Member of Board risk Committee	Head of Risk Business Management at SABB Bank	Chief Risk Officer at SABB Takaful Company. Global Insurance Senior BRCM Manager at HSBC Global Insurance	Bachelors (with Honours) in Business Management and Master's Degree in International Finance from Kingston Business School	14 years' experience in Risk Management

d) Brief on the Executives

Name	Employment Status	Current position	Previous position	Qualifications	Experience
Hussam AlKhayal	Employed	Chief Executive Officer	General Manager Corporate Banking and Acting Head of Personal Banking – AlAwwal Bank	Master's degree in International Marketing	He joined SABB Takaful as Chief Executive Officer in May 2019 General Manager Corporate Banking and Acting Head of Personal Banking at AlAwwal Bank, From 2013 until 2019 Division Head at

					SAMBA Financial Group, from 2007 until 2012 Team Leader at SAMBA Financial Group, from 2006 until 2007 Senior Relationship Manager at SAMBA Financial Group, from 2001 until 2006 Marketing Analyst at Saudi Industrial Fund, from 1998 until 2001 Assistant Marketing Analyst at Saudi Industrial Fund, From 1996 until 1997
Naji AlMustafa	Employed	Chief Financial Officer	Chief Financial Officer at Al Ahlia For Cooperative Insurance	Master of Accountancy from Bowling Green University USA Bachelor Degree in accounting from King Faisal University – KSA	Joined SABB Takaful since 1 st September 2020 15 years of experience in financials management roles
Mohammad Hassabo	Employed	Chief Technical Officer	Chief Technical Officer at Alinma Tokio Marine Corporate Insurance Co.	Bachelor's degree in Business Administration Major Marketing.	Joined SABB Takaful since March 2020. 13 years of experience in Insurance industry
Nawal AlShammari	Employed	Chief Risk Officer	Head of Risk Strategy - SABB	Bachelor's degree in computer Science and information systems	Joined Sabb Takaful since July 2019 23 years of Experience in banking & risk
Zaki Allsmail	Employed	Chief Operating Officer	Head of IT and Deputy COO at SABB Takaful	Bachelor's degree in computer Science	Joined Sabb Takaful since July 2008 12 Years of Experience in information technology and projects management

e) Meetings of the Board of Directors

In 2020, SABB Board of Directors held 4 meetings. The following table shows details of those meetings and the record of attendance of directors during the year.

Board Member	Meeting dates			
	26 Feb 2020	24 June 2020	30 Sep 2020	22 Dec 2020
Mohammad AlShayea	✓	✓	✓	✓
*Sami AlMuhaid	×	-	-	-
Bashaar AlQunaibit	✓	✓	✓	✓
Feras Abalkhail	×	✓	×	✓

Yasser AlBarrak	✓	✓	✓	✓
Ayman AlTawil	✓	✓	✓	✓
Salman Ahmed	✓	✓	✓	✓
**Faris AlShareef	-	-	✓	✓
***Maha AlSudairi	-	-	✓	✓
<i>*Sami Almuhaid – Resigned on 26 Feb 2020</i>				
<i>**Faris AlShareef – Appointment as Board Member as per Saudi Central Bank letter dated 21 July 2020</i>				
<i>***Maha AlSudairi – Appointment as Board Member as per Saudi Central Bank letter dated 21 July 2020</i>				

All of the above meetings were held in Riyadh, the company's head office.

Actions were taken by the Board of Directors with respect to the shareholders' opinions and notifications

The Secretary of the Board receives the recommendations, observations, and complaints of shareholders through various means of communication, and includes:

- Company website
- Company contacts numbers in the company profile on Tadawul website

In case reception of the recommendations, notice and complains, the Board will respond to shareholders.

19) Board Committees

In line with the regulatory requirements issued by the Supervisory Authorities, SABB Takaful's By-Law and SABB Takaful's Governance Document, which provide for the formation of an appropriate number of committees, depending on the Company's size, needs and activity diversification, the Board of Directors formed (5) Board committees, the membership and formation of which is described in the following sections:

Audit Committee

The Audit Committee consists of three members, headed by an independent board member as Chairman, and two of non-board/non-executive members. As per the Terms of Reference approved by the Company's General Assembly on selecting the Audit Committee members, their membership terms, and their manner of performance, the Committee carries out its tasks as listed in Audit Committee Charter which is aligned to Saudi Central Bank Audit Committee Regulation for Insurance and Reinsurance Companies.

Members, qualifications and experience of the audit committee as required under Article 90 (2) of the Corporate Governance Regulation of the Capital Market Authority are as follows:

Name	Qualifications	Experience
Salman Ahmed	Chartered Accountant (Member – Institute of Chartered Accountants in England & Wales; and Member – Institute of Chartered Accountants of Pakistan) Corporate Finance Qualification (Institute of Chartered Accountants in England & Wales) Corporate Governance (Certified Director - Pakistan)	A professional with over 40 years of experience in the UK, Channel Islands, Bahrain, Saudi Arabia and the UAE. He has been a Director of a number of Financial Institutions, Chairman of a bank's Risk Committee, member of a bank's Executive Committee as well as a member of audit committees in a number of companies.

Dr. Abubaker Bagabir	PhD in Accounting and Finance, University of Strathclyde, UK FCCA – Fellow Chartered Certified Accountant (Association of Certified Accountants, UK)	An experienced Finance & Accounting professional with vast experience in Finance & Accounting in a leading bank in KSA; presently practicing as a consultant. He is also an Audit committee member in some of the companies.
Khalid AlThukair	Bachelor of Accounting from King Saud University.	A wide experience in Auditing - he is the Head of Internal Audit Department in one of the government companies.

The Committee oversees the activities of the Internal Audit and Compliance functions, monitors the Company's internal and external audit functions, and reviews/monitors control weaknesses and systems deficiencies principally through submitted reports. It is also responsible for the review and recommendation to the Board of Directors, principally through discussions with external auditors, appointed actuaries and Management, of the interim and annual financial statements, including compliance with accounting policies. The Committee reviews audit and compliance reports and provides its recommendations thereon, besides monitoring the status of corrective actions taken by the Management. The Committee also recommends to the Board, the appointment of the Company's external auditors, the fixing of their fees, review of their audit plan, follow up of their work, review of their comments and any other work or reports in addition to the normal audit.

Meetings held in 2020:

Committee Member	Meeting dates 2020								
	Feb 03	Feb 20	May 07	Aug 13	Aug 16	Sep 26	Oct 21	Nov 03	Dec 28
Salman Ahmed	✓	✓	✓	✓	✓	✓	✓	✓	✓
Abubaker Bagabir	✓	✓	✓	✓	✓	✓	✓	✓	✓
Khalid AlThukair	✓	✓	✓	✓	✓	✓	✓	✓	✓

Executive Committee

The Executive Committee consists with two board members & the CEO of Sabb Takaful, the following the main roles & responsibilities:

Assisting the Board in discharging its duties & responsibilities, review the Management reports, the performance assessment, and make recommendation to the Board thereby. Moreover, review of the strategic and operational plans, estimated budgets and action plans, and take the necessary actions regarding them. Also, monitoring the company's performance and seek justification for any deviations from the approved plans and budgets and monitoring the company's main executive projects or the expansion of business. Likewise, take decisions on cases delegated to it by the board that are outside the authority of the CEO of the company, including matters related to capital expenditures and procurements, within the limits of the powers vested in the committee by the board of directors.

The committee has held the following six (6) meetings during 2020:

Committee Member	Meeting dates during the year 2020					
	25 Feb	21 Apr	23 June	17 Sept	28 Oct	9 Dec
Mohammad AlShayea	x	✓	✓	✓	✓	✓
Bashaar AlQunaibit	✓	✓	✓	✓	✓	✓
Hussam Alkhayal	✓	✓	✓	✓	✓	✓

Nomination and Remuneration Committee

The Committee is formed with two independent Board members and one non – Board member. According to the Company's General Assembly Meeting approved provisions on selecting the Nominations and Remuneration Committee members, their membership term, and their manner of performance, the Committee is responsible for approving the policies and standards of nomination for the membership of the Board and senior executives, and ensuring the integrity of the members of the Board, The Committee also conducts annual reviews on the needed requirements in terms of skills and capabilities of the members of the Board, verifying the independency of the members, reviewing the structure of the Board and making recommendations on changes that can be made, and identifying weaknesses and strengths in the Board and suggesting remedial measures thereof. Moreover, the committee is responsible for the task of drawing up compensation and reward policies for both the members of the Board and the senior executives and the succession plan.

The Committee has held the following four meetings during the year 2020:

Committee Member	Meeting dates during the year 2020			
	27 Feb	24 June	8 Oct	9 Dec
Feras Abalkhail	✓	✓	✓	✓
Ayman AlTawil	✓	✓	✓	✓
Faisal Jadu	✓	✓	✓	✓

Investment Committee

The Committee shall consist of three members, two board members, one Independent and the other Non-Executive and one non- board member.

In accordance to SAMA directives as outlined in the Investment Regulation which mandated the composition of an Investment Committee (IC), and in light of that, SABB Takaful Board had decided to compose an Investment Committee that assigned to develop and assess the implementation of the Investment Policy approved by the Board of Directors wherein the committee scope of work is determined according to these terms of reference.

On 5 March 2020 the Company received Saudi Central Bank no objection letter for the appointment of Mr. Feras Abalkhail and Mr. Abdulwahid Almater as members of Investment Committee. In addition, Mr. Faris Alshareef has been appointed as Non-Executive member in Investment Committee on 25 August 2020. The Committee has held the following four meetings during the year 2020:

Committee Member	Meeting dates during the year 2020			
	4 March	21 Apr	23 June	28 Oct
Abdulwahid AlMatar	✓	✓	✓	✓
Feras Abalkhail	✓	✓	✓	✓
Faris AlShareef*	-	-	-	✓

*Faris AlShareef – Appointment as Board Member as per Saudi Central Bank letter dated 21 July 2020

Board Risk Committee

The Board Risk Committee (BRC) was formed by the Board in the second quarter of 2016 in line with Saudi Central Bank's rules, which require the formation of a committee to handle risk management affairs.

The committee is intended to meet on a quarterly basis and supervises and gives advice to the Board on all

matters relating to high level risks pertinent to the business in addition to the strategic direction of risks across SABB Takaful, including the drawing up of a risk vision, prioritisation and supervision of principal initiatives and overseeing the execution of major transformational risk initiatives.

The Committee membership and the meeting dates are summarised in the table below:

Committee Member	Meeting dates			
	24 Feb	20 Apr	24 Sep	09 Dec
Yasser AlBarrak	✓	✓	✓	✓
Fadhel AlMunasaif	✓	✓	✓	✓
*Shaima Khan	-	-	✓	✓

**Shaima Khan– Appointment as Board Member as per Saudi Central Bank letter dated 21 July 2020*

20) General Assembly:

In line with the Companies' law and SABB's Takaful By-Law there were two General Assembly meeting held during 2020

21.1. Extraordinary General Assembly in 08 Thu Quda 1441 H Corsp 29 June 2020, the following members attended the meeting:

The meeting was held through video conferencing in accordance with CMA circular on 16 March 2020 which suspended physical attendance of committees until further notice and only conduct through digital channels in response to the COVID19 precautionary measures, meeting attendance was 65.42%, the following list of names are board members attend the meeting:

- Mohammad Abdulaziz AlShayea - Chairman
- Bashaar Yahiya AlQunaibit – Board Deputy Chairman
- Yassir Ali AlBarrak
- Feras Abdulaziz Abalkhail
- Ayman Wajeeh AlTawil
- Salman Ahmed

None of the Board members has apologized from attending.

The results:

1. Approved the Board report for the fiscal year ending 31 December 2019.
2. Approved the financial statements for the fiscal year ending 31 December 2019.
3. Approved the Auditors report for the fiscal year ending 31 December 2019.
4. Approved relieving the Directors from their liability for the year ending 31 December 2019.
5. Approved the appointment of the Auditors of the Company from the nominees based on the recommendation of the Audit Committee to review and audit the financial statements of the second and third quarter and the annual financial statements for the year 2020, and the first quarter for the year 2021 and determining their fees.
6. Approved the disbursement of SAR 736 thousands as rewards and compensation to the members of the Board of Directors for the fiscal year ending 31 December 2019.

7. Approved authorizing the Company's transactions and contracts represented by various annual insurance contracts with a party which has relation with (SABB) in which Board members: Mr. Mohammed AlShayea, Mr. Bashaar AlQunaibit, and Mr. Yasser Albarrak have an indirect interest with as SABB representatives, and to authorize it for a following year. In knowledge that the nature of transactions in 2019 was various annual insurance contracts (Property all risk, Public Liability, Business Interruption, Electronic Equipment, Sabotage & Terrorism, Group Creditor, Group Care, and Credit Shield) with a total contribution amount of SAR 55,855 thousand and claims paid with a total amount of SAR 23,942 thousand. There are no special or preferential terms with the mentioned contracts in this item.
8. Approved authorizing the Company's transactions and contracts represented in annual operation servicing contracts, use of Fixed Asset and IT infrastructure with a party who has relation with (SABB) in which Board member: Mr. Mohammed AlShayea, Mr. Bashaar AlQunaibit, and Mr. Yasser Albarrak have an indirect interest with as SABB representatives and to authorize it for a following year. In knowledge that nature of transitions in 2019 were various annual operation servicing contracts, use of Fixed Assets and IT infrastructure with a total amount of SAR 2,997 thousand. There are no special or preferential terms with the mentioned contracts in this item.
9. Approved authorizing the Company's transactions and contracts represented in Investment Income of Murabaha Deposits with a party who has relation with (SABB) in which Board members: Mr. Mohammed AlShayea, Mr. Bashaar AlQunaibit, and Mr. Yasser Albarrak have indirect interest with as SABB representatives, and to authorize it for a following year. In knowledge that nature of 2019 was Investment Income on Murabaha Deposits with a total amount of SAR 709 thousands. There are no special or preferential terms with the mentioned contracts in this item.
10. Rejected authorizing the Company's transactions and contracts represented in annual insurance agency contracts exclusive to sale the Company products with a party who has relation with (SABB Insurance Agency Ltd) in which Board members: Mr. Mohammed AlShayea, Mr. Bashaar AlQunaibit, and Mr. Yasser Albarrak have indirect interest with as SABB representatives and to authorize it for a following year. In knowledge that nature of transactions in 2019 was an annual insurance agency contract for selling Company's products exclusively, and the total commission paid is SAR 3,798 thousands. There are no special or preferential terms with the mentioned contracts in this item.
11. Rejected authorizing the Company's transactions and contracts represented in various annual insurance contracts with a party who has relation with (HSBC Saudi Arabia Ltd) where Board members: Mr. Mohammed AlShayea, Mr. Bashaar AlQunaibit, and Mr. Yasser Albarrak have indirect interest with as SABB representatives and to authorize it for a following year. In knowledge that nature of transaction in 2019 was various annual insurance contracts (Property all risk, Public Liability, Business Interruption, Electronic Equipment, Sabotage & Terrorism) with total amount of SAR 1,141 thousands. There are no special or preferential terms with the mentioned contracts in this item.
12. Approved authorizing the Company's transactions and contracts represented in Policyholders' Investment fund management contract for Family Takaful for individuals in HSBC Saudi Arabia Ltd. Investments Fund with a party who has relation with (HSBC Saudi Arabia Ltd.) where Board members: Mr. Mohammed AlShayea, Mr. Bashaar AlQunaibit, and Mr. Yasser Albarrak have indirect interest with as SABB representatives and to authorize it for a following year. In knowledge that nature of transaction in 2019 was Policyholders' Investment fund management contract for Family Takaful for individuals in HSBC Saudi Arabia Ltd. Investments Fund amount of SAR 376,834 thousands where the units purchased during the year is SAR 77,080 thousands, while the units sold during the year is SAR 97,864 thousands. The rebate fees received on unit-linked investments is SAR 1,524 thousands. There are no special or preferential terms with the mentioned contracts in this item.

13. Approved the amendment made on the article (1) in the Company by-laws which related to Incorporation.
14. Approved the amendment made on the article (2) in the Company by-laws which related to company name.
15. Approved the amendment made on the article (3) in the Company by-laws which related to Objectives of the Company.
16. Approved the amendment made on the article (4) in the Company by-laws which related to Participation & Acquisition of Companies.
17. Approved the amendment made on the article (7) in the Company by-laws which related to Investments of the Company.
18. Approved the amendment made on the article (12) in the Company by-laws which related to Transfer of Shares.
19. Approved the amendment made on the article (13) in the Company by-laws which related to Increase of Capital.
20. Approved the amendment made on the article (14) in the Company by-laws which related to Decrease of Capital.
21. Approved the amendment made on the article (15) in the Company by-laws which related to Management of the Company.
22. Approved the amendment made on the article (16) in the Company by-laws which related to Termination of Membership.
23. Approved the amendment made on the article (17) in the Company by-laws which related to Vacancies.
24. Approved the amendment made on the article (18) in the Company by-laws which related to Powers of the Board of Directors.
25. Approved the amendment made on the article (19) in the Company by-laws which related to Remuneration of Board of directors.
26. Approved the amendment made on the article (20) in the Company by-laws which related to Chairman, Vice-Chairman, Managing Director and Secretary.
27. Approved the amendment made on the article (21) in the Company by-laws which related to Board Meeting.
28. Approved the amendment made on the article (22) in the Company by-laws which related to Quorum.
29. Approved the amendment made on the article (24) in the Company by-laws which related to Agreements & Contracts.
30. Approved the amendment made on the article (25) in the Company by-laws which related to General Assembly.
31. Approved the amendment made on the article (26) in the Company by-laws which related to Constituent General Assembly.
32. Approved the amendment made on the article (27) in the Company by-laws which related to Powers of the Constituent General Assembly.
33. Approved the amendment made on the article (28) in the Company by-laws which related to Ordinary General Assembly.

34. Approved the amendment made on the article (30) in the Company by-laws which related to Invitations to General Assemblies.
35. Approved the amendment made on the article (32) in the Company by-laws which related to Quorum for the Ordinary General assembly.
36. Approved the amendment made on the article (33) in the Company by-laws which related to Quorum for the Extraordinary General assembly.
37. Approved the amendment made on the article (36) in the Company by-laws which related to Deliberations.
38. Approved the amendment made on the article (37) in the Company by-laws which related to Proceedings of the General Assembly & Minutes of Meetings.
39. Approved the amendment made on the article (39) in the Company by-laws which related to Appointment of Auditors.
40. Approved the amendment made on the article (41) in the Company by-laws which related to Auditor's Obligations.
41. Approved the amendment made on the article (43) in the Company by-laws which related to Financial Statements
42. Approved the amendment made on the article (45) in the Company by-laws which related to Zakat & Reserves.
43. Approved the amendment made on the article (46) in the Company by-laws which related to Entitlement to Profits.
44. Approved the amendment made on the article (47) in the Company by-laws which related to Company Losses.
45. Approved the amendment made on the article (49) in the Company by-laws which related to Liabilities of the Board of Directors.
46. Approved the amendment made on the article (50) in the Company by-laws which related to Dissolution of the Company.
47. Approved the amendments made on the Term of Reference for Nomination and Compensation committee.
48. Approved the amendments made on Corporate Governance Policy
49. Approved the amendments made on the Directors Compensation Policy.
50. Approved the amendments made on Policy & Criteria for Selection & Appointment of Directors.

21.2 Ordinary General Assembly on Thursday, 28 Safar 1442H Corresponding to 15 Oct 2020;

The meeting was held through video conferencing in accordance with CMA circular on 16 March 2020 which suspended physical attendance of committees until further notice and only conduct through digital channels in response to the COVID19 precautionary measures, meeting attendance was 65.75%.

Following is a list of the board members attended the meeting:

- Mohammad Abdulaziz AlShayea - Chairman
- Bashaar Yahya AlQunaibit – Board Deputy Chairman
- Yassir Ali AlBarrak
- Feras Abdulaziz Abalkhail
- Salman Ahmed

- Faris Fehied AlShareef
 - Maha Mohammad AlSudairi
- The following members apologized:
- Ayman Wajih AlTawil

The results:

1. Approved the appointment of Mr. Faris Fehied AlShareef (Non-Executive member) as member of the board of Directors, effective 21/07/2020G.
2. Approved the appointment of Mrs. Maha Mohammad AlSudairi (Non-Executive member) as member of the board of Directors, effective 21/07/2020G.
3. Approved authorizing the Company's transactions and contracts represented in annual insurance agency contracts exclusive to sale the Company products with a party who has relation with (SABB Insurance Agency Ltd) in which Board members: Mr. Mohammed Alshayea, Mr. Bashaar AlQunaibit, and Mr. Yasser AlBarrak, Mr. Faris AlShareef, and Mrs. Maha AlSudairi have indirect interest with as SABB representatives and to authorize it for a following year. In knowledge that nature of transactions in 2019 was an annual insurance agency contract for selling Company's products exclusively, and the total commission paid is SAR 3,798 thousands. There are no special or preferential terms with the mentioned contracts in this item. (attached)
4. Approved authorizing the Company's transactions and contracts represented in various annual insurance contracts with a party who has relation with (HSBC Saudi Arabia Ltd) where Board members: Mr. Mohammed Alshayea, Mr. Bashaar AlQunaibit, and Mr. Yasser AlBarrak, Mr. Faris AlShareef, and Mrs. Maha AlSudairi have indirect interest with as SABB representatives and to authorize it for a following year. In knowledge that nature of transaction in 2018 was various annual insurance contracts (Property all risk, Public Liability, Business Interruption, Electronic Equipment, Sabotage & Terrorism) with total amount of SAR 1,141 thousands. There are no special or preferential terms with the mentioned contracts in this item.

21) Shareholder Register:

During the year 2020 SABB Takaful apply for shareholders' registration application, and the following table explains information of the registration report applications and reasons.

No.	Type of Report	Date	Reason
1	Shareholders Report/List	20 Feb 2020	Company Act
2	Shareholders Report/List	18 June 2020	Company Act
3	Shareholders Report/List	28 June 2020	Company Act
4	Shareholders Report/List	29 June 2020	Company Act
5	Shareholders Report/List	22 Sep 2020	Company Act
6	Shareholders Report/List	8 Oct 2020	Company Act
7	Shareholders Report/List	15 Oct 2020	Company Act

22) Regulatory Penalties and Limitations

The Company operates in accordance with the regulations and instructions issued by the supervisory authorities. SABB Takaful received the following penalty during the year of 2020.

#	Organization	Total fines	Date	Reason
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1	Capital Market Authority	40,000.00	27/1/2020	Delay of announcing resignation of Board member
2	Saudi Central Bank	60,000.00	28/10/2020	Marking new product without prior approval by Saudi Central Bank.
3	Capital Market Authority	Notification	29/10/2020	For not mentioning all dates of Audit Committee meeting on the Board report of 2019. Also, for not clearly stating the approval from the Board on the appointment of Board Secretary on the minutes of meeting.

23) Corporate Governance

SABB Takaful recognizes the importance of adopting corporate governance principles and standards that will lead to observance of professional and ethical standards in all dealings as well as transparency and disclosure that will contribute to enhancing and improving its efficiency and relationships with all parties involved, whether they are employees or third parties.

In addition, SABB Takaful is committed to applying all the requirements of the Corporate Governance Regulations of insurance companies issued by the Saudi Central Bank and the Corporate Governance Regulations issued by the Capital Market Authority, taking into account the guidance material mentioned in the Corporate Governance Regulations issued by the Capital Market Authority with the exception of the materials described according to the table below:

Article number	Content	Reason
95	Formation of a Corporate Governance Committee	Non-binding guidance clause

SABB Takaful has worked on several matters in order to develop the quality of corporate governance, including the following:

1. Developing internal policies and procedures in line with what was mentioned in the new update of the Corporate Governance Regulations issued by the Capital Market Authority.
2. Developing and updating the policies and procedures related to transparency and disclosure in accordance with the rules and regulations issued by the regulatory authorities. Update the Corporate Governance Regulation and obtain the approval of the General Assembly held on June 29, 2020. Updated the work regulations of the Nomination and Compensation Committee, and editing the policies of Remuneration and Compensation of Board Directors, Subcommittees, and Executive management and obtain the approval of the General Assembly.
3. Updating the policy of selection board and committee member.
4. Appointing two Board members to replace the members resigned.
5. Appointing committees' members to replace the members resigned.
6. Developing aspects of knowledge for members of the Board of Directors, affiliated committees, and Company employees, by implementing several training courses in the areas of combating money laundering and

terrorist financing and strengthening their skills to comply with the regulations and rules issued by the regulatory authorities.

7. SABB Takaful has been working on a project to enhance and develop corporate governance during the year 2020 AD, by bringing talent and establishing an independent corporate governance with training activities in the field of corporate governance.

24) Annual Review of the effectiveness of Internal Control:

The Board of Directors are responsible for establishing a system of internal controls and ensuring its effectiveness. This system relies on the policies and procedures established by the Board of Directors to provide effective internal control. This is achieved by maintaining appropriate accounting records and ensuring the reliability and usefulness of financial information, as well as compliance with laws and regulations, in addition to risk Management within the Risk Appetite by the company, in order to protect the assets from misuse or theft.

These procedures are designed to manage and mitigate risks that could hinder the achievement of the company's goals. These procedures can provide reasonable, but not absolute, assurance regarding material incorrect data, errors, losses, and fraud that the company may encounter. The Management is also responsible for identifying and assessing the risks that the company faces periodically, and it is the responsibility of the company's Management to ensure the effectiveness of the system of internal controls.

Three Lines of Defense :

The Company has implemented a "three lines of defense" model to manage the risks faced by the company as follows:

The Company has implemented a "three lines of defense" model as stipulated earlier to manage the risks faced by the company. The Executive Management, as the first line of defense and the second line of defense consists of Risk Management and Compliance. The Internal Audit represents the third line of defense and independently reviews the effectiveness of internal controls through periodic evaluation of these controls by testing them across the various functions of the company.

The Head of Internal Audit reports to the Audit Committee on all matters related to internal audit and submits all of its final reports to the Audit Committee. The Executive Management is responsible for ensuring the implementation of the agreed corrective action plans according to the specified timelines. Conclusion of action plans are submitted to the Internal Audit Department for review and validation.

25) Opinion of the Audit Committee with Respect to the Adequacy of the System of

Internal Controls

During 2020, the Internal Audit Department audited a number of the company's activities and operations using a risk-based audit plan. The Internal Audit reports were submitted to the Audit Committee, and these reports showed the results of the tests that were conducted, highlighting the points that need to strengthen internal controls or that need Management intervention to address the deficiencies, as well as the process that can be modified to improve efficiency

In general, audits conducted during the year 2020 did not identify any critical deficiencies that need to be reported.

26) The Audit Committee's Recommendation in Conflict with Board Resolutions

There was no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors nor were any of their recommendations refused by the Board, regarding appointment of the Company's auditors, dismissing them, determining their fees, assessing their performance, or appointing the internal auditor.

27) External Auditors' Report

The joint independent auditors report states, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia".)

28) If the Board Recommended Replacing the External Auditor before the end of its Term, the Report shall indicate this mentioning the Reasons for the Replacement

Recommendation.

The Board did not issue any recommendation to change the external auditors before the end of the period for which they were appointed.

29) External Auditors

The General Assembly held on 8th of Thu Alquda 1441H (29 June 2020), has approved the decision of the Board of Directors to appoint PwC and Crowe Horwath (Al Azem & Al Sudairy) to act as external auditor for the 2nd, 3rd and year end for the financial year 2020 and the first quarter of financial year 2021.

30) Declarations

a. SABB Takaful Declares that:

- The Company has not obtained any bank loans during the year 2020.
- The Company has not made any investments, neither has it established any reserves for employees' benefits.
- The Company has not issued or granted any convertible debt instruments or any contractual securities or notes of rights of subscription or similar rights during the fiscal year 2020.
- The Company has not issued or granted any conversion rights or subscription entitlements under convertible debt instruments, or any option rights or warranties of subscription or similar rights.
- The Company did not recover, purchase or cancel any refundable debt instruments.
- The Company has not entered during the year 2020 into any contract of material interest to any of the Board Members, the CEO, the CFO or any of person associated with any of them, except what has been articulated in this report in relation to dealing with the related parties.
- That the Company does not have any subsidiary companies inside or outside the Kingdom of Saudi Arabia.

b. The Board of Directors also declares that, to the best of its knowledge and belief, in all Material Aspects:

- Proper accounting records have been maintained.
- The internal control system is of sound design and is being implemented effectively.
- There are no significant doubts about the Company's ability to continue its operations.

Conclusion

The Board of Directors wishes to express its gratitude to their valued customers for their trust and to the shareholders for their support for the continuing success of the Company. The Board of Directors would also like to extend its appreciation to all the staff and the management team for their dedication and efforts to help the Company achieve its objectives.