



## Board of Directors' Report

2021

SABB  سبب  
Takaful تکافل

## 2021 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, 2021. 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 28/08/1443H (corresponding to 31//03/2022G) 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. 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 SABB Takaful does not offer compulsory products

### 1) Significant Fundamental Developments During the Year

SABB Takaful has been 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 2021, SABB Takaful received regulatory approval of selling Group Saving product to support long-term savings efforts, a key feature of the Financial Sector Development Program of Vision 2030.

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 Comprehensive General Liability and Machinery Loss of Profits products.

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.

The Company signed a non-binding Memorandum of Understanding (the 'MOU') with Walaa on 04/12/1442H corresponding to 14/07/2021 to evaluate a potential merger between the two companies. Subsequently, after the completion of due diligence Company has signed a binding merger agreement with Walaa Cooperative Insurance Company ("Walaa") on 23 Rajab 1443H (corresponding to 24 February 2022G) (the "merger agreement") reflecting the agreement of both companies to merge, through a share swap transaction, in accordance with the merger agreement (and provided that the merger transaction is approved by all relevant governmental authorities and by the Extraordinary General Assemblies of SABB Takaful Company and Walaa, and after the expiration of the creditors' 30 days' objection period from the date of publication of the Extraordinary General Assembly resolution or the date on which all creditors' objections to the merger transaction are settled at the effective date.

The potential merger expects to absorb all of the Company's employees into Walaa, and should not result in any involuntary redundancies. The Company has appointed Financial Advisor for the proposed merger.

### 2) Business Strategy

SABB Takaful has embarked upon the strategy to expand the product range and customer base. The idea is to capitalize the bancassurance regulations, explore the larger customer base of merged Bank through targeted marketing, increased branch network, developing digital channels and enhanced sales strategy as well as increasing market share through sales aggregators, direct sales and broker channel.

### 3) Future Plans and Key Deliverables:

The main characteristics of the plan included the following:

- Become the leading provider of protection and savings as part of Family Takaful offerings.
- Continuing investing into technology infrastructure 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 niche and popular commercial products under Casualty and Financial Lines of business such as Directors' and Officers' Liability, Professional Indemnity and Reducing Term Life.
- 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 Saudi 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, Remote Working, Claims, 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 as follows:

##### a. Individuals-Products

For individuals, the Company offers a wide range of products that offers a protection benefits against death, disability and 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                           |
| ▪ Care plan           |                                    |

##### b. Corporate-Products

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

- |                                   |                                   |
|-----------------------------------|-----------------------------------|
| ▪ Fire                            | ▪ Comprehensive General Liability |
| ▪ Property All Risks              | ▪ Public Liability                |
| ▪ Business Interruption           | ▪ Money                           |
| ▪ Electronic Equipment            | ▪ Fidelity Guarantee              |
| ▪ Contractors All Risks           | ▪ Group Personal Accident         |
| ▪ Erection All Risks Insurance    | ▪ Machinery Loss of Profit        |
| ▪ Contractors Plant and Machinery | ▪ Group Creditors                 |
| ▪ Machinery Breakdown             | ▪ Group Care                      |
| ▪ Marine Cargo                    | ▪ Group saving                    |
| ▪ Medical Malpractice             |                                   |

## 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) and is responsible for the control of risk exposures within the Company's business. A Cyber Security Committee and Product Review Committee are also in place to focus on specific risks.

### 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

The insurance risk lies in exceeding the actual claims owed to policyholders for the expected claims, due to the nature of the insurance contract, where the risks are volatile and unpredictable, as this happens if the amounts of actual claims exceeded the estimation of the expected claims, where insurance events are not fixed and vary from one period to another. 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 regulatory 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 Family 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 Family Takaful portfolios are protected through re-insurance arrangements which protect the Company from adverse mortality/morbidity experience.

Further, SABB Takaful carries out at least annually regulatory 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 annual general insurance policies and they are expected to produce only short tail claims, therefore, it is unlikely to have significant reserve movements. This helps to mitigate general insurance risk. Major products include Property all risk, Fire, Business Interruption, Engineering, Marine cargo and other General Accident products

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

The property policies are mostly 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.

Similarly, in respect of Engineering policies, the coverage provided is in respect of accidental damages to the insured projects and Marine Cargo policies provide cover against accidental damages to the insured cargo during specific voyages.

In all the above contracts, the net retention by the company in respect of one single claim / series of claims arising due to one single cause, is limited to SAR 1M as per the reinsurance arrangements in place.

### **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 risks 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 per event and 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 strategy 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 2021 and 31 December 2020, the Company does not have any significant concentration of insurance risk. The table below sets out the concentration of the outstanding claims and unearned premiums by business segments at the reporting date:

<b>2021 (Amounts in SAR '000)</b>	<b>Outstanding claim reserves - Gross</b>	<b>Outstanding claim reserves - Net</b>	<b>Gross unearned contributions</b>	<b>Net unearned contributions</b>
Individual Family	876	608	-	-
Group Family	59,780	13,182	19,162	9,313
General Takaful	55,223	6,959	23,738	3,105
	<b>115,879</b>	<b>20,749</b>	<b>42,900</b>	<b>12,418</b>

  

<b>2020 (Amounts in SAR '000)</b>	<b>Outstanding claim reserves – Gross</b>	<b>Outstanding claim reserves - Net</b>	<b>Gross unearned contributions</b>	<b>Net unearned contributions</b>
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
	<b>93,011</b>	<b>19,016</b>	<b>34,283</b>	<b>8,756</b>

#### 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:

<b><i>Impact of change in net claim ratio by +/- 10%</i></b>	<b>2021</b>	<b>2020</b>
	<b>Amount in SAR '000</b>	
Accident and Liability	<b>110</b>	<b>148</b>
Marine	<b>113</b>	<b>38</b>
Property	<b>275</b>	<b>315</b>
Engineering	<b>1</b>	<b>-</b>
Group	<b>2,497</b>	<b>1,589</b>

### 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:

<b>2021</b>		<i>Amounts in SAR '000</i>					
Accident year	<b>2016 &amp; earlier</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Estimate of ultimate claim loss							
- At end of accident year	353,419	63,579	54,787	37,117	113,037	110,842	110,842
- One year later	327,045	48,474	46,758	41,541	62,371	-	62,371
- Two years later	316,168	48,779	46,553	31,557	-	-	31,557
- Three years later	316,390	48,354	43,547	-	-	-	43,547
- Four years later	295,612	48,085	-	-	-	-	48,085
- Five years later	295,313	-	-	-	-	-	295,313
Current estimate of cumulative claims	295,313	48,085	43,547	31,557	62,371	110,842	591,715
Cumulative payments to date	282,684	47,177	42,076	29,707	59,182	70,689	531,515
Outstanding claim reserves	12,629	908	1,471	1,850	3,189	40,153	60,200
Add: Incurred but not reported (IBNR) and other reserves	58	58	142	181	3,378	51,862	55,679
Liability recognized in the statement of financial position	<b>12,687</b>	<b>966</b>	<b>1,613</b>	<b>2,031</b>	<b>6,567</b>	<b>92,015</b>	<b>115,879</b>

  

<b>2020</b>		<i>Amounts in SAR '000</i>					
Accident year	<b>2015 &amp; earlier</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
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	<b>12,447</b>	<b>965</b>	<b>1,231</b>	<b>5,148</b>	<b>8,607</b>	<b>64,613</b>	<b>93,011</b>

**Claims development table net of reinsurance:**

<b>2021</b>	<b>Amounts in SAR '000</b>						<b>Total</b>
	<b>2016 &amp; earlier</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	
<b>Accident year</b>							
Estimate of ultimate claim loss							
- At end of accident year	97,642	15,462	11,493	9,608	87,718	20,023	20,023
- One year later	87,217	12,192	9,593	10,801	12,604	-	12,604
- Two years later	84,311	12,251	9,672	8,045	-	-	8,045
- Three years later	83,853	12,161	8,877	-	-	-	8,877
- Four years later	83,446	12,053	-	-	-	-	12,053
- Five years later	83,333	-	-	-	-	-	83,333
Current estimate of cumulative claims	83,333	12,053	8,877	8,045	12,604	20,023	144,935
Cumulative payments to date	83,269	11,831	8,569	7,800	12,139	15,103	138,711
Outstanding claim reserves	64	222	308	245	465	4,920	6,224
Add: Incurred but not reported (IBNR) and other reserves	19	14	17	102	875	13,498	14,525
Liability recognized in the statement of financial position	<b>83</b>	<b>236</b>	<b>325</b>	<b>347</b>	<b>1,340</b>	<b>18,418</b>	<b>20,749</b>

<b>2020</b>	<b>Amounts in SAR '000</b>						<b>Total</b>
	<b>2015 &amp; earlier</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
<b>Accident year</b>							
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	<b>59</b>	<b>144</b>	<b>289</b>	<b>1,291</b>	<b>2,470</b>	<b>14,763</b>	<b>19,016</b>

**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 2021. A hypothetical 30 basis points change in the weighted average commission rate of the floating rate financial assets balances at 31 December 2021 would impact commission income by approximately SAR 151 thousand (31 December 2020: SAR 228 thousand) annually in aggregate.

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, 2021 and December 31, 2020 are as follows:

<i>Amount in SAR '000</i>	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Non-commission bearing</b>	<b>Total</b>
<b>Insurance Operations</b>				
2021	-	9,892	-	9,892
2020	25,037	9,888	-	34,925
<b>Shareholders' Operations</b>				
2021	95,513	136,451	-	231,964
2020	171,370	115,878	-	287,248

### 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 the 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 and the investment 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 Committee 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 map 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.

	<b>31 December 2021</b>	
	<b>Takaful Operations (SAR'000)</b>	<b>Shareholders (SAR'000)</b>
Contributions and retakaful receivable, net	83,691	-
Retakaful share of outstanding claims	95,130	-
Cash and cash equivalents	14,730	57,302
Short term deposits	25,032	45,058
Held-to-maturity financial assets	9,892	136,967
Statutory deposit	-	34,000
Other receivables	405	-
	<b>228,880</b>	<b>273,327</b>

  

	<b>31 December 2020</b>	
	<b>Takaful Operations (SAR'000)</b>	<b>Shareholders (SAR'000)</b>
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	-
	<b>166,703</b>	<b>322,002</b>

### 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 after following the claims procedure.
- 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.

	----- 31 December 2021 -----					
	<i>Takaful Operations</i>			<i>Shareholders</i>		
	<i>Up to one year SAR'000</i>	<i>More than one year SAR'000</i>	<i>Total SAR'000</i>	<i>Up to one year SAR'000</i>	<i>More than one year SAR'000</i>	<i>Total SAR'000</i>
<b>ASSETS</b>						
Available-for-sale financial assets	472,071	-	472,071	7,145	-	7,145
Held-to-maturity financial assets	-	9,892	9,892	-	136,967	136,967
Contributions and retakaful receivable, net	83,691	-	83,691	-	-	-
Retakaful share of outstanding claims	95,130	-	95,130	-	-	-
Cash and cash equivalents	14,730	-	14,730	57,302	-	57,302
Short term deposits	25,032	-	25,032	45,058	-	45,058
	<u>690,654</u>	<u>9,892</u>	<u>700,546</u>	<u>109,505</u>	<u>136,967</u>	<u>246,472</u>
<b>LIABILITIES</b>						
Reserve for Takaful activities	472,071	-	472,071	-	-	-
Gross outstanding claims	115,879	-	115,879	-	-	-
Retakaful balances payable	29,900	-	29,900	-	-	-
Accrued and other liabilities	34,706	-	34,706	5,659	-	5,659
	<u>652,556</u>	<u>-</u>	<u>652,556</u>	<u>5,659</u>	<u>-</u>	<u>5,659</u>
	----- 31 December 2020 -----					
	<i>Takaful Operations</i>			<i>Shareholders</i>		
	<i>Up to one year SAR'000</i>	<i>More than one year SAR'000</i>	<i>Total SAR'000</i>	<i>Up to one year SAR'000</i>	<i>More than one year SAR'000</i>	<i>Total SAR'000</i>
<b>ASSETS</b>						
Available-for-sale financial assets	406,636	-	406,636	6,985	-	6,985
Held-to-maturity financial assets	-	9,888	9,888	-	136,451	136,451
Contributions and retakaful receivable, net	45,260	-	45,260	-	-	-
Retakaful share of outstanding claims	73,994	-	73,994	-	-	-
Cash and 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>
<b>LIABILITIES</b>						
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>

#### **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;
- Ethical and business standards; and
- Adherence to the 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) Solvency 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 regulatory 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 all externally imposed capital requirements with sound solvency margin. The capital structure of the Company as at 31 December 2021 consists of paid-up share capital of SAR 340 million, statutory reserves of SAR 14.8 million and accumulated losses of SAR 62.75 million (December 31, 2020: paid-up share capital of SAR 340 million, statutory reserves of SAR 14.8 million and accumulated losses of SAR 56.83 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 advantages 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 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 Saudization rate of 65% as at December 2021 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 11 departments as part of its organizational structure and 7 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 is 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 a key part of SABB Takaful Marketing Strategy.

Accordingly, insurance companies that provide life insurance products must implement initiatives to enhance the awareness of general public about the benefits and importance of life insurance, and that Takaful Family insurance programs are supported by the approval of Sharia committee represented by the presence of scholars members from the Council of Senior Scholars.

**o) Distribution Risk**

SABB Takaful is operating under a bancassurance model which rely 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.

**p) Pricing Risk**

The Saudi market has 29 listed insurance companies and their total gross written premium was approximately SAR 31 Billion as at Q3 2021. Top eight companies generated approximately 80% 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) Financial Crime Risk**

During 2021, significant progress has been made in strengthening internal Financial Crime Compliance (FCC) controls as part of the ongoing monitoring of the controls that are designed to manage this risk and provide regular oversight on Anti-Money Laundering (AML) monitoring system, Know Your Customer (KYC) policy, Sanctions Policy and introducing a Risk Assessment Methodology (RAM) Policy and continuous awareness program for all the staff.

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

Staff Awareness and development through training and attachments is a priority for SABB Takaful. All staffs are provided with classroom training covering Compliance, AML, Sanctions 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.

## 7) Operational Results

### a. Income statement

Descriptions	Saudi Riyal ('000s)	2021	2020	2019	2018	2017
Gross contributions written and Plan holder charges		<b>246,610</b>	<b>218,477</b>	171,327	154,969	196,025
Net contributions earned		<b>143,340</b>	<b>122,993</b>	110,489	113,549	145,741
Fees and Commission Income		<b>8,879</b>	<b>5,352</b>	5,088	5,836	5,743
Other underwriting income		<b>111</b>	<b>2,190</b>	-	-	-
Underwriting revenue		<b>152,330</b>	<b>130,535</b>	115,577	119,385	151,484
Net claims and other benefits incurred		<b>(97,206)</b>	<b>(80,557)</b>	(90,936)	(102,413)	(87,691)
Changes in reserves for takaful activities, non-unit & unexpired risk reserves		<b>(4,921)</b>	<b>(20,462)</b>	821	19,256	(33,075)
Policy acquisition costs		<b>(16,318)</b>	<b>(14,863)</b>	(5,630)	(3,552)	(5,638)
Total underwriting costs and expenses		<b>(118,445)</b>	<b>(115,882)</b>	(95,745)	(86,709)	(126,404)
Net underwriting income		<b>33,885</b>	<b>14,653</b>	19,832	32,676	25,080
Investment income		<b>8,391</b>	<b>8,544</b>	11756	11147	9330
General and administrative expenses		<b>(40,962)</b>	<b>(49,735)</b>	(50,686)	(42,767)	(39,895)
Total income/ (loss) for the year		<b>1,314</b>	<b>(26,538)</b>	(19,098)	1,056	(5,485)
Takaful operations surplus		<b>(361)</b>	-	-	-	-
Net (loss)/ income for the year attributable to shareholders before zakat and tax		<b>953</b>	<b>(26,538)</b>	(19,098)	1,056	(5,485)
Zakat and tax for the year		<b>(6,872)</b>	<b>(4,764)</b>	(5,702)	(6,034)	(4,414)
Net (loss)/ profit attributable to the shareholders after zakat and tax		<b>(5,919)</b>	<b>(31,302)</b>	(24,800)	(4,978)	(9,899)
(Loss)/ Earning per share - SAR per share		<b>(0.17)</b>	<b>(0.92)</b>	(0.73)	(0.15)	(0.29)

**b. Balance Sheet**

<b>Descriptions</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>					
Cash and cash equivalents	72,032	68,215	146,986	244,019	239,099
Short term deposits	70,090	120,345	66,277	-	-
Contributions and retakaful receivables, net	83,691	45,260	26,406	12,650	14,496
Retakaful share of unearned contributions	30,482	25,527	10,946	6,969	10,802
Retakaful share of outstanding claims	95,130	73,994	47,644	57,730	66,082
Deferred policy acquisition costs	3,806	3,947	1,985	1,019	824
Investments					
Available-for-sale financial assets	479,216	413,621	383,869	352,115	381,037
Held-to-maturity financial assets	146,859	146,339	146,372	120,899	137,864
Prepaid expenses and other assets	6,942	3,762	1,062	1,232	1,738
Fixed assets	-	8	75	146	229
Intangible assets	1,294	2,029	2,216	1,859	1,728
Statutory deposit	34,000	34,000	34,000	34,000	34,000
Accrued income on statutory deposit	4,729	4,612	4,355	3,509	2,800
<b>TOTAL ASSETS</b>	<b>1,028,271</b>	<b>941,659</b>	<b>872,193</b>	<b>836,147</b>	<b>890,699</b>
<b>LIABILITIES</b>					
Accrued and other liabilities	40,365	41,695	35,542	19,378	18,710
Provision for zakat and income tax	5,992	4,991	5,778	6,034	4,452
Retakaful balances payable	29,900	25,014	15,864	5,880	8,574
Unearned contributions	42,900	34,283	15,703	9,565	14,389
Unearned retakaful commission	5,308	4,722	1,910	2,290	2,555
Gross outstanding claims	115,879	93,011	62,290	71,186	83,529
Unexpired risk reserve	5,193	8,836	5,889	2,991	5,531
Non-unit reserve	-	7,607	6,470	5,579	4,311
Provision for employees' end-of-service benefits	6,703	6,316	5,875	4,916	7,091
Surplus distribution payable	6,954	6,593	6,593	6,593	6,593
Reserve for takaful activities	472,071	406,636	376,834	352,115	381,037
Accrued income on statutory deposit	4,729	4,612	4,355	3,509	2,800
<b>TOTAL LIABILITIES</b>	<b>735,994</b>	<b>644,316</b>	<b>543,103</b>	<b>490,036</b>	<b>539,572</b>
Takaful operations' surplus	-	-	-	-	-
<b>TOTAL LIABILITIES AND TAKAFUL OPERATIONS' SURPLUS</b>	<b>735,994</b>	<b>644,316</b>	<b>550,843</b>	<b>490,036</b>	<b>539,572</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	340,000	340,000	340,000	340,000	340,000
Statutory reserve	14,788	14,788	14,788	14,788	14,577
Accumulated losses	(62,745)	(56,826)	(25,524)	(8,464)	(3,275)
Re-measurements of retirement benefit obligations	(524)	(1,218)	(823)	(213)	(175)
Fair value reserve on available-for-sale financial assets	758	599	649	-	-
<b>TOTAL EQUITY</b>	<b>292,277</b>	<b>297,343</b>	<b>329,090</b>	<b>346,111</b>	<b>351,127</b>
<b>TOTAL LIABILITIES, TAKAFUL OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>	<b>1,028,271</b>	<b>941,659</b>	<b>872,193</b>	<b>836,147</b>	<b>890,699</b>

### C. Operational Results

Descriptions	Saudi Riyal ('000)			
	2021	2020	Change	%
Gross contributions written and Plan holder charges	246,610	218,477	28,133	12.88%
Net contributions earned	143,340	122,993	20,347	16.54%
Fees and Commission Income	8,879	5,352	3,527	65.90%
Other underwriting income	111	2,190	(2,079)	-94.93%
<b>Underwriting revenue</b>	<b>152,330</b>	<b>130,535</b>	<b>21,795</b>	<b>16.70%</b>
Net claims and other benefits incurred	(97,206)	(80,557)	(16,649)	20.67%
Changes in reserves for takaful activities, non-unit & unexpired risk reserves	(4,921)	(20,462)	15,541	-75.95%
Policy acquisition costs	(16,318)	(14,863)	(1,455)	9.79%
<b>Total underwriting costs and expenses</b>	<b>(118,445)</b>	<b>(115,882)</b>	<b>(2,563)</b>	<b>2.21%</b>
Net underwriting income	33,885	14,653	19,232	131.25%
Investment income	8,391	8,544	(153)	-1.79%
General and administrative expenses	(40,962)	(49,735)	8,773	-17.64%
<b>Total income/ (loss) for the year</b>	<b>1,314</b>	<b>(26,538)</b>	<b>27,852</b>	<b>104.95%</b>

#### Contributions

The gross contributions written and plan holder charges for the year ended 31 December 2021 amounted to SAR 246.61 million, which is 12.88 % increase comparing with 218 million gross contributions written and plan holder charges as of 31 December 2020.

The net contributions earned amounted to SAR 143.34 million for the year ended 31 December 2021, which is 16.54% increase compared to the net contributions earned of SAR 123 million as of 31 December 2020. The Company recorded underwriting revenue of SAR 152.3 million for the year ended 31 December, 2021 comparing to SAR 130.5 million as of 31 December, 2020 which represent an increase of 16.70%.

#### Claims

The net claims incurred (including surrenders and maturities) for the year ended 31 December, 2021 amounted to SAR 97.2 million as compared to SAR 80.6 million as of 31 December, 2020 which represent an increase of 20.67%.

#### Investments

Investment income resulted in SAR 8.4 million for the year ended 31 December, 2021 compared with SAR 8.5 million as of 31 December, 2020 with a decrease of 1.79%.

#### Expenses

General and administrative expenses resulted in SAR 41 million for the year ended 31 December, 2021 compared with SAR 49.7 million as of 31 December, 2020 with a decrease of 17.64%.

#### Net Income/(Loss)

The Company has recorded a net profit before zakat and tax of SAR 1.3 million for the year ended 31 December 2021 compared to a net loss before zakat and tax of SAR 26.5 million for the year ended 31 December 2020 which represents an increase of 105%.

Loss per share (after zakat and tax) for the year ended 31 December 2021 is SAR 0.17 against loss per share (after zakat and tax) of SAR 0.92 for the year ended 31 December 2020.

## 8) Geographical Distribution of Business Activities

SABB Takaful does not own branches at the present time. Neither does it possess property, 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
	<b>Gross Written Contribution</b>				
2021	Individual Family	24,334	37,562	29,214	91,110
	General Takaful	41,825	4,478	5,854	52,157
	Group Family	76,835	3,620	4,224	84,679
	<b>Gross Written Contribution</b>				
2020	Individual Family	24,828	32,500	26,190	83,518
	General Takaful	39,580	5,786	3,714	49,080
	Group Family	65,364	2,563	1,156	69,083
	<b>Gross Written Contribution</b>				
2019	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
	<b>Gross Written Contribution</b>				
2018	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
	<b>Gross Written Contribution</b>				
2017	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
	<b>Gross Written Contribution</b>				
2016	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
	<b>Gross Written Contribution</b>				
2015	Individual Family	35,616	34,237	42,454	112,306
	General Takaful	17,889	1,928	9,226	29,043
	Group Family	52,754	3,570	4,509	60,834

## 9) 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 2020 except for the adoption of new standards as mentioned below.

### a. Adoption of new standards and amendments

The following are the new standards, interpretations and amendments to standards that are effective in the current year which have not given rise to changes in the Company's accounting policies and have no impact on its financial statements:

Standard / Amendments	Description	Date
Phase 2 Amendments to IFRS 9 and IAS 39	Interest Rate Benchmark Reform	1 January 2021
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

### 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 2021 and is currently assessing their impact:

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach	1 January 2023
Amendment to IAS 1	Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	1 January 2024
IFRS 17	Insurance Contracts	1 January 2023
IFRS 9	Financial Instruments	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous contracts – Cost of Fulfilling a contract	1 January 2022

## 10) Dividends

As the company is reporting accumulated losses for financial year, there will be no dividend distribution for 2021.

## 11) 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.

## 12) 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.

2021 (SAR'000)	Salaries & remuneration	Allowances	Annual and periodic bonuses*	Any remuneration or other benefits in kind paid monthly or annually**
<b>Board of Directors</b>				
Non-Executive Board Members	960	265	-	-
Independent Board Members	540	210	-	-
Top five senior executives (including CEO and CFO)	5,052	-	-	-
Senior Executives whose appointment requires Saudi Central Bank no objection	-	-	-	-

	<u>Fixed remunerations</u>						<u>Variable remunerations</u>									
	Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings committee	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total	End-of-service award	Aggregate Amount	Expenses Allowance
<b>First:</b>																
<b>Independent Directors</b>																
<i>Feras Abalkhail</i>	-	20,000	45,000	-	-	180,000	245,000	-	-	-	-	-	-	-	-	-
<i>Ayman Al Tawil</i>	-	30,000	25,000	-	-	180,000	235,000	-	-	-	-	-	-	-	-	-
<i>Salman Ahmed</i>	-	30,000	60,000	-	-	180,000	270,000	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	80,000	130,000	-	-	540,000	750,000	-	-	-	-	-	-	-	-	-
<b>Second:</b>																
<b>Non-Executive Directors</b>																
<i>Mohammad Al Shayea</i>	-	30,000	35,000	-	-	240,000	305,000	-	-	-	-	-	-	-	-	-
<i>Bashaar Al Qunaibit</i>	-	30,000	35,000	-	-	180,000	245,000	-	-	-	-	-	-	-	-	-
<i>Yasser Al Barrak</i>	-	30,000	25,000	-	-	180,000	235,000	-	-	-	-	-	-	-	-	-
<i>Faris Alshareef</i>	-	30,000	20,000	-	-	180,000	230,000	-	-	-	-	-	-	-	-	-
<i>Maha AlSudairi</i>	-	30,000	-	-	-	180,000	210,000	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	150,000	115,000	-	-	960,000	1,225,000	-	-	-	-	-	-	-	-	-
<b>Third: Executive Directors</b>																
<b>1-</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2-</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>3-</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

<b>Committees Members 2021 ( SAR'000)</b>	<b>Fixed Remuneration</b>	<b>Allowance for attending Committee meetings</b>	<b>Total</b>
<b>Audit Committee Members</b>	240	175	415
<b>Remuneration and Nomination Committee Members</b>	132.1	80	212.1
<b>Board Risk Committee Members</b>	200	75	275
<b>Executive Committee Members</b>	100	105	205
<b>Investment Committee</b>	100	65	165

<b>Committees Members 2021 (SAR'000)</b>	<b>Fix Remuneration</b>	<b>Allowance for attending Committee meetings</b>	<b>Total</b>
<b>First : Audit Committee</b>			
Salman Ahmed	0	60	60
Dr. Abubaker Bagabir	120	55	175
Khalid AlThukair	120	60	180
<b>Total</b>	<b>240</b>	<b>175</b>	<b>415</b>
<b>Second : Risk committee</b>			
Yasser AlBarrak	0	25	25
Fadhel AL Munasif	100	25	125
Shaima Khan	100	25	125
<b>Total</b>	<b>200</b>	<b>75</b>	<b>275</b>
<b>Third : Investment Committee</b>			
Abdulwahid AlMatar	100	25	125
Feras Abalkhail	0	20	20
Faris AlShareef	0	20	20
<b>Total</b>	<b>100</b>	<b>65</b>	<b>165</b>
<b>Fourth : Executive Committee</b>			
Mohammad AlShayea	0	35	35
Bashaar AlQunaibit	0	35	35
Hussam AlKhayal	100	35	135
<b>Total</b>	<b>100</b>	<b>105</b>	<b>205</b>
<b>Fifth : Remuneration and compensation Committee</b>			
Feras Abalkhail	0	25	25
Ayman AlTaweel	0	25	25
*Faisal Jadu	97.3	20	117.3
**Saud Alshathri	34.8	10	44.8
<b>Total</b>	<b>132.1</b>	<b>80</b>	<b>212.1</b>

\*Faisal Jadu has resigned on 21<sup>st</sup> December 2021

\*\*Saud Alshathri has been appointed as a REMCO member as per SAMA's Non-objection letter on 26<sup>th</sup> August 2021

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, Executive Committee member Mr. Hussam AlKhayal and Board Risk Committee members 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.

### 13) 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 2020 and 2021.

#### 13.1 Transactions with related parties

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

	<b>2021</b> <b>SAR'000</b>	<b>2020</b> <b>SAR'000</b>
<b>The Saudi British Bank</b>		
<i>(a shareholder of the Company)</i>		
Contributions	<b>73,784</b>	72,132
Claims paid	<b>74,013</b>	39,826
Other expenses		
IT maintenance cost and related expenses	<b>3,397</b>	3,423
Investment income on murabaha deposits	-	72
<b>Other entities controlled, jointly controlled or significantly influenced by related parties</b>		
Policy acquisition costs paid	<b>5,086</b>	3,925
<b>HSBC Saudi Arabia Limited – IBSA</b>		
Contributions	<b>395</b>	1,634
Rebate on unit-linked investments	<b>1,865</b>	1,425
<b>M/s. Al Olayan Group</b>		
Contributions	<b>16,309</b>	12,194
Claims paid	<b>18,097</b>	-
<b>M/s. Amlak International for Real Estate</b>		
<b>M/s. Amlak International For Real Estate</b>		
Contributions	<b>472</b>	-
Claims paid	-	-

- 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), HSBC Saudi Arabia, M/s Al Olayan Group and M/s Amlak International for Real Estate which were made on an arm's length basis and under the terms and conditions applicable to other parties.
- 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.
- The management of the investment funds is performed by HSBC Saudi Arabia by managing the plan holder investment funds for Family Takaful contracts in the Multi assets mutual funds.
- "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:

	Nature	2021	2020
		Amounts in SAR'000	
<b>HSBC Saudi Arabia</b>			
Available-for-sale financial assets	Asset	472,071	406,636
Rebate on unit-linked financial assets	Asset	405	552
<b>The Saudi British Bank</b>			
Contribution receivable – gross	Asset	44,847	26,028
Bank balances	Asset	21,577	12,724
Statutory deposit	Asset	34,000	34,000
Gross outstanding claims	Liability	36,808	46,405
Other expenses under service level agreement	Liability	3,966	2,894
Profit commission payable	Liability	-	-
<b>SABB Insurance Agency Limited</b>			
Commission payable	Liability	369	930
<b>M/s. Al Olayan Group</b>			
Contribution receivable – gross	Asset	14,345	10,780
Gross outstanding claims	Liability	19,131	1,364
<b>M/s. Amlak International For Real Estate</b>			
Contribution receivable – gross	Asset	543	-
Gross outstanding claims	Liability	-	-

### 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
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-Dec-2016	Auto renewal
Bancassurance	SABB Bank	Annual	01-May-2021	Auto renewal

### 14) Regulatory Payments

The Company regulatory payments during 2021 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 2021:

Description (SAR '000)	2021	
	Paid	Due (as of 31 Dec 2020)
Zakat	5,133	5,993
With Holding Tax	205	39
Income Tax	-	-
General organization for social insurance	1,800	128
Capital Market Authority	98	-
Saudi Central Bank	924	329
VAT	10,119	634
<b>Total</b>	<b>18,279</b>	<b>7,132</b>

#### 15) 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.

### 16) 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, the following tables show the interests of major shareholders, members of the board of directors and senior executives of the company, and their spouses and minor children in shares and debt instruments.

### 17) 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 <sup>st</sup> January 2021		End of the year 31 <sup>st</sup> December 2021		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%
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%

#### b) Senior Management

Name of stakeholder	Beginning of the year 1 <sup>st</sup> January 2020		End of the year 31 <sup>st</sup> 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%
Meiselvan Loganathan	0	0.00%	0	0.00%	0	0.00%
Nawal AlShammari	0	0.00%	0	0.00%	0	0.00%
Zaki Allsmail	0	0.00%	0	0.00%	0	0.00%

\*Naji Almustafa has resigned on 15 Sep 2021

\*\*Mohammed Hassabo has resigned on 31 Aug 2021

**18) 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%	-	-

**19) 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 light of this, the Company's board of directors is formed on December 31, 2021 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 Central Bank:

**b) Profiles of the Board of Directors**

Name	Membership Classification	Current Position	Former Position	Qualifications	Experience
<b>Mr. Mohammad AlShayea</b>	Non-Executive Director and Chairman of the Board of Directors  <i>Start of Term: 08 April 2018</i> <i>End of Term: 14 May 2022</i>	Non-Executive Director and 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	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	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

			International for Real Estate Finance.	Audit Committee of STUSID Bank, and then the Chairman of the Committee.	
			Chairman of Audit Committee of Amlak International for Real Estate Finance.		
			Board Member of HSBC Saudi Arabia.	Vice Chairman of the Permanent Committee of Anti Money Laundering in KSA.	
			Chairman of HSBC Saudi Arabia Audit Committee.		
			Audit Committee Member of AlRabie	Board Member of the Accounting and Auditing Organization of the GCC.	
				Member of the Accounting Standard Committee within the Saudi Organization for CPAs.	
				Member of the Quality Monitoring Committee within the Saudi Organization for CPAs.	
				Member of the Advisory Board of Business and Economics College – Qassim University.	
				Member of the Founding Committee for the Real Estate Refinance Company – PIF.	
				Chief Executive Officer, Medgulf	
				Various positions at Saudi Central Bank	
<b>Bashaar AlQunaibit</b>	Non-executive Director Deputy Chairman <i>Start of Term: 15</i>	Deputy Managing Director - Retail Banking & Wealth Management at SABB Bank.	Chief Human Resources Officer at SABB Bank. General Manager	Bachelor Degree in Business Administration from King Saud University, Saudi Arabia	Over 15 years of experience in Banking industry. In addition, 4 years' experience in Saudi

	<i>May 2019</i> <i>End of Term: 14</i> <i>May 2022</i>	Non-executive Director at SABB Takaful (Listed / Saudi Arabia)	Branches and Private Banking in SABB Bank  Head of Branches and sales in SABB Bank		Central Bank
		Board Member at AlAwwal investment Company (Not listed / Saudi Arabia)			
<b>Feras Abalkhail</b>	Independent Director  <i>Start of Term: 15</i> <i>October 2018</i> <i>End of Term: 14</i> <i>May 2022</i>	Chief Executive Business Officer at Human Resources Development Fund (Not Listed / Saudi Arabia)  Independent Director and Chairman of REMCO at SABB Takaful (Listed / Saudi Arabia)  Board Member at Tamkeen Technologies (Not Listed / Saudi Arabia)  Board Member at HADAF company (Not Listed/ Saudi Arabia)	Vice President of Strategy and Transformation at the Saudi Public Transport Company Saudi Public Transport Company (SAPTCO)  Vice president for marketing and Customer Experience in:  Saudi Public Transport Company (SAPTCO)	Bachelor's degree in Marketing from King Fahad University, KSA  Master's degree in International Marketing, from Strathclyde University, Scotland	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
<b>Yasser AlBarrak</b>	Non-executive Director  <i>Start of Term: 15</i> <i>May 2019</i> <i>End of Term: 14</i> <i>May 2022</i>	General Manager Institutional Banking at SABB Bank  Non-executive Director at SABB Takaful (Listed / Saudi Arabia)	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
<b>Ayman AlTawil</b>	Independent Director  <i>Start of Term: 15</i> <i>May 2019</i> <i>End of Term: 14</i> <i>May 2022</i>	Board Member and REMCO's member at SABB Takaful  Vice President Governance and Compliance at Saudi	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	Vast experiences in Compliance, AML, Corporate Governance, legal in Insurance company, and other listed

		Arabian Military Industries (SAMI)		Amman in the Hashemite Kingdom of Jordan	companies.
		Board Member at Aircraft Accessories and Components Company (Not Listed / Saudi Arabia)			
		Founder and Board Member at SAAF-Foundation (Not Listed / Saudi Arabia)			
<b>Salman Ahmed</b>	Independent Director  <i>Start of Term: 15 May 2019</i> <i>End of Term: 14 May 2022</i>	Independent Director at SABB Takaful  Audit Committee Member: Yanal Financing Company  Board member and Chairman Remuneration & Nominations Committee: Saudi Steel Pipes Company Non-executive Director: Tullet Liberty WLL (Not Listed / Bahrain)  Board member, Chairman Risk Committee and member of Executive Committee: Albaraka Bank Pakistan Limited (Not Listed / Pakistan)	Audit Committee Member in:  Alistithmar Capital  MedGulf Saudi Arabia  Albaraka Bank Pakistan Limited  Board member and Senior partner in: Manara Equity Partners  Regional Managing Director in: Ansbacher Middle East  Partner in  PricewaterhouseCoopers	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)  Certified Director	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, 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.
<b>Faris AlShareef</b>	Non-executive Director  <i>Start of Term: 21 July 2020</i> <i>End of Term: 14 May 2022</i>	Chief Strategy Officer at SABB Bank  Non-executive Director at SABB Takaful (Listed / Saudi Arabia)	Deputy Chief Financial Officer at SABB	Bachelor degree of Accountant at King Fahd University of Petroleum and Minerals.	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")
<b>Maha ALSudairi</b>	Non-executive Director	Chief Risk Officer at SABB Bank	Head of Compliance at SABB Bank	Masters degree of International Finance at Kingston University.	More than ten years' experience in Governance, Compliance & legal field at financial sectors.
	<i>Start of Term: 21 July 2020</i>	Non-executive Director at SABB Takaful (Listed / Saudi Arabia)	Chief Compliance Officer at Alawwal Bank	Bachelor degree of English Translation at King Saud University	
	<i>End of Term: 14 May 2022</i>	Non-executive Director at AlAwwal investment Company (Not listed / Saudi Arabia)			

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

Name	Current Position	Former Position	Qualifications	Experience
<b>Dr. Abubaker Bagabir</b> Audit Committee Member	<b>Audit Committee Member in:</b>  SISCO  Al Nahdi Medical Company  Baeshan Tea Company  Abdulatif Jameel United Finance Co.  Rolaco Trading & Contracting Holding	<b>Audit Committee Member in:</b>  Al Nahdi Medical Compnay  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.
<b>Hussam AlKhayal</b> 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. Currently, working as CEO of SABB Takaful from July 2019 to date.
<b>*Faisal Jadu</b> Member of the Nomi- nation and Remunera- tion 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
<b>Khaled AlThukair</b> 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
<b>Fadhel AlMunasif</b> 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	Bachelor's in Computer Science at Caltech University. Master of Business Administration from California State	15 years of experience in sales and risk in the banking sector

		Projects at Saudi Hollandi Bank.	University, United States of America	
		Head of Products and Sales at Saudi Hollandi Bank.		
		Regional Sales Head at Saudi Hollandi Bank.		
<b>Abdulwahid AIMatar</b> Chairman of Investment Committee	Head of Balance Sheet Management at SABB Bank	Management, Treasury Group at Saudi British Bank (HSBC Group Associate)	Bachelor degree, Finance at King Fahad University for Petroleum and Minerals.	23 Experience in Management, Finance, and Treasury.
		AGM, Head of Trading, Alawwal Bank (formerly Saudi Hollandi Bank)		
<b>Shaima Khan</b> Member of Board risk Committee	Head of Operational and Resilience Risk 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
<b>**Saud Alshathri</b> Member of Nomination and Remuneration Committee	Secretary of NRC and Group Head of HR & Administration at Amlak International Real Estate Financing Company	Manager of HR and Administration at Amlak International Real Estate Financing Company  General Manager of Administration Affairs at Sedr Company	Bachelors in Business Administration from Arizona State University	20 years' experience in Human Resources

\*Faisal Jadu has resigned on 21st December 2021

\*\*Saud Alshathri has been appointed as a REMCO member as per SAMA's Non-objection letter on 26<sup>th</sup> August 2021

## 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	Experience of more than 23 years in the banking and marketing sectors. Currently, working as CEO of SABB Takaful from July 2019 to date.
*Naji AlMustafa	Resigned	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 <sup>st</sup> September 2020 15 years of experience in financials management roles
**Mohammad Hassabo	Resigned	Chief Technical Officer	Chief Technical Officer at Alinma Tokio Marine Corporative Insurance Co.	Bachelor's degree in Business Administration Major Marketing.	Joined SABB Takaful since March 2020. 13 years of experience in Insurance industry
***Meiselvan Loganathan	Employed	Acting Chief Financial Officer	Senior Manager at Reliance General Insurance Company, India	Master in Commerce	Joined SABB Takaful in May 2008. Over 25 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

\*Naji Almustafa has resigned on 15<sup>th</sup> September 2021

\*\*Mohammed Hassabo has resigned on 31<sup>st</sup> August 2021

\*\*\*Meiselvan Loganathan has appointed and approved by SAMA on 14<sup>th</sup> October 2021

### e) Meetings of the Board of Directors

In 2021, SABB Board of Directors held six meetings. The following table shows details of those meetings and the record of attendance of directors during the year.

Board Member	Meeting dates					
	23 Feb 2021	17 Mar 2021	23 Jun 2021	29 Jun 2021	29 Sep 2021	16 Dec 2021
Mohammad AlShayea	✓	✓	✓	✓	✓	✓
Bashaar AlQunaibit	✓	✓	✓	✓	✓	✓
Feras Abalkhail	✓	×	✓	✓	×	✓
Yasser AlBarrak	✓	✓	✓	✓	✓	✓
Ayman AlTawil	✓	✓	✓	✓	✓	✓
Salman Ahmed	✓	✓	✓	✓	✓	✓
Faris AlShareef	✓	✓	✓	✓	✓	✓
Maha AlSudairi	✓	✓	✓	✓	✓	✓

All of the above meetings were held via zoom video conferencing.

### 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

Upon receiving of the recommendations, notice and complains, the Board will respond to shareholders.

## 20) 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
<b>Salman Ahmed</b> Committee Chair	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.
<b>Dr. Abubaker Bagabir</b> Committee Member	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.
<b>Khalid AlThukair</b> Committee Member	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 Actuary 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.

The committee has held the following twelve (12) meetings during 2021:

Name	Meeting dates 2021											
	Mar 07	Mar 10	Mar 14	April 15	May 06	Aug 10	Aug 31	Oct 24	Oct 28	Nov 03	Nov 30	Dec 27
<b>Salman Ahmed</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Dr. Abubaker Bagabir</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Khalid Althekair</b>	✓	✓	✓	✓	✓	x	✓	✓	✓	✓	✓	✓

### Executive Committee

The Executive Committee consists with two Board members and the CEO of SABB Takaful, following are the main roles and 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 take the necessary actions regarding them. Also, monitoring the company's performance and seek justification for any deviations from the approved plans and budgets including 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.

Name	Qualifications	Experience
<b>Mr. Mohammad AlShayea</b> Committee Chair	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
<b>Bashaar AlQunaibit</b> Committee Member	Bachelor Degree in Business Administration from King Saud University, Saudi Arabia	Over 15 years of experience in Banking industry. In addition, 4 years' experience in Saudi Central Bank
<b>Hussam AlKhayal</b> Committee Member	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. Currently, working as CEO of SABB Takaful from July 2019 to date.

The committee has held the following seven (7) meetings during 2021:

Committee Member	Meeting dates during the year 2021						
	18 Feb	11 Mar	20 Apr	16 Jun	22 Sep	31 Oct	8 Dec
<b>Mohammad AlShayea</b>	x	✓	✓	✓	✓	✓	✓
<b>Bashaar AlQunaibit</b>	✓	✓	✓	✓	✓	✓	✓
<b>Hussam AlKhayal</b>	✓	✓	✓	✓	✓	✓	✓

### Nomination and Remuneration Committee

The Committee is formed with two independent Board members and two 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 or the task of drawing up compensation and reward policies for both the members of the Board and the senior executives as well as the succession plan.

Name	Qualifications	Experience
<b>Feras Abalkhail</b> Committee Chairman	Bachelor's degree in Marketing from King Fahad University, KSA  Master's degree in International Marketing, from Strathclyde University, Scotland	20 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
<b>Ayman AlTawil</b> Committee Member	-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.
<b>*Faisal Jadu</b> Committee Member	-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
<b>**Saud Alshathri</b> Committee Member	-Bachelors in Business Administration from Arizona State University	20 years' experience in Human Resources

*\*Faisal Jadu has resigned on 21<sup>st</sup> December 2021*

*\*\*Saud Alshathri has been appointed as a REMCO member as per SAMA's Non-objection letter on 26<sup>th</sup> August 2021*

The committee has held the following five (5) meetings during 2021:

Committee Member	Meeting dates during the year 2021				
	17 Feb	28 Feb	15 June	21 Sep	21 Dec
<b>Feras Abalkhail</b>	✓	✓	✓	✓	✓
<b>Ayman AlTawil</b>	✓	✓	✓	✓	✓
<b>*Faisal Jadu</b>	✓	X	✓	✓	✓
<b>**Saud AlShathri</b>	-	-	-	✓	✓

*\*Faisal Jadu has resigned on 21<sup>st</sup> December 2021*

*\*\*Saud Alshathri has been appointed as a REMCO member as per SAMA's Non-objection letter on 26<sup>th</sup> August 2021*

### 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.

Name	Qualifications	Experience
<b>Abdulwahid AlMatar</b> Committee Chairman	-Bachelor degree, Finance at King Fahad University for Petroleum and Minerals.	23 Experience in Management, Finance, and Treasury.
<b>Faris AlShareef</b> Committee Member	-Bachelor degree of Accountant at King Fahd University of Petroleum and Minerals	A dynamic financial leader with distinguished experience in different finance leadership roles within local, international, private and public companies (Ernst & Young, General Electric, Bahri, Alawwal Bank and Saudi British Bank "SABB")
<b>Feras Abalkhail</b> Committee Member	-Bachelor's degree in Marketing from King Fahad University, KSA  -Master's degree in International Marketing, from Strathclyde University, Scotland	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

The committee has held the following five (5) meetings during 2021:

Committee Member	Meeting dates during the year 2021				
	22 Feb	28 Feb	19 April	22 June	27 Oct
Abdulwahid AlMatar	✓	✓	✓	✓	✓
Feras Abalkhail	X	✓	✓	✓	✓
Faris AlShareef	✓	✓	X	✓	✓

### 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.

Name	Qualifications	Experience
<b>Yasser AlBarrak</b> Committee Chairman	-Bachelor Degree in Management Information System from King Fahad University for Petroleum & Minerals, Saudi Arabia	More than 16 years' experience in banking industry
<b>Fadhel AlMunasif</b> Committee Member	-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, risk and audit in the banking sector
<b>Shaima Khan</b> Committee Member	-Bachelors (with Honours) in Business Management from Kingston Business School, United Kingdom -Master's Degree in International Finance from	15 years' experience in Risk Management

Kingston Business School, United Kingdom

The committee has held the following five (5) meetings during 2021:

Committee Member	Meeting dates during the year 2021				
	18Feb	28 Feb	16 Jun	28 Sep	8 Dec
Yasser AlBarrak	✓	✓	✓	✓	✓
Fadhel AlMunasaif	✓	✓	✓	✓	✓
Shaima Khan	✓	✓	✓	✓	✓

## 21) General Assembly

In line with the Companies' law and SABB's Takaful By-Law there were one General Assembly meeting held during 2021

Extraordinary General Assembly in 14 Thu Quda 1442 H corresponding 24<sup>th</sup> June 2021, the following members attended the meeting via video conferencing in response to the COVID19 precautionary measures, meeting attendance was 66.02%, the following are the list of board members that attend the meeting:

1. Mohammad Abdulaziz AlShayea – Board Chairman
2. Bashaar Yahiya AlQunaibit – Board Deputy Chairman
3. Yassir Ali AlBarrak
4. Feras Abdulaziz Abalkhail
5. Ayman Wajeeh AlTawil
6. Salman Ahmed Akbar
7. Faris Fehied Alshareef
8. Maha Mohammed Alsudairi

None of the Board members has apologized from attending.

### The results:

1. Approval on the Board of Directors Report for the fiscal year ended on December 31, 2020
2. Approval on External Auditors' Report for the fiscal year ended on December 31, 2020.
3. Approval on the Financial Statements for the fiscal year ended on December 31, 2020
4. Approval on the discharge of the Board of Directors members for the fiscal year ended on December 31, 2020.
5. Approval on the appointment and determining the fees of External Auditors for the Company from among the candidates nominated based on the recommendation of the Audit Committee to review and audit financial statements of the second, third quarter and the year of 2021 and first quarter of 2022.
6. Approval on disbursement of SAR 808 thousand SAR as remuneration to the Board members for the fiscal year ended on December 31, 2020.
7. Approval on the business and contracts that took place between the company and the Saudi British Bank, for which the members of the board of directors Mr. /Mohammad Alshaya, Mr. / Bashaar Alquinabit, and Mr./Yasser Al Barrak, Mr. Faris Alshareef, and Ms. Maha Alsudairi have indirect interest as representatives of the Saudi British Bank and its licensing for a year to come. They are various annual insurance contracts (which include (Property all risk, Public Liability, Business Interruption, Electronic Equipment, Sabotage & Terrorism, Group Creditor, Group Care, and Credit Shield) knowing that the amount reached during 2020, 72,132 thousand SR. The total paid claims amounted to 39,826 thousand SAR. Note that there are no preferential terms in this agreement.
8. Approval on the business and contracts that took place between the company and the Saudi British Bank, for which the members of the board of directors Mr. /Mohammad Alshaya, Mr. / Bashaar Alquinabit, and

Mr./Yasser Al Barrak, Mr. Faris Alshareef, and Ms. Maha Alsudairi have indirect interest as representatives of the Saudi British Bank and its licensing for a year to come. They are various annual insurance contracts which include (annual operation servicing contracts, use of Fixed Asset and IT infrastructure) knowing that the amount reached during 2020, 3,423 thousand SAR. Note that there are no preferential terms in this agreement.

9. Approval on the business and contracts that took place between the company and the Saudi British Bank, for which the members of the board of directors Mr. /Mohammad Alshaya, Mr. / Bashaar Alquinabit, and Mr./Yasser Al Barrak, Mr. Faris Alshareef, and Ms. Maha Alsudairi have indirect interest as representatives of the Saudi British Bank and its licensing for a year to come. The invested amount (Murabaha Deposits) is SR 10 million for 11 months during 2020. The investment income amount is 72 thousand SAR Note that there are no preferential terms in this agreement.
10. Approval on the business and contracts that took place between the company and the SABB Insurance Agency Limited which related to Saudi British Bank, for which the members of the board of directors Mr. /Mohammad Alshaya, Mr. / Bashaar Alquinabit, and Mr./Yasser Al Barrak, Mr. Faris Alshareef, and Ms. Maha Alsudairi have indirect interest as representatives of the Saudi British Bank and its licensing for a year to come. They are various in an annual insurance agency contract for selling Company's products exclusively knowing that the amount reached during 2020, 3,925 thousand SAR. Note that there are no preferential terms in this agreement.
11. Approval on the business and contracts that took place between the company and the HSBC Saudi Arabia which related to Saudi British Bank, for which the members of the board of directors Mr. /Mohammad Alshaya, Mr. / Bashaar Alquinabit, and Mr./Yasser Al Barrak, Mr. Faris Alshareef, and Ms. Maha Alsudairi have indirect interest as representatives of the Saudi British Bank and its licensing for a year to come. They are various annual insurance contracts which include (Property all risk, Public Liability, Business Interruption, Electronic Equipment, Sabotage & Terrorism) knowing that the amount reached during 2020, 1,634 thousand SAR. Note that there are no preferential terms in this agreement. (attached).
12. Approval on the business and contracts that took place between the company and the HSBC Saudi Arabia which related to Saudi British Bank, for which the members of the board of directors Mr. /Mohammad Alshaya, Mr. / Bashaar Alquinabit, and Mr./Yasser Al Barrak, Mr. Faris Alshareef, and Ms. Maha Alsudairi have indirect interest as representatives of the Saudi British Bank and its licensing for a year to come. They are various annual insurance contracts which include Policyholders' available for sale unit-linked investments in mutual funds managed by IBSA, Total Policyholders' available for sale unit-linked investments in mutual funds as at year end 2020 is SAR 406,636 thousands. The rebate fees received on unit-linked investments is SAR 1,425 thousands. Note that there are no preferential terms in this agreement. (attached).
13. Approval on Executives Management Remuneration Policy. (attached).
14. Approval on update Audit committee charter and terms of reference. (attached).
15. Approval on update Nomination and Remuneration committee core terms of reference. (attached).
16. Approval on delegating the General Assembly's authorization powers stipulated in Paragraph (1) of Article 71 of the Companies Law to the Board of Directors, for a period of one year from the date of approval by General Assembly or until the end of the Board of Directors' term, whichever occurs first, in accordance with the conditions set forth in relevant regulations and procedures issued pursuant to the Companies Law.

## 22) Shareholder Register:

During the year 2021 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	27 May 2021	General Assembly
2	Shareholders Report/List	21 June 2021	General Assembly

### 23) 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 2021.

#	Organization	Total fines	Date	Reason	Action Plan
1	Saudi Central Bank	SAR 1,186.42	30/05/2021	The payment of SAMA supervisory fee for Q1-2021 was credit one day late due to Ramadan cutoff time. .	<ul style="list-style-type: none"> <li>- Future payment of SAMA supervisory fee to be paid within the next two working days after the quarter financials are finalized which is cutoff date (25th of the month following the quarter April, Jul, Oct , Jan).</li> <li>- Post payment, email to compliance with the payment receipt with a request to notify to SAMA.</li> </ul>
2	Saudi Central Bank	Notification	22/06/2021	The requirements of SAMA Circular # 41047960 dated 05 Mar 2020 in which insurance companies were instructed to follow a specific format and classification for regulatory violations in the board report was not fully.	<ul style="list-style-type: none"> <li>- A comprehensive check list for board report that will include all SAMA requirements.</li> </ul>

### 24) 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 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.
3. 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 fraud and anti-money laundering, terrorist financing, risk management and internal control design, specific accounting issues, technical insurance in general and awareness session on International Financial Reporting Standard 17 as well as strengthening their skills to comply with the regulations and rules issued by the regulatory authorities.

SABB Takaful has been working on a project to enhance and develop Corporate Governance during the year 2021 AD, by bringing talent and establishing an independent corporate governance with training activities in the field of corporate governance.

## **25) 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, 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 facilitate in the sustainable 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 Executive Management, as the first line of defense, is responsible for setting procedures and standards in all areas under its responsibility. The Executive Management is also responsible for implementing effective monitoring mechanisms to detect and prevent deviations or violations of established policies and regulatory requirements.

The second line of defense consists of Risk Management, Compliance and financial Control. Risk Management is responsible for overseeing and monitoring the various risks in the company and Risk Management reports to the Board Risk Committee. The compliance function, maintains supervision of administrative processes and Management procedures to ensure compliance with regulatory requirements, especially SAMA regulations applicable to the insurance sector including anti-money laundering and anti-terrorist financing rules as well as compliance with the rules and regulations of the Capital Market Authority. Compliance reports are submitted to the audit committee. The financial supervision function is headed by the company's Chief Financial Officer and directly report to the CEO.

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 Internal Audit Department 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.

During 2021, 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 2021 did not identify any critical deficiencies that could be reported.

#### **26) Opinion of the Audit Committee with Respect to the Adequacy of the System of Internal Controls**

During 2021, 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 2021 did not identify any critical deficiencies that need to be reported.

#### **27) 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.

#### **28) External Auditors' Report**

The joint Auditors have audited the financial statements of SABB Takaful Company (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In their opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

#### **29) 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.

#### **30) External Auditors**

The General Assembly held on 14 Thu Quda 1442 H corresponding 24<sup>th</sup> June 2021, has approved the decision of the Board of Directors to appoint BDO (Dr. Mohamed Al-Amri & Co.) and PKF (Ibrahim Ahmed Al-Bassam & Co) to act as external auditor for the 2nd, 3rd and year end for the financial year 2021 and the first quarter of financial year 2022.

### 31) Declarations

#### a. SABB Takaful Declares that:

- The Company has not obtained any bank loans during the year 2021.
- 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 2021.
- 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 2021 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.