



**The Ordinary General Assembly Meeting of SABB Takaful
will be held at June24th 2021-1442/11/14 H on Thursday.**



**Agenda 1 : Voting on the Board of Directors Report for the
fiscal year ended on December 31, 2020**



Agenda 2 : Voting on External Auditors' Report for the fiscal year ended on December 31, 2020.

INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SABB TAKAFUL COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of SABB Takaful Company (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of income and comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, a description of how our audit addressed the matter provided in that context:

INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS' OF SABB TAKAFUL COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)

Key audit matters	How the matter was addressed in our audit
<p><i>Valuation of ultimate claim liabilities arising from takaful contracts</i></p> <p>As at 31 December 2020, gross outstanding claims including claims incurred but not reported (IBNR) amounted to Saudi Riyals 93.01 million as disclosed in Note 12 to the financial statements.</p> <p>The estimation of ultimate takaful contract liabilities involves a significant degree of judgments. The liabilities are based on the best-estimate of ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs.</p> <p>In particular, estimates of IBNR and the use of actuarial and statistical projections involve significant judgments. A range of methods such as Incurred Development Method, Expected Claims Ratio Method and Incurred Bornhuetter-Ferguson Method were used by the Company's actuary (management's expert) to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.</p> <p>We considered this as a key audit matter as the determination of ultimate claim liabilities arising from takaful contracts is subjective and relies on management assumptions and judgements.</p> <p><i>Refer to notes 2 and 26 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates.</i></p>	<p>We understood, evaluated and tested key controls over the claim liabilities processes of the Company.</p> <p>We evaluated the competence, capabilities and objectivity of management's expert by considering their professional qualifications and experience and assessing their relationship with the entity.</p> <p>In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on sample basis, the completeness and accuracy of underlying claims data utilised by management's expert in estimating the IBNR by comparing it to accounting records.</p> <p>In order to challenge management's methodologies and assumptions, we were assisted by our internal actuary to understand and evaluate the Company's actuarial practices and provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following:</p> <ul style="list-style-type: none"> - Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; - Assessed the reasonableness of key actuarial assumptions including claims ratios and expected frequency and severity of claims.; and - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions performed. - Assessed the adequacy of the Company's disclosures regarding assumptions used and sensitivities as included in the accounting policies and in note 26 to the financial statements.

INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS' OF SABB TAKAFUL COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)

Key audit matters	How the matter was addressed in our audit
<p><i>Valuation of life takaful contract liabilities (Reserve for takaful activities)</i></p> <p>As at 31 December 2020, the Company had reserve for takaful activities amounting to Saudi Riyals 406.63 million as disclosed in Note 10(a) to the financial statements. The reserve for takaful activities represents the unit linked takaful plan reserve.</p> <p>Valuation of reserve for takaful activities involves complex and subjective judgements made by management and actuary about variety of uncertain future outcomes, including the estimation of economic assumptions, such as investment return, discount rates, and operating assumptions, such as expense, mortality and persistency. Changes in these assumptions can result in material impacts to the valuation of these liabilities.</p> <p>We considered this as a key audit matter as the determination of reserve for takaful contract liabilities arising from takaful contracts is subjective and relies on management assumptions and judgements.</p> <p><i>Refer to notes 2 and 26 to the financial statements which explain the valuation methodology used by the Company and critical judgments and estimates.</i></p>	<p>We understood, evaluated and tested key controls in relation to reserve for takaful activities processes of the Company.</p> <p>We evaluated the competence, capabilities and objectivity of management's expert by considering their professional qualifications and experience and assessing their relationship with the entity.</p> <p>In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we tested on a sample basis, the completeness and accuracy of underlying data utilised by management's expert in estimating the reserves for takaful activities by comparing it to accounting records.</p> <p>In order to challenge management's methodologies and assumptions, we were assisted by our internal actuary to understand and evaluate the Company's actuarial practices and the provisions established. In order to gain comfort over the actuarial report issued by management's expert, our actuary performed the following:</p> <ul style="list-style-type: none"> - Evaluated whether the Company's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years. We sought sufficient justification for any significant differences; - Assessed key actuarial assumptions such as investment return, discount rates, and operating assumptions, such as expense, mortality and persistency; and - Reviewed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivities to the key assumptions performed. - Assessed the adequacy of the Company's disclosures regarding assumptions used and sensitivities as included in the accounting policies and in note 26 to the financial statements.

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS' OF SABB TAKAFUL COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)**

Other information included in the Company's 2020 annual report

Management is responsible for the other information. The Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS as endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS' OF SABB TAKAFUL COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude on the appropriateness of the management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS' OF SABB TAKAFUL COMPANY (A SAUDI JOINT STOCK COMPANY)
(continued)**

Auditors' responsibilities for the audit of the financial statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Certified Public Accountant
Registration No. 335



Date: 16 Sha'ban 1442H
Corresponding to: 29 March 2021





**Agenda 3 : Voting on the Financial Statements for the fiscal
year ended on December 31, 2020**



Agenda 4 : Voting on the discharge of the Board of Directors members for the fiscal year ended on December 31, 2020.



Agenda 5: Voting 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.

قرار لجنة المراجعة -
Audit Committee Resolution

Date: 15 April 2021
Board of Directors,
SABB Takaful Company

التاريخ : 15 ابريل 2021م
السادة اعضاء المجلس،
شركة ساب تكافل

Resolution No. 003/2021

قرار رقم 003/2021

The Audit Committee has reviewed the following quotations from the external auditors, for conducting of the reviews of the financial statements of the second, third quarters of 2021 and the first quarter of 2022, and audit of the annual financial statements for the fiscal year 2021. The Audit Committee analyzed and studied the received offers, taking into account the fact that during the coming period the Company will be in the process of considering aspects of some of the requirements of accounting standards IFRS 9 & IFRS 17 for future periods, and therefore it requires auditors with significant experience in these standards in particular.

إطلعت اللجنة على عروض الاسعار المقدمة من المراجعين الخارجيين لمراجعة القوائم المالية للربع الثاني، والثالث للعام 2021 والقوائم المالية السنوية للعام المالي 2021 والربع الاول من 2022م ، حيث قامت لجنة المراجعة بتحليل ودراسة العروض المستلمة، مع الاخذ في الاعتبار انه خلال الفترة المقبلة ستقوم الشركة بتطبيق بعض المتطلبات النظامية مثل المعايير المحاسبية IFRS 17 & 9 وعليه يتطلب الامر وجود مكاتب لها خبرة عميقة في هذه المتطلبات:

Audit Firm	Current	Previous Year	اسم الشركة
	Fees Quoted	Fees/Quotation	
	اتعاب المراجعة السنوية	أسعار السنة الماضية	
PWC	750,000	750,000	برايس وترهاوس كوبرز
Crowe Horwath (AlAzam & AlSudairy)	Not able to propose due to commitments	190,000	كرو هوروث (العظم والسديري)
PKF – Al Bassam	350,000	-	بي كي اف - البسام
BDO - Dr. Mohamed Al-Amri & Co	400,000	550,000	د.محمد العمري وشركاه
KPMG	950,000	-	كي بي ام جي
Ernst & Young	Not able to propose due to commitments	-	ارنست اند يونغ

Based on the analysis and study of these offers the Audit Committee recommends to the Board of Directors, that the choice to be between one of the following two options:

وبناء عليه فتوصى اللجنة إلى مجلس الإدارة بناءً على تحليل ودراسة تلك العروض ان تكون المفاضلة بين احد الخيارين التاليين:

الخيار (أ) واسبابه:

• دكتور محمد العمري وشركاه:

- **BDO - Dr. Mohamed Al-Amri & Co:**
- A Saudi firm with international association that has become one of the leading firms in auditing in the Kingdom of Saudi Arabia.
- Their final financial offer after negotiation is considered appropriate at an amount of 400,000 riyals.

- شركة سعودية بمصادقة دولية اصبحت من الشركات الرائدة في اعمال المراجعة في المملكة العربية السعودية.
- يعتبر عرضهم المالى النهائى بعد التفاوض مناسب بمبلغ 400,000 ريال.

• بي كى اف - البسام:

- **PKF - Al Bassam:**
- A Saudi firm with international association that audits a number of companies, including insurance companies in the Kingdom.
- Their final financial offer after negotiation is considered suitable for an amount of 350,000 riyals.

- شركة سعودية بمصادقة دولية تقوم بمراجعة حسابات عدد من الشركات بما في ذلك شركات التأمين في المملكة.
- يعتبر عرضهم المالى النهائى بعد التفاوض مناسب بمبلغ 350,000 ريال.

In the event that these two firms are selected, the final cost of the audit work will be 750,000 riyals

في حال اختيار هاتين الشركتين فستبلغ التكلفة النهائية لأعمال المراجعة 750,000 ريال

Option (B) and its reasons:

الخيار (ب) واسبابه:

• PWC:

- One of the largest firms in the world with significant experience in auditing of banks and insurance companies in particular.
- The firm performs a great deal of work in the insurance sector in the Kingdom of Saudi Arabia and have teams of specialists in this sector.
- Their final financial offer after negotiation is considered suitable for an amount of 750,000 riyals.

- **برايس وترهاوس:**
- واحدة من اكبر شركات المراجعة في العالم تمتلك خبرة كبيرة في تدقيق البنوك وشركات التأمين على وجه الخصوص.

• PKF - Al Bassam:

- A Saudi firm with international association that audits a number of companies, including insurance companies in the Kingdom.
- Their final financial offer after negotiation is considered suitable for an amount of 350,000 riyals.

- تقوم الشركة بقدر كبير من العمل في قطاع التأمين في المملكة العربية السعودية ولديها فرق من المتخصصين في هذا القطاع.
- يعتبر عرضهم المالى النهائى بعد التفاوض مناسب بمبلغ 750,000 ريال.

• بي كى اف - البسام:

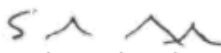
In the event that these two firms are selected, the final cost of the audit work will be 1,100,000 riyals


- شركة سعودية بمصادقة دولية تقوم بمراجعة حسابات عدد من الشركات بما في ذلك شركات التأمين في المملكة.
- يعتبر عرضهم المالى النهائى بعد التفاوض مناسب بمبلغ 350,000 ريال.

في حال اختيار هاتين الشركتين فستبلغ التكلفة النهائية لأعمال المراجعة 1,100,000 ريال

Accordingly, the Audit Committee submits a recommendation to the Board of Directors to approve contracting with the firms presented in one of the two options above, for conducting of the reviews of the financial statements of the second, third quarters of 2021 and the first quarter of 2022, and audit of the annual financial statements for the fiscal year 2021, in preparation for submitting this recommendation to the General Assembly for approval.

وعليه تتقدم لجنة المراجعة بالتوصية لمجلس الادارة للموافقة على التعاقد مع الشركات المطروحة في احد الخيارين، وذلك لمراجعة القوائم المالية للربع الثانى، والثالث للعام 2021 والقوائم المالية السنوية للعام المالى 2021 والربع الاول من 2022م، وذلك تمهيدا لعرض هذه التوصية على الجمعية العامة لاعتمادها.


Salman Ahmed
Chairman-Aucom


Dr Bagabir
Member-Aucom


Khalid Althekair
Member-Aucom



Agenda 6 : Voting on disbursement of SAR (808) thousand SAR as remuneration to the Board members for the fiscal year ended on December 31, 2020.



Agenda 7: Voting 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. 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) with amount 72,132 thousand SR. The total paid claims amounted to 39,826 thousand SAR. Note that there are no preferential terms in this agreement (attached).



Agenda 8: Voting 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. They are various annual insurance contracts which include (annual operation servicing contracts, use of Fixed Asset and IT infrastructure) with amount 3,423 thousand SAR. Note that there are no preferential terms in this agreement (attached).



Agenda 9: Voting 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. An Investment income of SAR 72 thousand on murabaha deposits pertains to murabaha deposits of SAR 10 million which was matured on 1st December 2020 Note that there are no preferential terms in this agreement. (attached).



Agenda 10: Voting 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. They are various in an annual insurance agency contract for selling Company's products exclusively knowing that the amount reached 3,925 thousand SAR. Note that there are no preferential terms in this agreement. (attached)



**Agenda 11: Voting 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. They are various annual insurance contracts which include (Property all risk, Public Liability, Business Interruption, Electronic Equipment, Sabotage & Terrorism) with amount 1,634 thousand SAR. Note that there are no preferential terms in this agreement.
(attached).**