



Taajeer Finance Board of Directors' Report for 2021

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Introduction

Taajeer Finance Board of Directors is pleased to present the annual report for the period ending on December 31, 2021AD.

Who are we

Taajeer Finance (Saudi Closed Joint Stock Company) Registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030289565, and Unified Number 7009425773, issued on Shaaban 17, 1337, Corresponding to May 24, 2016 AD.

The company's head office is located in Jeddah. The main activity of the company is represented in the following commercial activities in the Kingdom of Saudi Arabia.

1. Finance leasing.
 2. Financing SMEs activities.
 3. Consumer Finance.
- The company obtained a license from Saudi Central Bank to practice finance leasing and finance SMEs activities in the Kingdom of Saudi Arabia under License No.: 46/شأ/201611 On Safar 29, 1438, Corresponding to Nov 29, 2016.
 - The company obtained the approval of the Saudi Central Bank to add consumer finance activity on Jumada al-Awwal 28, 1441 AH, corresponding to January 23, 2020AD.
 - The company obtained the Saudi Central Bank's NOC to continue offering the products on Jumada al-Thani 03, 1441 AH.

Geographical focus

The company operates in the Kingdom of Saudi Arabia through its main office in Jeddah and six branches in:

Branch	Commercial Register	Unified number
Riyadh	1010468134	7003764094
Jeddah	4030293321	7007570026
Mubarraz	2252067592	7003764136
Dammam	2050111740	7003764128
Mecca	4031098948	7003764110
Abha	5850070587	7003764102

The company also obtained a license from the Saudi Central Bank for these branches to provide quick services and ensure the quality of work. The company owns **29 points** of sale spread out through the sales work centers and showrooms of car dealerships in all major regions such as Makkah, Taif, Al Baha, Abha, Jizan, Dammam, Jubail, Qatif, Al Ahsa, Jeddah, Yanbu, Madinah, Buraidah and Riyadh.

Business Sectors

Taajeer Finance targets, including but not limited to, the individuals' sector across all its segments and the corporate sector, such as "education, health, technology, manufacturing, construction, contracting, hospitality, entertainment, communications, and transportation". The company has established strategic partnerships with many accredited local distributors to meet the customers' needs, it also offers Shariah-compliant products for individuals and SMEs in the private and public sectors within the Kingdom of Saudi Arabia.

The company finances its clients through finance leasing and Murabaha contracts, whereby the legal ownership of the asset is retained by the company in the finance lease, whereas the asset's legal ownership is transferred to the client in the Murabaha contract.

Vision, mission, values and objectives

Our vision:

Providing innovative financing solutions for a better future.

Our Mission:

To be a sustainable financing partner in providing the best suitable services to utilize our core values, talents, expertise, and innovation to maximize the value added to our employees and shareholders.

Our values:

Respect–Innovation–Credibility–Preferred work environment–Governance–Social Responsibility.

Our objectives:

- Digital transformation.
- Capital increase.
- Tawarq product launch.
- Diversity in consumer finance products.
- Diversity in the products of SMEs.
- The company's IPO.

Corporate Governance

Shareholder Structure

The company's capital is 200,000,000 Riyals divided into 20,000,000 shares, with a value of SAR10 per share as on December 31, 2021 AD owned as follows:

Contributor	Number of Shares	Amount	Ratio
Taajeer Global Co. Ltd.	200,000	2,000,000	1%
Taajeer Gulf Co. Ltd.	200,000	2,000,000	1%
Taajeer International Co., Ltd.	200,000	2,000,000	1%
National Taajeer Company for Car Maintenance and Integrated Services Ltd.	200,000	2,000,000	1%
Al Ahdaaff Al Mumayza Co. Ltd.	19,200,000	192,000,000	96%
Total	20,000,000	200,000,000	100%

General Assembly Meetings 2021 AD

General Assembly	Date	Attendance by members
Extraordinary	16/06/2021	The meeting was held in the presence of the shareholders' majority

Board of Directors

The company's Board of Directors is the supreme administrative body responsible for managing the company before the general assembly of shareholders according to the company's Articles of Association and the relevant laws and regulations. The company's Board of Directors provides support through the subcommittees thereof, which includes:

- Review Committee.
- Executive Committee.
- Credit and Risk Committee.
- Nomination and Remuneration Committee.
- Legitimacy Committee.

Where such committees supervise the company's strategy, manage its risks, update policies and its work procedures, and to ensure the quality and effectiveness of internal control and governance procedures.

Taajeer Finance Articles of Association specified the number of board members to be (7) members, whereas the company's Board of Directors was elected by the General Assembly of shareholders for the current (second) term, which began on 21/07/1440 AH, corresponding to 28/03/2019 AD covering a three-year period ending in 25/08/1443 AH, corresponding to 28/03/2022 AD.

- The Vice Chairman of the Board of Directors, Mr. Omar Muhammad Hindi, resigned on 24/05/1443 AH, corresponding to 28/12/2021 AD.

Board of Directors meetings for the second session 2021 AD

Board meetings for the second term during 2021 AD							
Member	Capacity	Appointment Date*	Membership status	Meeting No. 1-2021 05-05-2021	Meeting No. 2-2021 04-08-2021	Meeting No. 3-2021 21-11-2021	Meeting No. 4-2021 22-12-2021
Mr. Faisal Saleh Malaikah	Chairman of Board	27/10/2020 10/03/1442	Non-executive/Independent	√	√	√	√
Mr. Omar Muhammad Hindi	Vice Chairman of the Board	27/10/2020 10/03/1442	Non-executive/Independent	√	√	√	√
Mr. Abdulhamid Mohieldin Nazer	Board Member	28/03/2019 21/07/1440	Non-executive/Independent	√	√	√	√
Mr. Turki Saeed Badib	Board Member	28/03/2019 21/07/1440	Non-executive/Independent	√	√	√	√
Mr. Farouk Fouad Ghulam	Board Member	22/07/2019 19/11/1440	Non-executive/Independent	√	√	√	√
Mr. Abbas Mohammed Al-Nahdi	Board Member and CEO	27/10/2020 10/03/1442	Executive/ Non-independent	√	√	√	√
Mr. Hzm Sami Jamjoom	Board Member	27/10/2020 10/03/1442	Non-executive/Independent	√	√	√	√

* The date of appointment is the date of obtaining the Central Bank's NOC to nominate the member for the current term of the Board.

Review Committee

Review Committee							
Member	Capacity	Appointment Date*	Membership status	Meeting No. 1-2021 18-02-2021	Meeting No. 2-2021 31-05-2021	Meeting No. 3-2021 02-08-2021	Meeting No. 4-2021 26-10-2021
Mr. Abdulhamid Mohieldin Nazer	Chairman	31/12/2020 16/05/1442	Non-executive - Independent	√	√	√	√
Mr. Hashem Al-Zein	Member	31/12/2020 16/05/1442	Independent	√	√	√	√
Mr. Walid Tamerek	Member	31/12/2020 16/05/1442	Independent	√	√	√	√

* The date of appointment is the date of obtaining the Central Bank's NOC to nominate the member for the current term of the Board.

Executive Committee

Executive Committee								
Member	Capacity	Appointment Date*	Membership status	Meeting No. 1-2021 15-02-2021	Meeting No. 02-2021 30-05-2021	Meeting No. 03-2021 04-08-2021	Meeting No. 04-2021 21-11-2021	Meeting No. 05-2021 22-12-2021
Mr. Omar Muhammad Hindi	Chairman	11/12/2020 25/04/1442	Non-executive - Independent	√	√	√	√	√
Mr. Faisal Saleh Malaikah	Member	11/12/2020 25/04/1442	Non-executive - Independent	√	√	√	√	√
Mr. Abbas Mohammed Al-Nahdi	Member	11/12/2020 25/04/1442	Executive - Non-independent	√	√	√	√	√

* The date of appointment is the date of obtaining the Central Bank's NOC to nominate the member for the current term of the Board.

Credit and Risk Committee

Credit and Risk Committee						
Member	Capacity	Appointment Date*	Membership status	Meeting No. 1-2021 15-03-2021	Meeting No. 2-2021 16-08-2021	Meeting No. 3-2021 11-11-2021
Mr. Omar Muhammad Hindi	Chairman	11/12/2020 25/04/1442	Non-executive - Independent	√	√	√
Mr. Turki Saeed Badib	Member	11/12/2020 25/04/1442	Non-executive - Independent	√	√	√
Mr. Farouk Fouad Ghulam	Member	11/12/2020 25/04/1442	Non-executive - Independent	√	√	√

* The date of appointment is the date of obtaining the Central Bank's NOC to nominate the member for the current term of the Board.

Nomination and Remuneration Committee

Nomination and Remuneration Committee					
Member	Capacity	Appointment Date*	Membership status	Meeting No. 1- 2021 16-03-2021	Meeting No. 2- 2021 20-12-2021
Mr. Farouk Fouad Ghulam	Chairman	11/12/2020 25/04/1442	Non-Executive - Independent	√	√
Mr. Faisal Saleh Malaikah	Member	11/12/2020 25/04/1442	Non-executive - Independent	√	√
Mr. Abbas Mohammed Al-Nahdi	Member	11/12/2020 25/04/1442	Executive - Not Independent	√	√

* The date of appointment is the date of obtaining the Central Bank's NOC to nominate the member for the current term of the Board.

Legitimacy Committee

Legitimacy Committee

Member	Capacity	Appointment Date*	Membership status	First meeting
Dr. Osama Mohamed Bahr	Chairman	15/12/2021 11/05/1443	Non-executive - Independent	No committee meeting was held in 2021
Mr. Sultan Muhammad Al-Qarni	Member	15/12/2021 11/05/1443	Executive – Non- independent	

Executive Management

Name	Capacity
Mr. Abbas Mohammed Al-Nahdi	Chief Executive Officer
Mr. Wissam Mohamed Maleki	Director of Sales and Marketing Department
Mr. Saad Mansour Abdul Aty	Compliance, Anti-Money Laundering and Terrorism Financing Department Director
Ms. Reham Samir Faisal	Director of Human Resources and Administrative Affairs
Mr. Sultan Muhammad Al-Qarni	Director of the Financial Department
Mr. Fahad Al-Wahidi	Director of Operations
Mr. Suleiman Hammad Al-Maliki	Director of Customer Care
(Vacant)	Director of the Internal Audit Department
Mr. Ayman Omar Babhair	Director of Credit and Risk Management (Appointed)
(Vacant)	Cyber security Manager

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Internal Control

Internal Control System

The Board of Directors is responsible for the appropriate design and implementation of the Control Department, risk management, internal auditing, and compliance to ensure continuous monitoring and evaluation of the system. All employees are ultimately responsible for the effective operation and maintenance of the Internal Control System at their respective level. The external auditors are responsible for determining the adequacy of the Internal Control System to determine the reliability level of the company's internal controls and design their audit procedures accordingly.

The Company's Internal Control System is subject to continuous evaluations and improvements to facilitate determining loopholes and meeting the required level of effectiveness. The main controls include the following:

- I. A series of policies and procedures that are subject to regular updates and reviews to ensure their adequacy and efficiency.
- II. Automating the company's operations using advanced (Oracle and Sibel) systems that help enhance the efficiency and control over the environment.
- III. All related business and major important decisions are monitored by management to protect the company interests.
- IV. The presence of specialized departments in auditing areas such as risks and compliance and combating money laundering and terrorist financing.

Compliance and Anti-Money Laundering and Terrorist Financing

The Board of Directors believes that the presence of compliance and anti-money laundering and terrorist financing functions is an integral part of the sound management framework. Therefore, a department has been established that identifies and monitors compliance risks and prepares reports on issues related to non-compliance and the associated risks. It is mainly based on consolidating relations with regulatory authorities, establishing mechanisms and frameworks to ensure the prevention of crimes and the protection of professional values and practices.

Capital Management

The company's capital management objectives are to ensure the company's ability to continue as functioning facility and to provide a satisfactory return to shareholders through optimizing the capital structure. The company manages the capital structure and adjust it as per the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, restructure the capital via cash or issuing new shares, and the company monitors the capital based on the regulatory requirements of corporate regulations and the minimum requirements imposed by the Saudi Central Bank for the capital of finance companies.

Disclosures and Social Contribution

The Company's Operations with Stakeholders

Stakeholder	Operation Type	Amount
Taajeer Group	Car Purchasing	0
Taajeer International	Car Purchasing	178,885,153
Alawal Capital Co.	Interest on short-term loans	2,250,000
National Taajeer Company for Car Maintenance and Integrated Services Ltd.	Car maintenance	521,703
Awaed company	Collection services	3,390,958

Remunerations as at the end of Dec 31, 2021

Members of the board of directors	Position	Annual Remuneration	Allowance for attending board sessions	Total
Faisal Saleh Mala'ekah	Chairman of Board of Directors	250,000	12,000	262,000
Omar Muhammad Hindi	Deputy Chairman of the Board of Directors	125,000	12,000	137,000
Abbas Mohammed Al-Nahdi	CEO - Member of the Board of Directors	125,000	12,000	137,000
Abdul Hamid Mohieldin Nazer	Member of the Board of Directors	125,000	12,000	137,000
Hazm Sami Jamjoom	Member of the Board of Directors	125,000	12,000	137,000
Torky Said Badib	Member of the Board of Directors	125,000	12,000	137,000
Farouk Fouad Gholam	Member of the Board of Directors	125,000	12,000	137,000
Total		1,084,000 SAR		

Total of the highest five salaries and benefits of CEOs, including CEO and CFO

Total Salaries	Variable Remunerations (Annual)
2,518,200 SAR	670,000 SAR

Executive Committee at the end of December 31, 2021

Members	Position	Annual Remuneration	Allowance for attending the Executive Committee meeting
Omar Muhammad Hindi	Chairman	0	18,000 SAR
Faisal Saleh Mala'ekah	Member	0	18,000 SAR
Abbas Mohammed Al-Nahdi	Member	0	18,000 SAR

Nominations and Remunerations Committee at the end of December 31, 2021AD

Members	Position	Annual Remuneration	Allowance for attending the Nominations and Remunerations Committee meeting
Farouk Fouad Gholam	Chairman	0	6,000 SAR
Faisal Saleh Mala'ekah	Member	0	6,000 SAR
Abbas Mohammed Al-Nahdi	Member	0	6,000 SAR

Credit and Risk Committee at the end of December 31, 2021

Members	Position	Annual Remuneration	Allowance for attending the Nominations and Remunerations Committee meeting
Omar Muhammad Hindi	Chief	0	9,000 SAR
Farouk Fouad Gholam	Member	0	9,000 SAR
Torky Said Badib	Member	0	9,000 SAR

Audit Committee at the end of December 31, 2021 AD

Members	Position	Annual Remuneration	Allowance for attending the Audit Committee meeting
Abdul Hamid Mohieldin Nazer	Chairman	50,000 SAR	12,000 SAR
Walid Tamerek	Member	50,000 SAR	12,000 SAR
Hashem Al-Zein	Member	50,000 SAR	12,000 SAR

Sharia Committee at the end of December 31, 2021 AD

Members	Position	Annual Remuneration	Allowance for attending the Sharia Committee meeting
Osama Mohamed Bahr	Chairman	0	0
Sultan Muhammad Al-Qarni	Member	0	0

Executive Resolutions of the Saudi Central Bank

Offense Subject	Previous fiscal year 2020 AD		The current fiscal year 2021 AD	
	Number of executive resolutions	The total amount of fines in SAR	Number of executive resolutions	The total amount of fines in SAR
Violating the instructions of the supervisory and control institution	3	275,000	1	Warning No. ت/21038 Date 08/01/1443 AH
Violating the instructions of the customer protection institution	N/A	N/A	N/A	N/A
Violating the instructions of the institution concerned with due diligence in combating money laundering and terrorist financing	1	250,000	N/A	N/A

Executive Resolutions of other government agencies:

Offense	Fiscal year 2021 AD		
	Resolution No.	Agency	Amount
Employees incompliance with the implementation of preventive measures for the Corona pandemic	V-662669	Ministry of Labor	1,000
Employees incompliance with the implementation of preventive measures for the Corona pandemic	V-662670	Ministry of Labor	1,000
Employees incompliance with the implementation of preventive measures for the Corona pandemic	V-662671	Ministry of Labor	1,000
Failing to obtain a restoration license	211400667161	Jeddah municipality	2,000

Payments to government agencies in 2021

Due Amount	Paid Amount	Payments to government agencies in 2021
3,002,968*	4,764,381**	Zakat and Income
-	2,091,175.73	Social Security
-	172,349	Visa and residence fees

* 2021 Zakat is due in April 2022 AD

** 2020 Zakat was due and paid in 2021 AD

Social Contribution

As a part of the society, we consider our investments therein as important as any other investments, and the company derives its activities in social responsibility from its commitment to contribute towards a better future by sponsoring the society. In the light of the global challenges the world is facing, people of determination were a focal point by making our branches accessible to them. Also, attracting Saudi talents out of our sense of national responsibility and support for government efforts and the concerned authorities in developing our beloved kingdom.

A large teal graphic element consisting of a diagonal line from the top-left corner to the bottom-right corner. The area above and to the right of this line is a solid teal color, while the area below and to the left is white. A horizontal teal band is positioned across the middle of the page, overlapping the diagonal line.

2021 Activities Overview

Principles and Standards for Financial Reporting

- a. The company's financial statements for the year ended on December 31, 2021, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as applied in the Kingdom of Saudi Arabia, and other standards and statements approved by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").
- b. The company has applied the International Financial Reporting Standard (IFRS9) Issued in July 2014 with a date of initial application on January 1, 2018. The IFRS9 represents a fundamental change from the International Accounting Standard (IAS39) for financial reports - Recognition and Measurement. The new standards also bring fundamental changes to the accounting of financial assets and some aspects of the accounting of financial liabilities.
- c. The company's management has assessed the company's ability to continue as a functional facility, and it is convinced that the company has the resources to continue its operations for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast doubt on the Company's ability to continue as a functional facility. Thus, the financial statements were prepared based on the continuity principle.
- d. As required by the Saudi Companies' Law, the company transfers 10% of its annual profits to the statutory reserve until the reserve reaches 30% of the capital. This reserve is not distributable to shareholders.
- e. Derecognition of financial assets:
A financial asset is mainly derecognized when:
 - The validity of the rights to receive cash flows from the asset is expired.
 - The Company transfers its rights to receive cash flows from the asset or has accrued an obligation to pay the received cash flows in full without material delay to a third party under an arrangement "A pass-through security":
 - The company substantially transfers all the asset's risks and benefits.
 - Or the company does not substantially transfer or retain all the asset's risks and benefits, but transfers the control thereof.

- When the company transfers its rights to receive cash flows from an asset or enters a pass-through arrangement, it assesses whether, and to what extent, it has retained the equity risks and benefits. When it neither transfers nor retains substantially all the risks and benefits of the asset or transfers the control thereof, the company continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the company also recognizes the associated liability.

f. Credit loss for accounts receivable under a finance lease

Credit losses measurement requires a judgment, particularly, the estimation of the amount and future cash flows schedule and collateral values when determining credit losses and assessing the significant increase in credit risk. These estimates are driven by several factors and changes that can lead to different levels of provisions.

A firm's expected credit loss calculations are the outputs of a complex model with a number of basic assumptions regarding the selection and interrelationship of variable inputs.

Elements of the ECL model that considers accounting judgments and estimates include the following:

- The company's internal credit rating model, which assigns the probabilities of default to a group of individual receivables;
- The company's criteria for assessing whether there has been a significant increase in credit risk, and therefore provisions for financial assets should be measured based on the expected credit loss over a lifetime and qualitative assessment.
- Segmentation of financial assets when assessing ECL on a collective basis.
- Develop ECL models, including various formulas and input selection.
- Determining the correlations between macroeconomic scenarios and economic inputs, such as unemployment, GDP growth levels, and the impact on the possibility of default.
- The main inputs in measuring expected credit losses are the structure of terms for the following variables:
 - The possibility of default (PD)
 - Loss given default (LGD)
 - Exposure at default (EAD)

The company classifies its financial assets into three stages according to the (IFRS-9) methodology as follows:

The first stage: Financial assets that have not significantly deteriorated in credit quality since their inception:

The provision for impairment is recognized based on 12 months of possibility of default.

The second stage: Financial assets that have significantly deteriorated in credit quality since their inception: An allowance for impairment is recognized based on lifetime ECL. A provision for impairment is registered over the Lifetime.

The third stage: For financial assets that have suffered an impairment: The Company recognizes an allowance for impairment based on the financial default over the Lifetime.

x. End of Service Benefits

Amendments to IAS 19 are processed when a modification, curtailment or adjustment of the system occurs during the reporting period. The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method. Premeasurement, consisting of actuarial gains and losses is recognized immediately in the statement of financial position with a deduction or credit against retained earnings through Other Comprehensive Income (OCI) in the period in which it occurs.

y. Loans and borrowings

After initial recognition, loans and advances are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized and through the effective interest rate amortization process.

z. Zakat Basis

No provision for zakat was calculated in the company's financial statements and the company's zakat was recorded in the parent company's final books until December 31, 2018, in accordance with the previous regulations, and on Rajab 7, 1440 AH corresponding to March 14, 2019 AD, the new Zakat regulations were issued, which specified a new basis for calculating Zakat for financial institutions and demanded to provide Zakat separately from non-financing institutions. Accordingly, the company started recognizing Zakat fees as of January 1, 2019.

Business Overview 2021AD

The company achieved a net profit of SAR 33,392,765 for the period ending on December 31, 2021, and the table below summarizes the main activities for the period ending on December 31, 2021.

Total Assets	982,422,363
Total Liabilities	711,859,656
Capital	200,000,000
Retained Earnings	61,962,478
Statutory Reserve	9,588,006
Gross Funded Amount	1,136,930,260
Net Funded amount	849,439,750
Net Receivables	800,479,205
Business breakdown index as a percentage of outstanding net receivables	Ijara 98%
	Murabaha 02%
	Individuals 89%
	Corporates 11%
	Saudis 87%
	Non-Saudis 13%
	Private sector 61%
Public sector 39%	
Financial Leverage	2.95:1

Board Confirmations

Board Confirmations

The Board of Directors of the financial leasing company confirms that:

- Documents were kept properly.
- The financial statements have been prepared in accordance with the provisions of the Companies' Law in the Kingdom of Saudi Arabia and the company's Articles of Association.
- The financial statements have been prepared in accordance with the International Financial Accounting Reporting Standards, as amended by the Saudi Central Bank and the Department of Zakat and Income Tax (DZIT).
- Internal control procedures have been properly and effectively implemented.
- There is no doubt about the Company's ability to continue as a going concern.

Conclusion

In conclusion, the Board of Directors of Taajeer Finance would like to thank the shareholders for their continuous support and confidence, which drives more effort and giving. The Board also expresses its gratitude and appreciation to all the company's employees and the executive management for their efforts throughout the year, wishing them further progress and achievement. The company's Board of Directors would also like to take the opportunity to express its gratitude and appreciation to the legislature, regulatory and supervisory authorities in the finance sector, represented by the Saudi Central Bank, the Capital Market Authority and the Ministry of Commerce and Investment for their continuous support to this sector. The Board would like to thank all the company's commercial partners, including the valued clients and distributors, for their valuable support throughout 2021, and wish for the continued success of Taajeer Finance.



Chairman of Board

Faisal Saleh Malaikah