
ANNUAL
REPORT

2021





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ECONOMIC HIGHLIGHTS

ORIGINATIONS

Increased by

99.59%

GROSS REVENUE

Increased by

92.45%

NET INCOME

Increased by

245.80%

TOTAL ASSETS

Increased by

18.94%

APPLICATIONS

Increased by

188.21%

HEADCOUNT

Increased by

60.64%

SAUDI ARABIA ECONOMIC OVERVIEW

The economy of Saudi Arabia is characterized by a number of special features, the most important of which is that it is the biggest economy in the Middle East. GDP has been growing strongly since 2016 and despite a 4.1% contraction in 2020 due to the pandemic with a lower demand for energy products worldwide as a result of lockdowns, however there is optimism surrounding the Saudi economy.

Across 2021 the economy strengthened, mainly due to an upsurge of oil production and despite uncertainty relating to the ongoing health crisis, geopolitical tensions and volatile oil prices, expectations are for Saudi GDP to grow by 5.7% in 2022 and 3.2% in 2023.

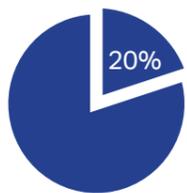
This growth is largely due to the leadership's determination to implement the National Transformation Program that includes the restructuring of many economic sectors. Saudi reforms are enhancing the growth of the Small and Medium Enterprises sector to create jobs and boost the economy. The Ministry of Labor launched 68 initiatives to stimulate private sector investment in the segment and support its growth.

Source: 57th Annual Report, SAMA, 2021; Focus Economics, 2022; Asharq Al-Awsat, 2018

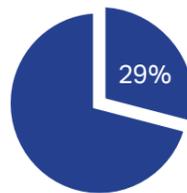


A fundamental aim under Vision 2030 was to increase SME GDP contribution from 20% in 2016 to 35% by 2030.

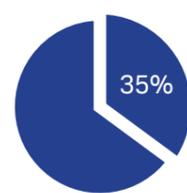
SME Contribution to GDP - 2016



SME Contribution to GDP - 2020



SME Contribution to GDP - Vision 2030 Target



The SME segment was seen as fundamental to helping Saudi's economy grow and the Kingdom is well on its way to achieve the 35% SME GDP contribution goal by 2030, already having grown by 9% in 4 years. The Indirect Lending Initiative is an example of how SMEs have been fueled to grow, with 611 SMEs being supported with SR642m.

Source: Vision 2030, Achievements

SME MARKET OVERVIEW

The private sector is seen to have a significant role in growing the Saudi economy and at the heart of that growth are SMEs. The General Authority of Small and Medium Enterprises has been created to guide and help structure overall businesses and bring SME GDP contribution in line with other markets. After the UAE, Saudi Arabia has the most developed SME sector in the GCC. The SME sector is growing significantly, contributing to 29% of Saudi's GDP, with 83% of SMEs optimistic about the coming 12 months in 2022. The SME market has also contributed to the growth of the female labor market, with 33.2% of the market being female. In addition, 36.6% of female entrepreneurial intentions are reported from within the MENA region.

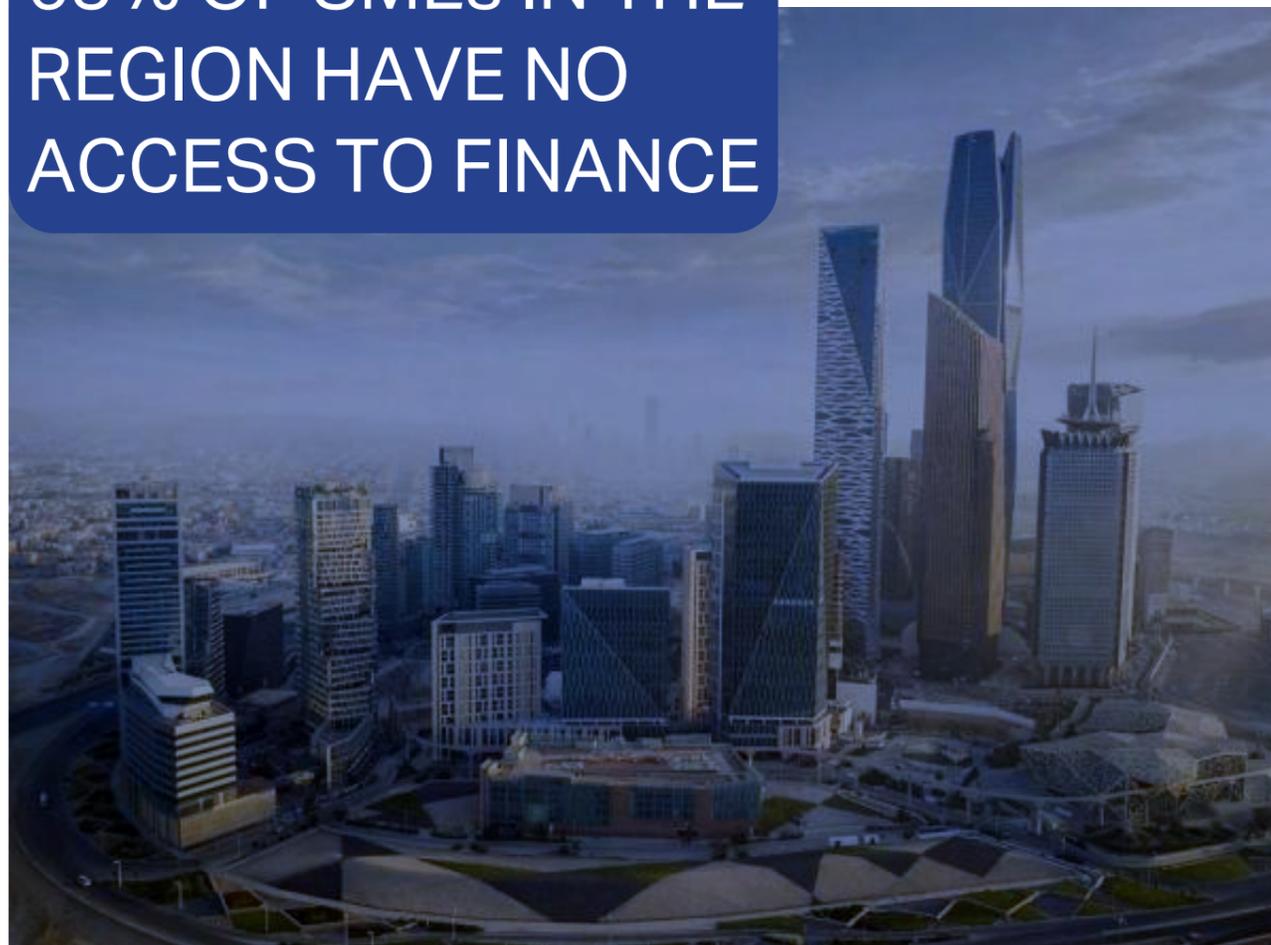
The SME sector has become a focal point for venture capital funding with 100 start ups being supported through 29 Saudi Venture Capital Co. funds. Investment in the Kingdom has grown from SR 112m in 2016 to SR 600m in 2021. With growth in SMEs being high on the agenda of the leadership, SME financing has grown from SR 165bn in Q3-20 to SR186bn in Q3-21. With 50% of SMEs claiming they have no access to finance, the Saudi Kafalah facilities guarantee scheme has massively supported with assisting SMEs with obtaining finance, with facilities guarantees doubling to 7.9\$bn.

Source: Mastercard, 2021; Vision 2030, Achievements; Zawya 2021 ,1; Zawya 2021 ,2; Jadwa, 2019; Zawya 2021 ,3

MONSHA'AT

The "Monsha'at" programme was recently set up by the government to organize, support, develop and sponsor the SME sector in accordance with best global practices, to increase the productivity of these enterprises and increase their contribution to GDP. Monshaat works on supporting, developing and nurturing the SME sector in line with best global practices by implementing and supporting programs and projects to promote the cultural and spirit of entrepreneurship and innovation, and diversifying sources of financial support for SMEs, and stimulating venture capital initiatives, setting policies and standards for financing projects classified as small and medium enterprises. It also provides administrative and technical support for the establishments and support them in developing their administrative, technical, financial, marketing,

63% OF SMEs IN THE REGION HAVE NO ACCESS TO FINANCE



human resources and other capabilities and also enhances the collaboration between different governmental and international entities related to Monshaat's objectives.

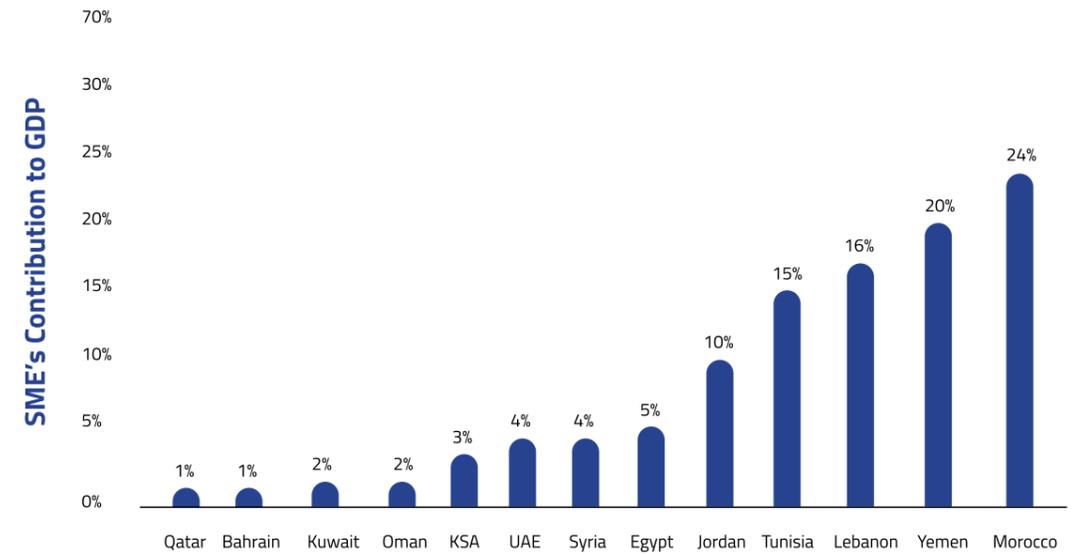
With its continued focus and support for SMEs within Saudi, Monshaat aims to bring SME GDP contribution in line with more developed nations such as the US (50% contribution) and Spain (64%), as opposed to the relatively lower contribution of SMEs in neighboring GCC nations such as Oman and Bahrain who contribute 14% and 28% respectively. In order to achieve its goals, Saudi will need to overcome some of the following challenges:

1. There is a general lack of reliable and accessible information about these enterprises because the registries and bureaus cannot give credit scores.
2. There is no proven legal environment that allows for collateral registry and legal enforcement in case of default.
3. Most SMEs do not have financial controls (i.e. properly audited financials). This requires financial institutions to spend greater time and resources in servicing them, which results in increased operational costs for the financiers, which when incurred, are passed on to the SMEs in the form of premium charges.

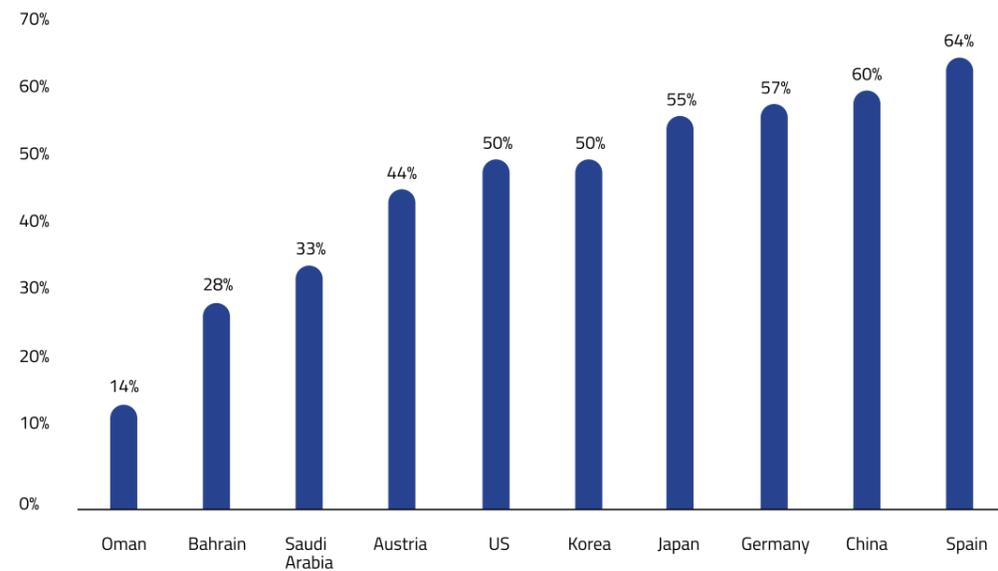
- Nearly, 85% of SMEs are single proprietor companies, and therefore the distinction between company and private assets often becomes hazy.

This results in an increased risk of lending. This has necessitated the need for proper policy tools to impart more confidence to the lenders by managing their risks better. Although the number of existing policies and tools is large and some of the programs are well funded and effective, the lack of strategic co-ordination results in duplication of efforts, thus increasing cost as well as redundancies.

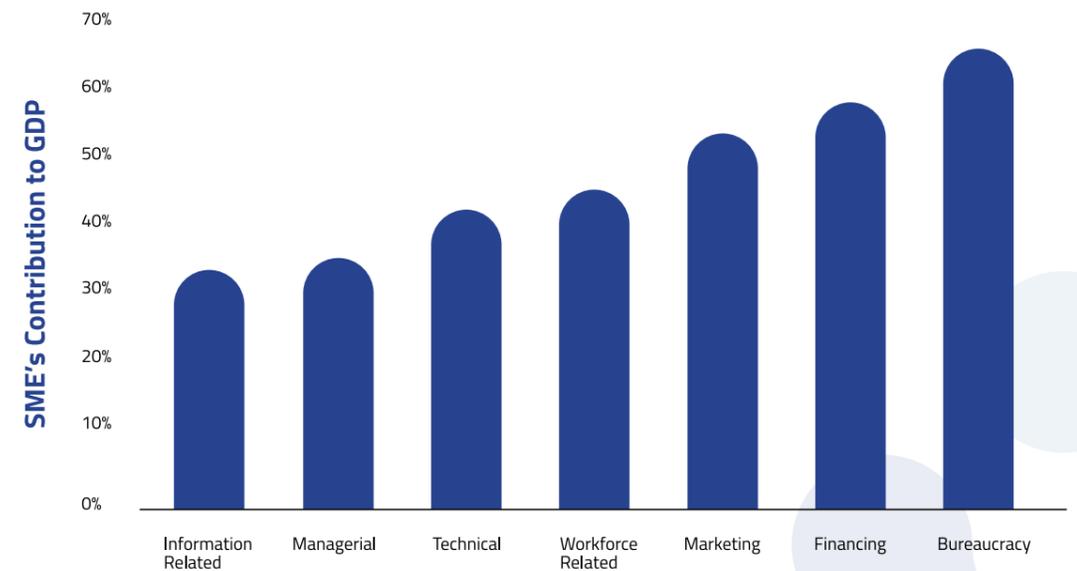
Country Average Share of SME Lending of Total Loans in MENA - 2014



SME's Contribution to GDP



Most Occuring Obstacles to SME's Development



ALRAEDAH'S STRATEGY & ROADMAP

Alraedah has begun by tackling one of the core challenges faced by SMEs which is lack of financing support, with half of SMEs stating they are impacted by this challenge. This is for a number of reasons from a lack of access to reliable information about these enterprises from registries and credit bureaus, and a lack of financial controls and audited financials which increases the risk of financing such entities.

With many of the incumbent banks thus choosing not to target this segment with clear and defined propositions, it has allowed Alraedah to create clear products, propositions and processes to attract customers.

Alraedah's focus on SME financing has established it as a market leader, with YoY sales growing over 500% across 2021.

Alraedah's success has centered on its relentless focus on SME needs, truly understanding SME challenges and pain-points and creating products and processes tailored directly towards the SME market. Putting customer service at the heart of its engagement with potential clients, taking ownership of customer requests and ensuring the process is as simple and streamlined as possible has been a core pillar for its success.

Alraedah's digital transformation

In order to scale its proposition further, Alraedah is now pivoting its focus to (i) digital; and (ii) increasing its product offering.

Alraedah has created a Digital Transformation team to build out new digital capabilities for customers to apply for products online, as well as view their current details online via an App. It will then introduce new products such as Payments to increase its addressable market and grow its customer base. Customers will be offered a suite of products and services in a single App to help them to manage their business through a single platform, with innovative features that aren't offered by competitors within the Kingdom.

Alraedah aims to revolutionize financial services with Saudi Arabia, changing customer expectations and improving service standards.

Alraedah's roadmap includes the following:

Initiatives	Overview	Timelines
 Mobile App	Allows customers to see their existing product information, apply for re-finance, as well as providing a range of tools to enhance the understanding of their business. Customers will be able to access these features through both an App, as well as an Online Platform on a PC.	H2-2022
 Digital Application Process	Allows customers to apply for products digitally, view offers, upload documents and accept terms and conditions online to speed up application times and simplify user experiences.	H2-2022
 Payments	Allows customers to accept payments through aggregation to increase Alraedah's addressable market, while combining card issuing capabilities to improve customer cash-flow while providing insights to help SMEs run their businesses better.	H1-2023



COMPANY OVERVIEW

Alraedah Finance Company (the "Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration numbered [1010314982](#) issued in Riyadh on 21 Ramadan 1432H (corresponding to 21 August 2011). The Company is engaged in providing finance lease and finance for small and medium entities in the form of Ijara and Murabaha in accordance with the Saudi Central Bank ("SAMA") approval.

SAMA has issued the "Implementing regulations of the Law on supervision of Finance Companies" which were published on 24 February 2013 following the "Financial lease law" and "Law on supervision of Finance Companies" (the "laws") published on 27 August 2012. These laws have given existing companies a grace period of two years to align their current position with the new law's requirements. During the year ended 31 December 2014, the Company received a pre-approval license numbered 361000017087 on 2 Safar 1436H (corresponding to 24 November 2014). SAMA has issued the company formal license on 30 Rabi Thani 1437H (corresponding to 9 February 2016) numbered 43/ASH/201602.

The Company has one branch in Dammam under commercial registration numbered 2051222088 on 17 Dhul-Qadah 1439H (corresponding to 30 July 2018).



SHAREHOLDERS

Name of Shareholders	Number of Shares	Ownership%
Abdullah Nasser AlDawood	14,850,000	%99
Alraedah investment	150,000	%1
Total	15,000,000	%100

COMPOSITION OF THE BOARD OF DIRECTORS, COMMITTEES, AND KEY EXECUTIVES

The board is comprised of the following members

Board Members	Position	Classification	Board of Directors	Audit Committee	Risk Committee
Abdullah Bin Nasser Al Dawood	Chairman	Non-Executive	•		Chairman
Abdulrahman Bin Abdulaziz Bin Mutrib	Member	Non-Executive	•		Member
Ibrahim Bin Abdulaziz Al Rashed	Vice Chairman	Non-Executive	•		Member
Abdulelah Bin Saad Bin Haddab	Member	Non-Executive	•	Chairman	
Abdullah Bin Abdulaziz Al Hoqail	Member	N/A	•		
Yousef Bin Ibrahim Al Eisa	Member	Non-Executive	•		
Paul Anthony Melotto	Member - CEO	Executive	•		
Turki Abdulmohsen Al-luhaid	Member	N/A	•	Member	
Alaa Abdulaziz Abu Naba	Member	N/A	•	Member	

Remunerations for Risk Committee Members

Risk Committee Members	Fixed remuneration (Except for allowances for attending the meeting)	Allowances for attending the meeting	Total
Abdullah Bin Nasser Al Dawood	0.00	0.00	0.00
Abdulrahman Bin Abdulaziz Bin Mutrib	0.00	0.00	0.00
Ibrahim Bin Abdulaziz Al Rashed	0.00	0.00	0.00

Remunerations for Board Members

Board Members	Fixed remuneration (Except for allowances for attending BoD meeting)	Allowances for attending BoD meeting	Total
Abdullah Bin Nasser Al Dawood	0.00	0.00	0.00
Abdulrahman Bin Abdulaziz Bin Mutrib	0.00	0.00	0.00
Ibrahim Bin Abdulaziz Al Rashed	0.00	0.00	0.00
Abdulelah Bin Saad Bin Haddab	0.00	0.00	0.00
Abdullah Bin Abdulaziz Al Hoqail	0.00	0.00	0.00
Yousef Bin Ibrahim Al Eisa	0.00	0.00	0.00
Paul Anthony Melotto	0.00	0.00	0.00

Remunerations for Audit Committee Members

Audit Committee Members	Fixed remuneration (Except for allowances for attending the meeting)	Allowances for attending the meeting	Total
Abdulelah Bin Saad Bin Haddab	50.000	25.000	75.000
Turki Abdulmohsen Al-luhaid	50.000	25.000	75.000
Alaa Abdulaziz Abu Nabaa	50.000	25.000	75.000

The Key Executive Compensation

Compensation	SAR
Remuneration	1,697,216
Bonus	159,175
Termination and other long term benefits	110,063
Total	1,966,454



OPERATING RESULTS

Income Statement	2021	2020	Variance (SAR)	Var. (%)
Income on Financing Activity	78,293,685	40,682,820	37,610,865	92.45%
Finance Charges	(26,391,704)	(11,841,646)	(14,550,058)	122.87%
Net Financing Activites	51,901,981	28,841,174	23,060,807	79.96%
Modification gain/loss and grant income, net	9,971,306	3,321,429	6,649,877	200.21%
Investment income	3,658,923	973,416	2,685,507	275.88%
Other Income	10,632,569	2,362,770	8,269,799	350.00%
Total operating income	76,164,779	35,498,789	40,665,990	114.56%
Salaries and other employee related expenses	21,174,587	15,307,318	5,867,269	38.33%
Sales commission expenses	2,211,170	1,033,998	1,177,172	113.85%
Rent and premises related expenses	447,557	141,129	306,428	217.13%
Other general and administrative expenses	11,363,348	7,591,744	3,771,604	49.68%
Charge for Impairment on receivables	1,750,760	30,251,890	(28,501,130)	-94.21%
Depreciation and amortization	3,302,741	2,016,257	1,286,484	63.81%
Total operating expenses	40,250,163	56,342,336	(16,092,173)	-28.56%
Income before zakat	35,914,616	(20,843,547)	56,758,163	272.31%
Zakat	4,457,430	732,037	3,725,393	508.91%
Net income for the year	31,457,186	(21,575,584)	53,032,770	245.80%

This schedule above is for illustrative purposes, some accounts have been reclassified to give the reader a better comparison.

BALANCE SHEET

Balance Sheet	2021	2020	Variance (SAR)	Var. (%)
Assets				
Cash and cash equivalents/bank balances	36,724,912	124,118,061	(87,393,149)	-70.41%
Murabaha receivables - current	382,085,243	173,869,730	208,215,513	119.75%
Prepaid expenses, deposits and other receivables	22,918,753	49,838,528	(26,919,775)	-54.01%
Total current assets	441,728,908	347,826,319	93,902,589	27.00%
Murabaha receivables - long term	186,658,659	154,138,084	32,520,575	21.10%
Investments through OCI	4,801,361	34,572,424	(29,771,063)	-86.11%
Right-of-use assets	6,622,946	1,763,861	4,859,085	275.48%
Intangible assets	1,212,592	1,016,824	195,768	19.25%
Property and equipment	1,138,920	600,611	538,309	89.63%
Total long term assets	200,434,478	192,091,804	8,342,674	4.34%
Total assets	642,163,386	539,918,123	102,245,263	18.94%
Liabilities				
Accounts payable and accruals	32,266,998	25,687,055	6,579,943	25.62%
Provision for zakat	4,372,991	853,361	3,519,630	412.44%
Payable to SAMA - short term	121,802,502	102,635,857	19,166,645	18.67%
Borrowings - short term	62,961,896	40,000,822	22,961,074	57.40%

Balance Sheet	2021	2020	Variance (SAR)	Var. (%)
Lease liability - short term	1,471,349	868,688	602,661	69.38%
Total current liabilities	222,875,736	170,045,783	52,829,953	31.07%
Payable to SAMA - long term	89,078,650	105,826,106	(16,747,456)	-15.83%
Borrowings - long term	136,067,543	106,226,171	29,841,372	28.09%
Lease liability - long term	5,927,197	40,609	5,886,588	14495.77%
Employees' end of service benefits	2,002,373	2,072,278	(69,905)	-3.37%
Total long term liabilities	233,075,763	214,165,164	18,910,599	8.83%
Total liabilities	455,951,499	384,210,947	71,740,552	18.67%
Equity				
Paid-up share capital	150,000,000	150,000,000	0	0.00%
Statutory reserve	5,389,538	2,243,819	3,145,719	140.19%
Fair value reserve - investments through OCI	223,901	1,453,303	(1,229,402)	-84.59%
Remeasurement reserve on employees' end of service benefits	(143,762)	(420,689)	276,927	-65.83%
Retained earnings	30,742,210	2,430,743	28,311,467	1164.72%
Total shareholders' equity	186,211,887	155,707,176	30,504,711	19.59%
Total liabilities and shareholders' equity	642,163,386	539,918,123	102,245,263	18.94%

INCOME STATEMENT VARIANCE ANALYSIS

Income before zakat	<p>The Company has turned to good profitability from net loss before zakat of SR 20.8 million in 2020 to net income before zakat in 2021 amounting SR 35.9 million with overall positive impact of 272%. The positive impact is resultant of the following with comparison to the financial year ended 31 Dec 2020:</p> <ul style="list-style-type: none"> - Growth in net financing activities by SR 23 million; - Overall net increase in profitability by SR 6.7 million as compare to 2020 in relation to the grant income for zero rated loans received from Saudi Central Bank under deferred payments program and losses on restructuring of Murabaha receivables under deferral payments. - Decline in impairment loss recorded on receivables portfolio by SR 28.5 million, in 2020 major NPL portfolio written-off based on proactive management decision in line with SAMA credit risk provisioning rules.
Income from financing activities	<p>The income from financing activities has been increased from SR 40.7 million to SR 78.2 million by SR 37.6 million:</p> <ul style="list-style-type: none"> - Growth in the receivables portfolio by SR 240.7 million with over 850 units newly originated. - Reduction in annual average NPL from 20.6% in 2020 to 6.6% in 2021 owing to the management's oversight by reviewing and applying stringent controls to deal with delinquent contracts.
Finance Charges	<p>Finance cost increased by SR 14.6 million from SR 11.8 million to SR 26.4 million owing to increase in financing from SAMA under deferral payment program for restructuring of certain receivables portfolio and Social Development Bank to provide finance to Monsha'at based customers at below market rates.</p>
Modification gain/loss and grant income, net	<p>The net positive impact of modification gain/loss and grant income has been increased by SR 6.7 million from SR 3.3 million in 2020 to SR 9.97 million in 2021 in relation to the grant income for zero rated loans received from Saudi Central Bank under deferred payments program and losses on restructuring of Murabaha receivables under deferral payments.</p>
Other income	<p>The other income has been increased by SR 8.3 million primarily owing to major impact of facility fee income for originations during 2021 and recovery from written off receivables.</p>
Salaries and other employee related expenses	<p>Salaries and other related expenses increased by SR 5.9 million from SR 15.3 million to SR 22.7 million primarily owing to increase in head count from 94 to 151.</p>
Other operating expenses	<p>All other operating expenses have been overall decreased from SR 41 million to SR 19 million owing to net impact of decline in impairment loss by SR 28.5 million as compare to 2020 and increase in expenses related to IT projects and SIMAH by SR 3.7 million.</p>

BALANCE SHEET VARIANCE ANALYSIS

Loan Liabilities	<p>The Company's total loan liabilities (short term & long term) increased by SR 55.2 million owing to net impact of the following fundings:</p> <ul style="list-style-type: none"> a. Social Development Bank (SDB) - The Company received loans from SDB to provide finance to Monsha'at based customers at reduced rates. The initial present value of such loans during 2021 recorded at amount SR 45.7 million as part of borrowings and repayments to SDB for loans amounted to SR 59 million during 2021. b. Riyad Financing Fund - The Company received finance from Riyad Financing Fund to provide working capital support to the Company to finance its customers with initial present value of such loan being recorded at SR 55 million. c. Saudi Central Bank (SAMA) - The Company has recognised loans from SAMA under deferral payment programs for certain receivables portfolio with initial present value of SR 129 million in total. The repayments to SAMA amounted to SR 59 million.
Murabaha receivables	<p>The Company's total receivables portfolio increased by SR 240 million (73.4%) from SR 328 million to SR 568.7 million. The increase is mainly due to over 850 newly originated loans with value amounted SR 500.1 million while originations amounted 250.6 million during 2020.</p>
Provision for expected credit losses	<p>The Company increased the provision for expected credit loss on Murabaha receivables as of year-end 2021 by 1.75 million as compare to year-end 2020 from SR 6.8 million to SR 8.54 million. The Company's NPL ratio is decreased to 6.3% from 7.1% owing to the close oversight of the management over the collection of receivables.</p>

Movement in provision for expected credit losses	2021	2020	2019	2018
Balance at the beginning of the year	6,785,440	8,805,550	6,732,473	2,267,696
Impairment charge for the year	1,750,760	30,251,890	20,228,735	6,201,146
Written off during the year	0	(32,272,000)	(18,155,658)	(3,663,814)
Balance at the end of the year	8,536,200	6,785,440	8,805,550	6,732,473



ACCOMPLISHMENTS

2015

- Name change from Aalam Al Arab Installment & Leasing Ltd to Alraedah Finance Company.
- Company converted from LLC to Closed Joint Stock Company.
- Increased Saudization ratio to 64%.
- SAMA License issued.
- Increased bank facilities to 2 banks.
- Launched branch in Al Qassim.
- Received 2017 BIBAN award.
- Implemented IFRS 9.
- Expanded borrowings from 50mn to 200m SAR.
- Expanded company's footprint to Dammam & Jeddah.

2018

- Developed & launched a Lending Management System (JIRA).
- Successfully finalized a financing transaction with Riyadh Capital.
- Alraedah launches Digital Transformation Programme with updated Digital Roadmap.
- Successfully finalized a financing transaction with Riyadh Capital.
- 60% increase in total headcount in alignment of the future business plan.
- Company exceeded Net Income target of SAR 30mn.
- New risk based MCA product launched with higher lending amounts offered to SMEs.
- Alraedah launches new Agile structure and Ways of Working.
- Alraedah launches Test Automation to support Digital delivery.

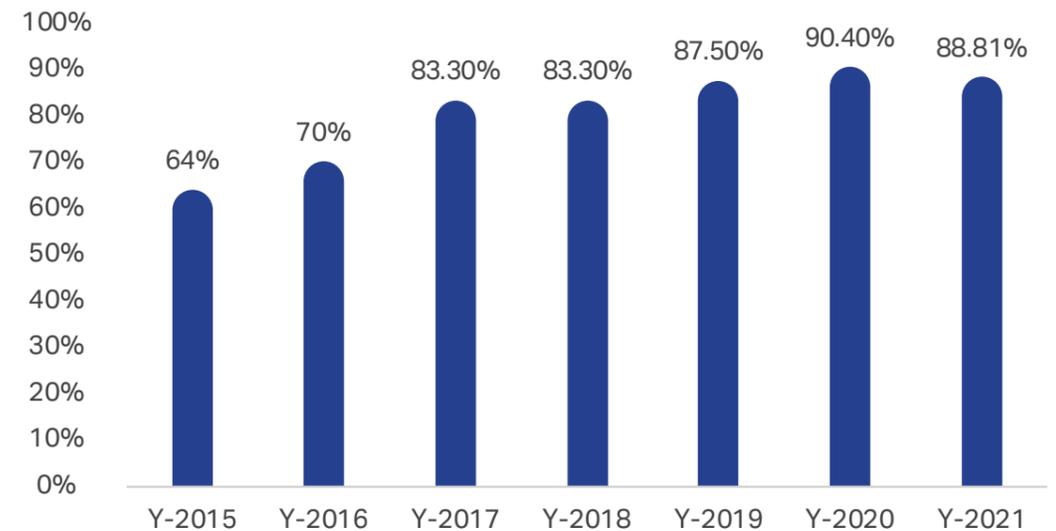
2022

- Increased Saudization ratio to 88.81%.

SAUDIZATION & TRAINING

As a result of the Company's continuing commitment to increase nationalization, The percentage of Saudi nationals to total staff as of December 31, 2021 increased to 88.81%. In addition, the Company increased its female staff reaching 48% of the total workforce of the Company as of December 31, 2021. During the year ended December 31, 2021 the Company held training courses for Artificial Intelligence. The Company started making onsite training courses for sales, giving one week course for all the employees working on sales to prepare them for entering the market.

Saudization



RISK MANAGEMENT

The complexity of today's financial services sector, business operations, and diversity of geographical locations requires the identification, measurement, aggregation, and effective management of risks including an efficient allocation of capital to derive an optimal risk-return ratio. In addition, the stakeholders of the Company, including its regulators also expect the Company to have a clear and well documented framework in place that addresses several dimensions of the Company's business. The Company has a comprehensive set of policies dealing with various aspects of risk management. The Risk Management Policy is the overarching Policy Guide prepared in conformity with SAMA guidelines which covers the risks the Company is exposed to in the pursuit of its business objectives. It also describes the risk governance structures and risk management policies in place for management, monitoring, and control of the risks through the Risk Appetite Framework & Credit Policy Guide.

MARKET RISK

Keeping in view the overall financial condition of the market, or in broad sense "Macro-Economic & Socio-Political" situation, the overall economy, especially financial industry has been under stressed position with reduced repayment ability of the customers. In order to cope up with the earlier stated situation the company "Al Raedah" has adapted an aggressive position over the collection function along with the Credit Underwriting function. The Company also perform an indepth segmental, "was-is" analytics etc. over the portfolio in order to keep the management updated with the movements within the portfolio.

CURRENCY RISK

The Company activities are restricted to only "Local Currency" i.e. SAR, and therefore is not exposed to any risk related to other Currency Rates.

COMMISSION RATE RISK

The Company's exposure to commission rate risk is minimal as financial assets including Murabaha receivables and investments in Sukuk as well as financial liabilities including payables to SAMA and borrowings outstanding at December 31, 2021 are fixed rate ones.

LIQUIDITY RISK

The Company keep a stringent control over the liquidity position by updating a daily cash report. Also the Company has "Credit Facility Line" contract with two banks in order to meet its business liquidity requirement.

OPERATIONAL RISK

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company's Operational Risk Management Policy provides a Company-wide definition of operational risk and lays down the processes under which the operational risks are to be identified, assessed, monitored, and controlled. The key components of this framework are comprehensively documented in the Company's operational risk policies document.

CREDIT RISK MANAGEMENT STRATEGY

The approach to credit risk management is based on a foundation which preserves the independence and integrity of credit risk assessment. The Company has a comprehensive framework of managing credit risk, which includes an independent credit risk review function and credit risk monitoring process via analytics. Credit reporting processes are therefore combined with clear policies which guide the day-to-day underwriting and management of the Company's credit risk exposure.

This approach includes credit limits that are established for all customers after a careful assessment of their creditworthiness. All procedures, outlined in the Company's Credit Policy Guide approved by the Board of Directors, require that all credit proposals must reviewed and approved by the Credit Committee and the Board of Directors.



CREDIT RISK MANAGEMENT

The Company manages exposures to credit risk, which 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. Credit exposures arise principally in lending activities.

CREDIT RISK MONITORING & REPORTING SYSTEM

Credit risk is monitored on an ongoing basis with formal monthly and quarterly reporting to the Credit Committee, senior management and the Board of Directors to ensure awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

PAST-DUE & IMPAIRMENT

Credit facilities are classified as past due when a payment has not been received on its contractual payment date. A credit facility is generally considered impaired if the installment is past due for more than 90 days and the exposure is downgraded to a non-performing category.

DATAROBOT

ABOUT DATAROBOT

The DataRobot automated machine learning platform captures the knowledge, experience and best practices of the world's leading data scientists, delivering unmatched levels of automation and ease-of-use for machine learning initiatives. DataRobot enables users of all skill levels to build and deploy highly accurate machine learning models in a fraction of the time.

HOW DATAROBOT WORKS

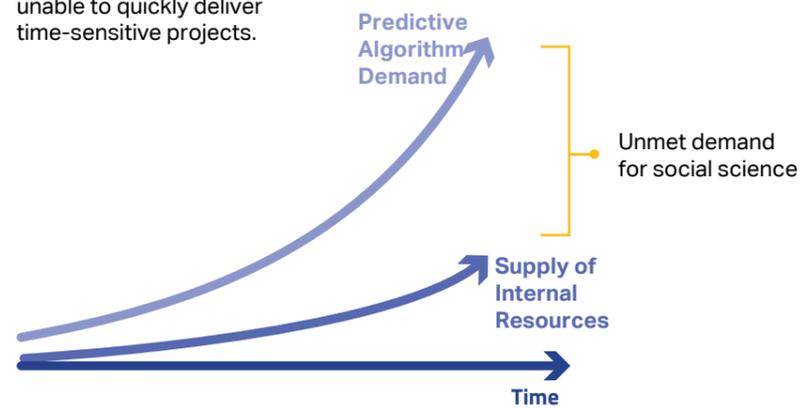
DataRobot searches through millions of combinations of algorithms, data preprocessing steps, transformations, features and tuning parameters to narrow down the universe of possible solutions for a given data set and prediction target. It then evaluates thousands of models in parallel to deliver the best predictive model in the shortest amount of time. Deploying models for predictions is a matter of just a few mouse clicks – no re-coding or translation required.

WHY DATAROBOT EXISTS

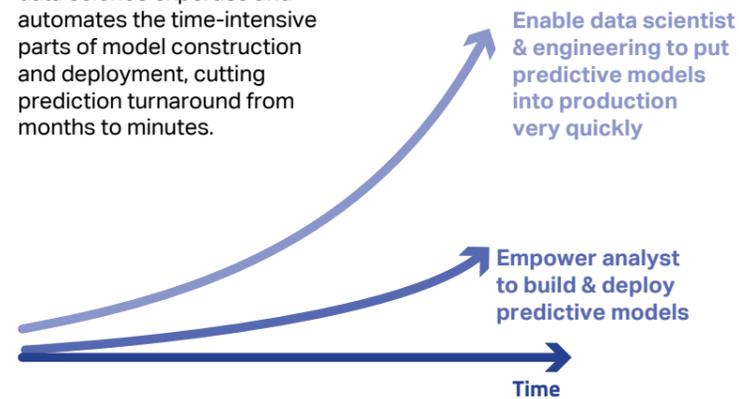
Mentioned below screenshots depicts some of the features of the DataRobot that are created by the DataRobot by analyzing the data.

FILLING THE GAP

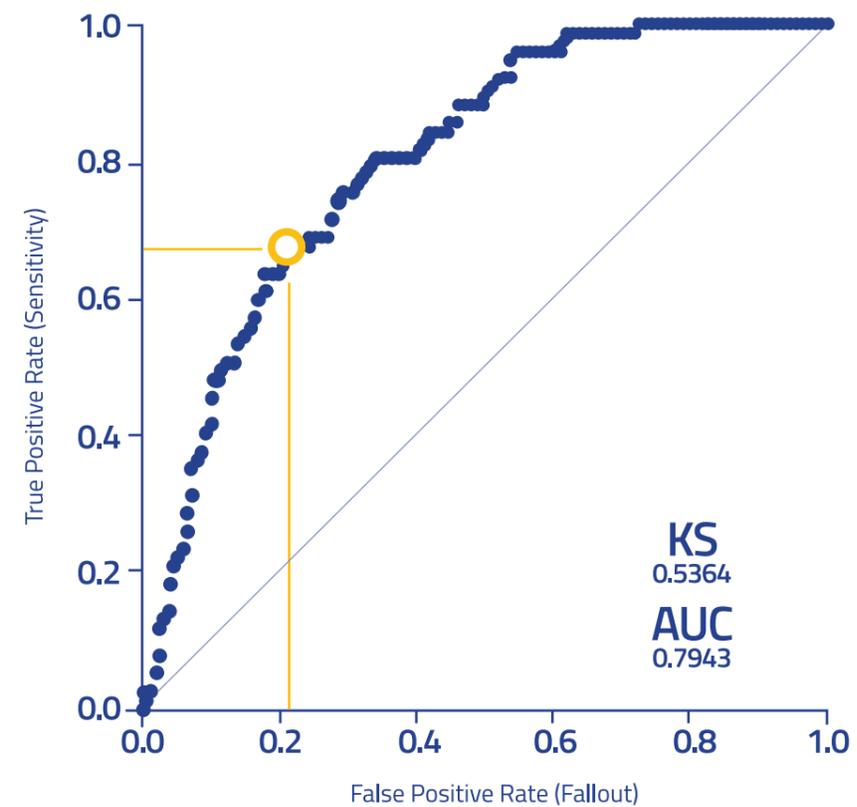
The small pool of data scientist and large amount of time needed to construct and deploy predictive models leaves many businesses unable to quickly deliver time-sensitive projects.



DataRobot provides built-in data science expertise and automates the time-intensive parts of model construction and deployment, cutting prediction turnaround from months to minutes.



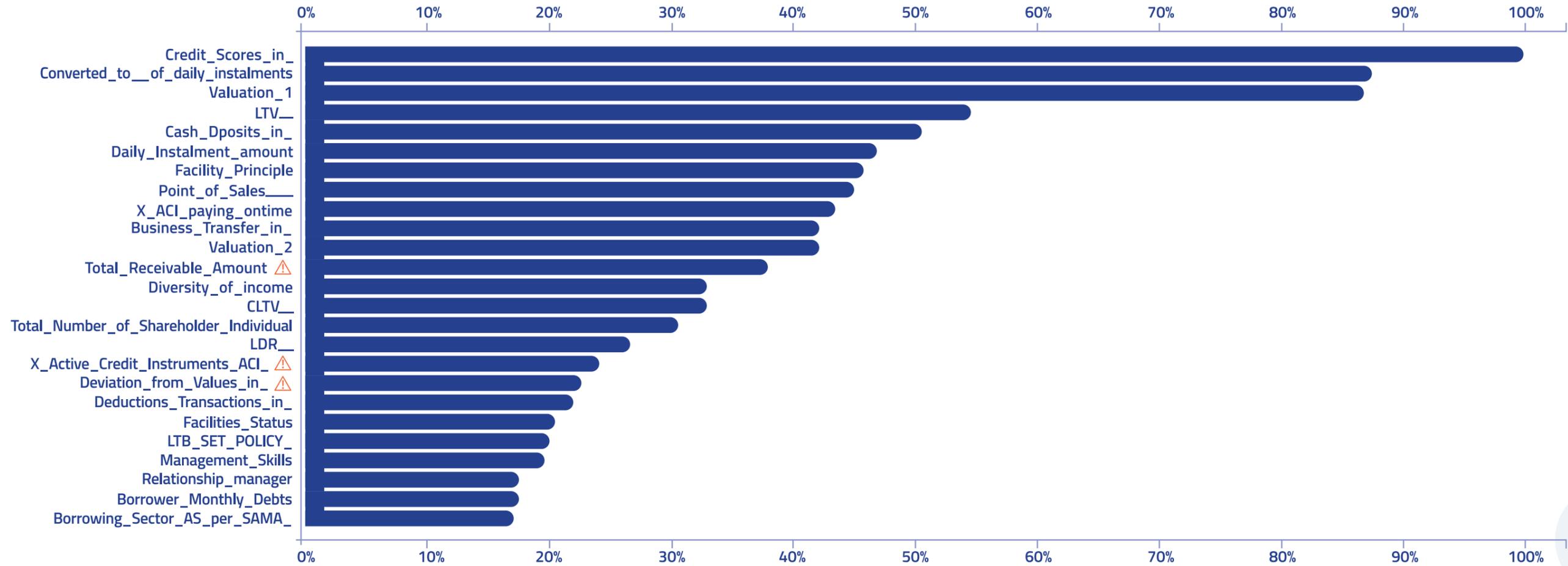
ROC CURVE



DATA ACCURACY TEST

		- PREDICTED +		
ACTUAL	-	153 (TN)	41 (FP)	194
	+	25 (FN)	52 (TP)	77
		178	93	271

FEATURE IMPACT



BOARD OF DIRECTORS DECLARATION

The Board of Directors hereby declares that to the best of its knowledge and belief and in all material respects:

- Proper books and accounts have been maintained.
- The system of internal control is sound in design.
- There is no significant doubts concerning the Company's ability to continue as a going concern.

AUDITORS

The General Assembly meeting held on June 29, 2021 appointed BDO Dr. Mohammed Al Amri & Co. as the Company's external auditor for the financial year 2021, and the first quarter for the financial year 2022.

ACCOUNTING STANDARDS

The Company follows the Accounting Standards for Financial Institutions promulgated by the Saudi Central Bank (SAMA) and International Financial Reporting Standards (IFRS). The Company also prepares its financial statements in compliance with the Regulations for Companies in the Kingdom of Saudi Arabia, and the Company's Articles of Association.

SHARI'A COMPLIANCE

Alraedah finance has a Sharia Board that oversees all of its finance products. The Sharia Board includes the membership of Dr. Muhammad bin Saud Al-Osaimi Dr. Yusuf bin Abdullah Al-Shubaili. Both members have extensive publications in relation to Sharia compliant financial transactions. Both members are members of a number of esteemed banks and financial institutions. The Sharia Board is supported by a Sharia Board Secretariat and a Sharia compliance Audit. All company transactions are audited for Sharia compliance on a quarterly basis.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Alraedah Finance Company (Saudi Closed Joint Stock Company) ("the Company"), which comprise the statement of financial position as at December 31, 2021 and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's 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 its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE COMPANY'S MANAGEMENT & THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Company's Management is responsible for the preparation and fair presentation of the financial statements in conformity with the International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA and the Regulations for Companies and the Company's Article of Association with respect to the preparation and presentation of financial statements, and for such internal control as management determines 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, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

AUDITOR'S 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 auditor's 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 ISAs endorsed in 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.

As part of an audit in accordance with ISAs 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 Company's management.

- Conclude on the appropriateness of management's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 SR	2020 SR
Special commission income from Murabaha receivables	78,293,685	40,682,820
Finance charges	(26,391,704)	(11,841,646)
	51,901,981	28,841,174
Modification gains on borrowings, grant income and loss on restructuring of Murabaha receivables, net	9,971,306	3,321,429
Application fees and other income	10,632,569	2,362,770
TOTAL OPERATING INCOME, NET	72,505,856	34,525,373
General and administrative expenses	(24,865,889)	(18,906,562)
Selling and marketing expenses	(10,330,773)	(5,167,627)
Depreciation and amortisation	(3,302,741)	(2,016,257)
Impairment loss on Ijara and Murabaha receivables	(1,750,760)	(30,251,890)
	32,255,693	(21,816,963)
Income from investments held at fair value through other comprehensive income	1,272,695	973,416
Gain on sale of investments held at FVOCI	2,368,228	0
PROFIT / (LOSS) BEFORE ZAKAT	35,914,616	(20,843,547)
Zakat	(4,457,430)	(732,037)
PROFIT / (LOSS) FOR THE YEAR	31,457,186	(21,575,584)
Fair value gain on investments held at fair value through other comprehensive income ("FVOCI")	1,156,826	1,453,303
Gain on sale of investment held at FVOCI	(2,386,228)	0
Total items that may be reclassified to profit or loss in subsequent periods	(1,229,402)	1,453,303
Re-measurement of employees' terminal benefits	276,927	(420,689)
Total items that will not be reclassified to profit or loss in subsequent periods	276,927	(420,689)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	(952,475)	1,032,614
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	30,504,711	(20,542,970)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	31/12/2021 SR	31/12/2020 SR
Cash and cash equivalents	36,724,912	124,118,061
Receivable from SAMA	6,239,210	0
Murabaha receivables	568,743,902	328,007,814
Prepayments and other assets	16,679,543	49,838,528
Investments held at fair value through other comprehensive income ("FVOCI")	4,801,361	34,572,424
Right-of-use asset	6,622,946	1,763,861
Property and equipment	1,138,920	600,611
Intangible assets	1,212,592	1,016,824
TOTAL ASSETS	642,163,386	539,918,123
Accounts payable and accruals	32,266,998	25,687,055
Payables to SAMA	210,881,152	208,461,963
Zakat payable	4,372,991	853,361
Lease liability	7,398,546	909,297
Borrowings	199,029,439	146,226,993
Employees' terminal benefits	2,002,373	2,072,278
TOTAL LIABILITIES	455,951,499	384,210,947
Share capital	150,000,000	150,000,000
Statutory reserve	5,389,538	2,243,819
Fair value reserve - FVOCI	223,901	1,453,303
Reserve on re-measurement of employees' terminal benefits	(143,762)	(420,689)
Retained earnings	30,742,210	2,430,743
TOTAL SHAREHOLDERS' EQUITY	186,211,887	155,707,176
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	642,163,386	539,918,123

STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital SR	Statutory reserve SR	Retained earnings SR	Fair value reserve - FVOCI SR	Reserve on re-measurement of employees' terminal benefits SR	Total SR
Balance as at 1 January 2020	150,000,000	2,243,819	24,006,327	0	0	176,250,146
Loss for the year	0	0	(21,575,584)	0	0	(21,575,584)
Other comprehensive income for the year	0	0	0	1,453,303	(420,689)	1,032,614
Total comprehensive income for the year	0	0	(21,575,584)	1,453,303	(420,689)	(20,542,970)
Balance as at 31 December 2020	150,000,000	2,243,819	2,430,743	1,453,303	(420,689)	155,707,176
Profit for the year	0	0	31,457,186	0	0	31,457,186
Other comprehensive income for the year	0	0	0	(1,229,402)	276,927	(952,475)
Total comprehensive income for the year	0	0	31,457,186	(1,229,402)	276,927	30,504,711
Transfer to statutory reserve	0	3,145,719	(3,145,719)	0	0	0
Balance as at 31 December 2021	150,000,000	5,389,538	30,742,210	223,901	(143,762)	186,211,887

Fines imposed by SAMA:

Violations of	Fiscal Year 2020		Fiscal Year 2021	
	Numbers of Resolutions	Total amount of fines in Saudi Riyals	Numbers of Resolutions	Total amount of fines in Saudi Riyals
SAMA supervisory instructions	3	70,000	1	0
SAMA instructions related to customer protection	0	0	0	0
SAMA instructions related to due diligence in AML and TF	0	0	1	250,000

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 SR	2020 SR
Profit / (Loss) before zakat	35,914,616	(20,843,547)
Government grant income	(20,359,095)	(26,811,765)
Modification gain on restructuring of borrowings	0	(6,044,367)
Finance cost	25,885,967	11,172,489
Impairment loss on Murabaha receivables	1,750,760	30,251,890
Income from investments held at FVOCI	(1,272,695)	(973,416)
Gain on sale of investment held at FVOCI	(2,386,228)	0
Depreciation on right-of-use asset	1,972,882	1,007,922
Depreciation on property and equipment	601,130	344,069
Amortisation of intangible assets	728,729	664,266
Provision for employees' terminal benefits	646,478	697,414
Finance charge on lease	484,119	154,797
Operating cash flows before working capital adjustments	43,966,663	(10,380,248)
Murabaha receivables	(242,486,848)	(82,843,764)
Prepayments and other assets	33,158,985	(42,970,800)
Restricted cash deposits	0	1,237,503
Accounts payable and accruals	6,579,943	7,848,863
Cash used in operating activities	(158,781,257)	(127,108,446)
Employees' terminal benefits paid	(439,456)	(112,880)
Zakat paid	(937,800)	(1,327,565)
Net cash used in operating activities	(160,158,513)	(128,548,891)
Purchase of investments held at FVOCI	0	(31,743,661)
Return received on investments held at FVOCI	1,123,693	490,803
Proceeds from sale of investments held at FVOCI	31,076,891	0

	2021 SR	2020 SR
Purchase of property and equipment	(1,139,438)	(640,174)
Purchase of intangible assets	(924,497)	(820,569)
Net cash from / (used in) investing activities	30,136,648	(32,713,601)
Cash received from SAMA	139,180,656	247,051,560
Repayments to SAMA	(140,941,835)	(24,058,177)
Proceeds from borrowings	105,000,000	70,000,000
Repayment of borrowings	(59,283,187)	(16,169,040)
Repayment of lease liability	(826,837)	(1,127,454)
Deferred grant income	(500,081)	0
Net cash from financing activities	42,628,716	275,696,889
Net (decrease) / increase in cash and cash equivalents	(87,393,149)	114,434,397
Cash and cash equivalents balances at the beginning of the year	124,118,061	9,683,664
Cash and cash equivalents at the end of the year	36,724,912	124,118,061

