



Taajeer Finance Co.

Annual Board Report 2020

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Introduction

Taajeer Finance's Board of Directors is pleased to present the fourth annual report for the period ending December 31, 2020

About Us

Taajeer Finance Lease Company is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia, Commercial Registration No. 4030289565, Unified No. 7009425773, issued on Shaaban 17, 1437 AH, corresponding to May 24, 2016.

The company's head office is in Jeddah, the principle activity of the company is to engage in the following business activities in the Kingdom of Saudi Arabia.

- Finance Lease for Retail and Small and Medium companies.
- Small and Medium Enterprises (SME) Financing.
- Consumer Finance.
- The company received a license from the Central Bank of Saudi Arabia to undertake both Finance leasing and Small and Medium Enterprises (SME) Financing in the Kingdom of Saudi Arabia under license No: 46/AU/201611, on 29 Safar 1438 corresponding to November 29, 2016.
- The company has obtained the approval from the Central Bank of Saudi Arabia to add the consumer financing activity on 28 Jumada Al-Ula 1441 AH corresponding to January 23, 2020.
- The Saudi Central Bank had no objection to continue offering the products on Jumada Al-Thani 03 1441.

Geographic focus

Taajeer Finance Lease Co. operates in the Kingdom of Saudi Arabia through its main office in Jeddah, in addition to six branches in each of:

Branch	CR	UN
Riyadh	1010468134	7003764094
Jeddah	4030293321	7007570026
Al-Ahsa	2252067592	7003764136
Dammam	2050111740	7003764128
Makkah	4031098948	7003764110
Abha	5850070587	7003764102

The Company also obtained a license from the Saudi Central Bank for these branches in order to provide fast services and ensure the quality of work. The company also owns **29 points of sales** spread through sales work centers and showrooms for car agencies in the rest of the Kingdom's cities, such as Taif, Jazan, Yanbu, Madinah, and Qassim.

Business Sectors

The financial leasing company targets the individual sector in all its segments and the corporate sector such as "education, health, technology, manufacturing, construction and contracting, hospitality and entertainment, communications and transportation" and the company has established strategic partnerships with many certified local distributors to meet the needs of customers. The company provides products compatible with the provisions of Islamic Sharia law for individuals and for small and medium enterprises in the private and public sectors within the Kingdom of Saudi Arabia.

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

Our Vision: To excel in the financial leasing sector in the kingdom while ensuring the best benefits for stakeholders.

Our Mission: Providing the best Financial services to individuals and through an elite group of experts with financial competencies while preserving the core values of the company.

Our Values:

- **Uniqueness and distinction**

We strive to add unique and distinct value to our customers, shareholders, and employees

- **Initiative and Innovation**

Flexibility of innovative programs to meet the needs of our customers.

- **Trust and Credibility**

We enhance the confidence and credibility of our clients to achieve a distinguished level of transparency.

- **Compliance**

We are committed to the laws, regulations and principles of Islamic law.

Corporate Governance

Shareholders

Shareholders' capital of the company has been divided into 20,000,000 shares, valued at SAR 10 per share. As on Dec 31, 2020 owned as the following:

Shareholder	%	Amount	No. of shares
Taajeer Global Company Limited	1%	2,000,000	200,000
Taajeer Gulf Company Limited	1%	2,000,000	200,000
Taajeer International Company Limited	1%	2,000,000	200,000
Taajeer National Company for Auto Maintenance and Integrated Service Limited	1%	2,000,000	200,000
Al Ahdaf Al Mumaizah Company Limited	96%	192,000,000	19,200,000
Total	100%	200,000,000	20,000,000

General assembly meetings in 2020

Attendance from Board of Directors	Date	General Assembly
The current Vice Board Chairman Mr. Omar Mohammed Hindi has led the meeting	2020/05/06	Extraordinary General Meeting

The company's board of directors is the supreme administrative body responsible before the general assembly of shareholders for managing the company according to the company's articles of association and the relevant laws and regulations. The company's board of directors provides support through the committees emanating from the board, which include:

- Audit Committee
- Executive Committee
- Credit and Risk Committee
- Nominations and Remuneration Committee

These committees oversee the company's strategy, manage its risks, update its work policies and procedures, and ensure the quality and effectiveness of internal control and governance procedures. The article of association has specified the number of board members as (7) members, as the company's board of directors were elected by the general assembly of shareholders for the current session that started on 07/21/1440 corresponding to 03/28/2019 for a period of three years ending on 08/25/1443 Hijri corresponding to 03/28/2022.

Board of Directors Meetings for 2020.

Board of Directors Meetings for 2020					
Name	Position	Date of Joining*	Membership status	2020-1 20-08-2020	2020-2 15-11-2020
Faisal Saleh Malaikah	Board Chairman	27/10/2020 10/03/1442	Non-executive / independent	√	√
Omar Mohammed Hindi	Vice Board Chairman	27/10/2020 10/03/1443	Non-executive / independent	√	√
Abdulhamid Mohiddin Nazer	Board Member	28/03/2019 21/07/1440	Non-executive / independent	√	√
Turki Saeed Badeeb	Board Member	28/03/2019 21/07/1441	Non-executive / independent	√	Apologize for an urgent reason
Farouq Fouad Ghulam	Board Member	22/07/2019 19/11/1440	Non-executive / independent	√	√
Abbas Mohammed Alnahdi	Board Member and CEO	27/10/2020 10/03/1442	Executive / Non-independent	He was not a Board Member yet	√
Hazem Sami Jamjom	Board Member	27/10/2020 10/03/1443	Non-executive / independent	He was not a Board Member yet	√

Date of joining is the date we received SAMA approval for the board member

Audit Committee

Name	Position	Date of Joining*	Membership status	-
Abdulhamid Mohiddin Nazer	Audit Committee Chairman	31/12/2020 16/05/1442	Non-executive / independent	No meetings in 2020 **
Hashem Al-Zeen	Audit Committee Member	31/12/2020 16/05/1443	Non-executive	
Waleed Timirak	Audit Committee Member	31/12/2020 16/05/1444	Non-executive	

- The joining date is the date we received SAMA approval to be an Audit Committee member.

** No meetings of Audit Committee were held in 2020 due to receiving SAMA approval to nominating the committee members on the last day of 2020.

Executive Committee

Name	Position	Date of Joining *	Membership status	2020-1 21-12-2020
Omar Mohammed Hindi	Executive Committee Chairman	11/12/2020 25/04/1442	Non-executive / independent	√
Faisal Saleh Malaikah	Executive Committee Member	11/12/2020 25/04/1443	Non-executive / independent	√
Abbas Mohammed Alnahdi	Executive Committee Member	11/12/2020 25/04/1444	Executive / independent	√

- The joining date is the date we received SAMA approval to be an Executive Committee member

Credit and Risk Committee

Name	Position	Date of Joining *	Membership status	2020-1 21-12-2020
Omar Mohammed Hindi	Credit and Risk Committee Chairman	11/12/2020 25/04/1442	Non-executive / independent	√
Turki Saeed Badeeb	Credit and Risk Committee Member	11/12/2020 25/04/1443	Non-executive / independent	√
Farouq Fouad Ghulam	Credit and Risk Committee Member	11/12/2020 25/04/1444	Non-executive / independent	√

- The joining date is the date we received SAMA approval to be Credit and Risk Committee member

Nominations and Remuneration Committee

Name	Position	Date of Joining *	Membership status	-
Farouq Fouad Ghulam	Nominations and Remuneration Committee Member	11/12/2020 25/04/1442	Non-executive / independent	No meetings in 2020 **
Abbas Mohammed Alnahdi	Nominations and Remuneration Committee Member	11/12/2020 25/04/1443	Non-executive / independent	
Faisal Saleh Malaikah	Nominations and Remuneration Committee Member	11/12/2020 25/04/1444	Non-executive / independent	

- The joining date is the date we received SAMA approval to be Nominations and Remuneration Committee member

Name	Position
Abbas Mohammed Al-Nahdi	CEO
Wessam Mohammed Malik	Head of Sales and Marketing
Saad Mansor Abdulati	Compliance and AML Manager
Riham Sameer Faisal	Human Resources and Administration Affairs Manager
Javed Mohammed Mugal	Finance Manager
Fahad Ali Al-Wahdi	Operation Manager
Moafag Abdulallah Basweed	Customer Services and Customer Care Manager
Muawyah Alawad Ahmed	*Internal Audit Manager
Alaa Eid Rostom	Credit and Risk Manager

- Last working day is 31/12/2020

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Internal Control

Management is responsible for the appropriate design and implementation of the control and the Risk Management, Internal Audit and Compliance Departments for the continuous monitoring and evaluation of the system. All employees are ultimately responsible for operating and maintaining an efficient internal control system at their respective levels. The external auditors are responsible for determining the adequacy of the system of internal controls to decide the level of reliance they can place on the Company's internal controls, to design their audit procedures accordingly.

The Company's Internal Control System is subject to ongoing evaluations and improvement to allow for the identification of any gaps and meet the desired level of effectiveness, key controls include:

Existence of a series of policies and procedures, which are subject to regular updates and reviews to verify their sufficiency and adequacy.

Company's operations are automated using state of art sophisticated Oracle and Siebel Systems that helps enhancing efficiencies and controls environment.

All work related and major important decisions are supervised by management to safeguard the Company's interest.

Existence of departments specialized in fields of audit, risk, compliance, anti-money laundering & counter terrorism financing.

Risk management is a vital factor of Company's activities. The Company manages a process of ongoing risk identification and measurement through the use of effective controls and a number of committees and departments, established to coordinate and manage day to day risk management. Following is the summary of main risks:

Compliance and Combating Money Laundering and Terrorist Financing

The Board and Management believe that the existence of Compliance and Anti-Money Laundering & Counter Terrorism Financing functions are an integral part of sound management framework, therefore, has established a function that identifies and assesses the compliance risk, monitors and reports non-compliance issues. It mainly focuses consolidating relations with regulatory authorities, establishing mechanisms and frameworks to ensure prevention of crimes and safeguard professional values and practices.

Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the regulatory requirements of Regulations for Companies and SAMA minimum capital requirements for financing companies.

Disclosures & Social Responsibilities

Transactions with Related Parties

Related Party	Transaction type	Amount
Taajeer Group	Purchase Vehicles	11,700,389
Taajeer International	Purchase Vehicles	124,711,692
Alawwal Capital	Interest on Short Term Loans	224,989
Taajeer National Company for Auto Maintenance and Integrated Service Limited	Vehicle Maintenance	672,091
Awaed Alarabia	Debt collection Services	1,017,634

2020 Rewards

Reward Type	Amount
* Board Members Remuneration	700,000
** Management salaries and benefits	2,616,000
Rewards for attending Board meetings and its committees	60,000
Total	3,376,000

Statutory Penalties

السنة المالية 2020				المخالفة
رقم القرار	الجهة	المبلغ	سبل علاجها وتفادي وقوعها في المستقبل *	
20007/ت	البنك المركزي	80,000	تم أخذ الموافقات اللازمة من البنك المركزي، و بذلك تم تضمين اجراءات الموافقة كمتطلب الزامي عند تعيين المناصب القيادية. تم استقطاب نظام آلي يعمل على تسجيل المكالمات على ان يتم توثيقها وحفظها في وحدة تخزين الكترونية لعشر سنوات. تم انشاء هاتف مجاني لاستقبال شكاوى العملاء .ت	مخالفة شركة التاجير التمويلي المادة (33)(87)و عدد من تعاميم وتعليمات البنك المركزي
200015/ت	البنك المركزي	185,000	تم تضمينها في تقارير 2020 ورفعها لمجلس الادارة -أ تم انشاء برنامج الالتزام بصورة منفصلة عن خطة الادارة تطبيقاً لتوجيهات فريق البنك المركزي. -ب تم تعديل اجراءات الائتمان بتضمين سجل الموظفين بقوائم الكشف المبينة على النظام تفادياً -ت لمرور مثل هذه الحالات مستقبلاً. تم التسجيل في سمة مؤخرأ بتضمين عملاء الشركات كما تم تصحيح ملاحظة التأخر و الخطأ -ث لعملاء ال50/50 و القسط السنوي لعملاء الافراد. تم تطبيق العقد الموحد باضافة اسم ورقم حساب البنك كمتطلب الزامي حيث انه في السابق كانت الطريقة المتبعة في الغالب عن طريق نظام سداد.	مخالفة شركة التاجير التمويلي لعدد من مواد اللائحة التنفيذية لنظام مر اقبة شركات التمويل
20069/ت	البنك المركزي	250,000	تم تفعيل نظام غسل الاموال في 2020/11/01 بتطبيق مؤشرات لتقييم المخاطر بالاضافة الى تضمينه عمليات الفحص للتحقق من أسماء العملاء بقوائم الحظر العالمية. جاري العمل على تحديث طرق تقييم مخاطر المنتجات والمناطق الجغرافية و قنوات التوزيع تم تضمين قوائم الاشخاص السياسين بالنظام للكشف و تحديث نماذج اعرف عميلك بالاضافة اجراءات مكافحة غسل الاموال. تم تحديث نماذج اعرف عميلك بالاضافة الى استحداث اجراءات التعامل مع الشخص الذي يتصرف نيابة عن العميل تم استقطاب نظام غسل الاموال وتمويل الارهاب و يعمل حالياً على مؤشرات اشتباه عند فحص العمليات و التحقق منها الا انه يجب تحديث هذه المؤشرات بتفعيل مؤشرات أخرى بالنظام تساهم في نتائج دقيقة لعمليات الفحص عن العمليات. تم التوثيق والحفظ بأرشفتها مستنديا والكترونيا	مخالفة شركة التاجير التمويلي لمتطلبات مكافحة غسل الاموال
20072/ت	البنك المركزي	10,000	اتباع الاجراءات الوقائية الاحترازية المعدة من قبل وزارة الصحة و تعليمات البنك المركزي في ذات الخصوص والبلدية. • التباعد – ملصاقات الارض و الكراسي • ارتداء الكمامات – التعقيم • تطبيق العمل عن بعد و نسب 50% 50% • قياس درجات الحرارة و تطبيق توكنا	عدم التزام شركة التاجير التمويلي بتعليمات البنك المركزي الصادرة في شأن الاجراءات الوقائية والتدابير الاحترازية لمواجهة جائحة كورونا
V-336918	وزارة العمل	10,000	الإطلاع على جميع المواقع الحكومية ذات الصلة لتفادي وقوع مخالفات مستقبلاً بشكل دوري، وإنشاء ملفات فرعية لكل فرع	عدم فتح ملف منشأة في مكتب العمل او عدم تحديث بيانات المنشأة
V-475348	وزارة العمل	20,000	نقل الموظف إلى وظيفة غير مقصورة على السعوديين، والتأكد من تطابق الجنسية مع باقي المهن حسب متطلبات وزارة العمل	توظيف عمالة غير سعودية في مهن مقصورة على السعوديين
إجمالي مبالغ مخالفات عام 2020		555,000 ريال سعودي		

Payments to Government Agencies

المدفوعات للجهات الحكومية في عام 2020	Paid Amount	Due Amount
Zakat and tax	**4,343,611	*4,783,246
The Public Institution for Social Security	1,153,161	-
Visas and residence fees	290,966	-

* Zakat 2020 is due in April 2021

**Zakat 2019 is due and paid in 2020

Social Responsibilities

As part of the community, we consider our investments in it as important as any other investment. The company derives its activities related to its social responsibility from its commitment to contribute to a better future by caring for society, and in light of what the world faces in facing the Corona pandemic, the Health Endowment Fund has been supported by an amount of 300,000 riyals in a sense of national responsibility and support for government efforts and concerned authorities in combating this pandemic.

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Business overview 2020

Financial Reporting Basis and Standards

- A. The financial statements of the Company for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the Kingdom of Saudi Arabia (KSA), and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA").
- B. The Company adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.
- C. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.
- D. As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to the statutory reserve until the reserve equals 30% of capital. The reserve is not available for distribution among shareholders.

E. Derecognition of Financial Assets

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability.

F. Credit loss of receivables under finance lease

The measurement of impairment losses requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL model that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns Probabilities of Default (PDs) to the individual pool of receivables;
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment, GDP growth levels, and the effect on PDs.
- The key inputs into the measurement of ECL are the term structure of the following variables:
 - Probability of default (PD)
 - Loss given default (LGD)
 - Exposure at default (EAD)

The Company categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 – Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 – Financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.

- Stage 3 – For Financial assets that are impaired, the Company is recognize the impairment allowance based on life time PD.

G. EMPLOYEE TERMINATION BENEFITS

The amendments to International Accounting Standard (IAS 19) address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income (OCI) in the period in which they occur.

H. Loans and borrowings

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

I. Basis for Zakat:

The Company is subject to the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia. Up to 31 December 2018 following previous regulations, no provision for zakat was made in the financial statements of the Company and any Zakat of the Company was being considered in the books of the Ultimate Parent.

On 7 Rajab 1440H, corresponding to 14 March 2019, new Zakat regulations were issued. The new regulations specified new basis for calculating Zakat for financing institutions and required them to file their Zakat separately from non-financing institutions. Accordingly, the Company started recognizing zakat charges from 1 January 2019.

The Company has made Net Profit for the year SAR 23,655,376 for the year ended 31st December 2020. Below table summarizing key business outlook for the year ended 31st December 2020:

742,227,285	Total Assets
504,013,202	Total Liabilities
200,000,000	Share Capital
31,965,354	Retained earnings
6,248,729	Statutory reserve
1,096,727,831	Gross Financed Amount
741,208,568	Net Financed Amount
551,879,930	Net Outstanding Receivables
97% Ijara	Business Segmentation as % of Net Outstanding Receivables
03% Murabaha	
78% Retail	
22% SMEs	
89% Saudi	
11% Non-Saudi	
27% Public	
73% Private	
2.32 : 1	Capital Adequacy Leverage

Board of Directors' Confirmations

Confirmations

The Board of Directors hereby confirms that;

- i) Proper books of accounts have been maintained.
- ii) The financial statements have been prepared in compliance with the provisions of Companies' Law in the Kingdom of Saudi Arabia and Company's By-laws.
- iii) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as modified by the Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax.
- iv) Internal Audit Control was properly and efficiently implemented.
- v) There is no doubt over the Company's ability to continue as a going concern.

Conclusion

In conclusion, the board of directors would like to thank the shareholders for their continuous support and confidence that drives more effort and giving, and the board also extends its thanks and appreciation to all the employees of the company and the executive management for their efforts made during the year, wishing them further progress and achievement. The company is to take the opportunity to express its thanks and appreciation to the legislative, regulatory and supervisory authorities on the financing sector represented by the Saudi Central Bank, the Financial Market Authority and the Ministry of Trade and Investment for their continuous support for this industry. The Board of Directors thanks all the business partners of the company, including the esteemed clients and distributors for their valuable support during the year 2020 We wish the financial leasing company continued success and success.

Chairman

Faisal Saleh Malaika