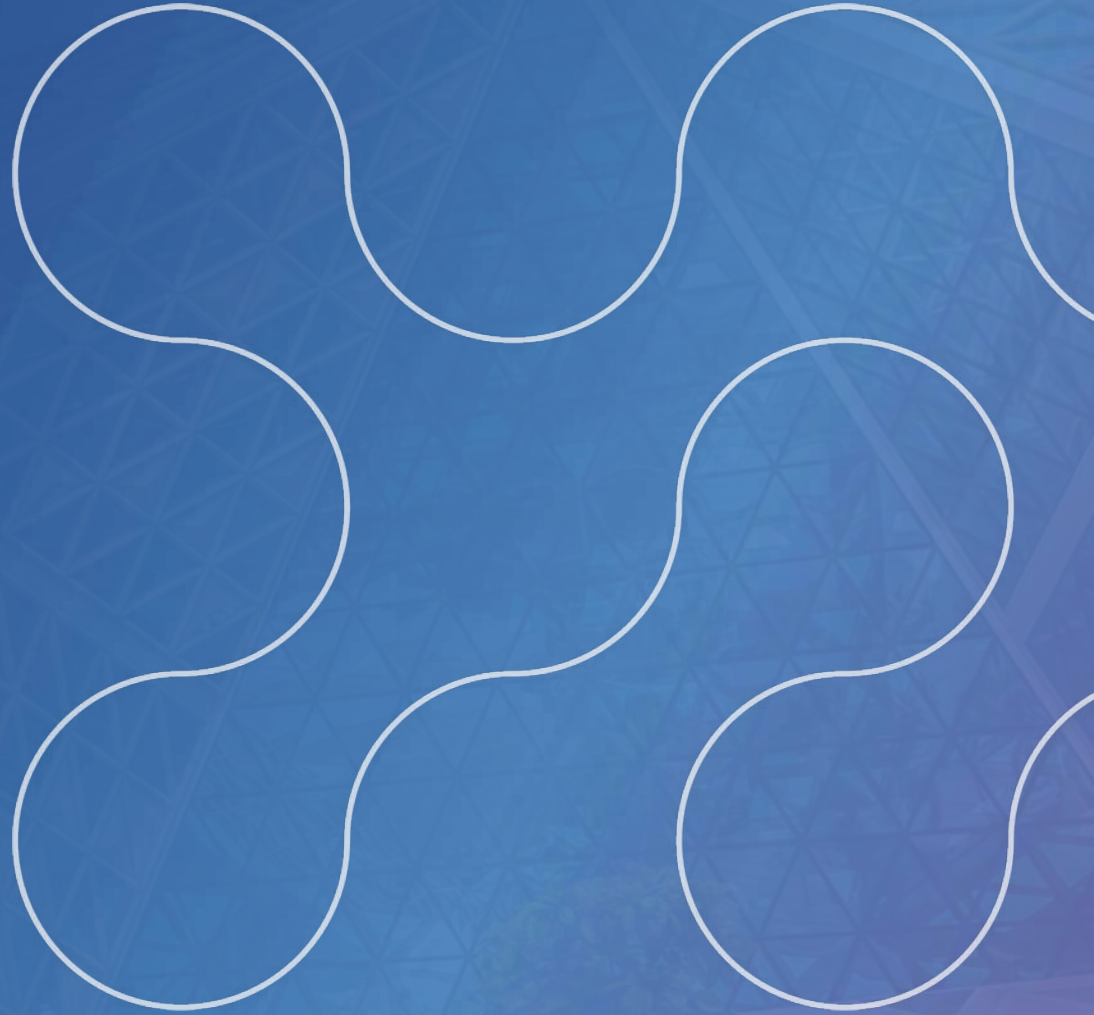




الرائدة
alraedah



2022

ANNUAL REPORT

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Market Overview



Market Overview

Saudi Arabia Economic Overview

During the 2022 calendar year, Saudi Arabia's economic performance significantly rebounded from the Covid-19 pandemic.

Key Metrics 2022

SAR 3,431 BN

Real
GDP

60.8%

Labor Force participation
among Saudis

54%

Contribution of non-oil
sector to the GDP

SAR 712 BN

Surplus in trade
balance

As the fastest growing of the world's largest economies in 2022, the Kingdom outpaced:



China



India



Indonesia



South Korea



Western Europe



North America

With real GDP growth reaching 8.9% in 2022, the Kingdom has witnessed its fastest growth since 2011.

Looking ahead, real GDP is expected to continue with a strong growth trajectory of around 5% annually in the next three to five years, with a budget surplus announced for 2023.

This growth has been driven primarily by oil production expansion and continued robust non-oil economy recovery of close to 5%, in addition to the continued implementation of the ambitious structural economic and financial reform agenda under Vision 2020, to diversify Saudi Arabia's economy and boost growth.

This transformation has involved major efforts centered around enhancing local content, national industry, launching a promising economic sector and enabling and maximizing the role of the private sector and SMEs.

The growth trajectory of the economy and SME sector has enabled Saudi Arabia to be ranked first in labor force growth rate among the G20 countries during the period 2012-2021.

SME Market Overview



One of the key objectives of Saudi Arabia's ambitious Vision 2030 goals is the growth of the SME sector through increased contribution to GDP from 20% in 2016 to 35% in 2030.



The number of SMEs in Saudi Arabia has increased by 38% from the end of 2021 reaching 978,445 to the close of Q3 2022, with micro-sized companies comprising 82.5% of the total number of SMEs.



The private sector employs a total of 9.1 million people in the Kingdom, with female participation growing from 20.5% in 2019 up to 33.6% in Q1 of 2022.

Additionally, 45% of SMEs are female-led in KSA, marking a significant portion of the small-to-medium sized ecosystem.

Venture Capital (VC) funding witnessed a 93% annual increase in Q3 of 2022, demonstrating the Kingdom's healthy appetite towards injecting substantial liquidity into start-up businesses that have long-term, fast-growth potential. In fact, 33% of Saudis plan to open new businesses in the next 3 years, with a further 90% stating that entrepreneurship is an attractive career choice, suggesting increased future growth for this sector.

Despite the positive outlook for SME growth in Saudi Arabia, the sector still faces key challenges that include access to funding; Saudi banks' SME lending portfolio currently averages 9.7% which is substantially lower than the Organization for Economic Co-Operation and Development (OECD) average of 44%.

Monsha'at

Established under Vision 2030, the General Authority for Small and Medium Enterprises (Monsha'at), chief objective is to organize, support, develop and sponsor Saudi Arabia's SME sector in accordance with best global practices.

Monsha'at supports three priority objectives to develop the SME sector in the Kingdom:

1
Create an inspiring environment for SMEs to grow

2
Unlock the potential of promising enterprises

3
Foster a strong and supportive entrepreneurial community



Monsha'at deploys a wide range of initiatives that directly support SMEs in overcoming the challenges they face in the market. This includes providing companies with:

- Critical Administrative Support
- Technical Support
- Financial Support
- Marketing and Human Support
- Advisory Services

One of Monsha'at's key initiatives is its 'Kafalah Program' (Funding Gate Program), a platform that connects SMEs seeking funding to government and private financiers. The loans facilitated by Funding Gate rose from SAR 1.1 bn in 2020 to more than SAR 11bn by end of 2021 representing a growth rate of 884%. In addition, through the Kafalah program Monsha'at has guaranteed over SAR 67bn in loans for SMEs.

Alraedah is proud to be one the key lenders of Monsha'at's Funding Gate Program.





SME Bank

On December 4th 2022, the SME Bank was launched in the Kingdom of Saudi Arabia, enabling greater liquidity and access to funding for small-to-medium enterprises.

As one of only four (4) non-banking financial institutions (NBFIs) that were selected as partners, Alraedah is honored to collaborate with the SME Bank to offer subsidized rates in order to increase the volume of trade and improve economic performance for this underserved sector.

Alraedah's Strategy and Roadmap

SMEs are the core catalysts of Saudi Arabia's growth and key drivers in the Kingdom's ambition to transition away from an oil-reliant economy.



This is clearly demonstrated by Saudi's expected 35% SME contribution to GDP target (up from 29% in 2020) and 60% contribution to employment by 2030.

One of the key challenges faced by SMEs is the difficulty in accessing financing, with less than 10% of SMEs attempting to procure finance from formal banking sources due to the lack of credit options and bureaucratic hurdles.

This challenge becomes more acute as more SMEs seek to grow and expand, with further funding being a key factor in their success.

Despite the SME financing market growing, it is not receiving enough attention from traditional financial institutions, who are more focused on corporate and retail financing. This leads to unclear and undefined propositions for SMEs.

To respond to the gap in the market, Alraedah has relentlessly focused its efforts on SME needs, truly understanding real-world challenges and pain-points, and creating products and processes tailored directly towards this key market sector.



Putting customer service at the heart of our offerings, effectively responding to customer requests and ensuring the process is as simple and streamlined as possible has been a core pillar of our success. Alraedah's continuous focus on SME financing has established it as a market leader, with YoY revenues growing over 60% from 2021 to 2022.



Building on its success in the SME market, Alraedah aims to scale and enhance our proposition further. One of the key areas is listening to our clients and enhancing their customer journey by reducing friction when accessing financing they require. This will enable easier and faster access to services, while providing an exceptional customer experience.

As such, Alraedah is focusing its efforts on initiatives that aim to improve the customer journey, particularly from a digitization perspective. We have established a Digital Transformation team to build out new digital capabilities for customers to apply for products online, as well as view their current product details online via a custom mobile application. We will continue to revolutionize financial services within Saudi Arabia, changing customer expectations and improving service standards through a single proposition that meets the vast array of SME needs.

Corporate Governance





الرائدة
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Company Overview

The Company is engaged in providing finance for small and medium entities in the form of Ijara and Murabaha in accordance with the Saudi Arabian Monetary Authority ("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 ending 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 a formal license on 30 Rabi Thani 1437H (corresponding to 9 February 2016) numbered 43/ASH/201602.

Alraedah does not have any businesses or contracts to which it is a party, or in which a member, executive manager, or any person related has an interest, nor any related companies or groups in which it has ownership percentage.

Strategic Agreements

Alraedah has established key partnerships with Gedeia and Sure to enable payment aggregation and settlement services to support our flagship financing products through the provision of POS terminals. Alraedah also secured an agreement with Saudi Business Machines to launch Alraedah's Security Operations Center (SOC) solution.

Geidea Solutions

Contract Commencement Date
November 2019
CR Number
1010332533

Sure Global Technology

Contract Commencement Date
February 2020
CR Number
1010224037

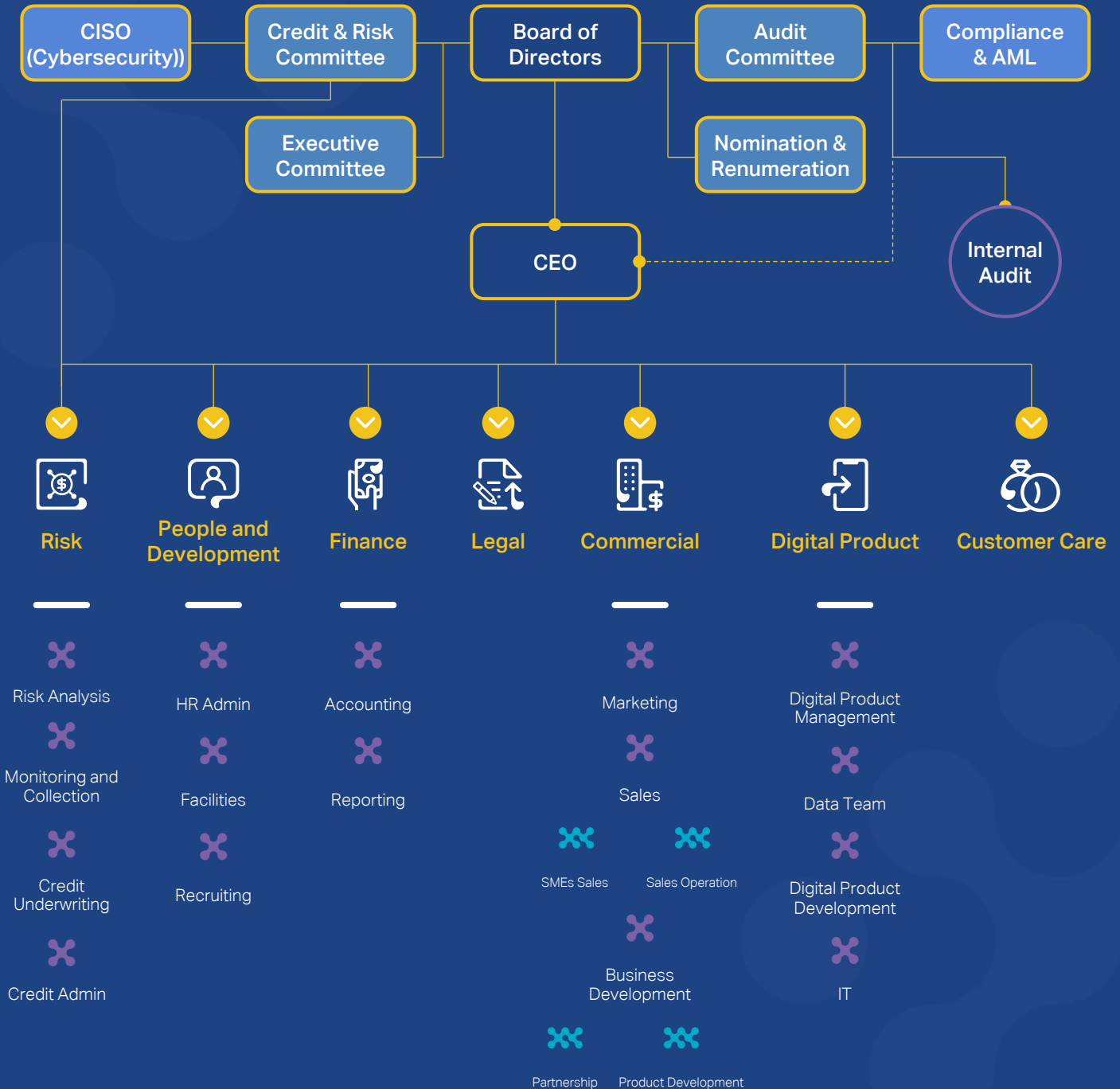
Saudi Business Machines

Contract Commencement Date
September 2020
CR Number
1010040445

Auditors

The General Assembly meeting held on May 22, 2022 appointed BDO Dr. Mohammed Al Amri & Co as the Company's external auditor for the financial year 2022, and the first quarter of the financial year 2023.

Organizational Structure



Board of Directors and Committees



Abdullah Nasser Aldawood | *Chairman, Non-Executive*



Qualifications

Master of Business Administration, Corporate Strategy Finance
 Master of Science, Foreign Policy International Economics
 Bachelor of Science, Business Administration Finance



Current and Previous Jobs

Seera Holding Group (Board Member) — Current
 Seera Holding Group (CEO) — Previous
 Seera Holding Group (Managing Director) — Current
 RUA AL MADINAH HOLDING (Board Member) — Previous
 Deutsche Securities Saudi Arabia (VP) — Previous
 Alraedah finance (Chairman) — Current
 Alraedah finance (Managing Director) — Previous
 Saudi Entertainment Ventures(chairman) — Current
 Almosafer for Travel and tourism (chairman) — Previous
 Tadawul (Board Member) — Current
 Qiddiya Investment Company (Board Member & Managing Director) — Current
 E-Commerce Council (Board Member) — Current
 AIUla Development Company (Board Member) — Current
 Investment Committee Al-Ala Development Company (committee member) — Current
 MBC Group (Board Member) — Current
 Arabian News Holding Limited (Board Member) — Current



Ibrahim Abdulaziz Alrashed | *Deputy Chairman, Independent*



Qualifications

Bachelor of Science, Accounting
 Master of Business Administration
 Saudi Organization for Chartered and Professional Accountants (SOCPA)
 Saudi Authority for Accredited Valuers (TAQEEM)
 Chartered Member (MRICS)



Current and Previous Jobs

Seera Holding Group (Board Member) — Current
 Seera Holding Group (CEO) — Previous
 Seera Holding Group (Managing Director) — Current
 RUA AL Seera Holding Group (Board Member) — Current
 Saudi Sleeping Supplies Company Sleep High (Board Member) — Current
 SIDC (Board Member) — Previous



Paul Melotto | *Executive*



Qualifications

Bachelor of Science, Accounting



Current and Previous Jobs

Mortgage IT (SFVP) — Previous
 Deutsche Bank (SFVP) — Previous
 Deutsche Gulf Finance (CFO) — Previous
 Alraedah Finance Company (Board Member& CEO) — Current

Board of Directors and Committees



Abdullah Abdulaziz Alhoqil | *Independent*



Qualifications

Bachelor-Shariah (Islamic Law), LL. B
Master-LL.M. in Securities & Financial Regulation
Professional Degree-One Year Certificate in Global Legal Skills
Saudi Qualified Lawyer



Current and Previous Jobs

Abdullah Al-Hoqail Law Firm (Principle) — Current
Latham & Watkins LLP (Senior Associate) — Previous
Clifford Chance (KSA) (Senior Associate) — Previous
World Bank Group, International Finance Corporation, Washington DC, USA (Law Clerk (Seconded)) — Previous
International Monetary Fund (Law Clerk, Seconded) — Previous
Clifford Chance US LLP (Foreign Lawyer) — Previous
HSBC Group (Intern) — Previous
Al-Imam Muhammad bin Saud University (Lecturer, Commercial Law) — Previous



Abdulelah Saad Haddab | *Independent*



Qualifications

Bachelor of Science in Finance
Master in Business Administration



Current and Previous Jobs

Ministry of Industry and Mineral Resources (Under-Secretary/Financial and Administrative Affairs) — Current
AlKorayef Water & Power Technologies (Chief Financial Officer) — Previous
Ministry of Finance (GM) — Previous
Saudi Civil Aviation Holding Company (Head of Corporate Finance and Treasury) — Previous
Seera Holding Group (VP) — Previous
Saudi Real Estate Company (Treasury and Investment Manager) — Previous



Yousef Ibrahim Aleissa | *Independent*



Qualifications

Bachelor of Science



Current and Previous Jobs

Seera Group Holding (Strategy Manager)
Boston Consulting Group (Business Analyst-Consultant)
Qiddiya Investment Company - Strategy director — Current

Board of Directors and Committees



Nabil Alnoor Borhano

Independent



Qualifications

EMBA – Business, Finance and Marketing
 MBA – International Business
 Post-Graduate Diploma – International Marketing
 Executive Education – Business Administration and General Management



Current and Previous Jobs

Future Communications Guidance International LLC (CEO/ Founder)
 Sport Expert Group (CEO/ Founder)
 Professional Capabilities (CEO/ Founder)
 Nabcon LLC (CEO/ Founder)
 Graphene Ventures (Founding General Partner)
 Wakecap Technologies INC. (Board Member)
 Can Mobilities, INC. (Board Member)
 Coat Zone, INC. (Chairman of the Board)
 Endemaj Investments (Managing Director and Board Member)
 1 - Retailo Technologies
 2 - Suflex, Inc. (Board Member)
 Vendsy Inc. (Board Member)
 Aerosec, INC. (Chairman of the Board)
 W250 Stanford Alumni Fund (Investment Community Advisor)
 Arabic Computer System (ACS) (General Manager)
 Trasul Advanced System Ltd (Executive Manager-Director of Projects Department)



Observer

Smartlens Inc.
 Expand Solution Inc.
 Firefly Dimension Inc.
 Paysend Group Limited
 Aquabyte, Inc.
 Contraline, Inc.
 Kuleana
 NERv Technology, Inc.
 Rocket.Chat Holdings
 Volansi, Inc.

Bear Flag (acquired in 21')
 Fintor, Inc.
 Firstbase.io, Inc.
 GOOD Meat, Inc.
 Pod Foods, Co.
 X-Therma Inc.
 Digital Innovation One
 Worknmates Group Corp
 Rewaa Technologies

Management Team & Executive

Name	Position	Years of Experience	Education Level
Ghada Alshammari	Head of Cybersecurity	8	BA in Network & Security
Mohammed Rasheed	Head of HR	10	MA in International Business
Bilal Alswailem	Head of Customer Care	5	BA in English
Mohammed AlRashed	Head of Legal	15	BA in Law
Paul Melotto	CEO	25	BS in Accounting
Abdulaziz Nasser AlDawood	COO	9	MA in Industrial and Systems Engineering; BA in Industrial Engineering

Disclosure of Remunerations

Board Members

Board Member	Attendance					Remuneration	Total
	JAN 19	APR 17	JUN 5	AUG 2	OCT 27		
Abdullah Bin Nasser Al Dawood	↩	↩	↩	↩	↩	—	0
Ibrahim Bin Abdulaziz Al Rashed	↩	↩	↩	↩	↩	—	0
Abdulelah Bin Saad Bin Haddab	↩	↩	↩	↩	↩	—	0
Abdullah Bin Abdulaziz Al Hoqail	↩	↩	↩	↩	↩	—	0
Yousef Bin Ibrahim Al Eisa	↩	↩	↩	↩	↩	—	0
Nabil Alnoor Borhanu	—	—	↩	↩	↩	—	0
Paul Anthony Melotto	↩	↩	↩	↩	↩	—	0
*Abdulaziz Al Mutral	↩	↩	—	—	—	—	0

Abdulaziz Al Mutral attended the first two board meetings prior to leaving the board.

Audit Committee Members

Board Member	Fixed Remuneration	Allowances	Total
	Except for allowances for attending Audit Committee meeting	For attending Audit Committee meeting	
Abdulelah Bin Saad Bin Haddab	50,000	20,000	70,000
Turki Abdulmohsen Al-luhaid	50,000	20,000	70,000
Alaa Abdulaziz Abu Naba	50,000	20,000	70,000
	150,000	60,000	210,000

Risk Committee Members

Board Member	Fixed Remuneration	Allowances	Total
	Except for allowances for attending Risk Committee meeting	For attending Risk Committee meeting	
Abdullah Bin Nasser Al Dawood	—	0	0
Turki Abdulmohsen Al-luhaid	—	0	0
Yousef Bin Ibrahim Al Eisa	—	0	0

Remuneration of five senior executives who received the highest remuneration, including the CEO and Financial Manager totaled SAR 4,194,132 for the fiscal year 2022.

Alraedah Finance is committed to disclose the remuneration granted to senior executives in total in accordance with the regulatory requirements, without disclosing it in detail, in order to protect the interests of the Company because of the damage it may incur, which is to create an atmosphere of competition and job instability, which will be reflected on the Company's performance.

Disclosure of Remunerations

General Assembly

Attendee

Date

Abdullah Bin Nasser Al Dawood

May 25th 2022

Executive Committee

Name

Remuneration

Ibrahim Bin Abdulaziz Al Rashed

0

Paul Anthony Melotto

0

Yousef Bin Ibrahim Al Eisa

0

Nomination and Remuneration Committee

Name

Remuneration

Abdullah Bin Abdulaziz Al Hoqail

0

Nabil Alnoor Borhanu

0

Abdulah Bin Saad Bin Haddab

0

The subject of the violation

Current Fiscal Year

Previous Fiscal Year

The total amount of financial fines in SAR

Number of executive decisions

The total amount of financial fines in SAR

Number of executive decisions

Violation of the instructions of the supervisory institution

—

—

—

—

Violation of the institution's instructions for customer protection

—

—

—

—

Violation of the institution's instructions for conducting due diligence in combating money laundering and terrorist financing

—

—

250,000

1



Shari'ah Compliance

Alraedah's commitment to complying with shariah guidelines and our dedication to the highest ethical standards is what drives our business forward.

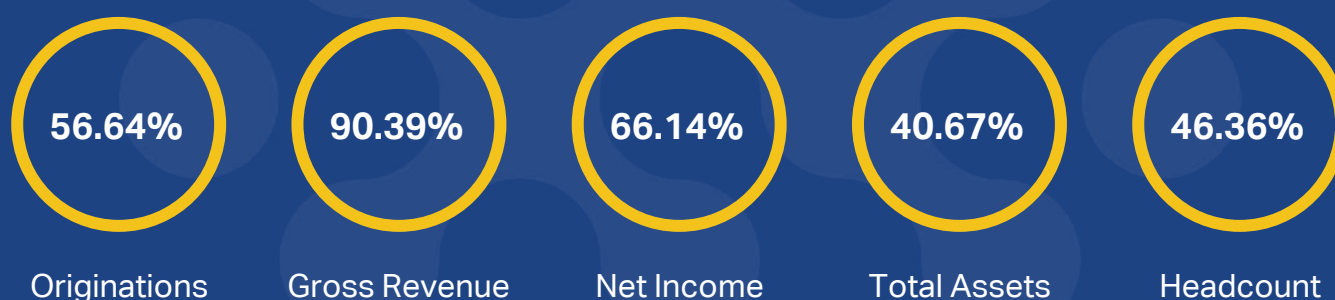
All of our financing solutions and products are 100% shariah compliant. Our commitment to Islamic Finance is defined by avoiding shariah violations such as Riba, Gharar and other impermissible activities defined by the Shari'ah. Dedicating ourselves to shariah principles ensures that we are transparent and socially responsible, curbs speculation and ensures that all our transactions are secure and abide by Shari'ah governing policies and procedures.

Finance



Financial Highlights

Increased by:



Operating Results

INCOME STATEMENT	2022	2021	Variance (SR)	Variance (%)
Income from financing activity	149,061,540	78,293,685	70,767,855	90.39%
Finance charges	32,988,238	26,391,704	(6,596,534)	24.99%
Net financing activities	116,073,302	51,901,981	64,171,321	123.64%
Modification gain/loss and grant income, net	3,440,241	9,971,306	(6,531,065)	-65.50%
Investment income	336,328	3,658,923	(3,322,595)	-90.81%
Other Income	13,743,750	10,632,569	3,111,181	29.26%
Total operating income	133,593,621	76,164,779	57,428,842	75.40%
Salaries and other employee related expense	32,599,656	20,469,691	12,129,965	59.26%
Sales commission expense	5,723,185	2,211,170	3,512,015	158.83%
Rent and premises related expense	1,006,100	447,557	558,543	124.80%
Other general and administrative expense	23,729,355	12,068,244	11,661,111	96.63%
Charge for expected credit loss (ECL) on receivables	9,597,798	1,750,760	7,847,038	448.21%
Depreciation and amortization	3,786,581	3,302,741	483,840	14.65%
Total operating expense	76,442,675	40,250,163	36,192,512	89.92%
Income before zakat	57,150,946	35,914,616	21,236,330	59.13%
Zakat	6,102,220	4,457,430	1,644,790	36.90%
Net income for the year	51,048,726	31,457,186	19,591,540	62.28%
Other comprehensive loss for the year	369,342	952,475	(583,133)	-61.22%
Total comprehensive income for the year	50,679,384	30,504,711	20,174,673	66.14%
Earnings per share (EPS)	0.34	0.20	0.13	66.14%

2.45

Debt to Equity

3.81

Assets to Equity

21.39%

Return on Equity

5.61%

Return on Assets

43.89%

Cost to Income

BALANCE SHEET**Assets**

	2022	2021	Variance (SR)	Variance (%)
Cash and cash equivalents/bank balances	33,269,740	36,724,912	(3,455,172)	-9.41%
Murabaha receivables - current	420,230,829	382,085,243	38,145,586	9.98%
Repossessed assets held for sale	25,722,726	-	25,722,726	100.00%
Prepaid expenses, deposits and other receivables	14,283,063	22,918,753	(8,635,690)	-37.68%
Total current assets	493,506,358	441,728,908	51,777,450	11.72%
Murabaha receivables - long term	392,032,095	186,658,659	205,373,436	110.03%
Investments through OCI	892,850	4,801,361	(3,908,511)	-81.40%
Right-of-use assets	5,203,742	6,622,946	(1,419,204)	-21.43%
Intangible assets	6,682,644	1,212,592	5,470,052	451.10%
Property and equipment	5,037,902	1,138,920	3,898,982	342.34%
Total long term assets	409,849,233	200,434,478	209,414,755	104.48%
Total assets	903,355,591	642,163,386	261,192,205	40.67%
Liabilities				
Accounts payable and accruals	68,547,508	32,266,998	36,280,510	112.44%
Provision for zakat	5,962,909	4,372,991	1,589,917	36.36%
Payable to SAMA - short term	212,370,138	121,802,502	90,567,636	74.36%
Borrowings - short term	123,735,226	62,961,896	60,773,330	96.52%
Lease liability - short term	3,429,897	1,471,349	1,958,548	133.11%
Total current liabilities	414,045,678	222,875,736	191,169,941	85.77%
Payable to SAMA - long term	-	89,078,650	(89,078,650)	-100.00%
Borrowings - long term	245,040,520	136,067,543	108,972,977	80.09%
Lease liability - long term	4,371,682	5,927,197	(1,555,515)	-26.24%
Employees' end of service benefits	3,006,440	2,002,373	1,004,067	50.14%
Total long term liabilities	252,418,642	233,075,763	19,342,879	8.30%
Total liabilities	666,464,320	455,951,499	210,512,820	46.17%
Equity				
Paid-up share capital	150,000,000	150,000,000	-	0.00%
Statutory reserve	10,494,411	5,389,538	5,104,873	94.72%
Fair value reserve - investments through OCI	-	223,901	(223,901)	-100.00%
Remeasurement reserve on employees' end of service benefits	(289,203)	(143,762)	(145,441)	101.17%
Retained earnings	76,686,063	30,742,210	45,943,853	149.45%
Total shareholders' equity	236,891,271	186,211,887	50,679,385	27.22%
Total liabilities and shareholders' equity	903,355,591	642,163,386	261,192,205	40.67%



Income Statement Variance Analysis

Income Before Zakat

The Company has growth in income before zakat by SR 21.2 million from SR 35.9 million in 2021 to net income before zakat in 2022 amounting SR 57.2 million with overall positive impact of 59.1%. The positive impact is resultant of the following key factors:

- Growth in net financing activities by SR 64.2 million as a result of growth in overall Murabaha receivables portfolio; and
- Increase in application fees and other income by SR 3.1 million.

Income From Financing Activities

The income from financing activities has been increased by SR 70.7 million as compare to 2022 from SR 78.2 million to SR 149.1 million owing to the following primary reasons:

- Growth in the receivables portfolio by SR 243.5 million with over 1,450 units newly originated; and
- Reduction in annual average NPL from 6.3% in 2021 to 3.7% in 2022 owing to the management's oversight by reviewing and applying stringent controls to deal with delinquent contracts.

Finance Charges

Finance cost increased by SR 6.6 million from SR 26.4 million to SR 33 million owing to increase in borrowings from Social Development Bank to provide finance to Monsha'at based customers at below market rates, Saudi Investment Bank and Riyadh Bank to provide working capital support to the Company to finance its customers and fundings received from SAMA under deferral payment program for restructuring of certain receivables portfolio.

Salaries And Other Employee Related Expense

Salaries and related costs increased by SR 12.2 million from SR 20.5 million in 2021 to SR 32.6 million in 2022 primarily owing to increase in head count from 151 to 221. The Company has expanded its sales team along with product, engineering, data and cybersecurity teams.

Other Operating Expense

All other operating expenses have been overall increased by SR 24 million from SR 19.8 million to SR 43.8 million primarily owing to:

- Increase in charge for expected credit loss (ECL) by SR 7.9 million as compare to 2021; and
- Consultancy cost for PwC to develop the operating model, to assist in gap analysis and roadmap development to meet SAMA cyber security requirements, and to develop the growth strategy of the Company.

Balance Sheet Variance Analysis

Murabaha Receivables

The Company's total receivables portfolio increased by SR 243.5 million (42.8%) from SR 568.7 million to SR 812.3 million. The increase is mainly due to over 1,450 newly originated loans with value of SR 783.3 million while originations amounted 500.1 million during 2021.

Provision For Expected Credit Loss (ECL)

The Company increased the provision for expected credit loss on Murabaha receivables as of year-end 2022 by 6.7 million as compare to year-end 2021 from SR 8.5 million to SR 15.2 million. The Company's NPL ratio is decreased to 3.7% from 6.3% owing to the close oversight of the management over the collection of receivables.

Provision For Expected Credit Loss (ECL)

During 2022, the Company acquired a Hotel in AlTaif Governorate including its moveable assets against one of its defaulted client. The valuations of the hotel have been conducted by two independent valuers and per both of them the market value of the repossessed assets is more than carrying value of the related Murabaha receivables. Accordingly, as at 31 December 2022, the repossessed assets have been recognised at the carrying value of Murabaha receivables amounting to SR 25.7 million. The Company is currently under the process of finding the buyer to sale the repossessed assets during 2023.

The Company's total loan liabilities (short term & long term) increased by SR 171.2 million owing to net impact of the following fundings:

➤ 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 2022 recorded at amount SR 149.8 million (2021: SR 45.7 million) as part of borrowings and repayments to SDB for loans amounted to SR 82.3 million during 2022 (2021: SR 59 million);

➤ Riyadh Financing Fund - The Company received finance from Riyadh Financing Fund in 2021 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;

➤ Saudi Investment Bank - The Company received finance from the Saudi Investment Bank to provide working capital support to the Company to finance its customers with initial present value of such loan being recorded at SR 50 million less transaction cost of SR 0.3 million and repayments to the Saudi Investment Bank for the facility amounted to SR 9.5 million;

➤ Riyadh Bank - The Company has entered into credit facility agreement with Riyadh Bank during 2022 for the amount of SR 50 million to finance and support the Company's expansion plan by increasing the customer base. The repayment against the facility amounted to SR 1.7 million; and

➤ 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 117.3 million (2021: SR 129 million). The repayments to SAMA amounted to SR 130.5 million (2021: SR 59 million).

Loan Liabilities

Movement in provision for ECL

	2022	2021	2020	2019	2018
Balance at the beginning of the year	8,536,200	6,785,440	8,805,550	6,732,473	2,267,696
Impairment charge for the year	9,597,798	1,750,760	30,251,890	20,228,735	6,201,146
Written off during the year	(2,918,722)	-	(32,272,000)	(18,155,658)	(3,663,814)
Balance at the end of the year	15,215,276	8,536,200	6,785,440	8,805,550	4,805,028

Product





Product

2023 Digital Roadmap

Throughout 2023, Alraedah's goal is to improve the customer experience for SMEs looking for financing, as well as unlock additional capabilities for its existing SMEs to better manage their finances and more easily access additional financing options.

Some of the areas of focus across the coming year will be:

Digitization of our customer journeys to eliminate pain-points

Develop automation capabilities to create faster and more efficient customer processes



Leverage Open Banking to service a larger volume of customers and make more robust credit decisions

Enhance partnerships to enable access to a larger portfolio of customers and to support our digitization efforts

Accomplishments



SAMA License issued

2016



Expanded borrowings from 50mn to 200m SAR

2018



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%

2015



Received BIBAN award



Implemented IFRS 9

2017



2020



Contributing with donations to Health Endowment Fund to support COVID 19 pandemic



2022



Increased number of employees from 130 to 230 across 2022



Launch of updated company strategy & digital roadmap

2019



Developed & launched a new Lending Management System



Expanded product offering to include Point of Sale Finance

2021



Company exceeded Net Income target of SAR 30mn



New risk-based MCA product launched with higher lending amounts offered to SMEs



Increased Saudization ratio to 88.81%

Cybersecurity



Cybersecurity

Significant challenges continue to impact cybersecurity in the financial sector, and as the frequency and sophistication of threats increase, businesses should mobilize their resources and expertise in bold new ways to protect themselves.



It has indeed been an alarming year for financial sector cybersecurity amid high-profile attacks that have targeted Saudi Arabia.

We've seen many companies, in response, rush to review and remediate the local regulatory requirements—typically dedicating some much-needed investment, talent, and technology towards immediate solutions while working to maintain their critical operations and agility.

The increased emphasis on cyber security includes a sharper focus on the growing threat of ransomware, which has the potential to disrupt sensitive environments.

At Alraedah, we are aware that the weakest link in any organization's cybersecurity chain is its employees.

Security awareness training, which aims to improve an organization's security culture and enable all employees to recognize their role in reducing risk exposures, is a maturing field in control system settings, as opposed to security training, which is designed to develop the skills and capabilities of specialized security practitioners in defending the organization, its assets, and resources.



Digitalization offers enormous potential to optimize operations and generate new revenue streams. However, the latest wave of cyber-attacks threatens the financial industry's ability to capitalize on digitalization. This requires cybersecurity measures to combat and play a key role in enabling digital transformation and business development.



In 2022, Alraedah fortified its Cybersecurity division, incorporating new capabilities and tools to continue to comply with SAMA's regulatory framework and improve our data storage and protection capacity. Furthermore, we have conducted several awareness sessions and developed an ongoing program of cybersecurity campaigns for 2023 to ensure compliance, which is continuously measured through phishing campaigns that are frequently initiated to monitor cybersecurity performance.

Social Contributions



Social Contributions

During the period of January 1st 2022 to December 31st 2022, Alraedah implemented the following set of initiatives, in order to reduce our carbon footprint, enhance the quality of our work environment, and bolster the number of opportunities for SME's to build awareness of their brands in the local market.

Alraedah "Go Green" Office Campaign



In our efforts to foster an environmentally friendly office culture, Alraedah undertook several endeavors to transition towards becoming a more eco-conscious organization.

Our first initiative was the **implementation of our e-signature policy for all internal documents**, with the primary objective of diminishing paper waste, and the secondary benefit of applying technology to improve our internal policies and procedures.

To reinforce this campaign further, smart televisions were installed in all office and meeting rooms, to permit for staff presentations to be projected as opposed to printed.

Further to this:

- 1** Alraedah launched a 'breathe healthy' campaign, introducing approximately 100 plants across all our offices, and on all staff desks to promote a cleaner and greener workplace atmosphere.
- 2** Studies conducted by leading academic institutions worldwide have shown that incorporating plants in offices can uplift staff spirits and reduce stress, increase productivity by up to 15%, and reduce sickness and absenteeism.
- 3** A breakroom was created for staff, offering daily fresh fruit and snacks, in addition to a top-of-the-line coffee machine which has decreased the number of staff leaving our office premises and/or ordering food delivery services, thereby reducing our carbon footprint and negative environmental impacts.

SME Awareness Sponsorship Scheme

In December of 2022, Alraedah was the lead sponsor for the SME Lounge and powered the DTC Hub at Step Saudi, a leading event focused on entrepreneurs, investors, creatives, and digital enthusiasts.

As part of its sponsorship, Alraedah absorbed the bulk of registration fees to enable 15 direct-to-consumer (DTC) SME's to showcase their products and services to attendees from their own booths, providing significant brand awareness opportunity for these budding businesses.

Human Resources



Saudization and 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, 2022 increased to 87.77%.



Alraedah increased its female staff reaching 54% of the total workforce of the Company as of December 31, 2022.

During the year ending December 31, 2022 Alraedah held training courses for:

1

Our sales teams onsite, providing a one-week course for all new sales employees to prepare them for market entry.

2

All employees for an AML course.

3

The credit team who was instructed and certified in a Credit Advisor Professional exam.

Risk Management



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.**

1

The stakeholders of the Company, including its regulators also expect Alraedah to have a clear and well documented framework in place.

2

This framework addresses several dimensions of the company's business. Alraedah has a comprehensive set of policies dealing with various aspects of risk management.

3

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.

4

It also describes the risk governance structures and risk management policies in place for oversight, monitoring, and control of risks through the Risk Appetite Framework & Credit Policy Guide.



Market Risk

Keeping in view the overall financial condition of the market, or in a broad sense the "Macro-Economic & Socio-Political" situation, the overall economy, especially the financial industry has been under a stressed position with reduced repayment abilities for customers.

To cope with the aforementioned situation:

- Alraedah has adopted an aggressive position on the collection function along with the Credit Underwriting function
- Alraedah also performs an in depth segmental, "was-is" analytics etc. over the portfolio in order to keep management updated with movements within the portfolio.



Current Risk

Alraedah's 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

Alraedah'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 on December 31, 2021 are fixed rate ones.



Liquidity Risk

Alraedah keeps a stringent control over the liquidity position by updating a daily cash report showing the balances in the company's bank accounts as available to utilize, and current balances with aggregators, in addition to the outstanding payable balances against financing received from external sources, along with a track of upcoming payments. Furthermore, the management uses the cash-flow model for comprehensively projecting future cash flows arising from assets and liabilities over an appropriate set of time horizons.

During 2022, the Company has been able to secure financing of SAR 128.74 million from SAMA under a deferred payments program, SAR 160 million from Social Development Bank as a part of an Indirect Lending Program, SAR 150 million from the Saudi Investment Bank, SAR 50 million from Riyad Bank and SAR 100 million from the SME Bank as working capital support to finance its SME lending. All of these facilities have a maturity profile ranging from one half to five (0.5 – 5) years.



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. Alraedah'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. Alraedah 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 be reviewed and approved by the Credit Committee and the Board of Directors.

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.

Credit Risk Management



Alraedah 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.

