



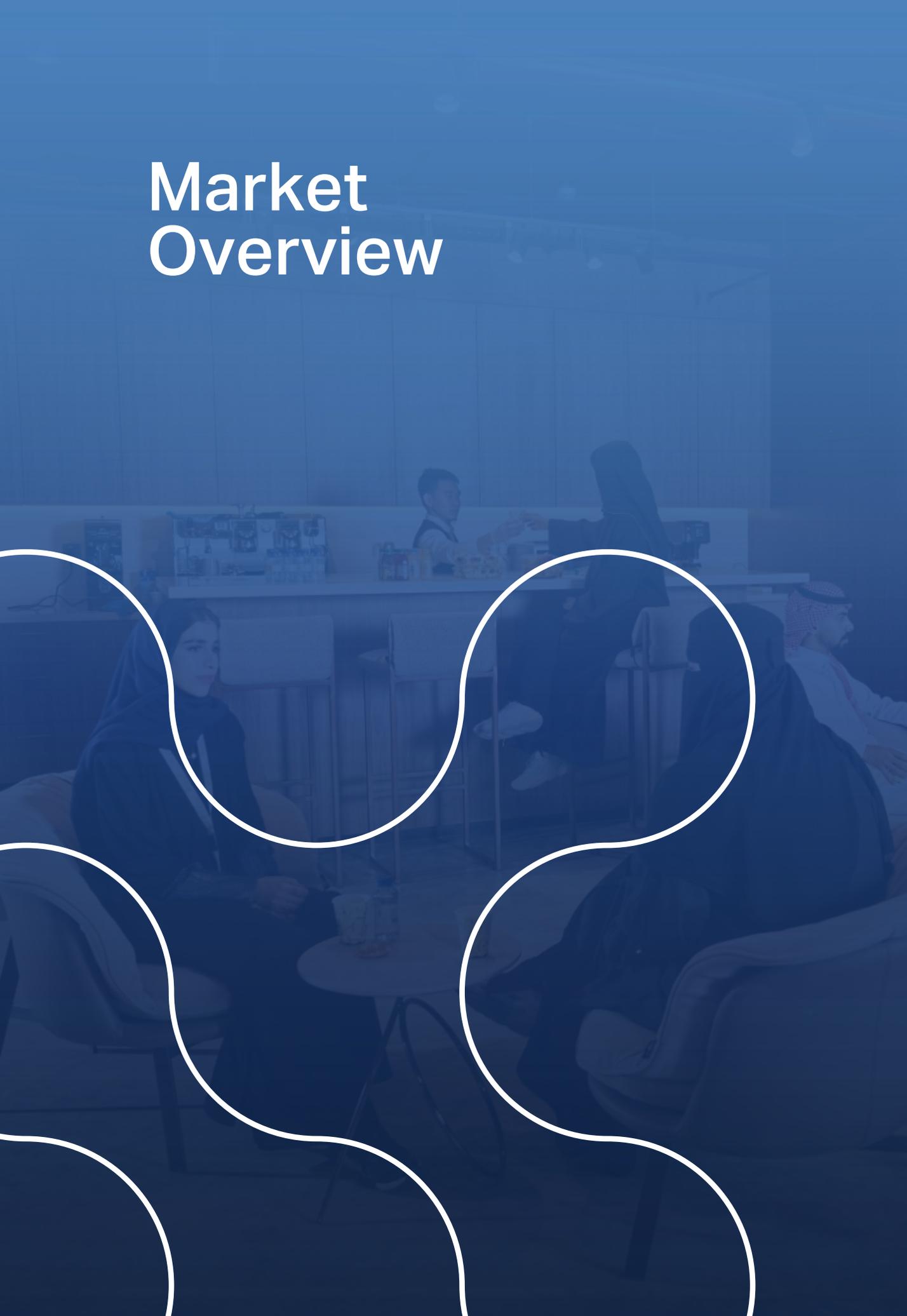
الرائدة  
alraedah

# 2023 *Annual Report*

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# Market Overview



# Market Overview

## Saudi Arabia Economic Overview

In 2022, Saudi Arabia experienced a remarkable economic expansion, achieving a real GDP growth of 8.9%, positioning itself as the fastest-growing G20 country.

However, 2023 witnessed a modest **contraction of 0.5% in GDP** compared to the previous year, primarily due to voluntary large cuts in oil production. Despite this, the non-oil economy remained resilient, maintaining a robust **growth rate of 5.8%** (Q2 2023 year on year). This growth was notably propelled by:



Trade Sector



Hospitality Sector



Tourism Sector

Remarkably, 2023 marked a historic milestone in Saudi Arabia's labor market, witnessing the highest participation of Saudi citizens. The number of citizens employed in the private sector surged to **2.2 million**, coupled with an unprecedented low unemployment rate, showcasing the positive trajectory of the Kingdom's economic landscape.

Looking ahead, the Saudi economy is poised for a rebound in 2024, with an **anticipated GDP growth of 4.6%**. This optimistic outlook is attributed to the continued growth of the non-oil economy, serving as a pivotal driver. This trajectory aligns with the ongoing efforts of the ambitious structural economic and financial reform agenda under Vision 2030. The focus on diversification and growth has led to significant strides, emphasizing local content, bolstering national industries, and launching promising economic sectors.

**As Vision 2030 reaches its midway point, the Kingdom has surpassed several targets and goals set since its inception in 2016.**

The long-term growth prospects remain promising, with notable milestones such as the selection of **Saudi Arabia as the host of Expo 2030 in Riyadh**. This recognition further solidifies the Kingdom's position on the global stage and underscores the success of its transformative journey.

# SME Market Overview

The growth and vitality of the SME sector play a pivotal role in realizing the objectives set forth by Saudi Vision 2030.

*A key milestone in this vision is the targeted increase in the SME sector's contribution to the GDP, aiming to elevate it from 20% in 2016 to an ambitious 35% by 2030.*



This strategic initiative underscores the significance of SMEs in driving economic diversification and fostering entrepreneurship.

1

As of Q3 2023, the SME landscape in Saudi Arabia has witnessed remarkable expansion, with the number of SMEs increasing by 30% year on year, totaling 1.27 million by the close of Q3 2023.

2

Micro-sized companies dominate this growth, constituting an impressive 87% of the total SME ecosystem.

3

This proliferation signals a vibrant entrepreneurial landscape, contributing to the overall dynamism of the Saudi economy

4

Within this flourishing sector, the private sector plays a crucial role in employment, engaging a total of 10.98 million individuals in the Kingdom.

Encouragingly, there has been significant progress in female participation, rising from 20.5% in 2019 to 37% in 2023 (Q1).

A notable achievement is the leadership role of women in the SME space, with **45% of SMEs in Saudi Arabia being female-led as of 2022.**

Venture capital funding remains a significant driver of growth for SMEs in the Kingdom. In 2023, Saudi Arabia maintains its prominence in the MENA region, witnessing 22 deals worth USD 87 million in venture capital funding between July and September alone. This infusion of capital serves as a catalyst for innovation and expansion within the SME ecosystem.

Despite the positive trajectory, SMEs in Saudi Arabia encounter challenges, notably in accessing funding. The current average SME lending portfolio of Saudi banks stands at 9.7%, a figure lower than the OECD average of 44%. Addressing this gap is crucial to unlocking the full potential of SMEs and ensuring their sustained contribution to the Kingdom's economic landscape. Efforts to overcome these challenges align with our commitment at Alraedah to support and empower SMEs, fostering their growth and resilience within the evolving economic landscape.



# Monsha'at

Established under the visionary framework of Saudi Vision 2030, the General Authority for Small and Medium Enterprises (Monsha'at) stands as a cornerstone in advancing the Kingdom's SME sector. With a chief objective to organize, support, develop, and sponsor SMEs in line with global best practices, Monsha'at focuses on three priority objectives to propel the growth of the SME sector in Saudi Arabia.

## 1.

Monsha'at is dedicated to creating an inspiring environment for SMEs to flourish, fostering an atmosphere conducive to innovation and development

## 2.

It aims to unlock the potential of promising enterprises, enabling them to navigate challenges and reach new heights

## 3.

Monsha'at is committed to nurturing a strong and supportive entrepreneurial community, fostering collaboration and resilience within the SME ecosystem

To directly address the challenges faced by SMEs in the market, Monsha'at deploys a comprehensive range of initiatives. To directly address the challenges faced by SMEs in the market, Monsha'at deploys a comprehensive range of initiatives. These include providing support such as:



Administrative



Technical



Financial



Marketing



Human  
Resources

***A key initiative under Monsha'at's umbrella is the Funding Gate, a platform connecting SMEs seeking funding to government and private financiers.***

This initiative has facilitated loans totaling SAR 2.5 billion, benefiting more than 400 enterprises through collaboration with 48 financing entities and commercial banks.

**It is noteworthy that Alraedah is a key lender on the Funding Gate platform, actively contributing to the financial support of SMEs.**

Furthermore, through the **Kafalah program**, Monsha'at has guaranteed over SAR 53 billion in loans for over 18,000 SMEs. This initiative plays a crucial role in mitigating financial risks for SMEs, empowering them to access the capital needed for sustainable growth and development

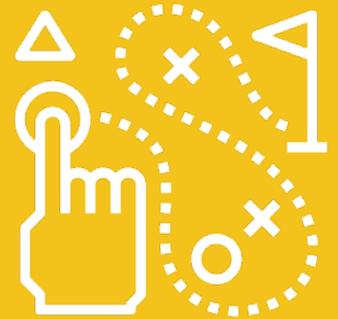


*As a key participant in these initiatives, Alraedah underscores its commitment to fostering the resilience and success of SMEs within the Kingdom.*

## Alraedah Strategy

As the only company in Saudi Arabia focusing exclusively on SMEs and offering financing, Alraedah believes strongly in SMEs role as the engine of KSA's growth and being a key driver in the Kingdom's ambition to transition away from an oil reliant economy.

*The growth of SME contributions to the GDP is projected to reach 35% by 2030 (from 29% in 2020), and contribution of 60% to KSA employment by 2030.*



Yet SMEs still face a key challenge of accessing financing, with less than 10% of SMEs attempting to obtain financing from formal banking sources due to lack of credit options and bureaucratic hurdles. Therefore, Alraedah has relentless focus on:

- 

**Meeting a variety of SME needs**
- 

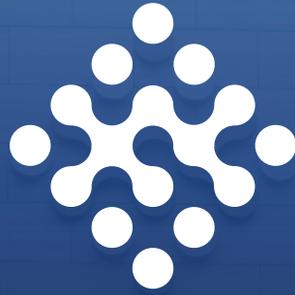
**truly understanding SME challenges and pain-points**
- 

**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. Hence, Alraedah focuses on solving SME problems and offering solutions that meet their needs, while also ensuring Alraedah's scalability to serve more merchants.

# Corporate Governance





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## Company Overview

The primary focus of the company involves providing financial services for small and medium entities through Ijara and Murabaha, aligning with the approval of the Saudi Central Bank.

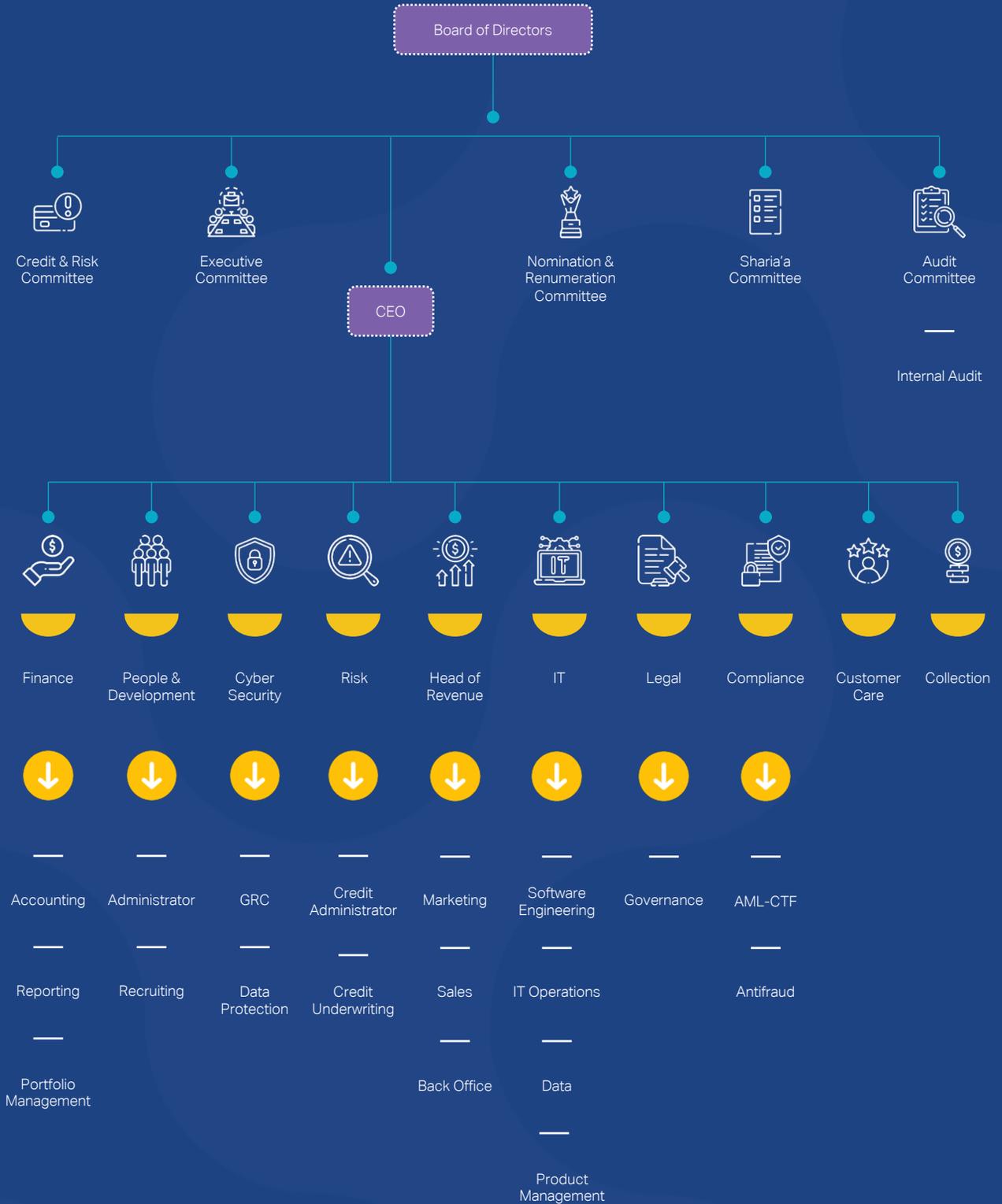


Saudi Central Bank released the "Implementing regulations of the Law on supervision of Finance Companies" on 24 February 2013, subsequent to the publication of the "Financial lease law" and the "Law on supervision of Finance Companies" on 27 August 2012

In the fiscal year ending on 31 December 2014, the Company was granted a pre-approval license with the number 361000017087 on 2 Safar 1436H, corresponding to 24 November 2014. Subsequently, SAMA formally issued a license to the company on 30 Rabi Thani 1437H, corresponding to 9 February 2016, with the license number 43/ASH/201602.

It is important to note that Alraedah Finance Company does not have any businesses or contracts to which it is a party, and neither do any members, executive managers, or related individuals have an interest in such agreements. Additionally, there are no affiliated companies or groups in which the company holds ownership percentages.

# Organization Structure



# Board of Directors



**Chairman Abdullah Nasser Aldawood**

**Non-Executive**



## Qualifications

MBA, 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) — previous  
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



**Deputy Chairman Ibrahim Abdulaziz Alrashed**

**Independent**



## Qualifications

Bachelor of Science, Accounting  
Master, Business Administration  
SOCPA  
TAQEEM  
MRICS



## Current and Previous Jobs

Seera Holding Group (Board Member) — current  
Saudi Sleeping Supplies Company Sleep High (Board Member) — current  
SIDC (Board Member) — previous

# Board of Directors



**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



**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

# Board of Directors



**Abdulelah Saad Haddab**

Independent



## Qualifications

Bachelor, Finance  
Master, 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



**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.	Fintor, Inc.
Expand Solution Inc.	Firstbase.io, Inc.
Firefly Dimension Inc.	GOOD Meat, Inc.
Paysend Group Limited	Pod Foods, Co.
Aquabyte, Inc.	X-Therma Inc.
Contraline, Inc.	Digital Innovation One
Kuleana	Workmates Group Corp
NERv Technology, Inc.	Rewaa Technologies
Rocket.Chat Holdings	
Volansi, Inc.	
Bear Flag (acquired in 21')	

# Committee Meetings 2023

Name	Meetings	Members	Dates
Board of Directors	4	Abdullah AlDawood (Chairman) Ibrahim AlRashed (Vice Chairman) Abdulelah Bin Haddab Nabil Borhanu Abdullah AlHoqail Yousef AlEisa Paul Melotto	7th of May 2023 7th August 2023 29th October 2023 24th December 2023
Executive Committee	6	Ibrahim AlRashed (Chairman) Yousef AlEisa Paul Melotto	20th September 2023 21st September 2023 5th November 2023 12th November 2023 7th December 2023 21st December 2023
Audit Committee	6	Abdulelah Bin Haddab (Chairman) Turki AlLuhaid Alaa Abunabaa	28th February 2023 2nd May 2023 1st August 2023 2nd August 2023 24th October 2023 31st October 2023
Risk Committee	4	Abdullah AlDawood (Chairman) Ibrahim AlRashed Yousef AlEisa Abdulmajeed Alibrahim	16th August 2023 21st August 2023 14th November 2023 24th December 2023
Nomination & Remuneration Committee	2	Abdullah AlHoqail (Chairman) Abdulelah Bin Haddab Nabil Borhanu	30th November 2023 20th December 2023
Shari'ah Committee	4	Dr. Sheikh Yousef Bin Abdullah Al Shubaily (Chairman) Dr. Sheikh Mohammed bin Saud Al-Osimi	20th February 2023 1st June 2023 17th December 2023 24th December 2023

# Committee Renumerations

## Remunerations for Executive Committee Members

Executive Committee Members	Fixed Remuneration Except for allowances for attending Executive Committee meeting	Allowances For attending Executive Committee meeting	Total
Ibrahim AlRashed	---	---	---
Yousef AlEisa	---	---	---
Paul Melotto	---	---	---

## Remunerations for Nomination & Remuneration Committee Members

Nomination & Remuneration Committee Members	Fixed Remuneration Except for allowances for attending Nomination & Remuneration Committee meeting	Allowances For attending Nomination & Remuneration Committee meeting	Total
Abdullah AlHoqail	---	---	---
Abdulelah Bin Haddab	---	---	---
Nabil Borhanu	---	---	---

## Remunerations for Board Members

Board Members	Fixed Remuneration Except for allowances for attending BoD meeting	Allowances For attending BoD meeting	Total
Abdullah Aldawood	---	---	---
Ibrahim AlRashed	---	---	---
Yousef AlEisa	---	---	---
Paul Melotto	---	---	---
Abdullah AlHoqail	---	---	---
Abdulelah Bin Haddab	---	---	---
Nabil Borhanu	---	---	---

## Remunerations for Audit Committee Members

Audit Committee Members	Fixed Remuneration Except for allowances for attending Audit Committee meeting	Allowances For attending attending Audit Committee meeting	Total
Abdulelah Bin Saad Bin Haddab	50,000 SAR	30,000 SAR	80,000 SAR
Turki Abdulmohsen Al-luhaid	50,000 SAR	30,000 SAR	80,000 SAR
Alaa Abdulaziz Abu Nabaa	50,000 SAR	30,000 SAR	80,000 SAR
	<b>150,000 SAR</b>	<b>90,000 SAR</b>	<b>240,000 SAR</b>

# Committee Renumerations

## Remunerations for Risk Committee Members

Risk Committee Members	Fixed Remuneration Except for allowances for attending Risk Committee meeting	Allowances For attending attending Risk Committee meeting	Total
Abdullah Bin Nasser Al Dawood	—	—	—
Ibrahim Bin Abdulaziz Al Rashed	—	—	—
Yousef Bin Ibrahim Al Eisa	—	—	—
Abdul Majeed Al Ibrahim	—	—	—

## Remunerations for Shari'ah Members

Shari'ah Committee Members	Fixed Remuneration Except for allowances for attending Shari'ah Committee meeting	Allowances For attending attending Shari'ah Committee meeting	Total
Dr. Sheikh Yousef Bin Abdullah Al Shubaily	50,000 SAR	20,000 SAR	70,000 SAR
Dr. Sheikh Mohammed bin Saud Al-Osimi	50,000 SAR	20,000 SAR	70,000 SAR

## Remuneration of five senior executives who received the highest remuneration, including the CEO and Financial Manager, for the fiscal year 2023

Senior Executives	Fixed Remuneration		Variable Remuneration Bonus	Total
	Salaries	Allowances		
	2,732,818	1,060,707	1,148,325	4,941,850

## 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 supervisors institution	—	1	—	—
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	—	—	—	—

## Auditors

The General Assembly meeting held on May 17, 2023 appointed **BDO Dr. Mohammed Al Amri & Co** as the Company's external auditor for the financial year 2023, and the first quarter of the financial year 2024.



## Shari'ah Compliance

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

# Finance



# Financial Highlights

## Variance



**Originations**  
Decreased



**Gross Revenue**  
Increased



**Net Income**  
Increased

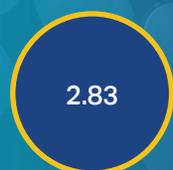


**Total Assets**  
Increased



**Headcount**  
Increased

## 2023



**Debt to Equity**  
Times



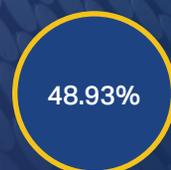
**Assets to Equity**  
Times



**Return on Equity**



**Return on Assets**



**Cost to Income**

## Operating Results

INCOME STATEMENT	2023	2022	Variance (SAR)	Variance (%)
Income from financing activity	202,794,994	149,061,540	53,733,454	36.05%
Finance charges	(49,812,407)	(32,988,238)	(16,824,169)	51.00%
<b>Net financing activities</b>	<b>152,982,587</b>	<b>116,073,302</b>	<b>36,909,285</b>	<b>31.80%</b>
Loss on restructuring of receivables & related grant income, net	-	3,440,241	(3,440,241)	-100.00%
Investment income	261,042	336,328	(75,286)	-22.38%
Application fees & other income	16,709,120	13,743,750	2,965,370	21.58%
<b>Total operating income</b>	<b>169,952,749</b>	<b>133,593,621</b>	<b>36,359,128</b>	<b>27.22%</b>
Salaries and other employee related expenses	(50,622,054)	(32,599,656)	(18,022,398)	55.28%
Sales commission expenses	(6,033,343)	(5,723,185)	(310,158)	5.42%
Rent and premises related expenses	(1,719,712)	(1,006,100)	(713,612)	70.93%
Other general and administrative & selling and marketing expenses	(34,830,714)	(23,729,355)	(11,101,359)	46.78%
Charge for expected credit loss (ECL) on receivables	(9,265,684)	(9,597,798)	332,114	-3.46%
Depreciation and amortization	(4,201,083)	(3,786,581)	(414,502)	10.95%
<b>Total operating expenses</b>	<b>(106,672,590)</b>	<b>(76,442,675)</b>	<b>(30,229,915)</b>	<b>39.55%</b>
<b>Income before zakat</b>	<b>63,280,159</b>	<b>57,150,946</b>	<b>6,129,213</b>	<b>10.72%</b>
Zakat expense	(10,118,587)	(6,102,220)	(4,016,367)	65.82%
<b>Net profit for the year</b>	<b>53,161,572</b>	<b>51,048,726</b>	<b>2,112,846</b>	<b>4.14%</b>
Other comprehensive loss for the year	(344,766)	(369,342)	24,576	-6.65%
<b>Total comprehensive income for the year</b>	<b>52,816,806</b>	<b>50,679,384</b>	<b>2,137,422</b>	<b>4.22%</b>
<b>Earnings per share (EPS)</b>	<b>3.52</b>	<b>3.38</b>	<b>0.14</b>	<b>4.22%</b>

## Balance Sheet

	31-Dec-23	31-Dec-22	Variance (SAR)	Variance (%)
<b>Assets</b>				
Cash and cash equivalents	45,086,683	33,269,740	11,816,943	35.52%
Murabaha receivables - current	487,934,961	420,230,829	67,704,132	16.11%
Repossessed assets held for sale	68,336,710	25,722,726	42,613,984	165.67%
Prepaid expenses, deposits and other receivables	27,711,798	14,283,063	13,428,735	94.02%
Investments held at amortised cost	13,498,042	-	13,498,042	100.00%
Right-of-use assets - current	946,943	1,419,201	(472,258)	-49.87%
<b>Total current assets</b>	<b>643,515,137</b>	<b>494,925,559</b>	<b>148,589,578</b>	<b>30.02%</b>
Restricted cash deposits	5,150,000	-	5,150,000	100.00%
Murabaha receivables - non-current	469,778,613	392,032,095	77,746,518	19.83%
Investments held at FVOCI	892,850	892,850	-	0.00%
Right-of-use assets - non-current	568,168	3,784,541	(3,216,373)	-84.99%
Intangible assets	12,170,664	6,682,644	5,488,020	82.12%
Property and equipment	4,283,808	5,037,902	(754,094)	-14.97%
<b>Total non-current assets</b>	<b>492,844,103</b>	<b>408,430,032</b>	<b>84,414,071</b>	<b>20.67%</b>
<b>Total assets</b>	<b>1,136,359,240</b>	<b>903,355,591</b>	<b>233,003,649</b>	<b>25.79%</b>
<b>Liabilities</b>				
Accounts payable and accruals - current	68,471,325	40,531,643	27,939,682	68.93%
Provision for zakat	9,922,142	5,962,909	3,959,233	66.40%
Payable to SAMA - current	-	212,370,138	(212,370,138)	-100.00%
Borrowings - current	187,869,756	123,735,226	64,134,530	51.83%
Lease liability - current	1,797,210	3,429,897	(1,632,687)	-47.60%
<b>Total current liabilities</b>	<b>268,060,433</b>	<b>386,029,813</b>	<b>(117,969,380)</b>	<b>-30.56%</b>
Accounts payable and accruals - non-current	19,521,628	28,015,865	(8,494,237)	-30.32%
Borrowings - non-current	574,493,460	245,040,520	329,452,940	134.45%
Lease liability - non-current	-	4,371,682	(4,371,682)	-100.00%
Employees' end of service benefits	4,575,642	3,006,440	1,569,202	52.19%
<b>Total non-current liabilities</b>	<b>598,590,730</b>	<b>280,434,507</b>	<b>318,156,223</b>	<b>113.45%</b>
<b>Total liabilities</b>	<b>866,651,163</b>	<b>666,464,320</b>	<b>200,186,843</b>	<b>30.04%</b>
<b>Equity</b>				
Paid-up share capital	150,000,000	150,000,000	-	0.00%
Statutory reserve	15,810,568	10,494,411	5,316,157	50.66%
Remeasurement reserve on employees' end of service benefits	(633,969)	(289,203)	(344,766)	119.21%
Retained earnings	104,531,478	76,686,063	27,845,415	36.31%
<b>Total shareholders' equity</b>	<b>269,708,077</b>	<b>236,891,271</b>	<b>32,816,806</b>	<b>13.85%</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,136,359,240</b>	<b>903,355,591</b>	<b>233,003,649</b>	<b>25.79%</b>

## Balance Sheet Variance Analysis

Movement in provision for ECL	2023	2022
Balance at the beginning of the year	15,215,276	8,536,200
Impairment charge for the year	9,265,684	9,597,798
Written off during the year	(5,940,660)	(2,918,722)
<b>Balance at the end of the year</b>	<b>18,540,300</b>	<b>15,215,276</b>

## Murabaha Receivables

- + The Company's total receivables portfolio increased by SR 148.8 million from SR 827.5 million to SR 976.3 million. The increase is mainly due to over 900 SME financing facilities originated with value of SR 764 million net of collections during 2023.

## Provision for Expected Credit Losses

- + The Company increased the provision for expected credit loss on Murabaha receivables as of year-end 2023 by 3.3 million as compare to year-end 2022 from SR 15.2 million to SR 18.5 million. The Company's NPL ratio is decreased to 2.8% from 3.7% owing to the close oversight of the management over the collection of receivables.

## Repossessed Assets Held for Sale

- During 2022, the Company acquired a hotel in AlTaif including its moveable assets against one of its defaulted client and recognised it at the carrying value of Murabaha receivables amounting to SR 25.7 million. During 2023, the Company has incurred cost amounting SR 25 million for furnishing, maintenance, and other services for the acquired real estate property which has been recognised as part of repossessed assets.
- During 2023, the Company acquired a land in Riyadh against another Murabaha receivables and recognised it at the carrying value of Murabaha receivables amounting to SR 17.6 million.

The real estate valuations have been conducted by independent valuers, who hold membership of Saudi Authority for Accredited Valuers, and ascertained the market value of the repossessed assets more than carrying value of the related Murabaha receivables. The Company is currently under the process of finding the buyers to sale the repossessed assets during 2024.

## Loan Liabilities

- + The Company's total loan liabilities (short term & long term) increased by SR 181.2 million owing to net impact of full repayment of SAMA payable balance, increase in borrowings from Saudi Investment Bank, Al Rajhi Bank and Riyadh Bank to provide working capital support to the Company to finance its customers, Musharakah arrangement with Riyadh Financing Fund III and funding from SME Bank to provide finance to customers at below market rates.

## Income Statement Variance Analysis

### Income Before Zakat

- + The Company has growth in income before zakat by SR 6.1 million from SR 57.2 million in 2022 to SAR 63.3 million in 2023 with overall positive impact of 10.7%. The positive impact is primarily resultant of growth in financing income from Murabaha receivables portfolio net of increased finance cost.

### Income from Financing Activities

The income from financing activities has been increased by SR 53.7 million as compare to 2022 from SR 149.1 million to SR 202.8 million owing to the following primary reasons:

- + i. Growth in the receivables portfolio by SR 148.8 million with over 900 units newly originated loans net of collections; and
- ii. Reduction in NPL from 3.7% in 2022 to 2.8% in 2023 owing to the management's oversight by reviewing and applying stringent controls to deal with delinquent contracts.

### Finance Charges

- + Finance cost increased by SR 16.8 million from SR 33 million to SR 49.8 million owing to net impact of full repayment of SAMA payable balance, increase in borrowings from Saudi Investment Bank, Al Rajhi Bank and Riyad Bank to provide working capital support to the Company to finance its customers, Musharakah arrangement with Riyad Financing Fund III and funding from SME Bank to provide finance to customers at below market rates.

### Salaries and Other Employee Related Expenses

- + Salaries and related costs increased by SR 18 million from SR 32.6 million in 2022 to SR 50.6 million in 2023 primarily owing to increase in head count. The Company has expanded its revenue operations and customer success teams.

### Other Operating Expenses

All other operating expenses have been overall increased by SR 12.2 million from SR 43.8 million in 2022 to SR 56.1 million in 2023 primarily owing to:

- + i. Increase in professional fees for outsourced employees comprised of product, design & experience, and digital development teams;
- ii. Increase in advertisement & marketing expense; and
- ii. Increase in IT operations cost owing to overall business growth.

# Digital Product



# 2023 Achievements

In 2023, Alraedah made significant strides in enhancing operational efficiency and elevating customer experiences through strategic initiatives that included:



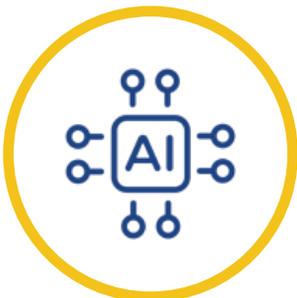
## Operational Efficiency Boost

Integrated with government entities and credit bureaus, paving the way for seamless operations and heightened regulatory compliance



## Data Unification and Insights

Streamlined and unified data from diverse sources, establishing robust pipelines to provide accurate, actionable insights across all business functions



## AI-Powered Predictive Models

Leveraged advanced machine learning to develop predictive models for both collections and finance teams, optimizing decision-making processes

# Focus Areas for the Coming Year

## Internal Lending Systems Digitization



Initiating a comprehensive digitization effort to enhance internal lending systems, ensuring streamlined operations for improved efficiency.

Launching a customer-centric initiative to revamp and digitize onboarding processes, eliminating pain points for a smoother and more user-friendly experience.



## Revamped Customer Onboarding

## Comprehensive Data Platform Implementation



Implementing a robust data platform to serve as the foundation for expanded AI/ML use cases, unlocking new possibilities for data-driven insights.

Developing and launching a suite of digitized finance products specifically tailored to support and enhance our customers' businesses.



## Digitized Finance Products Launch

## Customer-Centric Approach



Adopting a customer-centric approach, placing emphasis on empathy and providing a holistic experience throughout the loan journey. Our goal is to become strategic partners in our customers' business growth.

***As we reflect on our accomplishments and set sights on the future, these initiatives underscore our commitment to innovation, efficiency, and customer satisfaction. Through digitization, advanced analytics, and a customer-centric mindset, we aim to position ourselves as leaders in the dynamic landscape of financial services.***

# Cybersecurity



# Cybersecurity

The accomplishments of the Cybersecurity department in 2023 demonstrate our commitment to maintaining a robust cybersecurity position and protecting our organization from evolving threats. The department's efforts have contributed to enhancing security, mitigating risks, and ensuring compliance with industry standards. The following achievements illustrate our dedication to safeguarding critical assets and maintaining the confidentiality, integrity, and availability of our information systems.

## Security Awareness Program



- + Developed and executed a comprehensive security awareness program, including regular training sessions, simulated phishing exercises, and educational materials
- + Increased employee awareness and engagement, resulting in a reduction in successful phishing attacks
- + Empowered employees to recognize and report potential security incidents promptly

## Incident Response Enhancement



- + Strengthened the incident response process by implementing a centralized incident management system (SIEM), defining clear roles and responsibilities
- + Enhanced incident documentation and post-incident analysis, leading to actionable insights for future incident prevention and response

## Multi-Factor Authentication (MFA) Implementation



- + Successfully rolled out MFA across all critical systems and applications, providing an additional layer of security and reducing the risk of unauthorized access
- + Improved overall security strength and mitigated the impact of credential-based attacks

## Vulnerability Assessments and Penetration Testing



- + Conducted regular vulnerability assessments, red teaming and penetration tests across our infrastructure, applications, and systems
- + Identified and remediated critical vulnerabilities, reducing the potential attacks
- + Implemented a proactive patch management process based on assessment findings, ensuring timely resolution of security vulnerabilities

## Compliance with Industry Regulations (SAMA)



- + Ensured compliance with industry-specific regulations, such as SAMA CSF
- + Conducted comprehensive audits, implemented necessary controls, and maintained a high level of compliance throughout the year
- + Collaborated with cross-functional teams to address compliance gaps and implement sustainable solutions
- + 35 of 41 SAMA controls have been implemented through the year to satisfy level 3 requirements

# Network Security Enhancement

Upgraded network security infrastructure by implementing next-generation firewalls, intrusion detection/prevention systems, and advanced threat intelligence capabilities. Conducted network configuration review to address the current gaps in our network.

## New Cybersecurity Tools Implemented

*These achievements signify the dedication and expertise of the Cybersecurity Department at AlRaedah Finance.*

We remain committed to evolving our cybersecurity practices, staying ahead of emerging threats, and continuously improving our security controls. These accomplishments demonstrate our ongoing efforts to protect our organization's sensitive information, maintain business continuity, and ensure the trust of our stakeholders.



# Human Resources





## Saudization and Training

As a result of the Company's continuous commitment to maintain a healthy Saudization rate, the percentage of Saudi nationals represented 83.81% of the total staff, as of December 31, 2023.

***In addition, the Company has a female workforce that represents 48% of the total workforce of the Company as of December 31, 2023.***

During the year ending December 31, 2023, the Company held multiple different training courses for different departments, including but not limited to Sales, Collection, Cyber Security and Credit. The Company also conduct Onsite training sessions for sales and signed recently with Coursera to provide training opportunities for the whole company.

# Social Contributions



# Social Contributions

At Alraedah, we recognize the profound influence businesses can have on society. With a deep sense of responsibility, we have woven community engagement into the fabric of our corporate ethos. As we unveil the social contributions section of this annual report, it is with great pride that we highlight our unwavering dedication to giving back to the communities in which we operate.

Together, we strive to build a future where success is measured not only by financial achievements but by the positive influence we leave in the communities we serve.

**February 2023**

## Sweet Surprises for Young Heroes



In February, Alraedah Finance teamed up with NINE soft serve to bring joy to pediatric patients at King Abdulaziz University Hospital. We rolled in with an ice cream truck, set up a delightful games corner, and introduced a friendly mascot to engage with children undergoing cancer treatment. Alongside the sweet treats, a craft corner was implemented, fostering creativity and creating memorable moments for these young warriors

During the holy month of Ramadan, Alraedah collaborated with the Saudi Food Bank to donate 100 food boxes to those in need. This initiative reflects our commitment to supporting and enhancing the communities in which we operate, especially during significant cultural and religious observances



**April 2023**

## Ramadan Food Box Donations

In observance of World Blood Donation Day on June 14th, Alraedah organized a Blood Donation Truck to contribute to the vital supply at Prince Sultan Military Medical City. Our team actively participated in this meaningful initiative to support healthcare and save lives

**June 2023**

## Lifeblood Contribution



In a commitment to inclusivity and social responsibility, Alraedah launched the Purple Saturday Disability Initiative. From July to December, we eliminated management fees for individuals with medical disabilities applying for loans. This initiative, lead by SAMA, aims to facilitate financial accessibility for those facing unique challenges.



**July 2023**

## Purple Saturday Disability Initiative

Demonstrating our dedication to accessibility, Alraedah designed and printed Braille Brochures for the visually impaired. These brochures are available in our Laysen Valley and Olaya Towers offices, ensuring that important financial information is accessible to everyone

**September 2023**

## Empowering the Visually Impaired



“ These initiatives demonstrate our commitment to social responsibility, community engagement, and making a positive impact beyond the financial landscape. Alraedah remains devoted to creating a better, more inclusive future for all. ”

# Risk Management



### 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 "AlRaedah" has adapted an aggressive position over the collection function along with the Credit Underwriting function. The Company also perform a segmental analytics over the portfolio in order to keep the management updated with the movements within the portfolio.

### Currency Risk

The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business as neither it undertakes significant transactions, nor does it have any significant monetary assets and liabilities denominated in foreign currency. Therefore, the Company is not exposed to a significant currency risk on 31-Dec-2023.

### Liquidity Risk

The Company keeps 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 track of upcoming payments. Further, the management uses the cash-flow model for projecting comprehensively future cash flows arising from assets and liabilities over an appropriate set of time horizons.

During 2023, the Company has repaid SAMA payable balance fully and availed financing of SAR 150 million from the Saudi Investment Bank, SAR 100 million from Al Rajhi Bank, SAR 50 million from Riyadh Bank and SAR 45 million from SME Bank as working capital support to finance its SME lending.

Further, the Company entered Musharakah arrangement with Riyadh Financing Fund III with a capital of SR 250 million with a total cash contribution from Riyadh Financing Fund III amounting to SR 200 million. These fundings have maturities ranging from 3 to 5 years with quarterly repayments.

### Operational Risk

In Q4-2023, the Company encountered no Operational Risk events

### Commission Rate Risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is not exposed to a significant commission rate risk on 31-Dec-2023.

# Credit Introduction

Alraedah Finance does not restrict the businesses that are eligible for financing, except for illegal activities. However, some business sectors present greater risks of default and/or collectability due to common characteristics, including:

**1.**

Narrow profit margins

**2.**

Limitations on enforcing judgments

**3.**

Accessibility to guarantors and/or collateral

The Company provides short term financing to businesses to support the following business purposes

Working Capital Needs

Investment in property, plant or equipment

Business or customer acquisition

Bridge financing

Payment of judgments under appropriate circumstances

It is not enough that the loan application state a permissible business purpose. The Credit Analyst is responsible for reviewing the facts and circumstances associated with each application, by questioning the following:



Is the business purpose and use of proceeds permissible?

Will application of the proceeds to the stated purposes benefit the business, or merely substitute?

Is there economic sense to the use of proceeds – does the cost of credit outweigh the benefit?

# Credit Philosophy



## Business Characteristics

Alraedah analyzes online and social media presence, industry momentum, typical gross margins, age of the business, number of employees, intended use of proceeds of the facility, rent payment history and also performs a site inspection.



## Cash Flow

Alraedah analyzes the applicant's bank statements to determine repayment capability based upon deposit and balance trajectory, scale, seasonality/volatility in cash flow, deposit frequency and non-sufficient funds activity (i.e. bounced checks).



## Collateral

Each facility requires a security interest in specific identifiable real estate assets owned by the business, its owner and/or other related guarantor(s) as well as Promissory Notes and the personal guaranty of the business principal(s), in some instances it is required for a third party guarantor.



## Credit

Alraedah examines the credit profiles of the business and its owner(s) to identify presence of judgments and liens, existing debt and interests in business assets and general history of honoring credit obligations.



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