



أجل. . AJIL

شركة أجل للخدمات التمويلية
AJIL Financial Services Company

BOARD OF DIRECTORS' REPORT 2021



Table of Contents

1-	Chairman's Message	3
2-	Business and Strategy	4
2.1	A Year in View:	4
2.2	Strategy:	4
3-	Financial Highlights	5
3.1	Business Performance:	5
3.2	Net Financing Revenue:	5
3.3	Operating Profit:	5
3.4	Net Profit / Loss:	6
3.5	Business Portfolios:	6
3.6	Coverage for Expected Credit Losses (ECL):	6
3.7	Debt and Equity:	7
3.8	Credit Facilities:	7
3.9	Financial Reporting Standards:	7
3.10	Zakat & Taxes:	7
3.11	Employee Benefits Scheme:	8
4-	Ownership Structure	9
4.1	Shareholders as at 31 December 2021:	9
4.2	Changes in Shareholding Structure during the Year:	9
5-	Board of Directors	10
5.1	Board of Directors Composition:	10
5.2	Board Members' Qualifications:	10
5.3	Board of Directors Meetings:	13
5.4	Remuneration of the Board of Directors:	13
6-	Board Committees	14
6.1	Audit Committee:	14
6.2	Risk Management and Credit Committee (RMCC):	16
6.3	Credit Committee:	18
6.4	Executive Committee:	18
6.5	Nomination & Remuneration Committee (NRC):	18
7-	Executive Management	20
7.1	Executive Management Composition:	20
7.2	Executive Management Qualifications:	20
7.3	Senior Management:	21
7.4	Remuneration of Top Five Executive/Senior Management Members:	21
8-	Internal Control	22
8.1	Risk Management:	22
8.2	Compliance and Anti Money Laundering:	22
8.3	Internal Audit:	23
8.4	Effectiveness of the Internal Control Environment:	23
9-	Related Parties Transactions	24
10-	Declarations	26
10.1	Board Assurance:	26
10.2	Corporate Social Contributions:	26
10.3	Applicable Laws:	26
10.4	General Assembly Meetings:	27
11-	Looking Ahead	28

1- Chairman's Message

I am pleased to present the annual report of AJIL Financial Services Company (AJIL) for the year ended on 31st December 2021.

With the blessing of Almighty God, the world is witnessing a phase of recovery as far as the pandemic is concerned. Though the pandemic caused many changes to our lives, trends, and business processes, the most important part is to remember the key lessons learnt throughout these exceptional years. In this respect, I compliment AJIL's management team for maintaining a strict level of compliance with all the precautionary measures set by the authorities, which made it possible for AJIL to provide uninterrupted services to its customers throughout these two difficult years.

During the year, in view of the rapidly changing business environment, the board worked with management to set the strategic direction of the company with a goal to improve its services and enhance shareholders' value. It is important to report that, while the Saudi Central Bank has been introducing significant reforms in the governance structure of Financing Companies, AJIL is achieving all milestones in this regard in a steady manner. We believe that the strategic direction and improved governance would indeed result in further sustainability of the sector and its development.

From the business point of view, the first half of 2021 was slower mainly due to uncertainty caused by an outbreak of the Delta variant. However, extensive vaccinations played an important role and businesses witnessed improved results during the second half of the year. The company booked new business amounting to SR 1006 M during the year (compared to SR 787M in 2020). The increase in new business helped the company to grow its portfolio and net financing revenue to SR 119.8 M (compared to SR 108.5M in 2020). Furthermore, the control over general and administrative expenses resulted in a higher operating profit of SR 58.1 M (compared to SR 48.7 M in 2020).

Considering the fact that the recovery of Non-Performing loans is taking longer than expected and that the company is maintaining a healthy level of equity, the Board decided to adopt a more conservative approach in 2021 and increase the coverage of expected credit loss provisions against Non-performing loans. It was decided to book SR 236 M expected credit loss provisions (compared to SR 93M in 2020). This resulted in net loss for the company for 2021 amounting to SR 179.92M (compared to a net loss of SR 44.4 M in 2020), thus reduced the shareholders' equity to SR 657.8 M (compared to SR 837 M in 2020). However, we believed it to be prudent to enhance the strength of the balance sheet by improving coverage against Non-performing loans while maintaining a healthy debt to equity ratio.

As Chairman of the Board of Directors, I would like to take this opportunity to confirm to our Shareholders and to all other stakeholders that the Board and Management are continuously focusing their efforts on the recoveries of the Non-Performing Loans and on bringing the company back to the performance levels we have been accustomed to since many years.

In conclusion, I would like to thank all the stakeholders for supporting AJIL during these challenging years and I would remain optimistic that 2022 would witness a positive movement in trends.

*Yours' Sincerely
Ali Hussein Alireza*

2- Business and Strategy

2.1 A Year in View:

The year 2021 was the “year of recovery” in all respects. We are grateful to the government authorities for their excellent and successful vaccination drives to combat challenges associated with COVID-19. Despite the outbreak of new variants of COVID-19, the improvement in economic indicators such as higher Oil Prices and GDP growth, created a positive sentiment especially during the second half of the year.

The extension of MSME support programs by the Saudi Central Bank played a vital role during the year for our business. The subsidized liquidity provided by the Saudi Central Bank and collateralization provided by Kafalah program helped our customers to achieve better business results during 2021.

In line with the Financial Sector Development Program (a Vision Realization Program of Vision 2030), the Saudi Central Bank introduced a number of new regulations during the year to improve governance in the non-banking financial institutions. Throughout the year, we worked towards our commitment to Vision 2030 by forming new strategies and implementing new regulations in respect of corporate governance, business continuity planning, and credit classification framework.

2.2 Strategy:

Our Vision is to be the preferred and trusted financing partner helping businesses and individuals to accomplish their objectives and contribute to the achievements of Vision-2030. Therefore, we are pleased to report that we are entering 2022 with an enhanced strategy for growth. Considering the on-going transformation in the financial sector from traditional to digital channels, we are aiming to improve our customers' experience. In this respect, the company is actively working on key strategic objectives:

1. *Digital Transformation*
2. *Extended Mix of Products & Services*
3. *Improved Market Reach*
4. *Diversification through Growth*

We are committed to our mission to understand the financing needs of our customers and offering them a range of Shariah compliant financial solutions together with value added services. We are targeting the highest level of expertise and services across a wide scope of financial solutions to our customers, supporting their operations and growth as they realize their full potential. Our commitment to spearheading growth across the Kingdom remains steadfast in the face of economic headwinds.

3- Financial Highlights

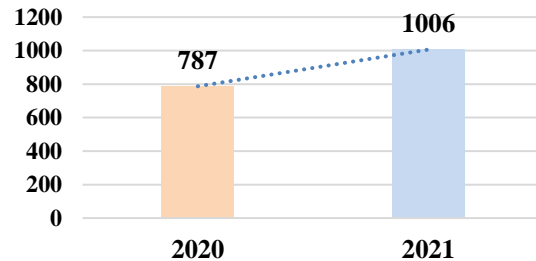
Below is a summary of key financial indicators for 2021 in comparison to 2020:

3.1 Business Performance:

In terms of booking new business, the company showed growth of 28% over the last year. This is the result of positive economic indicators of the Saudi Economy. This growth trend is expected to continue in the coming years in line with the expected GDP growth and companies plan to achieve a higher market share.

Our strategic objectives will play a key role in achieving sustainable growth and returns.

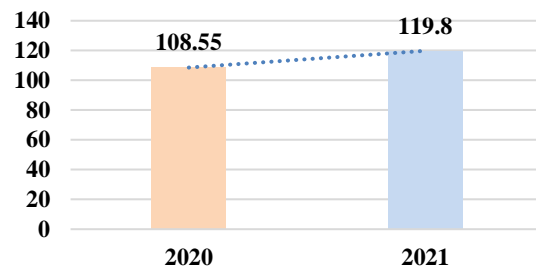
New Business Booked (SR M)



3.2 Net Financing Revenue:

During the year, the company secured due benefits from MSME support programs of the Saudi Central Bank. The company's ability to control cost of financing resulted in 10% increase in net financing revenue of the company.

Net Financing Revenue (SR M)

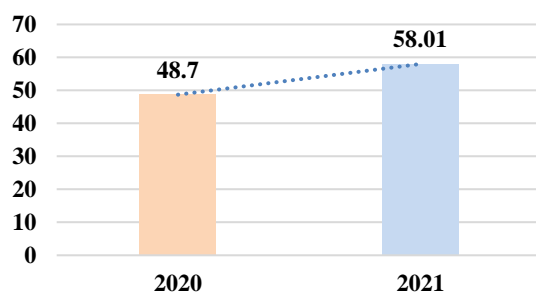


3.3 Operating Profit:

Despite continuous increase in several elements of cost, the company's cost of operations remained well in control during 2021. The business operations of the company recorded 19% growth in profit before provisions for expected credit losses.

As a part of its strategic objectives, the company is heading towards digital transformation to build its capacity to serve a larger number of customers within an optimal cost-benefit matrix.

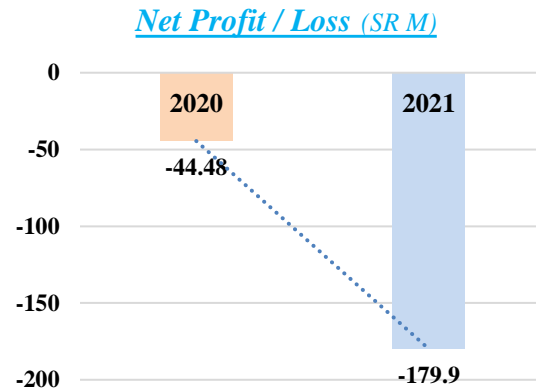
Operating Profit (SR M)



3.4 Net Profit / Loss:

In order to improve its provision coverage against Non-performing loans, the company booked significant provisions of SR 236 M during 2021 (compared to SR 93 M in 2020). These provisions for expected credit losses resulted in net losses for the company.

The company is expecting to recover these Non-performing loans over the course of the next few years. Such recoveries are expected to contribute to the profitability of the company in the coming years.

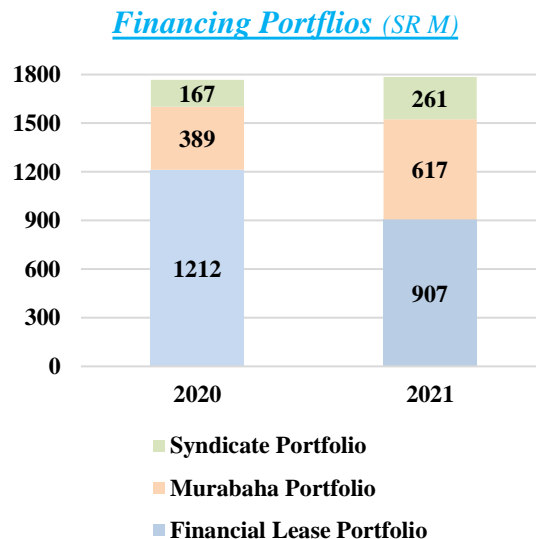


3.5 Business Portfolios:

The company successfully maintained the size of portfolio generating revenues in the range of SR 1,785 M.

Due to constraints in the supply of Heavy Equipment and regulatory reforms in Transportation sector during 2021, we witnessed 25% contraction in our financial lease portfolio.

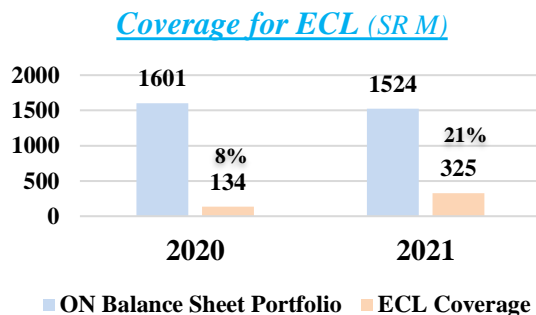
However, our Murabaha portfolio grew well during the year (58% growth) serving the need of our customers for working capital and their growth plans. Most of the Murabaha financing deals are collateralized by either mortgage of real estate or the guarantees issued by Kafalah program.



In addition, the company also entered into syndicate financing contracts with its syndicate partners and generated revenues not only as a financier but also as a managing partner. This portfolio evidenced 56% growth (SR 261 M vs SR 167M) during the year 2021.

3.6 Coverage for Expected Credit Losses (ECL):

Considering the time required for recoveries of Non-performing loans, the company decided to increase provisions to cover expected credit losses. The increased coverage from 8% to 21% is aimed to provide strength to the balance sheet.

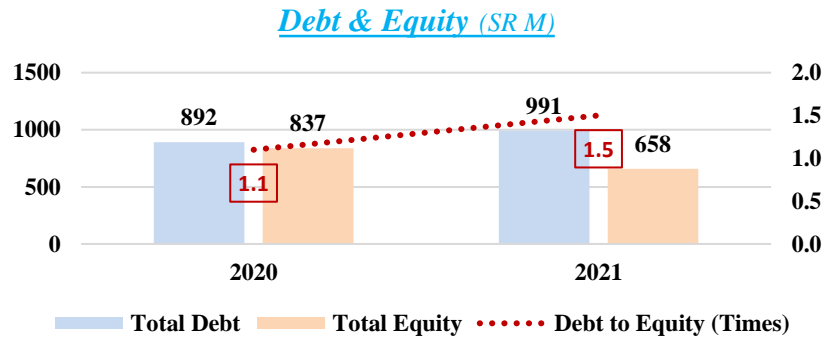


3.7 Debt and Equity:

Despite increased coverage against NPLs and reduced equity level, the company is maintaining a healthy debt to equity ratio of 1.5 times (compared to 1.1 in 2020).

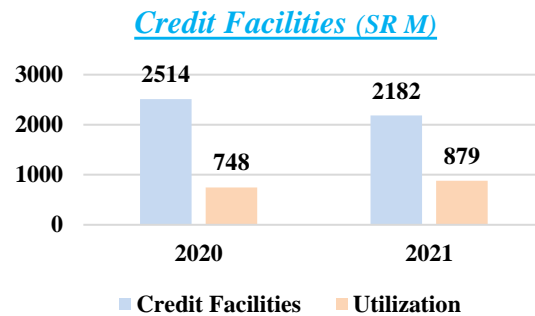
The company manages its liquidity risk by ensuring that adequate bank facilities are available to meet any commitments, as they arise. In addition, the company is carefully maintaining a mix of medium-term and short-term

liabilities to align the maturities of liabilities in line with the maturities of assets for effective cash flow management.



3.8 Credit Facilities:

The company is maintaining healthy relationships with a number of banks in KSA. Despite the economic crisis, its adverse impact on our financial results and our reduced financing requirements our bankers showed confidence in AJIL and maintained our credit facilities at their levels, which is much higher than our current requirement.



Apart from commercial banks, during 2021, the company borrowed SR 263 M from Saudi Central bank to support its MSME customers under Loan Guarantee Program and Deferred Payment Program.

3.9 Financial Reporting Standards:

AJIL maintains proper books of accounts in compliance with the Implementing Regulations of the Law on Supervision of Finance Companies. The annual audited financial statements for the year ending 31 December 2021, which are an integral part of this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

3.10 Zakat & Taxes:

The company is calculating the Zakat and Taxes as per laws and regulations applicable in the Kingdom of Saudi Arabia. The company has submitted the Zakat and tax return for the year ended 31 December 2020 within the stipulated timeline. The company is calculating Zakat accruals for the period ended 31 December 2021 based on the new Zakat rules for financing activities. The company has secured an unrestricted Zakat and Tax Certificate valid until 30 April 2022.

3.11 Employee Benefits Scheme:

AJIL works in a highly competitive business segment where our people are our primary assets. It is only by taking care of the physical and emotional wellbeing of our employees that we can hope to remain a market leader.

To support the ongoing physical wellness of employees, AJIL offers subsidized memberships to leading fitness centers in Saudi Arabia. We support families and provide a schooling allowance for managerial employees. We are a committed equal opportunities employer and nurturing and advocating talent remains a priority.

To ensure employees' wellbeing, the company offers special leave allowance and travel benefits to its employees which help them to spend quality time with their families and friends during vacations.

In addition to the above, we are providing quality comprehensive health insurance coverage to our employees and their families.

4- Ownership Structure

The share capital of the company is divided into 50,000,000 shares of SR 10 each.

4.1 Shareholders as at 31 December 2021:

Shareholder	Percentage of Shareholding	No. of Shares
Riyad Bank	48.46%	24,230,769
Zahid Group Holding Company Limited	34.62%	17,307,692
Al Yemni Investment Co.	6.92%	3,461,539
Khaled Ahmed Al Juffali Company	5.00%	2,500,000
Husein Alireza Sons Company Limited	5.00%	2,500,000
Total	100.00%	50,000,000

4.2 Changes in Shareholding Structure during the Year:

On 11 October 2020, one of the shareholders, Al-Yemni Motors Company Limited, agreed to sell its entire shareholding (3,461,539 shares) to its affiliate Al Yemni Investments. Legal formalities for the transfer of shares were completed in all respects and the share register was updated by the company on 01 November 2020.

During the year 2021, the ownership structure of the company remained unchanged.

5- Board of Directors

AJIL is managed by a Board of Directors (the Board) consisting of eight members elected by the General Assembly for a term ending on 13 September 2023. The Board in its current term includes three independent members and five non-executive members.

5.1 Board of Directors Composition:

#	Name	Position	Classification
1	Mr. Ali Alireza	Chairman	Non-Executive
2	Mr. Mohammad Abo Al-Naja	Vice Chairman	Non-Executive
3	Mr. Mohammed Al-Salah	Member	Non-Executive
4	Mr. Usman Mahmood	Member	Non-Executive
5	Mr. Haytham Zahid	Member	Non-Executive
6	Mr. Amr Al-Kabbani	Member	Independent
7	Dr. Faisal Baassiri	Member	Independent
8	Mr. Majid Al-Osailan	Member	Independent

5.2 Board Members' Qualifications:

Name	Current Positions	Previous Positions and Experience	Qualifications
Mr. Ali Alireza (Chairman)	<ul style="list-style-type: none"> Managing Director of Haji Husein Alireza & Company Chairman of Hertz Rental and Leasing Chairman of National Computer Systems Company (NATCOM) Member of the Board of Arabian Petroleum Supply Company (APSCO) Member of the Credit Committee for AJIL Financial Services Company 	<ul style="list-style-type: none"> Chairman of SAMBA Capital (2018-2020) Member of the Board of SAMBA Financial Group (2003-2020) Member of the Executive Committee of SAMBA Financial Group (2003-2020) Chairman of Gulf One Investment Bank, Bahrain (2006-2014) Chairman of Al Alamiya for Cooperative Insurance Company, KSA (2009-2018) 	<ul style="list-style-type: none"> Master's degree in Business Administration from Pepperdine University in Los Angeles. Bachelor's degree in Business Administration from the University of Southern California in Los Angeles.
Mr. Mohammad Abo Al-Naja (Vice Chairman)	<ul style="list-style-type: none"> Chief Corporate Banking Officer at Riyadh Bank Member of the Credit Committee for AJIL Financial Services Company 	<ul style="list-style-type: none"> Executive Vice President – Corporate Banking Division at Riyadh Bank (2018-2020) Executive Vice President – Corporate Banking Services at Riyadh Bank (2014-2018) Senior Vice President – Corporate Banking (Multinational) at Riyadh Bank (2013-2014) Vice President – Manager, Corporate Banking (Central Region) at Riyadh Bank (2010-2013) Senior Relationship Manager at Riyadh Bank (2004-2010) 	<ul style="list-style-type: none"> Bachelor's degree in Law from King Saud University.

Name	Current Positions	Previous Positions and Experience	Qualifications
Mr. Mohammed Al-Salah (Member)	<ul style="list-style-type: none"> Senior Vice President – Manager, Corporate and Government Banking at Riyadh Bank 	<ul style="list-style-type: none"> Vice President – Manager, Corporate Banking (Central Region) at Riyadh Bank (2013-2017) Team Leader Corporate Banking Sector at Riyadh Bank (2009-2013) 	<ul style="list-style-type: none"> Bachelor's degree in Industrial Engineering from King Saud University.
Mr. Usman Mahmood (Member)	<ul style="list-style-type: none"> Chief Financial Officer and Group Strategist at Zahid Group Member of the Board of Altaaqa Alternative Solutions Holding Limited Member of the Board of Altaaqa Alternative Solutions Global FZE Member of the Board of OCS Arabia LLC Member of the Board of EJAR - The Machinery Rental Alternative Company Limited Member of the Credit Committee for AJIL Financial Services Company 	<ul style="list-style-type: none"> Director Finance and Accounting - Zahid Tractor and Heavy Machinery Company Limited (1996-2017) Chief Executive Officer – AJIL Financial Services Company (2008-2013) Member of the Board of Arabian Vehicles and Trucks Industry Machinery Company Limited (2019-2021) 	<ul style="list-style-type: none"> Associate member of the Chartered Institute of Management Accountants England & Wales. Associate member of British Institute of Management Bachelor's degree in Economics from University of the Punjab.
Mr. Haytham Zahid (Member)	<ul style="list-style-type: none"> Group President- Investments at Zahid Group Chairman of Zahid Travel Group Chairman of OCS Arabia LLC Chairman of Wared Logistics Member of the Board of Zahid Tractor and Heavy Machinery Company Limited Member of the Board of Altaaqa Alternative Solutions Holding Limited Member of the Board of Altaaqa Global Member of the Board of Z5G Holding Co Member of the Board of Hospitality Ventures Member of the Board of Universal Excellence Trading LLC Member of the Board of Perpetua Holding GmbH Member of the Board of Saudi Company for Site Technology. Ltd 		<ul style="list-style-type: none"> Bachelor's degree in Economics from Brown University, Providence.

Name	Current Positions	Previous Positions and Experience	Qualifications
Mr. Amr Al-Kabbani (Member)	<ul style="list-style-type: none"> Chief Executive Officer at Isam Khairi Kabbani(IKK) Group of Companies Member of the Board of Isam Khairi Kabbani(IKK) Group of Companies 	<ul style="list-style-type: none"> Chief Operating Officer at Isam Khairi Kabbani(IKK) Group of Companies (2011-2015) Regional Manager for the Gulf Countries at Credit Agricole Corporate & Investment Bank, Dubai, UAE (2004-2011) 	<ul style="list-style-type: none"> Bachelor's degree in International Business Administration from the American College in Paris
Dr. Faisal Baassiri (Member)	<ul style="list-style-type: none"> Managing Partner of M/s. Ashurst in Saudi Arabia Lawyer to the French Consulate Member of the Board of Gulf General Cooperative Insurance Company (GGI) Chairman of the Nomination & Remuneration Committee of GGI Member of the Risk Management Committee of GGI 	<ul style="list-style-type: none"> Head of Legal Affairs at SEDCO Holding (2006-2012) 	<ul style="list-style-type: none"> PhD in Law from Université Panthéon-Assas (Paris II) Baccalaureate in Economics from Institut Florimont, Geneva, Switzerland
Mr. Majid Al-Osailan (Member)	<ul style="list-style-type: none"> Chairman of the Energy and Environment Committee under the Saudi International Chamber of Commerce (ICC) Chairman of National Gas Distribution Company Chairman of the Audit Committee of Al-Abdullatif Industrial Investment Company Vice-Chairman of Green Solutions for Environmental Services Company Vice-Chairman of the National Committee of Cement Manufacturing Member of the Saudi International Chamber of Commerce (ICC) CEO and Member of the Board of City Cement Company Member of the Executive Committee for City Cement Company Member of the Board of Al-Abdullatif Industrial Investment Company Member of the Risk Committee in Al-Abdullatif Industrial Investment Company 	<ul style="list-style-type: none"> Deputy Chief Executive Officer at City Cement Company (2016-2019) Member of the Audit Committee for Al-Abdullatif industrial & investment (2016-2019) Member of the Board of National Distribution Gas (CJSC) (2016-2019) Member of the Board of Saudi Makamin (2016-2019) Member of the Audit Committee for Murabaha Installments Company (2015-2016) Chief Finance & Administration Officer at City Cement Company (2014-2016) Chief Financial Officer at City Cement Company (2012-2014) Senior Relationship Manager at Riyadh Bank (2010-2012) 	<ul style="list-style-type: none"> Master's degree in Business Administration from International University of America Bachelor's degree in Administrative Science Accounting from King Saud University

5.3 Board of Directors Meetings:

The Board conducted four meetings during the year 2021. The following table details the Board meetings' attendance:

#	Name	22 April 2021	29 July 2021	14 October 2021	21 December 2021	Total	Attendance Rate
1	Mr. Ali Alireza	✓	✓	✓	✓	4	100%
2	Mr. Mohammad Abo Al-Naja	✓	✓	✗	✓	3	75%
3	Mr. Mohammed Al-Salah	✓	✓	✓	✗	3	75%
4	Mr. Usman Mahmood	✓	✓	✓	✓	4	100%
5	Mr. Haytham Zahid	✓	✗	✓	✓	3	75%
6	Mr. Amr Al-Kabbani	✓	✓	✓	✓	4	100%
7	Dr. Faisal Baassiri	✓	✓	✓	✓	4	100%
8	Mr. Majid Al-Osailan	✓	✓	✓	✓	4	100%

5.4 Remuneration of the Board of Directors:

The remuneration of the Board members has been reserved as follows. No payment was made to the Board of Directors during the year ended 31 December 2021.

Board Member Name	Position	Remuneration (SAR)
Mr. Ali Alireza	Chairman	150,000
Mr. Mohammad Abo Al-Naja	Vice Chairman	150,000
Mr. Mohammed Al-Salah	Member	150,000
Mr. Usman Mahmood	Member	150,000
Mr. Haytham Zahid	Member	150,000
Total Non-Executive Board Members		750,000
Mr. Amr Al-Kabbani	Member	150,000
Dr. Faisal Baassiri	Member	150,000
Mr. Majid Al-Osailan	Member	150,000
Total Independent Board Members		450,000
Total Board Members		1,200,000

6- Board Committees

6.1 Audit Committee:

The primary role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to accounting and financial reporting, adequacy and effectiveness of the internal control environment, compliance with laws and regulations, and internal and external audit processes.

6.1.1 Audit Committee Composition:

#	Name	Position	Classification
1	Mr. Mohammed Al-Fadhel	Chairman	Non-Executive
2	Mr. Tariq Zaino	Member	Independent
3	Mr. Khurram Shahzad	Member	Independent

6.1.2 Audit Committee Members' Qualifications:

Name	Current Positions	Previous Positions and Experience	Qualifications
Mr. Mohammed Al-Fadhel (Chairman)	<ul style="list-style-type: none"> Senior Vice President – Manager MSME Department at Riyadh Bank 	<ul style="list-style-type: none"> Senior Vice President – Manager Retail Control & Support Department at Riyadh Bank (2019-2021) Vice President – Head of Corporate Credit Policy & Strategy at Riyadh Bank (2015-2019) Member of the Board of AJIL Financial Services Company (2015-2019) Assistant Vice President – Head of Multinational Credit Review at Riyadh Bank (2014-2015) Credit Manager at Riyadh Bank (2010-2014) Assistant Manager Credit at Riyadh Bank (2009-2010) 	<ul style="list-style-type: none"> Bachelor's degree in Business Administration from King Saud University
Mr. Tariq Zaino (Member)	<ul style="list-style-type: none"> Member of the Audit Committee for Saudi Reinsurance Company Founder of Zaino CPA (Tariq H. Zaino Chartered Accountant Co.) 	<ul style="list-style-type: none"> Audit Director at General Zakat & Tax Authority (2017-2019) Consultant and Financial Analyst at Capital Market Authority – Appeal Committee (2014-2017) Manager – Zakat and Tax at Ernst & Young (2012-2014) Assistant Manager – Zakat and Tax at Ernst & Young (2006-2012) Accountant at Saudi Chemical Company (2004-2006) 	<ul style="list-style-type: none"> Bachelor's degree in Accounting from King Saud University Member of SOCPA

Name	Current Positions	Previous Positions and Experience	Qualifications
Mr. Khurram Shahzad (Member)	<ul style="list-style-type: none"> Senior Manager Finance at AMAALA 	<ul style="list-style-type: none"> Senior Manager – Group Corporate Finance at Emaar the Economic City (2017-2020) Manager Finance – Group Corporate Finance at Emaar the Economic City (2015-2017) Manager Budgeting & Reporting - Group Corporate Finance at Emaar the Economic City (2014-2015) Senior Manager at Ernst & Young (2014-2014) Manager at Ernst & Young (2006-2014) Senior Auditor at Ernst & Young (2002-2006) 	<ul style="list-style-type: none"> Bachelor's degree in Commerce from University of the Punjab, Pakistan Fellow Member of Institute of Chartered Accountants of Pakistan.

6.1.3 Audit Committee Meetings:

During 2021, the Audit Committee held nine meetings. The following tables detail the Audit Committee meetings' attendance:

#	Name	11 February 2021	22 February 2021	25 April 2021	3 June 2021	29 July 2021
1	Mr. Mohammed Al-Fadhel	✓	✓	✓	✓	✓
2	Mr. Tariq Zaino	✓	✓	✓	✓	✓
3	Mr. Khurram Shahzad	✓	✓	✓	✓	✓

#	Name	19 August 2021	6 October 2021	24 October 2021	18 November 2021	Total	Attendance Rate
1	Mr. Mohammed Al-Fadhel	✓	✓	✓	✓	9	100%
2	Mr. Tariq Zaino	✓	✗	✓	✓	8	88.9%
3	Mr. Khurram Shahzad	✓	✓	✓	✓	9	100%

6.1.4 Remuneration of the Audit Committee Members:

The Audit Committee members' remuneration during 2021 is reflected below:

#	Member Name	Position	Remuneration(SAR)
1	Mr. Mohammed Al-Fadhel	Chairman	125,000
2	Mr. Tariq Zaino	Member	125,000
3	Mr. Khurram Shahzad	Member	125,000
Total			375,000

6.1.5 Changes to the Audit Committee's Composition:

The shareholders of the company in its ordinary general assembly meeting held on 28 December 2021 reconstituted the audit committee effective from 02 January 2022 as follows:

#	Name	Position	Classification
1	Mr. Amr Al-Kabbani	Chairman	Independent
2	Mr. Tariq Zaino	Member	Independent
3	Mr. Mohammed Al-Fadhel	Member	Non-Executive

6.2 Risk Management and Credit Committee (RMCC):

The primary role of the RMCC is to assess the company's risk profile and key areas of risk and identify mitigating factors related therewith.

6.2.1 RMCC Composition:

#	Name	Position	Classification
1	Mr. Abdulrahman Al-Zuwaidi	Chairman	Non-Executive
2	Mr. Mahmood Kamel	Member	Non-Executive
3	Mr. Naief Arab	Member	Executive

6.2.2 RMCC Members' Qualifications:

Name	Current Positions	Previous Positions and Experience	Qualifications
Mr. Abdulrahman Al-Zuwaidi (Chairman)	<ul style="list-style-type: none"> Executive Vice President, Internal Control & Market Risk at Riyadh Bank 	<ul style="list-style-type: none"> Member of The Audit Committee for Saudi Orix Leasing Company (2020-2020) Member of the Nomination & Remuneration Committee for Tabadul (2019-2020) Member of the Board of Oasis Flower for Trading Co (2017-2020) Chief Executive Officer at MEDGULF Saudi Arabia (2017-2018) Member of The Audit Committee for Saudi Orix Leasing Company (2015-2018) General Manager - Corporate Governance at The Saudi Investment Bank (2016-2017) Consultant at The Saudi Investment Bank (2014-2015) General Manager - Corporate Banking at Al Rajhi Bank (2013-2014) Division Head - Institutional Banking Group at NCB (2002-2013) 	Bachelor's degree in Business Administration from Kensington University, USA.
Mr. Mahmood Kamel (Member)	<ul style="list-style-type: none"> Corporate Credit Manager & Head of Risk at Zahid Tractor & Heavy Machinery Co. Ltd 	<ul style="list-style-type: none"> Corporate Credit Manager at Zahid Tractor & Heavy Machinery Co. Ltd (2015-2017) Regional Credit Manager at Zahid Tractor & Heavy Machinery Co. Ltd (2009-2015) 	Bachelor's degree in Business Administration from Ain Shams University, Cairo, Egypt.

Name	Current Positions	Previous Positions and Experience	Qualifications
		<ul style="list-style-type: none"> • Credit Risk Manager at NCB (2007-2009) • Regional Manager at AJIL Financial Services Company (2005-2007) • Executive Manager - Credit Administration/Control & Risk Management at the United Bank of Egypt (2004-2005) • Manager - Credit Administration/Control & Risk Management at Credit Agricole Egypt (1999-2004) • Head - Financial Institutions & Correspondent Banking at Societe Arabe Internationale de Banque (1994-1999) • Assistant Manager - Financial Institutions at UBS, Egypt (1989-1994) 	
Mr. Naief Arab (Member)	<ul style="list-style-type: none"> • Chief Operating Officer at AJIL Financial Services Company • Secretary of the Board of Directors of AJIL Financial Services Company • Member of the Risk Management and Credit Committee for AJIL Financial Services Company • Member of the Audit & Risk Committee for Sunbulah Group 	<ul style="list-style-type: none"> • Head of Treasury & Funding at AJIL Financial Services Company (2016-2018) • Risk & Treasury Manager at AJIL Financial Services Company (2016-2016) • Head Of Compliance at AJIL Financial Services Company (2013-2016) • Team Leader (Corporate Banking Group) at National Bank of Kuwait (2009-2013) • Senior Relationship Manager (Corporate Banking Group) at Bank Al-Jazira (2008-2009) • Relationship Manager(Corporate Banking Group) at Arab National Bank (2006-2008) • Relationship Manager (Corporate & Investment Banking Group) at Samba Financial Group (2002-2005) 	Bachelor's degree in Finance from Bentley University, USA

6.2.3 RMCC Meetings:

During 2021, the RMCC held four meetings. The following table details the RMCC meetings' attendance:

#	Name	1 April 2021	5 July 2021	4 October 2021	9 December 2021	Total	Attendance Rate
1	Mr. Abdulrahman Al-Zuwaidi	✓	✓	✓	✓	4	100%
2	Mr. Mahmood Kamel	✓	✓	✓	✓	4	100%
3	Mr. Naief Arab	✓	✓	✓	✓	4	100%

6.2.4 Remuneration of the RMCC Members:

The RMCC members' remuneration during 2021 is reflected below:

#	Member Name	Position	Remuneration(SAR)
1	Mr. Abdulrahman Al-Zuwaidi	Chairman	30,000
2	Mr. Mahmood Kamel	Member	30,000
3	Mr. Naief Arab	Member	30,000
Total			90,000

6.2.5 Changes to the RMCC's Composition:

During the month of November 2021, the Board of Directors resolved to appoint an additional member to the RMCC, the revised RMCC composition effective from 8 February 2022 is as follows:

#	Name	Position	Classification
1	Mr. Abdulrahman Al-Zuwaidi	Chairman	Non-Executive
2	Mr. Mahmood Kamel	Member	Non-Executive
3	Mr. Mohammed Barig Ahmed Siraj	Member	Non-Executive
4	Mr. Naief Arab	Member	Executive

6.3 Credit Committee:

The primary role of the Credit Committee is to approve credit facilities that exceed the limit delegated to the management as defined in AJIL's Delegation of Authority Matrix.

6.3.1 Credit Committee Composition:

During the month of September 2021, the Board of Directors resolved to appoint the following Credit Committee members effective from 24 October 2021.

#	Name	Position	Classification
1	Mr. Ali Alireza	Member	Non-executive
2	Mr. Mohammad Abo Al-Naja	Member	Non-executive
3	Mr. Usman Mahmood	Member	Non-executive

6.4 Executive Committee:

The primary role of the Executive Committee is to assist the Board of Directors in fulfilling its responsibilities with respect to developing and monitoring the performance of the company's Strategic and Business Plans.

6.4.1 Executive Committee Composition:

During the month of November 2021, the Board of Directors resolved to appoint the following Executive Committee members effective from 2 January 2022

#	Name	Position	Classification
1	Mr. Haytham Zahid	Chairman	Non-executive
2	Mr. Majid Al-Osailan	Member	Independent
3	Mr. Matar Al Khateeb	Member	Executive

6.5 Nomination & Remuneration Committee (NRC):

The primary role of the NRC is to assist the Board of Directors in fulfilling its responsibilities with respect to the following:

- Nominating candidates to the membership of the Board, its Committees and the Executive Management;

- Review the company's remuneration policy that governs the compensation of the Board, Board Committees' and Executive Management members;
- Evaluate the performance of the members of the Board and its Committees; and
- Review the company's compensation and benefits policy and incentives scheme.

6.5.1 NRC Composition:

The shareholders of the company in its ordinary general assembly meeting held on 28 December 2021, appointed the following NRC members effective from 2 February 2022.

#	Name	Position	Classification
1	Dr. Faisal Baassiri	Chairman	Independent
2	Mr. Ali Alireza	Member	Non-Executive
3	Mohammed Zaher Al Munajjed	Member	Independent

7- Executive Management

The Executive Management Members are responsible for managing the daily activities of the company, and proposing and executing strategic decisions.

7.1 Executive Management Composition:

The composition of the Executive Management of the company during the year ended 2021 was as follows:

#	Name	Position
1	Mr. Matar Mohammad Al Khateeb	General Manager
2	Mr. Naief Nihad Arab	Chief Operating Officer (COO)
3	Mr. Wassal Al Malki	Chief Financial Officer (CFO)

7.2 Executive Management Qualifications:

Name	Current Position	Previous Position and Experience	Qualifications
Mr. Matar Al Khateeb (General Manager)	<ul style="list-style-type: none"> General Manager at AJIL Financial Service Company Member of the Audit Committee of Jeddah Chamber of Commerce 	<ul style="list-style-type: none"> Member of the Risk Management and Credit Committee of AJIL Financial Service Company (2014-2020) Chief Financial Officer at AJIL Financial Services Company (2009-2016) Regional Manager Finance & Accounts at Zahid Tractor & Heavy Machinery Co. Ltd (2002-2009) 	Master's Degree in Political Sciences from Insitut D'Etudes Politiques, Aix-En-Provence, France
Mr. Naief Arab (COO)	<ul style="list-style-type: none"> Chief Operating Officer at AJIL Financial Services Company Member of the Risk Management and Credit Committee of AJIL Financial Services Company Secretary of the Board of Directors of AJIL Financial Services Company 	<ul style="list-style-type: none"> Head of Treasury & Funding at AJIL Financial Services Company (2016-2018) Risk & Treasury Manager at AJIL Financial Services Company (2016-2016) Head Of Compliance at AJIL Financial Services Company (2013-2016) Team Leader (Corporate Banking Group) at National Bank of Kuwait (2009-2013) Senior Relationship Manager (Corporate Banking Group) at Bank Al-Jazira (2008-2009) Relationship Manager(Corporate Banking Group) at Arab National Bank (2006-2008) Relationship Manager (Corporate & Investment Banking Group) at Samba Financial Group (2002-2005) 	Bachelor's degree in Finance from Bentley University, USA

Name	Current Position	Previous Position and Experience	Qualifications
Mr. Wassal Al Malki (CFO)	<ul style="list-style-type: none"> Chief Financial Officer at AJIL Financial Services Company (From Jun 2021 until Feb 2022) 	<ul style="list-style-type: none"> Policy Lead, International Taxation at Saudi G20 Finance Track – Ministry of Finance (2019-2021) Transfer Pricing Supervisor, Risk, and Audit at The General Authority of Zakat & Tax (2018-2019) Finance Instructor at MFTC - Managerial & Financial Training Center (2018-2019) Senior Officer, Risk Analytics at NCB (2015-2018) Accountant at Saudi Aramco (2014-2015) Accountant at AJIL Financial Service Company (2010-2013) 	<p>CFA Charter Holder</p> <p>Bachelor's Degree in Accounting & Information System from Al Faisal University</p>

7.3 Senior Management:

The Senior Management members are responsible of managing the company's functions and departments, the composition of the Senior Management of the company during the year ended 2021 was as follows:

#	Name	Position
1	Mr. Abbas Natto	Head of Information Technology
2	Mr. Rami Saber	Head of Information Security
3	Mrs. Kawther Elahi	Head of Compliance
4	Mr. Hattan Alhamdan	Head of Risk Management
5	Mr. Nedal El Kafrawy	Head of Quality Control
6	Mr. Abdu Al Masaari	Head of Human Resources
7	Mr. Muhammad Khurram Sheik	Advisor Finance and Business Development
8	Mr. Roshantha Pathmaperuma	Head of Corporate Lease Business
9	Mr. Khaled Ayoub	Head of Credit Administration
10	Mrs. Alaa Halwani	Manager Customer Care

7.4 Remuneration of Top Five Executive/Senior Management Members:

The total annual remuneration of the top five Executive/Senior Management members (including CEO and CFO) during 2021 is reflected below:

Remuneration Type	Total Amount in Saudi Riyal
Salaries	2,566,900
Allowances	1,416,465
In-kind benefits	65,522
Total Fixed Remuneration	4,048,887
Periodic Reward	380,000
Profit Share	-
Short-term incentive plans	-
Long-term incentive plans	369,360
Total Variable Remuneration	749,360
Total Remuneration	4,798,247

8- Internal Control

The Board of Directors and Executive Management are responsible for the design and implementation of the internal control system and all AJIL employees are ultimately responsible for operating and maintaining an effective internal control system at their respective levels.

8.1 Risk Management:

AJIL is applying its Risk Management Framework to identify, manage, measure, and report all potential risks to ensure that the level of risk taken by the company is consistent with shareholders' expectations and the company's strategic objectives.

With the administration of more than 59 million COVID-19 vaccine doses so far and considering that around 24 million (circa 70 percent) of the population have been fully vaccinated, the company is confident that pandemic-related disruptions are unlikely to occur again. As a result, COVID-19 presents limited risks to the company going forward.

Although the company's sales and collection performance has recovered in 2021 from the impact of the COVID-19, the company booked an additional Expected Credit Loss provision due to limited recoveries from non-performing customers.

From a liquidity perspective, the company has access to adequate and diversified funding facilities from banks such as securitization, Musharaka-based lines, short and medium-term loans, and committed funded lines to finance its short and long-term funding needs. Therefore, the company is not significantly exposed to liquidity risk.

As a financing company, credit risk remains one of the company's main risks. During 2021, the company reviewed and updated its Credit Policy and established a credit committee with the objective of enhancing its governance, processes and controls related to the credit risk evaluation, mitigation, monitoring and review of customers' exposures.

To reduce operational risks, the company continues to invest in its IT infrastructure to automate business processes with the objectives of eliminating manual controls and reducing the likelihood of human error.

8.2 Compliance and Anti Money Laundering:

8.2.1 Compliance:

AJIL established an independent Compliance Department that reports directly to the Audit Committee. The Compliance Department is responsible for ensuring the company's compliance with the financing laws and regulations by following a Compliance policy and a Compliance Program that are updated annually to cover the following:

- Identifying and dealing with all compliance risks and monitoring all relevant developments;
- Analyzing new procedures, policies, operations and suggesting the procedures to address relevant compliance risks;
- Following a risk-based compliance program and including its findings in the compliance report;
- Promoting awareness of compliance issues and providing training for employees on compliance related matters through periodic programs; and
- Reporting any irregularities and/or violations promptly to SAMA and the Audit Committee.

8.2.2 Anti-Money Laundering & Counter Terrorism Financing:

AJIL's Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) function is established as part of the company's Compliance Department. AJIL established this function to combat money

laundering and terrorism financing activities by setting a number of controls that assess and mitigate the risks and ensure the company's compliance with the relevant laws and regulations. AML/CTF major controls are as follows:

- AML/CTF Policy.
- Customers' AML/CTF Risk Assessment and rating Model.
- Know Your Customers procedures.
- Customers' Due Diligence and Enhanced Due Diligence procedures.
- Monitoring of high risk transactions from AML/CTF prospective.
- Customers' screening against UN sanction lists.

8.3 Internal Audit:

The Internal Audit function is independently and actively supporting AJIL's identification, evaluation and mitigation of risks, and serving as a proponent for internal controls and its continuous improvement. AJIL's Internal Audit reports independently to the Audit Committee in order to provide the Board of Directors with an objective assurance regarding the adequacy and effectiveness of risk management, internal controls, and governance processes.

During 2021, the company outsourced the Internal Audit function to PricewaterhouseCoopers (PwC). The Internal Audit carries out its functions in accordance with the annual audit plan approved by the Audit Committee and adopts a risk-based approach in executing the audit plan, focusing on Credit Risk & Administration, Account Receivables & Collection, Customer Care, Compliance, and Risk Management functions.

AJIL's Internal Audit submits quarterly reports to the Audit Committee that summarize the status of executing the internal audit plan, the findings noted during the audit reviews along with the audit recommendations, the management corrective measures and its target implementation date. The Internal Audit also monitors the implementation of audit recommendations through quarterly follow-up reviews in order to assure that the identified risks and control measures have been addressed by the management in an effective and timely manner.

8.4 Effectiveness of the Internal Control Environment

The Board of Directors reviews the periodic reports issued by the Board Committees and Control Functions, and nothing has come to the attention of the Board of Directors that causes it to believe that the system of internal control has not been properly designed or implemented.

The Board is of the opinion that the controls, organizational structure, policies, and procedures that constitutes the current Internal Control Environment are 'sufficient' and continuously monitored and updated in order to manage any changes or developments and to improve its effectiveness.

9- Related Parties Transactions

The company deals with certain related parties during its normal course of business. The Board of Directors and management ensure that related parties' transactions pricing and terms are conducted on commercial terms and on arm's length basis. The following table details the contracts/businesses conducted with related parties during the fiscal year ended on 31 December 2021.

#	Service Provider	Nature of Service/Business	Value (SAR)	Term/ Duration	Related Party Name
1	Riyad Bank	Short Term Loans	245,000,000	12 Months	<ul style="list-style-type: none"> • Riyadh Bank, Shareholder (48.46%) • Mr. Mohammad Abo Al-Naja, Vice Chairman • Mr. Mohammed Al-Salah, Board Member
2	Riyad Bank	Medium Term Loans	116,000,000	36 Months	<ul style="list-style-type: none"> • Riyadh Bank, Shareholder (48.46%) • Mr. Mohammad Abo Al-Naja, Vice Chairman • Mr. Mohammed Al-Salah, Board Member
3	Zahid Tractor & Heavy Machinery Co Ltd.	Rent of offices and employees accommodation.	865,867	12 Months	<ul style="list-style-type: none"> • Mr. Usman Mahmood, Board Member • Mr. Haytham Zahid, Board Member
4	Zahid Tractor & Heavy Machinery Co Ltd.	Purchase of leasing equipment	301,132,185	12 Months	<ul style="list-style-type: none"> • Mr. Usman Mahmood, Board Member • Mr. Haytham Zahid, Board Member
5	Arabian Company for Marketing Services LLC	Advertising Services	41,400	12 Months	<ul style="list-style-type: none"> • Mr. Usman Mahmood, Board Member • Mr. Haytham Zahid, Board Member
6	Zahid Travel Group	Travel services	33,642	12 Months	<ul style="list-style-type: none"> • Mr. Usman Mahmood, Board Member • Mr. Haytham Zahid, Board Member
7	Outsourced Client Solutions - OCS	Repair and maintenance services	1,328	12 Months	<ul style="list-style-type: none"> • Mr. Usman Mahmood, Board Member • Mr. Haytham Zahid, Board Member
8	Nihad Abdullah Arab & Sons Limited Company	Labor services	203,723	12 Months	<ul style="list-style-type: none"> • Mr. Naief Nihad Abdullah Arab, COO & Secretary of the Board of Directors
9	Juffali Industrial Product Company	Purchase of leasing equipment	56,621,400	12 Months	<ul style="list-style-type: none"> • Khaled Ahmed Al Juffali Company Shareholder (5%)
10	EJAR Machinery Rental Alternative Co. Ltd.	Purchase of leasing equipment	407,906	12 Months	<ul style="list-style-type: none"> • Mr. Usman Mahmood, Board Member • Mr. Haytham Zahid, Board Member

#	Service Provider	Nature of Service/Business	Value (SAR)	Term/ Duration	Related Party Name
11	Haji Hussein Ali Reza Company Limited	Purchase of leasing equipment	8,009,750	12 Months	<ul style="list-style-type: none"> Chairman of the Board Mr. Ali H. Alireza
12	Juffali Printing Systems Company	Purchase of leasing equipment	52,762	12 Months	<ul style="list-style-type: none"> Khaled Ahmed Al Juffali Company Shareholder (5%)
13	The Machinery Group LLC (TAMGO)	Purchase of leasing equipment	11,317,862	12 Months	<ul style="list-style-type: none"> Mr. Usman Mahmood, Board Member Mr. Haytham Zahid, Board Member
14	Saudi Company for Site Technology Ltd.,	GPS installation services	472,454	12 Months	<ul style="list-style-type: none"> Mr. Usman Mahmood, Board Member Mr. Haytham Zahid, Board Member
15	Wared Transport Co.	Courier services	4,747	12 Months	<ul style="list-style-type: none"> Mr. Usman Mahmood, Board Member Mr. Haytham Zahid, Board Member

10- Declarations

10.1 Board Assurance:

The Board of Directors, with reference to the year ending 31 December 2021, confirms that:

- Proper books of accounts have been maintained and the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and circulars issued by the Saudi Organization for Certified Public Accountants (SOCPA).
- All Internal Audit recommendations have been properly implemented or are being implemented.
- There is no doubt over AJIL's ability to continue as a going concern in the foreseeable future.
- During the year 2021, the company did not pay any fine and/or penalties for violations/non-compliance of applicable laws and regulations except for the following:

Subject of the Violation	Previous Fiscal Year		Current Fiscal Year	
	Number of Executive Decisions	Total Amount of Fines (in SAR)	Number of Executive Decisions	Total Amount of Fines (in SAR)
Violation of SAMA's Supervisory and Control Instructions	3	75,000	2	75,000
Violation of SAMA's Customers' Protection Instructions	-	-	1	25,000
Violation of SAMA's Anti-Money Laundering and Counter Terrorism Financing Due Diligence	-	-	-	-
Violation of GOSI Regulations	1	10,000	-	-

10.2 Corporate Social Contributions:

In line with our corporate social responsibility, and to highlight the abilities of children with intellectual disabilities and the importance of maintaining an active lifestyle, AJIL participated in the Help Center's initiative "Let's Walk the Walk together 2021". The Help Center is a non-profit organization committed to enhance the quality of life of individuals with intellectual disabilities.

10.3 Applicable Laws:

AJIL adheres to the provisions of all applicable laws, rules and regulations including but not limited to the following:

- Companies' Law
- Corporate Governance Regulations for Non-Listed Joint Stock Companies
- Finance Companies Control Law
- Implementing Regulations of Finance Companies Control Law
- Finance Lease Law
- Implementing Regulations of Finance Lease Law
- Key Principles of Governance in Financial Institutions
- Anti-Money Laundering Law

10.4 General Assembly Meetings:

Two Ordinary General Assembly meetings (OGM) were held during 2021. The following is the list of Board members who attended the meetings:

General Assembly Meeting Date	General Assembly Meeting Type	Board Member Name	Board Member Capacity
24 June 2021	Ordinary	Mr. Ali Alireza	Chairman of the Board
28 December 2021	Ordinary	Mr. Ali Alireza	Chairman of the Board

11- Looking Ahead

Looking forward, with our refreshed strategy for growth, we will continue to proceed in the direction of Saudi Vision 2030. Under the Vision Realization Programs, we are exploring all viable business opportunities available for financing companies and would like to innovate and add value wherever possible. With our commitment to the Financial Sector Development Program, AJIL will continue its focus on enhancing and developing its technological strength.

While further improving on its core business of SME financing, AJIL will also explore and contribute to other segments of the financing companies' market. Our priority would remain the quality of service and trust of our valued customers.

The Board of Directors takes this opportunity to express its gratitude to our esteemed leadership, the Government of the Kingdom of Saudi Arabia. We would like to express our sincere appreciation for the visionary leadership of The Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al-Saud and the Crown Prince Mohammed bin Salman bin Abdulaziz Al-Saud.

We also extend our appreciation to the Saudi Central Bank (SAMA), the Ministry of Commerce (MOC) and the Zakat, Tax and Customs Authority (ZATCA) for their continuous support to our sector.

We thank our shareholders and business partners for their continued loyalty, faith and support in AJIL. The Board also expresses its appreciation to AJIL's Management team for their contribution and professionalism.

May Allah enlighten our path and bless us in realizing our vision of becoming the leading financial services institution in Saudi Arabia.

Board of Directors
AJIL Financial Services Company