



أجل. . AJIL

شركة أجل للخدمات التمويلية  
AJIL Financial Services Company

BOARD OF DIRECTORS'

REPORT 2020



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## **1. Chairman's Message:**

*I am pleased to present the annual report of AJIL Financial Services Company (AJIL) for the year ended on 31<sup>st</sup> December 2020.*

*The world has witnessed an exceptional year marked by the spread of COVID-19, which not only presented serious health threats and concerns, but also caused many changes to our lifestyle on both professional and personal levels.*

*From a general business point of view, the local and international landscape suffered a severe deterioration in business activity, profitability, and opportunities. Companies of various sizes and sectors were forced to take hard decisions in order to control their costs including the difficult decision of reducing their workforce.*

*As this situation and challenges continue to affect us, the announcement and start of massive vaccination of large numbers of the world population against COVID-19 allowed and contributed to an improvement in the outlook. As we move on and as more and more people are receiving the vaccine, we believe that the next weeks and months will be crucial in setting up the tone in this serious fight from all points of view: medical, educational, financial etc. We remain optimistic and feel that we have crossed the most difficult months and that, with God's Will, the future will show gradual improvements paving the way back to normality.*

*For AJIL, this situation has led to a reduction in the level of new business which dropped to SR 787M in 2020 (compared to SR 1033M in 2019). Despite the fact that the profit from operations stood at SR 120.7M in 2020 (compared to SR 129.2M in 2019) and general and administrative expenses remained in control, deterioration in the receivables portfolio led to higher provisions for expected credit losses (under IFRS 9) which eventually resulted in net losses of SR 44.5M in 2020 (compared to net profit SR 24.2M in 2019). This matter was discussed at length during Board meetings and a recovery plan was presented by the management and approved by the Board.*

*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 doing everything possible to manage these challenges until we see our company back to the performance level we have been accustomed to since many years.*

*In conclusion, I would like to thank the management and all the staff members for the hard work and dedication they have shown in sailing AJIL through 2020 and remain optimistic that the next few years will bring in better news to all of us.*

*Yours' Sincerely  
Ali Hussein Alireza*

## **2. Board of Directors:**

The term of the former board of directors of the company ended on 13 September 2020. The shareholders of the company in the extra ordinary general meeting held on 14 September 2020 elected a new board of directors with eight board members, including three independent members, for a new term of 3 years.

### **1- Mr. Ali Hussein Alireza (Member and Chairman)**

Mr. Alireza joined AJIL's board in September 2020 as a new member. The board of directors resolved to appoint Mr. Alireza as the Chairman of the Board for its term ending on 13 September 2023.

#### **Other Key Positions:**

Mr. Alireza currently holds the following positions:

- Managing Director of Haji Husein Alireza & Company
- Chairman of SAMBA Capital
- Chairman of Hertz Rental and Leasing
- Chairman of National Computer Systems Company (NATCOM)
- Member of the Board of SAMBA Financial Group
- Member of the Executive Committee of SAMBA Financial Group
- Member of the Board of Arabian Petroleum Supply Company (APSCO)

#### **Qualifications:**

- 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.

### **2- Mr. Mohammed Abdulaziz Abu Al-Naja (Member and Vice Chairman)**

Mr. Abu Al-Naja has been serving as a board member since 2017 and has been elected for another term. The board of directors resolved to appoint Mr. Abu Al-Naja as the Vice Chairman of the Board for its term ending on 13 September 2023.

#### **Other Key Positions:**

Mr. Abu Al-Naja currently holds the following position:

- Executive Vice President – Head of Corporate Banking Division at Riyadh Bank

#### **Qualifications:**

- Bachelor's degree in Law from King Saud University

### **3- Mr. Usman Mahmood (Member)**

Mr. Mahmood has been serving as a board member since 2013 and has been elected for another term. Mr. Mahmood is the former CEO and one of the founding members of AJIL.

#### **Other Key Positions:**

Mr. Mahmood currently holds the following positions:

- Chief Financial Officer and Group Strategist– 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 Arabian Vehicles and Trucks Industry Machinery Company Limited

#### **Qualifications:**

- 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

#### **4- Mr. Mohammed Al-Salah (Member)**

Mr. Al-Salah has been serving as a board member since 2019 and has been elected for another term.

#### **Other Key Positions:**

Mr. Al Salah currently holds the following position:

- Senior Vice President – Manager, Corporate and Government Banking at Riyadh Bank

#### **Qualifications:**

- Bachelor's degree in Industrial Engineering from King Saud University

#### **5- Mr. Haytham Zahid (Member)**

Mr. Zahid joined AJIL's board as a new member. He is an experienced corporate executive, holding various leading positions in other organizations.

#### **Other Key Positions:**

Mr. Zahid currently holds the following positions:

- Group President- Investments at Zahid Group
- Chairman of the Board of Zahid Travel Group
- Chairman of the Board of OCS Arabia LLC
- 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 Alternative Solutions Global FZE
- Member of the Board of Hospitality Ventures
- Member of the Board Perpetua Holding GmbH

#### **Qualifications:**

- Bachelor's in Economics from Brown University, Providence.

#### **6- Mr. Amr Mamoun Khairi Al Kabbani (Independent Member)**

Mr. Kabbani has a diversified business experience of over 35 years – of which 25 years as a local/regional Corporate Banker and 10 years as Senior Executive and Board Member in a large private group. He has been elected as an independent member of the board.

### **Other Key Positions:**

Mr. Kabbani currently holds the following positions:

- Chief Executive Officer of the Isam Khairi Kabbani(IKK) Group of Companies
- Member of the Board of the IKK Group

### **Qualifications:**

- International Business Administration Degree (B.A.) from American College in Paris

## **7- Dr. Faisal Baassiri (Independent Member)**

Dr. Baassiri is a known leading lawyer in Saudi Arabia with more than 17 years' experience with particular expertise in corporate/commercial, dispute/arbitration and infrastructure projects. He has been elected as an independent member of the board.

### **Other Key Positions:**

Dr. Baassiri currently holds the following positions:

- Managing Partner of Faisal Adnan Baassiri Law firm in association with Ashurst LLP- Saudi Arabia
- Lawyer to the French Consulate
- Member of the Board of Directors of Gulf General Cooperative Insurance Company (GGI)
- Chairman of the Nomination & Remuneration Committee of GGI
- Member of the Risk Management Committee of GGI

### **Qualifications:**

- PhD in Law from Université Panthéon-Assas (Paris II)
- Baccalaureate in Economics from Institut Florimont, Geneva, Switzerland

## **8- Mr. Majed Abdulrahman Al Osailan (Independent Member)**

Mr. Al Osailan has more than 17 years of practical experience in various fields, including financial institutions, light & heavy manufacturing industries, oil & gas, renewable & sustainable energy, and services. He has been elected as an independent member of the board.

### **Other Key Positions:**

Mr. Al Osailan currently holds the following positions:

- Chief Executive Officer & Board Member of City Cement Company
- Member of the Board of Al-Abdullatif Industrial & Investment
- Member of the Board of National Distribution Gas (CJSC)
- Chairman of the Audit Committee for Al-Abdullatif industrial & investment

### **Qualifications:**

- Master's in Business Administration from International University of America
- Bachelor's in Administrative Science Accounting from King Saud University

### **3. Business and Strategy:**

#### **3.1 A Year in view (reflection of 2020):**

For AJIL, 2020 was a year when carefully drafted strategies and plans had to be revisited and revised. The year was characterized by lockdowns, the adoption of working from home, and a virtual approach to meetings and engagements.

SME support programs introduced by the Saudi Central Bank (SAMA) and the General Authority for Small and Medium Enterprises (Monsha'at) were an important development that helped keep many businesses afloat. These Deferment of Payments Programs enabled Micro, Small and Medium Enterprises (MSMEs), to delay repayment of loans and other financial obligations to the relevant funding entities for a period of 12 months. This provided a vital lifeline that enabled many companies to remain operational.

During the period, valuable lessons were learned, including the ability of individuals and teams to work virtually from home and meet the needs of customers without face-to-face interaction. Key measures that were taken to ensure business continuity include, but not limited to, providing necessary resources to key employees to work from home, ensuring safe movement of employees and documents whenever necessary, and most importantly adherence to all regulations and precautionary measures announced by relevant government authorities.

The resilience of AJIL's IT infrastructure was thoroughly tested when lockdowns and business processes were consistently reviewed throughout the year and, when necessary, re-engineered to improve their efficiency in supporting operational continuity and efficiency.

#### **3.2 Strategy:**

During the last few years and within its efforts to grow the operation and develop its client base, AJIL has focused on the following main areas:

- Offer new financial solutions and products, such as launch of Murabaha Financing and Factoring.
- Diversify and increase services to SMEs. This is an ongoing process which is being enhanced by our close cooperation with Monsha'at and Kafalah.
- Focusing to achieve operational efficiencies by introducing automation in various key processes that would lead to lower operating cost and better services to the stakeholders.

#### **3.3 Business Offerings:**

At AJIL, we are committed to providing 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.

We offer Financial Leasing of productive assets, including small and large equipment, light and heavy vehicles, plants and machinery, other capital assets for infrastructure development, industrial expansions, agricultural needs, transportation and logistics services, Information Technology, medical services and trading.

AJIL offers Murabaha Financing to meet customers' funding requirements beyond financing of capital assets, which can help meet working capital requirements and growth plans. Murabaha financing tenor varies from 6 months to 36 months, according to the nature of purchases and the working capital cycle of the customer.

Whether companies are looking to build an infrastructure to support their operations or invest in technology and machinery to enhance automation, AJIL offers tailored financial solutions to meet their needs. AJIL is committed to play a key role in meeting the needs of large corporations as well as SMEs, pioneering growth in KSA.



## 4. Financial Highlights:

### 4.1 Summary of Financial Results:

Despite several challenges as a result of COVID-19, the company managed to book new lease and Murabaha transactions amounting to SR 787 million during 2020. Revenues and financial cost witnessed a decline in line with the reduction in financing rates in the market.

To mitigate the impact of COVID-19 on the SME sector, The Saudi Central bank (“SAMA”) and the General Authority for Small and Medium Enterprises (“Monsha’at”) announced financial support programs. The company actively participated in these programs and passed on the support to its eligible customers. These support programs also contributed towards reduced revenues and financial cost for the year. More details are given in the enclosed financial statements for the year ended 31 December 2020.

Using the forward looking approach and considering the possible impact of economic downturn on our customers and therefore on lease and Murabaha receivables, we significantly increased the provisions for expected credit losses for the year. As a result, after 22 years of profitable operations, the company is reporting a net loss of SR 44.5M for the year 2020. Despite facing various challenges in recovery of non-performing accounts, the company is fully geared to improve its collections moving forward while maintaining adequate levels of provisions.

We remain optimistic that government initiatives will be instrumental in helping customers impacted by COVID-19. We continue to cooperate closely with the authorities to navigate hurdles in recovery of debts from non-performing accounts. We expect that with the improvement in the economy and recoveries from non-performing loans, provisions will be reversed in the coming years.

### 4.2 Financial Performance:

Below is a summary of key performance indicators for 2020 in comparison to 2019:

#### Business:

Description	2020 (SR in million)	2019 (SR in million)
New Lease & Murabaha Transactions	787	1033

#### Revenue and Profitability:

Description	2020 (SR in million)	2019 (SR in million)
Revenues from Lease and Murabaha	131.1	155.7
Financial Cost	(10.4)	(26.5)
Profit from Operations	120.7	129.2
General & Administrative Expenses	(59.9)	(61.3)
Provisions Against Credit Losses	(92.8)	(37.1)
Lease & Murabaha Modification losses (net)	(12.1)	-
Zakat and Tax Expenses	(0.4)	(6.6)
Net Profit / (Loss) for the Period	(44.5)	24.2

### Financial Standing:

Description	2020 (SR in million)	2019 (SR in million)
Lease Receivables (net)	1,212	1,334
Murabaha Receivables (net)	389	227
Total Liabilities	892	794
Shareholders' Equity	837	882
Debt to Equity Ratio (times)	0.89	0.82
Aggregate Financing Ratio (times)	2.07	2.12

### 4.3 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 2020, 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).

### 4.4 Credit Facilities:

The company is maintaining very healthy relationships with a number of Saudi and regional Banks and financial institutions. Despite the economic crisis and decrease in requirements of funds, our bankers maintained our credit facilities at healthy levels. They showed full confidence in our business by maintaining our short-term loan facilities at competitive rates and by providing us with new medium-term loan facilities.

Description	2020 (SR in million)	2019 (SR in million)
Opening balance of loans	726	612
Proceeds from loans	308	1,121
Repayments of loans	(286)	(1,007)
Closing balance of loans	<b>748</b>	<b>726</b>

As at 31 December 2020, total credit facilities available to AJIL amounted to SR 2,514 Million (2019: SR 2,657 Million).

### 4.5 Related Party Transactions:

The related parties represent shareholders, board members, key management persons and entities and individuals controlled or significantly influenced by them. A related party transaction is a transfer of resources, services or obligations to or from a related party. All the reported transactions with related parties in note 17 of the enclosed audited financial statements are conducted on arm's length basis.

### 4.6 Payment of Zakat & Income Tax:

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 2019 within the stipulated timeline. The Company is calculating Zakat accruals for the period ended 31 December 2020 based on the new Zakat rules for financing activities. The company has secured an unrestricted Zakat and Tax Certificate valid until 30

April 2021. Further details concerning Zakat and Taxes are mentioned in the note 20 of the enclosed audited financial statements.

#### **4.7 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 assist with personal and professional development, we conduct a number of training sessions with major providers, enhancing our employees' expertise in areas such as financial crime, cybersecurity best practice, and fraud awareness.

We are proud of our Junior Leadership Development Program which was designed to help young managers develop leadership and management skills. Participants in the program are able to enhance their skills in terms of communication, self-awareness, relationship building and effective time management.

During lockdown, employees were provided the necessary support to set up themselves to work effectively from home. All our physical locations have followed Ministry of Health and Ministry of Labor health, safety & environment (HSE) guidelines, including the enforcement of social distancing and sanitization protocols. We have made special provisions for employees who are in the high-risk category due to age and underlying health conditions.

To support 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. The efficacy of our programs is evident in the strength of our female workforce which encompasses 19 female members of staff, 4 of whom are in senior positions.

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

## 5. Ownership Structure:

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

### 5.1 Shareholders as at 31 December 2020:

Shareholders	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
Hussein Alireza Sons Company Limited	5.00%	2,500,000
<b>Total</b>	<b>100%</b>	<b>50,000,000</b>

### 5.2 Changes in Shareholding Structure during the Year:

On 29 May 2019, one of the shareholders, Al-Wasilah Rent a Car Company Limited, agreed to sell its entire shareholding (2,500,000 shares) to its affiliate Hussein Alireza Sons Company Limited. Legal formalities for the transfer of shares were completed in all respects and share register was updated by the Company on 03 February 2020.

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 share register was updated by the Company on 01 November 2020.

### 5.3 Dividend Policy:

The main objective of the dividend policy is to provide a return to shareholders to meet their investment expectations with due consideration to capital management and growth requirements of the company. The dividend policy also aims to build the long-term shareholder value, market confidence in the company and company's ability to meet its strategic growth plans by reinvesting the remaining profits earned.

## **6. 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.

The COVID-19 pandemic has had an impact on the company's profitability due to the slowdown in sales as well as collection during the year. As a result of lower collection levels, the company booked an additional Expected Credit Loss provision due to limited recoveries from non-performing customers and the deferment of installments under the various government programs the company is participating in to support the private sector.

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 current and long-term funding needs. Therefore, the company is not significantly exposed to liquidity risk.

However, if the economic slowdown continues for a longer period or lockdown restrictions are re-imposed due to a second wave, the company's profitability may be impacted further. The company continues to closely monitor the situation and will modify its approach based on prevailing economic conditions.

As a financing company, credit risk remains one of the company's main risks. The company is currently updating its credit policies and procedures to enhance tools and controls related to the credit risk evaluation, mitigation, monitoring, and review of customers' exposures.

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

## **7. Compliance and Anti Money Laundering:**

### **7.1 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 and 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.

### **7.2 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 transaction from AML/CTF prospective.
- Customers' screening against UN sanction lists.

## **8. Internal Audit:**

The Internal Audit Department 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 Department 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.

The Internal Audit Department carries out its functions in accordance with the annual audit plan approved by the Audit Committee. It 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. Further, the Internal Audit Department reviewed the health and safety measures implemented by AJIL during 2020 to ensure the safety of employees working in AJIL's premises during the pandemic and to assess the level of compliance with the protocols issued by the Ministry of Health.

AJIL's Internal Audit Department submits quarterly reports to the Audit Committee that summarize the status of executing the internal audit plan, findings noted during the audit reviews along with the audit recommendations, the management corrective measures and its target implementation date. The Internal Audit Department 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.

## 9. Governance:

### 9.1 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
- Anti-Money Laundering Law

### 9.2 Meetings of the Board of Directors:

During the year 2020, due to precautionary measures taken in respect of COVID-19, all board meetings were held virtually using electronic channels. The first and the second meetings were attended by the members of the former board of directors of the company as mentioned below. The term of the former board ended on 13 September 2020.

Board Members	Role	Attendance	
		1 <sup>st</sup> Meeting 16-Apr-2020	2 <sup>nd</sup> Meeting 09-Aug-2020
1- Mr. Waleed Y. Zahid	Chairman	✓	✓
2- Mr. Mohammed Abu Al-Naja	Vice Chairman	✓	✓
3- Mr. Usman Mahmood	Member	✓	✓
4- Mr. Mohammed Al-Salah	Member	✓	✓
5- Mr. Mohammed Al-Fadhel	Member	✓	✓

The third and the fourth meetings were attended by members of the new board of directors of the company as mentioned below. The term of the new board started on 14 September 2020.

Board Members	Role	Attendance	
		3 <sup>rd</sup> Meeting 22-Oct-2020	4 <sup>th</sup> Meeting 23 Dec 2020
1- Mr. Ali Hussein Alireza	Chairman	✓	✓
2- Mr. Mohammed Abu Al-Naja	Vice Chairman	✓	✓
3- Mr. Usman Mahmood	Member	✓	✓
4- Mr. Mohammed Al-Salah	Member	✓	✓
5- Mr. Haytham Zahid	Member	✓	✓
6- Mr. Amr Kabbani	Independent Member	✓	✓
7- Dr. Faisal Baassiri	Independent Member	✓	✓
8- Mr. Majed Al Osailan	Independent Member	✓	✓

### 9.3 Remuneration of the Board of Directors:

During the year 2020, no remuneration was paid to the members of the board of directors of the company for their services as directors.



#### 9.4 Executive Management:

The composition of the Executive Management of the company during the year ended 2020 was as follows:

Name	Role
Mr. Matar Mohammad Al Khateeb	General Manager
Mr. Naief Nihad Arab	Chief Operating Officer
Mr. Khurram Sheikh	Chief Financial Officer
Mrs. Kawther Elahi	Head of Compliance
Mr. Hattan Alhamdan	Head of Risk Management
Mr. Abdu Al Masaari	Head of Human Resources
Mr. Roshantha Pathmaperuma	Head of Corporate Lease Business
Mr. Nedal El Kafrawy	Head of Internal Audit
Mr. Abbas Jamal A. Natto	Head of Information Technology

#### 9.5 Remuneration of Executive Management:

The remuneration of the executive management for the year ended 31 December 2020 was SR 5.77 million.

#### 9.6 Board Committees:

##### 9.6.1 Audit Committee:

The shareholders of the company in the extra ordinary general meeting held on 14 September 2020 appointed a new audit committee with two independent members for a term of 3 years ending on 13 September 2023. 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.

##### Members of the Audit Committee:

Name	Role
Mr. Mohammed Al-Fadhel	Chairman
Mr. Tariq Zaino	Independent Member
Mr. Khurram Shahzad	Independent Member

The remuneration of the members of audit committee for the year ended 31 December 2020 was SR 0.09 million.

##### 9.6.2 Risk Management and Credit Committee (RMCC):

During the month of September 2020, the board of directors resolved to appoint the following Risk Management and Credit Committee members for a term of 3 years ending on 13 September 2023. 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.

##### Members of Risk Management and Credit Committee:

Name	Role
Mr. Abdulrahman Al-Zuwaidi	Chairman
Mr. Mahmood Kamel	Member
Mr. Naief Arab	Member

The remuneration of the members of RMCC for the year ended 31 December 2020 was SR 0.09 million.

### 9.7 Directors and Senior Executives Interest:

The members of the board of directors declare that, except as disclosed in note 17 of the enclosed financial statements, they do not, themselves, nor do any of the senior executives, board secretary or their relatives or affiliates have any direct or indirect interest whatsoever in any shares of the Company or any arrangements or contracts in which the Company is a party.

### 9.8 Fines & Penalties:

During the year 2020, 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
Violation of SAMA's Customers' Protection Instructions	-	-	-	-
Violation of SAMA's Anti-Money Laundering and Counter Terrorism Financing Due Diligence	-	-	-	-
Violation of GOSI Regulations	-	-	1	10,000

### 9.9 External Auditors:

At the Annual Shareholders' General Assembly, held on 04 June 2019, M/s. KPMG Al Fozan and Partners were appointed as external auditors of the company for the year ended 31 December 2020 and for the first quarter of the year 2021.

### 9.10 Declarations:

The Board of Directors, with reference to the year ending 31 December 2020, 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 pronouncements 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.

## **10. Looking Ahead:**

*Even though we are not immune to prevailing global and regional economic challenges, AJIL will continue forth with an appetite to source viable opportunities that surface in such market conditions in order to generate sound returns while paving the way towards a profitable path.*

*AJIL expects to achieve optimum levels of operating efficiencies and to offer best-in-class services to its customers over the next few years. We hope to improve our digital reach across the Kingdom, enabling us to offer financing products that can meet the expectations and requirements of both SMEs and large corporates.*

*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 and the General Authority of Zakat and Taxes (GAZT) 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 tireless efforts 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*