

**TAS'HEEL**  
finance



ANNUAL REPORT

**2020**



# ANNUAL REPORT 2020

Tas'heel's vision is to enable our clients to enrich their lives and achieve their ambitions by providing effortless financial services through innovative digital solutions. Our mission is to be a dynamic organization that provides a unique digital experience to enable our clients to meet their financial needs by integrating quality of service, investing in digital transformation, and focusing on customer needs and goals in a fast and efficient manner.



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**TAS'HEEL**  
INTRODUCTION



# > At a Glance


Tas'heel uses cutting-edge digital technologies to provide Saudi clients with a frictionless consumer finance experience.

Established in 2019 as a fully owned subsidiary of eXtra, the United Company for Financial Services ("Tas'heel Finance") provides an integrated range of Shariah-compliant consumer finance solutions to clients in the Kingdom of Saudi Arabia. Tas'heel uses innovative FinTech tools to offer tailored personal finance and installments programs. The Company also utilizes an optimally distributed branch network with nationwide coverage to ensure broad and profitable exposure to the widest array of client segments. Tas'heel's customers enjoy market-beating approval times and a wide range of repayment and tenor options, enabled by an end-to-end digital process for booking and disbursing financing facilities.

Besides personal finance solutions, Tas'heel offers installment finance programs to customers purchasing


goods and services from eXtra as well as from a wide range of partner businesses, ranging from clinics to global retailers. Tas'heel completed its first full year of operations in 2020, leveraging the accelerated transition to digital activity spurred by the COVID-19 pandemic to generate a profit by the second quarter of the year, just 12 months from the commencement of operations. As of year-end 2020, Tas'heel Finance maintained an outstanding portfolio of SAR 723.5 million, serving over 54,000 clients since inception.

Tas'heel applies a best-in-class risk management framework which emphasizes transparency, knowledge-sharing, and responsiveness to change. The Company is governed by the Saudi Central Bank (SAMA).



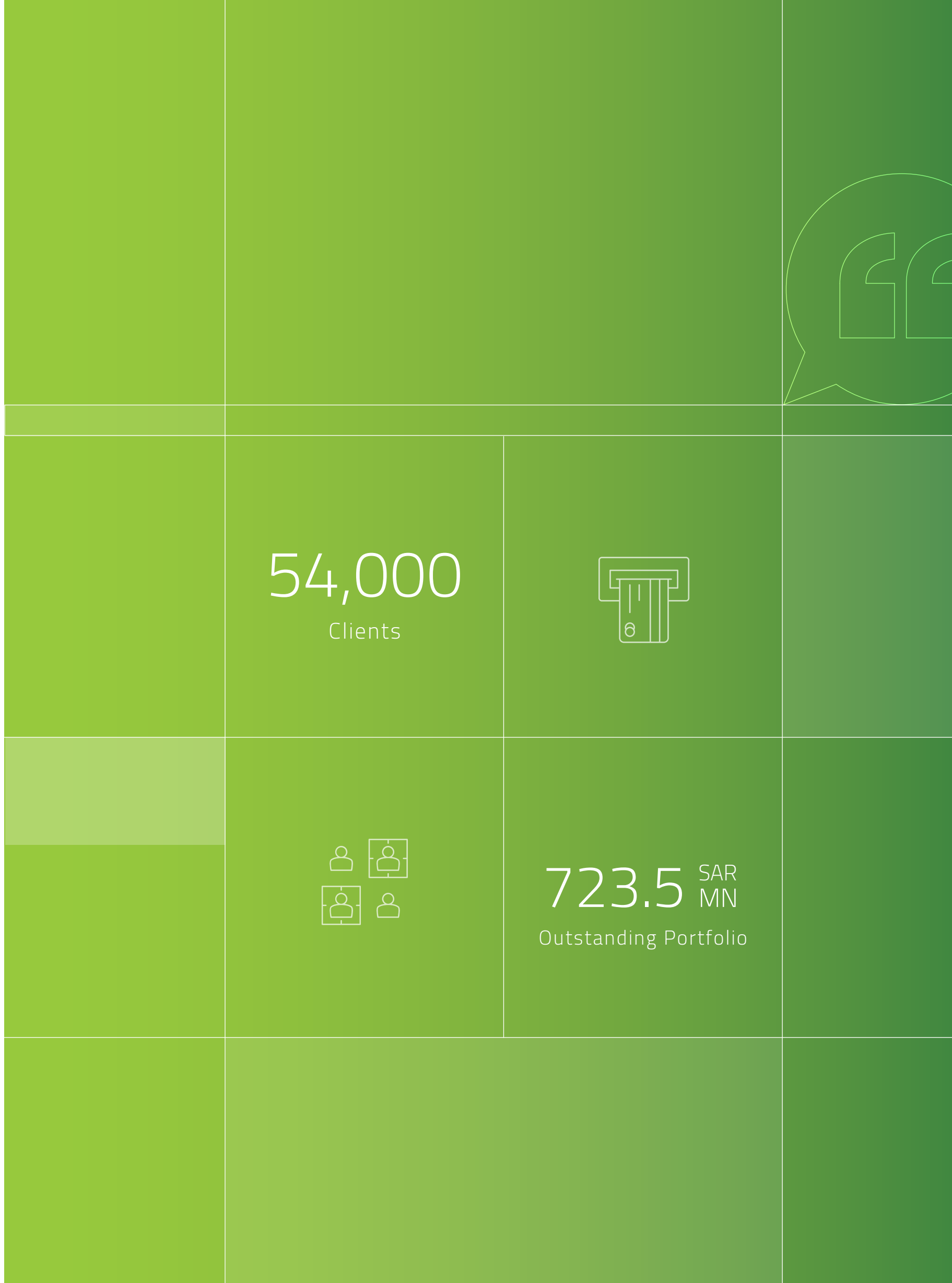
### Our Vision

Enable our clients to enrich their lives and achieve their ambitions by providing effortless financial services through innovative digital solutions.



### Our Mission

To be a dynamic organization that provides a unique digital experience to enable our clients to meet their financial needs by integrating quality of service, investing in digital transformation, and focusing on customer needs in a fast and efficient manner.





## Letter from the Chairman



It gives me pleasure to present you with the Annual Report of the United Company for Financial Services (Tas'heel Finance) for the year ended 31 December 2020.

The crisis precipitated by the COVID-19 pandemic has had a deep impact across the board — societies and economies around the world continue to recover from its impact. We extend our condolences to all those who have lost dear ones during this difficult time.

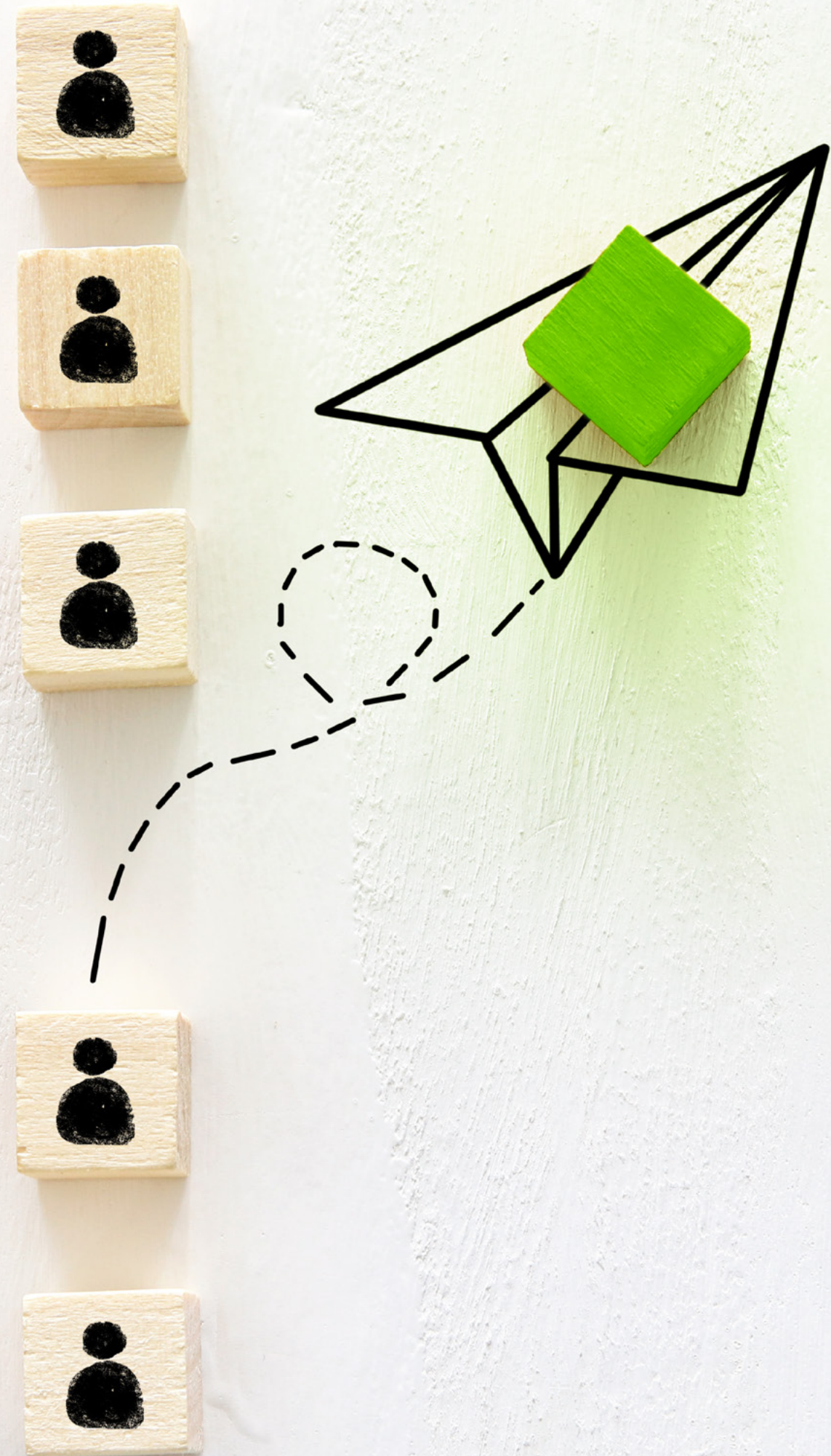
Tas'heel's primary focus during the year was to ensure the wellbeing of our employees and customers. 2020 saw us leverage our state-of-the-art technology infrastructure to implement a seamless transition to remote working, with minimal disruptions to our services. To safeguard the health of our customers, we launched the Kingdom's first end-to-end digital journey for booking and disbursing financing facilities. This enables customers to apply for our facilities from the comfort of their homes and offices. Meanwhile, Tas'heel's Board of Directors and Management remain committed to achieving the highest standards of professional conduct across our operations. Compliance with all regulatory requirements and the full implementation of all policies and procedures are core to our business and have been since inception.

Despite the numerous challenges faced during its first full year of operations, Tas'heel impressively booked a positive net income for 2020. This is a testament to the Company's unique value proposition and its ability to leverage innovative technologies to create real and lasting value for its stakeholders. Going forward, we aim to continue contributing to the success of Vision 2030 by servicing the retail finance sector with exciting and innovative new products. We will continue to grow our market share by maintaining world-class standards of customer service and maintain the seamless delivery of solutions to our growing clientele.

On behalf of the Board, I would like to express my appreciation to all our customers, business partners, and our shareholders for the trust that they have shown since Tas'heel's inception. I would also like to take this opportunity to thank the regulatory authorities for their guidance and wisdom. Finally, I extend my thanks to the Management team and all employees at Tas'heel for their hard work and commitment to building a great company with the potential to transform the Kingdom's financial services industry.

Yours sincerely,

**Fozan Al Fozan**  
Chairman





## Message from the CEO



2020 was a year of many challenges. The COVID-19 pandemic has taken a toll on the global economies and caused large-scale trepidation in societies across the world. At the outset, I would like to offer my condolences to those who have lost loved ones during this pandemic and extend my prayers for the safety and wellbeing of our customers, employees, and of society at large.

Despite completing our first full year of operations during a time of unprecedented disruptions and amidst a volatile environment, Tas'heel Finance delivered a remarkable set of operational and financial results in 2020. It is a mark of quality and resilience that Tas'heel's bottom line was already in the green by the third quarter of 2020, ending the year with a net income of SAR 21 million.

The Company rapidly and successfully established nationwide operations during 2020, expanding from our initial base in Saudi Arabia's Eastern Region and ending the year with a client base of over 54,000. These results are commendable given the restrictions imposed following the pandemic, which led to reduced customer activity and stress in the overall economy.

I am delighted to inform you that we made good progress on our strategy in 2020. Digitization was a key focus this year, assuming added importance with the imposition of social distancing requirements designed to safeguard public health. With the support of our Board of Directors and regulatory bodies, Tas'heel launched the Kingdom's first end-to-end digital customer journey, allowing customers to

Despite completing our first full year of operations during a time of unprecedented disruptions and amidst a volatile environment, Tas'heel Finance delivered a remarkable set of operational and financial results in 2020.

access our world-class products from the comfort and safety of their homes and offices. The Company also successfully established technical collaboration with strategic partners operating in wide range of commercial sectors across the Kingdom, deepening our exposure to high-growth market segments. Tas'heel's sound and robust technology stack delivered a best-in-class system uptime of 99.96% through 2020.

Meanwhile, our robust business continuity plan allowed a seamless transition for our employees to work remotely without affecting the best-in-class quality of service offered to our customers. Our efforts in this space included the establishment of a security operations center (SOC) to enable 24/7 monitoring of our technology infrastructure. The year also saw us integrate state-of-the-art cybersecurity solutions, ensuring zero successful attacks and preventing any service disruptions. Our robust and innovative technology infrastructure underpins our ability to continuously deliver strong operational performance and cost efficiencies, yielding solid returns.

Our priority in 2021 will remain guaranteeing the safety and health of our customers and employees. I expect 2021 to continue to pose challenges. However, Tas'heel has shown itself more than capable of meeting such challenges and taking our young company to greater heights. The Company will continue to focus on introducing innovative new technology solutions that further enhance the customer experience in all respects, from onboarding to servicing.

On behalf of my colleagues, I would like to take this opportunity to thank our Board of Directors for the support they have consistently extended to us. Further thanks go to the regulatory authorities, especially the Saudi Central Bank (SAMA), for their valued guidance. Finally, I would like to express my wholehearted appreciation to our loyal clients and our employees, whose dedication contributes immensely to our continued success.

Yours Sincerely,

**Muzaffer Hamid**  
Chief Executive Officer



**OUR  
MARKET**





## Our Market

### A Changing Financial Landscape

Saudi Arabia's financial services landscape has traditionally been dominated by large, conventional banking institutions, with activity focused mostly on lending to the corporate sector. In recent years, however, the landscape has begun to shift in favor of strong credit growth in the retail segment of the financial services industry. Retail lending now represents a key driver of credit growth in Saudi Arabia's financial sector. Excluding credit card facilities, the value of personal loans extended by commercial banks in the Kingdom stood at SAR 324.7 billion (USD 86.6 billion) in September 2019, up from SAR 38.4 billion (USD 10.2 billion) at year-end 1999. Meanwhile, credit extended to retail clients increased by 11.5% year-on-year during the first nine months of 2020, driven by a 41% expansion in retail mortgages. Retail lending accounted for 38% of total credit as of September 2019, up from 31% at the close of 2016.

Strong and growing demand for retail finance solutions is driven by a highly favorable fundamentals profile. With a population of 34.8 million, Saudi Arabia is a G20 economy and is the largest country in the Gulf Region, boasting its largest market for retail finance. In addition to its size, the Kingdom's retail finance space displays strong potential for growth; Saudi Arabia posts the lowest retail loans to GDP ratio in the Gulf Cooperation Council (GCC), leaving significant room for expansion relative to regional peers. Saudi consumer demand is underpinned by favorable demographic features, with over 65% of the population aged under 35, and total population expected to reach 39 million by 2030. On the supply side, the growing appetite for retail activity is underpinned by the absence of caps on retail loan

pricing and the consequent lucrativeness of returns from retail lending.

### A Sophisticated Consumer Base

Saudi Arabia's retail finance space is evolving even as it expands, with a progressive intensification in industry competition. Market surveys indicate that Saudi banking customers are highly open to changing their institutions, with nearly 20% of customers doing so between September 2019 and September 2020. Surveys further indicate that approximately two-thirds of banking customers in the Kingdom actively seek new banking offers, with 32% of customers who leave their banks citing a lack of products that meet their requirements and a similarly sized cohort citing poor customer service. Retail clients at traditional financial institutions often face long processing times and burdensome requirements, including salary transfers designed to enable banks' automatic deduction of installments from customers' accounts. In many cases, services are restricted to Saudi nationals.

These dynamics have spurred significant changes in consumer behavior. A large and growing number of customers are willing to open accounts with purely digital institutions that are capable of extending new products rapidly and conveniently. Saudi Arabia's smartphone penetration rate has reached 90%, with the Kingdom's young, tech-savvy population preferring a mobile interface for financial transactions. Meaningful evolution in consumer behavior can also be seen in the rapid growth of e-commerce over recent years, cementing a clear shift in preferences towards transacting online.



### Growing Room for Innovation

The shifting pattern of consumer demand has catalyzed the emergence of a vibrant FinTech ecosystem. FinTech lenders typically augment traditional credit metrics with alternative sources of data, automating processes for determining a borrower's willingness and ability to pay, and accelerating credit decisions. The total volume of FinTech transactions in Saudi Arabia exceeded SAR 75.0 billion (USD 20 billion) in 2019, climbing at an average annual rate of over 18% between 2017 and 2019, with personal finance transactions comprising over 30% of FinTech transaction values in 2019. Meanwhile, the number of smartphone transactions more than quadrupled between April 2017 and April 2020. Saudi Arabia's FinTech market is expected to post transaction values exceeding SAR 123.8 (USD 33 billion) by 2023.

The technologies deployed by FinTech lenders provide several competitive advantages beyond the automation of credit decisions and an increase in process efficiencies. Digital solutions present a highly competitive yet cost-effective avenue for streamlining services and enhancing the customer experience, while enabling the extension of amortizing unsecured installment loans that offer clients more favorable payment terms and fixed tenors over which debts can be repaid.

### An Accommodative Regulatory Framework

The Saudi Central Bank (SAMA) has constructed a highly favorable regulatory framework for Saudi Arabia's FinTech space, recognizing FinTechs' role in increasing financial inclusion and access to affordable credit. SAMA's innovative Sandbox

program has provided several local and international firms with a 'safe space' to test new digital solutions, with the aim of accelerating the digitization of the Saudi financial sector, reinforcing economic growth, and spurring economic diversification. Recent years have also seen SAMA issue the first licenses for nonbank financial institutions (financial technology – FinTech institutions), electronic wallet companies, and payment services companies. SAMA has expanded the use of digital promissory notes, further enabling the diffusion of end-to-end digital processes for booking and disbursing loans. These accommodative moves are in line with the Financial Sector Development Program outlined in the Saudi government's Vision 2030 strategy.

“A large and growing number of customers are willing to open accounts with purely digital institutions that are capable of extending new products rapidly and conveniently.”



**OUR  
BUSINESS MODEL**





# Our Business Model

Tas'heel is the only consumer finance provider in the Kingdom of Saudi Arabia with an end-to-end digital process for booking and disbursing personal and product finance.

## Frictionless Finance

Completing its first full year of operations in 2020, Tas'heel specializes in Shariah-compliant consumer finance solutions, providing cash finance to a wide range of customer segments and offering distinctive product finance underpinned by durable partnerships with retailers operating across a range of market sectors. Leveraging an innovative FinTech platform, Tas'heel offers customers a highly differentiated consumer finance offering and is the only NBF1 in the Saudi market with an end-to-end digital process for booking and disbursing consumer finance. Risk management policies are strictly adhered to, and Tas'heel constantly works to assess the quality of the finance arm's portfolio and to foresee future risks or delinquencies.

Tas'heel's financial solutions are distinguished by minimal requirements and instant approvals, made possible by efficient digital processes. The Company works to make consumer finance simple and accessible, offering its services both to Saudi nationals and to resident expatriates. Distinguishing itself from its competition, Tas'heel utilizes a highly sophisticated risk management infrastructure to provide noncollateralized credit programs while managing delinquencies and nonperforming assets in a highly efficient and competitive manner.

In 2020, Tas'heel rapidly extended its business reach, expanding its service coverage from the Eastern Province to encompass the entirety of the Kingdom of Saudi Arabia. To cater to current and expected growth in the Company's portfolio, in August 2020, Tas'heel's paid-in capital was increased from SAR 150 million to SAR 350 million. Meanwhile, conditions associated with the COVID-19 pandemic accelerated the market's transition towards digital platforms, with Tas'heel receiving regulatory approval to

accept digital signatures on financing contracts and adopting the Ministry of Justice's digital promissory note platform, further streamlining Tas'heel's booking and disbursement process and making for an even more frictionless customer experience.

## Personal Finance

Tas'heel Finance offers customers its Shariah-compliant personal finance solutions (Tawarruq) with a host of repayment options and financing tenors tailor-made for customers' specific financial requirements and preferences. Personal finance is provided in amounts of up to SAR 250,000, with tenor options, with a maximum of 60 months. Tas'heel Finance requires no guarantor or salary transfer to disburse personal finance, granting instant approval for immediate financing and charging a fixed profit margin in lieu of interest rates in conformance with Shariah statutes. As of year-end 2020, Tas'heel held an outstanding personal finance portfolio of SAR 467 million.

## Product Finance

Tas'heel Finance offers an unmatched range of installment programs, providing easily accessible Shariah-compliant installment finance (Murabaha) in cooperation with a strong and expanding base of retail partners. Installment programs are provided for product purchases of up to SAR 60,000. Customers can choose from a range of tenors, with a maximum of 36 months. Tas'heel Finance requires no guarantor or salary transfer to disburse product finance, granting instant approval for immediate financing to customers purchasing goods and services from one of Tas'heel's many retail partners. As of year-end 2020, Tas'heel held an outstanding product finance portfolio of SAR 256 million.





**OUR  
PEOPLE**





## Our People

Tas'heel Finance continuously invests in its team's careers while going above and beyond standard requirements to safeguard their health and wellbeing.

Tas'heel's team represents its most valuable asset, allowing the Company to provide its customers with an unrivalled retail finance journey and continuously roll out innovative new products. The Company recorded a headcount of 300 employees at year-end 2020, reflecting rapid operational expansion during the year. Headcount was up from the level of 137 recorded at year-end 2019, with 113 new professionals onboarded through 2020 despite wider market trends towards increased layoffs and employee terminations as a result of unfavorable external circumstances arising from the COVID-19 pandemic.

Tas'heel recorded a Medium-Green score on the government's "Nitaqat" Saudization program in 2020, recording a Saudization rate of 78% across all operations. Meanwhile, Saudi females constituted 35% of Tas'heel's employee base in 2020, reflecting the Company's commitment to establishing a diverse working environment and placing Tas'heel in the top-tier for Saudi female employment in the Al Khobar region. Tas'heel was similarly ranked in the first tier for the value of salaries paid to Saudi employees, reflecting the Company's commitment to providing employees with fulfilling and well-remunerated career paths.

### COVID-19: Tas'heel's Response

The onset of the COVID-19 pandemic in Saudi Arabia in 2020 posed a host of operational and HR challenges for Tas'heel and for businesses across the Kingdom. Tas'heel's response to the pandemic was rapid, efficient, and successful. The Company's robust business continuity framework enabled a rapid transition to work-from-home

arrangements for most employees during the year, with the necessary equipment efficiently distributed. Tas'heel's technology infrastructure similarly enabled the migration of internal communications to digital channels during the year.

Meanwhile, precautionary health and safety measures were and continue to be fully implemented at all Tas'heel premises. Such measures included the provision of face masks and the suspension of business travel, the application of social distancing practices with clear and visible markers, the introduction of capacity limits at all premises in a manner aligned with existing threat levels, and the establishment of a regular schedule for disinfection and deep cleaning.

### Investing in Human Capital

Tas'heel works to develop and advances the employee experience through a variety of physical and digital channels. The Company seeks to make the most effective investments in developing its employees' talents and in transmitting new capabilities and competencies. 2020 saw Tas'heel employees receive a total of 3,316 hours of training, with training programs split into eight distinct training modules designed to provide employees with a well-rounded skill base. Tas'heel rapidly and efficiently leveraged digital tools for developing human capital in 2020, using online platforms to successfully deliver training programs under pandemic conditions. Nine different employees were promoted across Tas'heel's departments during the year, reflecting the early successes of the Company's commitment to developing human capital.





## Executive Management

### Muzaffer Hamid Chief Executive Officer

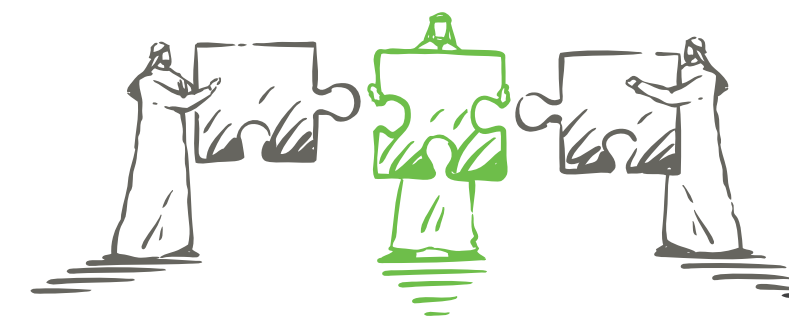
Muzaffer Hamid is an experienced banker with over two decades of experience across various geographies in CEEMEA and ASIA-PACIFIC. A seasoned professional who was involved as a member of the founding team for various business units across corporate, consumer, and mass-market banking and finance. Muzaffer has led various teams for successful launch of green-field business operations across various countries. He started his career with Citibank UAE in the Global Corporate & Investment Bank, then to South Africa and his last assignment in Citibank was in Bahrain where he was the Chief Operating Officer. Post Citibank, he joined as a founder member of Dunia Finance, a green-field consumer finance set-up in the UAE as Chief of Operations. Muzaffer worked across geographies of Ukraine, Russia, China, India, and other countries across ASIA-PACIFIC to successfully launch and transform businesses. He has an MBA degree in technology management and a bachelor's degree in banking and finance.

### Bander Alshihry Head of Technology

Bander Alshihry serves as Tas'heel's Head of Technology. Bander is responsible for defining and executing an IT Strategy in alignment with the organization's goal of providing a secure, seamless, and enhanced digital experience to the customers. Bander has over 16 years of experience in the financial sector starting with Saudi Stock Exchange — Tadawul for 11 years as the team leader of IT operations and over 5 years with Riyadh Capital as Head of Business Technology Infrastructure. He holds a diploma's degree in computer programming from College of Telecom & Information and a bachelor's degree in business administration from King Faisal University.

### Jafar Al Yaqoub Head of Customer Care

Jafar Al Yaqoub serves as the Head of Customer Care of Tas'heel Finance. Jafar is responsible for providing the best customer experience and maintaining a high level of customer satisfaction. He previously held the position of Contact Center Assistant Manager in Gulf International Bank, Saudi Arabia and has over 5 years of experience in the financial sector.



### Mohammed Ahmed Al Doseri Chief Information Security Officer

Mohammed Al Doseri Serves as Chief information Security Officer of Tas'heel Finance. Mohammed is responsible for defining and executing an information security and cyber security strategy in alignment with the organization's goal of providing a secure, seamless, and enhanced security and customer experience. Framing information security plans, guidelines, policies and short-term strategies, and lead information security planning processes to establish a comprehensive information security program. Mohammed has over 14 years of experience in the banking sector focusing on information technology and information security. Mohammed started his career in the Bahrain telecommunications company Batelco, and shifted to work in the banking sector for 12 years in Kuwait Finance House-Bahrain, where he worked on building the Information Security department and implement critical projects in information security for the bank and worked with KFH Group to build the centralized Security Operation Center. Before joining Tas'heel, Mohammed was working as Chief Information Security Officer in a financial company in Eastern-KSA.

### Ramy Askar Head of Finance

Ramy Askar serves as the Head of Finance. Ramy is responsible for leading the finance functions of the Company with emphasis on strategic planning, governance, control, risk management, working capital optimization, management accounting, preparing the Company Financial statements, and bottom-line performance. Ramy has joined Tas'heel from eXtra (United Electronics Company) where he served as Financial Controller with an experience over 21 years in Retail Business functions, accounting, controlling, corporate finance and process implementation, monitoring finance portfolio,s and the relevant credit risk. Ramy is also seasoned regarding IFRS, IAS, Zakat and taxation.

### Hussain Al Saleh Acting, Head of Internal Audit

Hussain Al Saleh serves as the Acting Head of Internal Audit at Tas'heel Finance. As a member of the senior leadership team, he works to implement best IA practices, which in turn supports the strategic goals of the Company. He is responsible for managing the internal audit operations and supporting senior leadership by advising them in all operations and risks. Hussain has 10 years of experience and joined us from Tamweel Aloula, where he held the position of Acting Internal Audit Manager in addition to several different positions before that, including the position of Internal Auditor in Protiviti (Member Firm). He holds a bachelor's degree in accounting from the University of Bahrain.

### Saud AlRayes

Acting, Head of Human Resources

Saud AlRayes serves as the Acting Head of Human Resources at Tas'heel Finance. As a member of the senior leadership team, he works to implement best HR practices, which in turn support the strategic goals of the Company. He is responsible for supporting senior leadership by advising them in all human resources departments. Saud has 15 years of experience and joined us from Rezayat Group Ltd, where he held the position of Administration Manager in addition to several different positions in human resources before that, including the National Pipe Company Ltd. He holds a bachelor's degree in business communications and public relations from Concordia University, Wisconsin, in the United States of America.

### Shahrukh Lali

Chief Risk Officer

Shahrukh Lali serves as Tas'heel's Chief Risk Officer. Shahrukh is responsible for the overall risk management of the Company, including credit risk which is the core activity in any lending business. Shahrukh joined Tas'heel from eXtra (United Electronics Company), where he was responsible for setting up and then managing the Installment Sales Business. Prior to eXtra, he has worked in both local and multinational banks within and outside KSA, focusing on consumer finance business for over 27 years.

### Gururaj Balakrishna

Chief Operating Officer

Gururaj Balakrishna serves as the Chief Operating Officer of Tas'heel Finance and is one of the initial founders of the organization. Guru has over 27 years of banking experience, predominantly in the risk and operations function. Prior to moving to KSA, Guru was Chief Credit Officer and acting Chief Risk Officer at Dunia Finance LLC, UAE. Guru started off his career at Citibank N.A. where he spent more than a decade in the Asia Pacific and CEEMEA regions in a variety of senior roles. Guru is also a seasoned trainer and is certified in advanced credit and collections trainings. He holds an MBA from TAPMI, India and has also completed the Accelerated Development Program at the University of Chicago's Booth School of Business.

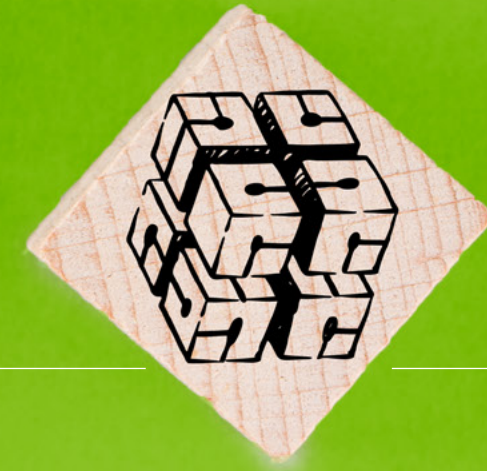


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Tas'heel's team represents its most valuable asset, allowing the Company to provide its customers with an unrivalled retail finance journey and continuously rolling out innovative new products.



**OUR  
STRATEGY**





## Our Strategy

Tas'heel Finance implements a dynamic growth strategy predicated on four key focus areas. The Company's strategic objectives reflect its commitment to generating lasting competitive advantages that will allow it to become a major force in the Saudi financial services space and create sustainable long-term value for its stakeholders.

### Expanding the Customer and Strategic Partner Base

Tas'heel Finance is committed to achieving continuous and sustained gains in market share by profitably expanding its base of strategic partners. The Company maintains mutually beneficial commercial relationships with a broad range of local and international brands operating in sectors from retail and home furnishings to healthcare and consumer electronics. By expanding its commercial partner base, Tas'heel will broaden the range of products and services approved for immediate financing, differentiating the Company's offering while growing its exposure to lucrative sectors of Saudi Arabia's diversifying economy.

### Commitment to Technology

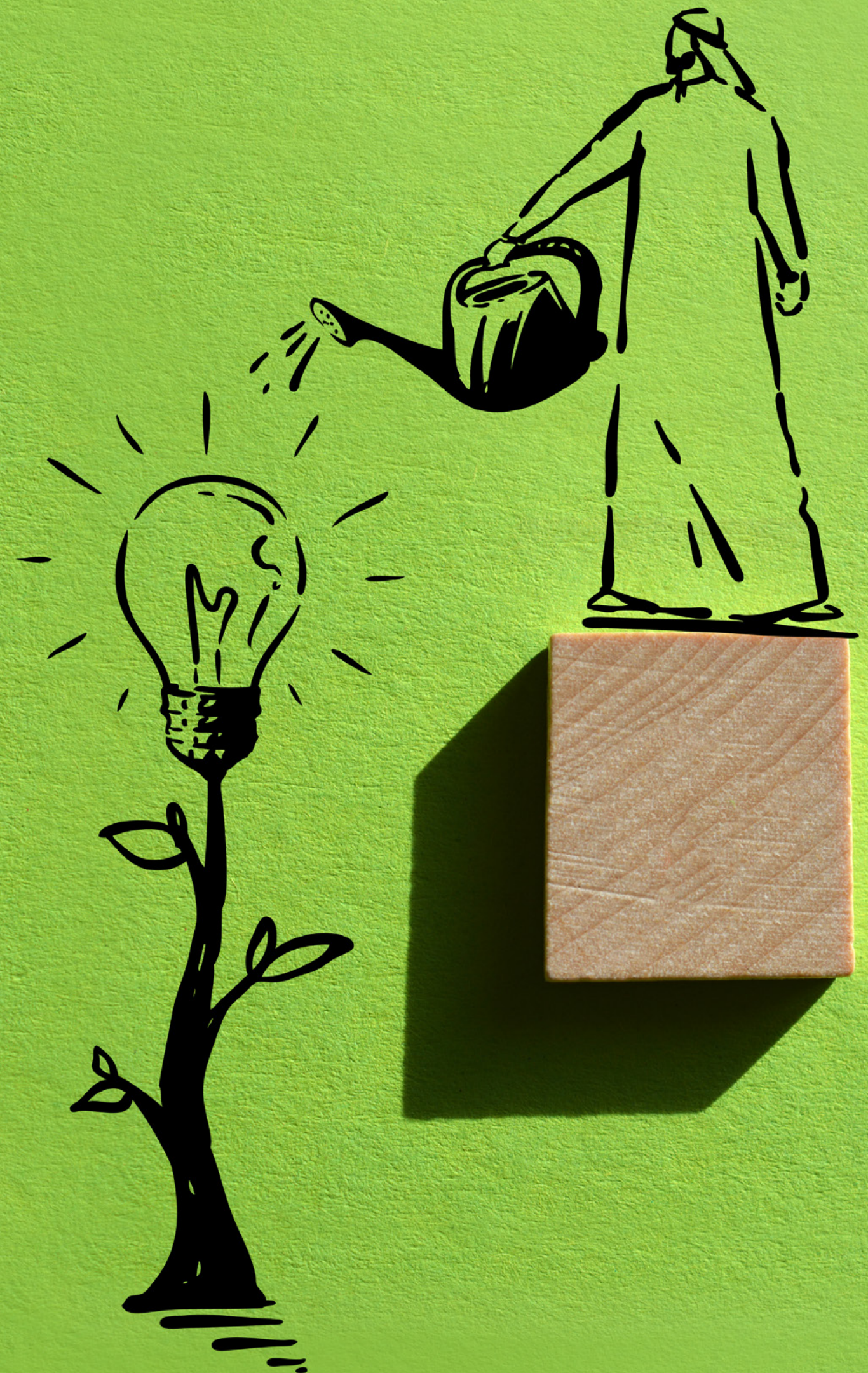
Technology is a cornerstone of Tas'heel Finance's growth strategy. Tas'heel works to develop and adopt innovative technological solutions with applications to the front-, middle-, and back-offices. The Company is committed to continuously developing its operational infrastructure by leveraging cutting-edge technologies to enable frictionless, 24/7 client interactions, lower false positives and human errors, reduce the need for redundant activities, and engender cost efficiencies across the business. Tas'heel is similarly committed to the development and adoption of technologies that materially strengthen its risk management processes. Investment in technology enables Tas'heel to maintain its position as the Kingdom's only NBFII to offer an end-to-end digital customer journey while providing a platform for the development of innovative new financial solutions.

### Innovative and Differentiated New Solutions

As Saudi Arabia's retail finance market rapidly expands, Tas'heel will steadily roll out a calibrated range of new solutions and product offerings. The Company uses a data-driven approach to the design of new offerings, optimizing each solution in a manner that leverages untapped opportunities and manages numerous market segments more effectively. To gain lasting competitive advantages, Tas'heel focuses on providing differentiated solutions geared to the different competitive environments faced across target geographies and commercial sectors. Tas'heel's product pipeline further reflects the ongoing shift in customer preferences towards digital and card-based finance, and management is studying the introduction of relevant offerings in the near term.

### A Growing Operational Footprint

Tas'heel aims to expand its geographic footprint in an efficient and value-accretive manner. While the Company is unique in providing an end-to-end digital journey for booking and disbursing retail finance solutions, Tas'heel maintains an optimally distributed network of physical branches. Tas'heel works to continuously optimize the geographic distribution of its branch network by utilizing insights from its technology infrastructure and accounting for the salient economic, commercial, and demographic trends prevailing across all regions of the Kingdom of Saudi Arabia.





**MANAGEMENT  
DISCUSSION  
AND ANALYSIS**



# Management Discussion and Analysis

## Financial Review

Tas'heel enjoyed strong financial performance during 2020, its first full year of operations. The Company generated solid top- and bottom-line results despite the disruptions to the wider operating environment, leveraging its unique technology platform to rapidly create a diverse and growing customer base.

### Summary Income Statement

	FY2019		FY 2020	
	SR (000)	% of Sales	SR (000)	% of Sales
Sales	130,632	-	15,581	-
Gross Profit	125,250	95.88%	15,581	-
Operating Profit	26,678	20.42%	(19,691)	-
Net Profit Before Zakat	26,411	20.22%	(18,504)	-
<b>Net Profit</b>	<b>21,343</b>	<b>16.34%</b>	<b>(18,793)</b>	-

## Income Statement Analysis

Tas'heel booked SR 130.6 million in revenues for FY2020, its first full year of operations, up from SR 15.6 million in FY2019. The Company recorded a gross profit of SR 125.3 million in FY2020 against SR 15.6 million one year previously. Operating profit came in at SR 26.7 million, reversing an operating loss of SR 19.7 million booked one year previously and representing a margin of 20.4%. Tas'heel's net profit booked SR 21.3 million for the year, reversing the previous year's loss of SR 18.8 million and yielding a net profit margin of 16.3%.

## Balance Sheet Highlights

### Asset Progression

As of 31 December 2020, the total value of assets booked on Tas'heel's balance sheet stood at SR 723.5 million versus the SR 176.9 million booked in FY2019, representing a year-on-year expansion of 409% and reflecting Tas'heel's ramp-up and rapid expansion of operations during 2020.

### Asset Position

SR (000)	Current Assets	Noncurrent Assets	Total Assets
FY2019	64,393	112,543	176,935
FY2020	315,339	465,931	781,270
Net Profit Before Zakat	26,411	20.22%	(18,504)
<b>Net Profit</b>	<b>21,343</b>	<b>16.34%</b>	<b>(18,793)</b>

## Liabilities and Shareholders' Equity Progression

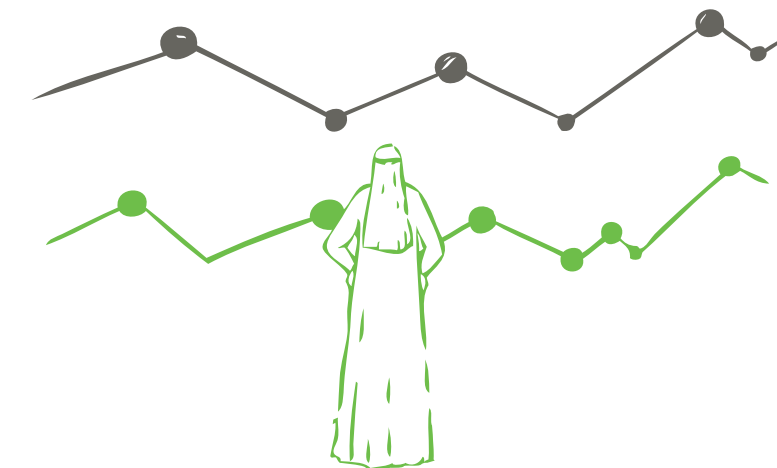
Tas'heel's shareholders' equity registered SR 351.8 million as of 31 December 2020, up from SR 131 million as of 31 December 2019. The increase reflects the commitment of additional resources during the year with an eye to accommodating rapid business expansion. The Company's current liabilities recorded SR 429.5 million for FY2020, up from SR 45.9 million one year previously.

## Cash Flow from Operating Activities

Tas'heel recorded a net cash outflow from operations of SR 494.4 million for FY2020, up by SR 376.1 million from the SR 118.3 million outflow registered one year previously.

## Zakat and Governmental Payments

SR	Ending Balance as of 31 December 2020	Description	Reasoning
Zakat	303,663	Zakat on Income	Annual Zakat Declaration
GOSI	5,398,121	Social Insurance	Social insurance payments due on Saudi and expatriate employees
Tax Authority	183,978	Withholding Tax	For dividends distributed to non-resident shareholders and for foreign/non-resident service providers





**RISK  
MANAGEMENT**







# Risk Management

Tas'heel applies a best-in-class risk management framework and strives to create a culture of mutual trust, accountability, and responsibility.

Tas'heel's Risk Management function provides the Company with independent oversight and applies an integrated approach to managing current and emerging risks. These include all risks that could materially threaten Tas'heel's business model, performance, solvency, or liquidity, or prevent the Company from delivering on its strategic objectives. The Risk Management function is embedded throughout the business and plays a key role in the formulation of strategy.

## Best-In-Class Risk Management Framework

Taking and managing risks is key to Tas'heel's business. All risk-related activities are subject to the Company's best-in-class risk management framework, which facilitates risk-return evaluations and sets boundaries to risk-taking at all levels of the organization in line with the principles mandated by the Board of Directors in Tas'heel's Risk Management Policy. Tas'heel's risk management framework is based on four fundamental principles, applied consistently across all risk categories:

<b>Controlled risk-taking</b>	Financial strength and value creation are central to Tas'heel Finance's value proposition. The Company thus operates within a clearly defined risk policy and risk control framework.
<b>Clear accountability</b>	Tas'heel's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on, and their incentives are aligned with the Company's overall business objectives.
<b>Independent risk controlling</b>	Dedicated units within the Risk Management department control all risk-taking activities. These are supported by Compliance and Internal Audit functions.
<b>Transparency</b>	Risk transparency, knowledge-sharing and responsiveness to change are integral to the risk control process. The central goal of risk transparency is to create a culture of mutual trust and reduce the likelihood of surprises in the source and potential magnitude of losses.



## Roles for Delegated Risk-Taking

Tas'heel's risk management framework distinguishes between three fundamental roles in the risk-taking process:

Risk owner	Risk taker	Risk controller
Establishes a strategy, delegates execution and control, and retains ultimate responsibility for the outcomes.	Executes an objective within the authority delegated by the risk owner; risk takers are required to provide the respective risk controller with all information required to monitor and control their risks.	Tasked by the risk owner with independent oversight of risk-taking activities to mitigate potential conflicts of interest between the risk owner and risk taker; risk controllers are responsible for escalating relevant concerns.

Risk-taking activities at Tas'heel are typically subject to three lines of defense. All department heads are required to certify the effectiveness of the internal control system for their area of responsibility on a quarterly basis. This approach is designed to achieve a strong, coherent, and companywide risk culture built on the principles of ownership and accountability:

First line	Second line	Third line
Day-to-day risk control activities performed by risk takers in the business, including identification of risks and design of effective controls.	Independent oversight performed by functions such as Risk Management and Compliance.	Independent audits of processes and procedures carried out by Internal Audit or by external auditors.



Tas'heel Finance applies a differentiated approach at the entity level, depending on the materiality of different departments within the Company:

Board of Directors				
Responsible for formulating and overseeing the implementation the Company's governance principles and policies. Acts through the Risk Committee and the Audit Committee				
Risk & Credit Management Committee	Chief Risk Officer	Central Risk Management Department	Internal Audit	Compliance
Develops and implements risk management framework	Principal independent risk controller	Oversight of market, credit and liquidity risk	Independent risk controller	Compliance with applicable laws, Code of Conduct
Sets and monitors the risk appetite	Heads the Risk Management function	Shared risk expertise: risk modelling and governance, as well as sustainability and emerging risks	Assesses adequacy and effectiveness of internal control systems	Manages compliance risks
Some responsibilities delegated to Chief Risk Officer	Member of Management Committee	Strategic control services: operational and regulatory risk management		
	Reports to Board Risk and Credit Management Committee with dotted line to CEO			

### Risk Appetite Framework

Risk appetite describes the extent to which the Board has authorized Executive Management to assume risk. It represents the amount of risk that Tas'heel is willing to accept within the constraints imposed by its capital and liquidity resources, its strategy, and the regulatory environment within which it operates.

Tas'heel's risk appetite framework has been instituted to meet three objectives. Firstly, the framework aims to protect the shareholders' franchise by ensuring

that the Company is able to continue operating the business following an extreme loss event. Secondly, the framework ensures that capital and liquidity are maintained at adequate levels while remaining sufficient to attract clients and meet regulatory requirements and expectations. Finally, the risk appetite framework aims to avoid material operational risks that could subject the Company to large operational losses with corresponding consequences from an economic, reputational or regulatory perspective.

### Operational Risks

Operational risk is inherent to Tas'heel Finance's business processes. The Company is exposed to risks that are typical for companies within the industry that operate within the same market. As the Company does not receive an explicit financial return for such risks, the approach to managing operational risk differs from the approach applied to other risk categories. The purpose of Operational Risk Management is not to eliminate risks, but rather to identify and cost-effectively mitigate operational risks that approach or exceed UCFS tolerance.

Tas'heel's Central Risk Management department is responsible for monitoring and controlling operational risks based on a centrally coordinated methodology. This includes a pre-defined Risk Register that is used for identifying, classifying, and reporting operational risks, as well as a matrix in which risks are assessed according to their estimated probability and impact. Risks are assessed for their residual economic, financial reporting, reputational, and compliance impact, taking into account existing mitigation and controls.

The matrix is also used to assess residual exposures against the Company's tolerance limits for operational risk. This limit represents the level of operational risk that the Board of Directors and Executive Management teams are willing to accept. Material risks that exceed or are approaching risk tolerance are reported to Executive Management and the Board of Directors. In addition, mitigation strategies are required for all risks that are outside of operational risk limits, in order to bring them within tolerance.

Cyber risk and information security are a key focus of Tas'heel's operational risk controls. The Company performs a quarterly cyber risk assessment to determine the current maturity of controls. This is based on standards defined by the Saudi Central Bank (SAMA). The results of the assessment are shared with senior management and integrated into the Company's cybersecurity program.





# COMPLIANCE





# Compliance

## Paid-In Capital

United Company for Financial Services (Tas'heel) has a paid-in capital of SR 350 million, divided into 35,000,000 shares valued at SR 10 per share. Tas'heel is a fully owned subsidiary of the United Electronics Company (eXtra).

## Board of Directors



**Fozan Mohammed Ahmed Al Fozan**  
Chairman

Mr. Al Fozan is a pioneering business figure in the Kingdom of Saudi Arabia. He holds board seats at several well-known organizations, including Al Fozan Holding Company, Madar Building Materials, Madar Electrical Materials, and the United Electronics Company (eXtra). Mr. Al Fozan holds a Bachelor of Accounting from the Faculty of Administrative Sciences at King Saud University (1993).



**Adel Al Manqour**  
Vice Chairman and Chairman of the Audit & Compliance Committee

Prior to joining the family office, Mr. Al Manqour served as Managing Director of Wholesale Banking at Gulf International Bank and Chief Credit Officer at Arab National Bank, besides a stint at J.P. Morgan Chase. He has also served on the board of the Saudi Credit Bureau. Mr. Al Manqour holds an MBA from Portland State University School of Business.



**Mohammed Galal Ali Fahmy**  
Member of the Board

Mr. Mohammed Galal is Managing Director and CEO of United Electronics Company (eXtra). He has more than 30 years of experience in the retail industry, strategic planning, and sales. Prior to joining eXtra in 2004, he held a number of executive positions at Procter & Gamble, serving in senior positions across the region. He holds a Bachelor of Accounting from Ain Shams University (1985).



**HE, Saad Al Khalb**  
Member of the Board

His Excellency, Engineer Saad Al Khalb is the former Head of the Saudi Ports Authority and Deputy Transportation Minister, in which role he contributed to the realization of the Kingdom's Vision 2030 development plan. He serves as a member of the board at several Saudi and international firms. He holds a Bachelor of Electrical Engineering from King Fahd University of Petroleum and Minerals and has attended Advanced Management and Strategic Program at INSEAD in France.



**Kubra Shehabi**  
Chairperson of the Risk & Credit Management Committee and Member of the Board

Ms. Shehabi enjoys over 26 years of experience at local and international financial institutions. She currently serves as Partner at Milestone Accounting & Consulting. Ms. Shehabi began her career at Investcorp before taking up positions at JP Morgan Chase Bahrain, where she headed the Credit Risk department, Al Salam Bank Bahrain, where she established and headed the Credit Risk department, and First Energy Bank, where she established and headed the Risk Management department. Ms. Shehabi holds an MBA in investment and finance and is a Certified Public Accountant and a Certified Basel II professional.



**Abdullatif Ali Al Fozan**  
Member of the Board

Mr. Al Fozan is a board and committee member at several well-known entities in the Kingdom of Saudi Arabia, including Al Fozan Holding Company, United Homeware Company, Al Oula Real Estate Company, and Alpha Capital. He is currently the Corporate Investment Director at Al Fozan Holding Company and the Managing Director of Ascend Healthcare Solutions. Prior to that, he held several positions in banks and consultancy firms. He holds a bachelor's degree from the University of Toronto, with a double major in economics and employment relations.



## Meetings of the Board of Directors During 2020

The Board of Directors convened six times during 2020:

Member	22 January	23 March	01 April	20 May	07 October	09 December
1 Fozan Mohammed Ahmed Al Fozan – Chairman	✓	✓	✓	✓	✓	✓
2 Adel Al Manqour – Vice Chairman	✓	✓	✓	✓	✓	✓
3 Mohammed Galal Ali Fahmy – Member of the Board	✓	✓	✓	✓	✓	✓
4 HE, Saad Al Khalb – Member of the Board	✓	✓	✓	✓	✓	✓
5 Kubra Shehabi – Member of the Board	✓	✓	✓	✓	✓	✓
6 Abdullatif Ali Al Fozan – Member of the Board	✓	✓	✓	✓	✓	✓

## Remuneration and Compensation of the Board of Directors

The Company's remuneration policy has been formulated in accordance with provisions of the Companies Law and its implementing regulations, in order to reward the members of the Board and its committees, as well as the Executive Management, in a fair and equitable manner that aligns with the Company's strategic objectives.

## Board Committees

**Risk and Credit Management Committee:** The Risk and Credit Management Committee (RCMC) is headed by a non-executive director and assists the Board in overseeing the Company's risk management processes. The committee carries out related responsibilities which may be assigned to it by the Board and is responsible for providing advice regarding the Company's current and future risk appetite levels. The RCMC oversees the Company's capital and liquidity management strategies and is ultimately responsible for managing all forms of risk to the Company, be they Credit, Market, Operational, Compliance, or Reputational risks, ensuring that the Company's risk appetite is commensurate with the degree of risk accepted by the Board of Directors.

**Audit and Compliance Committee:** The Audit and Compliance Committee ensures compliance with the Company's approved operating rules and procedures. In accordance with the regulations of the Saudi Central Bank (SAMA), the Audit and Compliance Committee is composed of non-executive members. Supervising and cooperating with the Company's internal and external auditors, the committee is tasked with ensuring that the Company fully applies all internal control policies, and that accounting principles and policies present the financial results in a fair and accurate manner. The committee is further tasked with approving the scope of the Company's internal auditor, ensuring that Executive Management apply necessary corrective measures in a timely manner to address control deficiencies or non-compliance with policies, laws, regulations, or any other infringements identified by the auditors or other control functions.

**Executive Committee:** The Executive Committee is composed of five members and is headed by the Vice Chairman of the Board of Directors. It is tasked with monitoring implementation of the Company's strategy, ensuring the achievement of operational objectives, and cooperating with the other committees established by the Board of Directors.

**Nomination and Remuneration Committee:** The Nomination and Remuneration Committee is currently part of the Executive Committee and is tasked with identifying and recommending candidates for selection as executive and non-executive Members of the Board of Directors. The committee determines and approves Members' compensation in accordance with the regulations of the Saudi Central Bank (SAMA).

**Shariah Board:** The Shariah Board is an independent committee appointed by the Board of Directors. The Shariah Board is responsible for ensuring that all products, services, policies, and agreements extended by the Company conform to the rules and principles of Islamic Shariah. The committee must verify all relevant policies and agreements in coordination with Executive Management before the launch of any new product or service, subject to the approval of the Board of Directors. The Shariah Board is also tasked with providing guidance, formulating policies, and conducting annual Shariah audits to ensure that the Company remains in compliance with all rules and principles of Islamic Shariah.





## Dividend Policy

In accordance with the stipulations of Article 26 of the Executive Regulations of the Finance Companies Control Law, the annual net profits of the Company are distributed as follows:

1. Ten percent (10%) of net profits are set aside to form the Company's statutory reserve. The General Assembly may elect to suspend such retention once said reserve has reached 30% of the Company's paid-in capital.
2. In keeping with the proposal of the Board of Directors, the General Assembly allocates an amount not exceeding twenty percent (20%) of net profits to an additional reserve, the uses and specific purposes of which are determined by the General Assembly.
3. The General Assembly may elect to create further additional reserves if it deems such action to serve the interests of the Company or ensure that fixed profits are distributed to
- shareholders to the greatest extent possible. The Assembly may also deduct amounts from the Company's net profit to establish social institutions for Company employees or to assist those dependent on such institutions.
4. The remainder of net profits, representing five percent (5%) of the Company's paid-in capital, shall be distributed to shareholders.
5. In accordance with the stipulations of Articles 18 and 26 of the Companies Law, five percent (5%) of the remaining profits are allocated to the remuneration of the Board of Directors, provided that such remuneration is proportional to the number of Board sessions attended by a given Member.

## Regulatory Fines and Penalties

Violation Category	Number of Penalty Decisions		Total Amount Levied in Penalties (SR)	
	2019	2020	2019	2020
SAMA Supervisory Instructions	0	0	0	0
Violating SAMA's instructions regarding due diligence in combating money laundering and terrorist financing	0	0	0	0
Violation of the SAMA's instructions for Consumer protection	0	1	-	220,000





ANNUAL REPORT

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TAS'HEEL  
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