



**PILLAR III DISCLOSURE
REPORT**

**FOR THE YEAR ENDED
31st DECEMBER 2020**

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1 Introduction

Middle East Financial Investment Company hereinafter referred to as “MEFIC Capital” and/or “the Company” is licensed and regulated by the Capital Market Authority (hereinafter referred to as “CMA”). CMA Prudential Rules consists of three main Pillars of Capital Adequacy,

- I. **Pillar I** - Minimum Capital Adequacy requirements, in which the firm has to maintain capital resources should not be less than the capital required amount.
- II. **Pillar II** - Assessment of all Risks and capital adequacy, in order to determine if additional capital should be assigned for additional risks.
- III. **Pillar III** - Market Disclosure and Reporting of capital adequacy and the other required information to be published, the Pillar III annual review and update will be published on the Company official website www.mefic.com.sa

The document has been prepared in accordance with the Capital Market Authority regulations. It meets the minimum requirements for the Annual Disclosure, referred by Article 68 of the Prudential Rules, and shall be arranged in accordance to Annex 10 of the same rules along with some illustrative tables.

2 Scope of Application

MEFIC Capital is a Saudi Closed Joint Stock Company established under the regulation for companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No:1010237038 issued in Riyadh on Sha’ban 2, 1428H (corresponding to August 15, 2007) and Ministerial Resolution No.200/K dated Rajab 30, 1428H (corresponding to August 13, 2007) announcing the formation of the Company.

The Company also operates its investment activities under the Authorization License No. 06029-37 dated July 17, 2007 (corresponding to Jumad Al Thani 21, 1427H) issued by the Capital Market Authority.

The Company modified its’ provided licensed services as per CMA approval dated August 29, 2017 (corresponding to Dhu Al-Hijjah 7, 1438H) to modify the investment services related to Dealing in securities as Principal only, Underwriting, Investment Funds Management along with the Private Investment Portfolios Management on the behalf of the customer, Arrangement, Advisory and Custody Services related to financial securities. The Company requested to revoke its license of Dealing as Agent.

2.1 Group Structure

The Company's share capital of 400 million as of December 31, 2020 remain the same as the previous year, consists of 40,000,000 fully paid shares with nominal value of SR 10 each. The Company has investment in a subsidiary that has been disclosed separately in the Financial Statement at the time of preparing and publishing this disclosure.

The Company's 40% share capital is owned by Ahli United Bank "AUB", in which AUB in Kuwait own (30%), and AUB in Bahrain (10%), Esna Holding Company owns 15.75% of the share capital, the Arab Investment Company (TAIC) own 15% of the share capital, as well as a group of high net worth individuals and family offices. Some of the details about MEFIC's shareholders as follow:

❖ Ahli United Bank ("AUB")

Ahli United Bank (AUB) forms a banking group providing (i) retail banking, (ii) corporate banking, treasury and investment, (iii) private banking and wealth management services and (iv) Sharia'-compliant banking services. AUB has a strong presence across Middle East and North Africa "MENA" with locations in Bahrain, Kuwait, Oman, Egypt, Iraq, and Libya and United Kingdom. AUB is the largest bank in Bahrain with total assets of USD 40.28 bn, and Kuwait total assets of KD 4.3 bn by the end of 2020.

❖ ESNA Holding Company

ESNA Holding Company is a Privately Held Company Founded in 1980, ESNA was fueled with dedication for business excellence to confront expanding market needs and high profile projects, specialized sister companies were established since 1996, executing ESNA among the leading holding companies, hence encompassing organizations servicing in various disciplines like Telecommunications & Security Surveillance Advertising, Marketing, Social Media & Audio-visual solutions Electro-mechanical Projects and Supplies Specialized Warehouse Equipment & Management Medical Supplies & Services "

❖ The Arab Investment Company ("TAIC")

TAIC is a closed joint stock company established in 1974, owned by Arab States and registered in the Kingdom of Saudi Arabia & TAIC Holds 15% of MEFIC.

❖ Individuals / Family Offices

High Net worth Individuals collectively holds 29.25% of the share capital in MEFIC Capital. These are well connected, and highly experienced individuals provide the necessary networking capability for MEFIC Capital in Saudi Arabia.

2.2 Material & Legal Impediments

There is no current or foreseen material or legal impediment to the prompt transfer of capital or repayment of liabilities between the Company and the related business partners.

3 Risk Management Structured

3.1 Risk Management

Risk Management is an independent control function reporting directly to the Company's Chief Executive Officer ("CEO"). The Risk Management function is responsible for the design and introduction of an independent risk management process that caters for the Identification, Assessment, Monitoring and Control of both financial and non-financial risks associated with the business activities based on approved policies and procedures subject to an annual review for a continues development and enhancement for Risk Management process that fully comply with the Authority regulations. The risk management reporting prepared to on ex-post basis for assisting gaps and cope with the business needs, reporting compress both quantitative and qualitative based on the Authority Requirements and approved policies and procedures.

The Company considers several aspects when applying its process in order to mitigates the risks associated with the business such as:

- **Clear communications.**
- **Develop its modus operandi "the working and operating manner".**
- **Apply the corporate devil's advocate approach in order to enhance the value of the investments.**
- **Promote the risk management culture levels.**
- **Continuous improvement of the Company risk profile and the risk appetite.**

3.2 Board of Directors ("BoD")

The Board of Directors of the Company has an overall responsibility for establishing the risk culture and ensuring that an effective risk management framework is in place, some of the BoDs key responsibilities are:

- **Approve the Company's structure for risk management.**
- **Approve the annual Risk Appetite Statement ("RAS") and the Risk Appetite limits annually.**
- **Review and approve the Internal Capital Adequacy Assessment Process "ICAAP".**
- **Validate and approve the modifications and enhancements for Risk Management Framework.**

- Review and approve risk assessment for any modifications or enhancement for the Company's products and services.

3.3 Chief Executive Officer ("CEO")

The CEO is responsible for the following activities:

- Ensure that the Company's department heads and their members of staff are fully aware and understanding that they are the risk owners for their related area of business and act accordingly.
- Review the adequacy of the proposed risk mitigating measures.
- Provide suggestions or recommendations in order to enhance the risk mitigating measures.
- Provide full support (where necessary) to enable the implementation of the risk management activities and initiatives across the Company.
- Respond in a timely manner in case of occurrence of incidents/events requiring CEO involvement.

3.4 Risk and Compliance Committee ("RCC")

The Risk and Compliance Committee is a management committee responsible for overseeing the risk management framework and compliance framework. During 2020, the Committee considered addressing the Corporate Governance Framework. The committee established to address all related risks and ensure effectiveness of the implementation process of risk management framework across the Company including the risk strategy, governance systems and compliance with the authority requirements as well as Compliance functions, in addition to the Company's Corporate Governance process and framework.

3.5 Internal Audit

The Company continued to enhance the value and effectiveness of the internal audit function while keeping full control at the Company's level. The Internal Audit Manager is working closely to monitor and control the co-sourced service provided and confirm an independent assurance that all types of risk and the controls are being measured and managed in accordance with the policies and guidelines approved by the BoD, and the market best practice. The Internal Audit function reports to the Internal Audit Committee ("IAC") a Board Committee.

4 Capital Structure

4.1 Capital Adequacy General Principal

The Company will always comply with Part 2: Capital Base of the Prudential Rules of the CMA, moreover the Company maintains prudent relationship between the capital base and underlying risks.

4.2 Regulatory Restrictions of the Capital Market Authority (“CMA”)

CMA has imposed a restriction that all Authorized persons shall continuously possess a capital base that corresponds to not less than the total of the minimum capital requirements of 1.0x, in accordance with Chapter 4 to Chapter 16 of Part 3 of the CAM’s Prudential Rules at any point in time.

4.3 Capital Base

The Company’s capital base as per the audited financial statement as of December 31, 2020 and 2019 as follow:

Table 1. CAPITAL Base		
	FY 2020	FY 2019
	SAR’ 000	SAR’ 000
<u>Tier 1 Capital</u>		
Paid-up capital	400,000	400,000
Share premium	-	-
Reserves	12,918	12,918
Audited retained earnings	(93,536)	(49,593)
Deductions (-)	(14,332)	(2,485)
Total Tier 1 capital	305,050	360,840
<u>Tier 2 Capital</u>		
Total Tier 2 capital	-	-
Total Capital Base	305,050	360,840

5 Capital Adequacy

5.1 Capital Adequacy Principle

Capital Adequacy provides clear view on the Company’s ability to ensure efficient utilization of its capital in relation to business requirements, the risk profile and shareholder visions and expectations. The Company approach in assess the capital adequacy by considering the following principles:

- Pillar II review of the Internal Capital Assessment Process “ICAAP”, review to be conducted at least annually.
- Comply with Prudential Rules of the CMA by assessing the capital base to be maintaining above the CMA’s minimum regulatory requirement of 1.0x.
- Stress Testing and Scenario Analysis - It refers to the simulation techniques the Company adopts in order to assess potential effects of specified events.

The Company’s total capital ratio as of December 31, 2020 was 1.44x, which correspond to minimum capital requirements of ~SR 212 mm and capital surplus of ~SR 93 mm.

The Company minimum capital requirements as of 31 December 2020 and 2019 in line with audited financial statement present at the following table. “For detailed disclosure please refer to point 7”

Table 2. Capital Adequacy Comparison

	FY 2020 SAR’ 000	FY 2019 SAR’ 000
<u>Credit Risk</u>		
On-balance Sheet Exposures		
Governments and Central Banks	-	-
Administrative bodies, NPOs	39	4
Capital Market Institutions (CMI) and banks	1,336	758
Corporates	16	582
Retail	260	34,925
Investments	75,375	93,401
Securitization	-	-
Margin Financing	-	-
Other Assets	98,045	36,149
Total On-Balance sheet Exposures	175,075	165,819
Off-balance Sheet Exposures		
OTC/Credit Derivatives	-	-
Repurchase agreements	-	-
Securities borrowing/lending	-	-

Commitments	-	-
Other off-balance sheet exposures	9,996	8,237
Total Off-Balance sheet Exposures	9,996	8,237
Total On and Off-Balance sheet Exposures	185,066	174,056
Prohibited Exposure Risk Requirement	13,983	0
Total Credit Risk Exposures	199,049	174,056
<u>Market Risk</u>		
Interest rate risks	-	-
Equity price risks	-	2,919
Risks related to investment funds	-	918
Securitization/ Re-securitization positions	-	-
Excess exposure risks	-	-
Settlement risks and counterparty risks	-	-
Foreign exchange rate risks	2,031	2,280
Commodities risks	-	-
Total Market Risk Exposures	2,031	6,117
Total Operational Risk Exposures	10,501	10,513
Minimum Capital Requirements	211,582	190,686
Surplus/(Deficit) in Capital	93,468	170,154
Total Capital Ratio (Time)	1.44	1.89

5.2 Internal Capital Adequacy Assessment Process (ICAAP)

Management monitors the use of capital through its internal Capital Adequacy Assessment Process (ICAAP) which considers the Company's strategies by assessing the Capital Adequacy and the impact of associated risk over the next three coming years. It is the self-assessment tool to determine the capital adequacy required for all exposed material risks to ensure sufficient capital exists to support the Company's business and associated risks. In effect, the ICAAP is a crucial part of the Company's strategic decision-making process and risk management framework.

Further through stress testing the management ensure that, at any point in time, the Company's capital adequacy ratio is above the minimum limit prescribed by CMA. The Stress Testing as known by its name is conducted to determine how the Company's capital adequacy is impacted under adverse economic situations and to ensure that adequate capital is available for continuity of business under defined stress scenarios.

6 General Qualitative Disclosure

6.1 Credit Risks

Credit Risk is the risk of economic loss from the failure of a debtor to perform according to the terms and conditions of a contract or agreement. Credit Risk considered as the main risks charged to capital for the Company due to the Company's proprietary investment.

The Company performs the reasonable due diligence of securities and investments, along with Counterparty Risk Assessment, the Company obtains the appropriate approvals as per the approved authority matrix and the approved limitations, such process has to be in line with the approved investment roadmap.

In order to mitigate the credit risk and the counterparty risks, the Company applies suitable and approved policies and procedures in this regard allowing close monitoring in order to highlight any breaches related, also to consider an immediate correction plan, the Company still doesn't use hedging techniques, as an example of the policies and procedure principles are:

- Consider Short term Murabaha placements as low risk product.
- Perform Counterparty profile Risk Assessment to confirm the credit levels is up to acceptable standards.
- Counterparty Risk Assessments to be conducted on an annual basis.
- Carrying out Stress Testing process to review any unexpected movements in terms of rating, Geo political change, significant down trend in the financial performance semi-annually or annually.

6.2 Market Risk

Market Risk is the potential that changes in the market prices of an institution's holdings may have a negative impact on its financial condition. It's arising from positions either explicit or embedded within instruments and can be especially complex and difficult to manage. There are four most common market risk factors (Interest Rate, Foreign Exchange, Equity price, Commodity price). The Company's exposure to market risk as an average position was remain very low during 2020, due to the absent of a trading portfolio and the nature of investment provided by the Company. The current marker risk exposures disclosed arouse from the foreign currency exchange risk charges.

In order to mitigate market risk the Company follow an approved policy and procedure that include investments due diligence, underwriting process, considering the approval levels as per the approved authority matrix that includes the BoD or any other Committee, moreover, applying risk measurement tools such as Sensitivity Analysis and/or Stress Testing where applicable.

6.3 Operational Risk

Operational Risk is inherent within each and every activity or process conducted by the business. Its' widely used definition, as adopted by Basel II regulations: which is "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Operational loss always associated with business activities such as:

- Business Internal Process: it's the risks associated with failures of processes or procedures.
- People Risks: associated with employees and/or with clients.
- System Risks: associated with the use of technology and systems.
- External Event Risks: associated with causes beyond the direct control of the Company.

In order to mitigate the Operational Risk, risk management implementing an approved operational risk policy and procedure subject to continues improvements, the risk management function always emphasizing that each business line is responsible to minimize the operational risk associated with their activities, some of the followed principles are:

- Continues testing of all controls effectiveness.
- Risk Control Self-Assessment "RCSA" and creating the risk register.
- Business Continuity Plan "BCP" testing annually.
- Review all Service Level Agreement's "SLA" annually.
- Developing the risk management reporting.
- Internal Audit functions to independently conduct a Risk Assessment Internal Audit based, and assessing effectiveness of the business controls.

6.4 Liquidity Risk

This risk arises as a result of holding of illiquid assets, asset vs. liability gap, or inaccurate assessments of potential operating liquidity requirements.

In order to mitigate the liquidity risk, the Company monitors the liquidity position regularly, to maintain reasonable level of liquidity availability in order to meet any commitments when it falls due, Moreover, the Company considers short term and low risk investments, evaluate the worst case scenario the Company may face by applying stress testing scenarios, and most importantly is applying close monitoring to the asset and liability management.

The liquidity Statement is prepared in accordance to different time intervals of the expected cash flow arising at the settlement time of both asset and liabilities. Time intervals used as per the CMA Prudential Rules Regulation presented below:

- 1 Day
- From 1 day Up to 1 week
- From 1 week Up to 1 month
- From 1 month Up to 3 month
- From 3 month Up to 6 month
- From 6 month Up to 1 Year
- Over 1 Year
- Non-Maturity

6.4.1 Liquidity Risk Quantitative Disclosures

MEFIC has defined liquidity risk indicator as a part of its Risk appetite which they monitor & always maintain adequate Liquidity to meet its day to day obligations and cash outflows. Liquidity coverage Ratio is maintained greater than 110% and for Dec 2020 the LCR was 259 %.

MEFIC also uses benchmark ratio of Liquid Asset / Total Assets to determine the impact the liquidity emergency situation wherein funds from the liquid assets shall be utilized to withstand the liquidity crisis.

Liquidity Risk (Stock Approach)		
Indicators	Values	Inference
Liquid Assets / Total Assets	20%	This reflects the cushion/comfort level in meeting its short-term liabilities and fixed cost payment

MEFIC measures the liquidity risk by calculating cash flow mismatches based on the maturity dates relating to all its assets and liabilities as below: -

Liquidity Risk (Cash Flow Approach)									
Descriptions	1 Day	> 1 day to 1 week	>1 week to 1 month	>1 month to 3 months	>3 months to 6 months	> 6 months to 1 year	> 1 year	Non-Maturity	Total
ASSETS									
Cash and cash equivalents	47,716	-	-	-	-	-	-	-	47,716
Other receivables	-	-	-	3,730	15,284	21,378	-	-	40,392
Advances and prepayments	-	-	-	-	-	-	-	945	945

Short Term Loans	-	-	-	-	6,000	-	-	-	6,000
Investments (Short & Long Term)	-	5,000	9,920	3,000	646	-	163,802	-	182,368
Property and equipment	-	-	-	-	-	-	-	2,569	2,569
Property under CWIP	-	-	-	-	-	-	70,883	-	70,883
ROU Assets	-	-	-	-	-	-	-	33,018	33,018
Deferred Tax	-	-	-	-	-	-	204	-	204
Total Assets	47,716	5,000	9,920	6,730	21,930	21,378	234,889	36,532	384,094
LIABILITIES									
Other payable & accruals	-	-	202	759	1,768	1,919	-	-	4,648
Accrued zakat and income tax payable	-	-	-	231	7,517	-	27,196	-	34,943
Employee terminal benefits	-	-	-	-	-	277	4,601	-	4,879
Lease Liabilities	-	-	-	-	-	2,892	29,253	-	32,145
Shareholders' Equity	-	-	-	-	-	-	-	307,480	307,480
Total Liabilities & Equity	-	-	202	990	9,285	5,088	61,050	307,480	384,094
Cash flow (Maturity) Gap	47,716	5,000	9,718	5,740	12,645	16,291	173,839	(270,948)	
Cumulative CF (Maturity) Gap	47,716	52,716	62,434	68,174	80,819	97,110	270,948	(0)	

7 Additional and Quantitative Disclosures

7.1 Capital Adequacy Quantitative Disclosures

Table 3. Disclosure on Capital Adequacy- December 31, 2020

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SR '000	Capital Requirement SAR '000
Credit Risk				
On-balance Sheet Exposures				
Governments and Central Banks	-	-	-	-
Administrative bodies, NPOs	280	280	280	39
CMIs and banks	47,701	47,701	9,540	1,336
Corporates	16	16	118	16
Retail	618	618	1,855	260
Investments	188,508	188,508	538,385	75,374
Securitization	-	-	-	-
Margin Financing	-	-	-	-
Other Assets	144,524	144,524	700,324	98,045
Total On-Balance sheet Exposures	381,649	381,649	1,250,502	175,070
Off-balance Sheet Exposures				
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	10,000	10,000	71,400	9,996

Total Off-Balance sheet Exposures	10,000	10,000	71,400	9,996
Total On and Off-Balance sheet Exposures	391,649	391,649	1,321,902	185,066
Prohibited Exposure Risk Requirement	24,125	24,125	99,877	13,983
Total Credit Risk Exposures	415,774	415,774	1,421,780	199,049
Market Risk	Long Position	Short Position		
Interest rate risks	-	-		-
Equity price risks	-	-		-
Risks related to investment funds	-	-		-
Securitization/ Re-securitization positions	-	-		-
Excess exposure risks	-	-		-
Settlement risks and counterparty risks	-	-		-
Foreign exchange rate risks	14,510	-		2,031
Commodities risks	-	-		-
Total Market Risk Exposures	14,510			2,031
Total Operational Risk Exposures				10,501
Minimum Capital Requirements				211,582
Surplus/(Deficit) in Capital				93,468
Total Capital Ratio (Time)				1.44

Table 4. Disclosure on Capital Adequacy- December 31, 2019

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SAR '000	Capital Requirement SAR '000
Credit Risk				
On-balance Sheet Exposures				
Governments and Central Banks				
Administrative bodies, NPOs	28	28	28	4
CMI and banks	27,073	27,073	5,415	758
Corporates	583	583	4,160	582
Retail	83,155	83,155	249,464	34,925
Investments	218,468	218,468	667,152	93,401
Securitization	-	-	-	-
Margin Financing	-	-	-	-
Other Assets	37,044	37,044	258,204	36,149
Total On-Balance sheet Exposures	366,350	366,350	1,184,423	165,819
Off-balance Sheet Exposures				
OTC/Credit Derivatives	-	-	-	-

Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	-	-	-	-
Total Off-Balance sheet Exposures	12,734	8,240	58,834	8,237
Total On and Off-Balance sheet Exposures	379,084	374,590	1,243,257	174,056
Prohibited Exposure Risk Requirement	-	-	-	-

Total Credit Risk Exposures	379,084	374,590	1,243,257	174,056
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<u>Market Risk</u>	Long Position	Short Position	
Interest rate risks	-	-	-
Equity price risks	16,215	-	2,919
Risks related to investment funds	5,736	-	918
Securitization/ Re-securitization positions	-	-	-
Excess exposure risks	-	-	-
Settlement risks and counterparty risks	-	-	-
Foreign exchange rate risks	31,317	-	2,280
Commodities risks	-	-	-
Total Market Risk Exposures	53,268		6,117

Total Operational Risk Exposures	10,513
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Minimum Capital Requirements	190,686
Surplus/(Deficit) in Capital	170,154

Total Capital Ratio (Time)	1.89
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7.2 Credit Risks Quantitative Disclosures

The company considers using the credit rating agencies regulated by the CMA for the credit quality steps to determine its' credit exposure as per the below table:

Table 5. Credit Quality Rating Steps

Credit Quality step	1	2	3	4	5	6
S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below
Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below
Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below
Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below

TABLE 6. DISCLOSURE ON CREDIT RISK WEIGHT - DECEMBER 31, 2020

Risk Weights	Governments and central banks	Administrative bodies and NPO	CMI and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitization	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%										15		15	-
20%			47,701									47,701	9,540
50%												-	-
100%		280										280	280
150%								18,094				18,094	27,141
200%												-	-
300%						618		170,415		1,287		172,320	516,961
400%										103,901		103,901	415,603
500%												-	-
714% (include prohibited exposure)					16		39,336	24,125			10,000	73,477	452,254
Average Risk Weight	0%	100%	20%	0%	714%	300%	714%	308%	0%	399%	714%	415,789	1,421,780
Deduction from Capital Base	-	39	1,336	-	16	260	39,320	89,357	-	58,725	9,996		199,049

TABLE 7. DISCLOSURE ON CREDIT RISK WEIGHT – DECEMBER 31, 2019

Risk Weights	Governments and central banks	Administrative bodies and NPO	CMI and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitization	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%										20		20	-
20%			27,073									27,073	5,415
50%												-	-
100%		28										28	28
150%												-	-
200%												-	-
300%						83,155		206,669		1,519		291,343	874,029
400%								11,799				11,799	47,196
500%												-	-
714% (include prohibited exposure)					583		35,525				8,240	44,340	316,590
Average Risk Weight		100%	20%		714%	300%	714%	305%		300%	714%	374,603	1,243,257
Deduction from Capital Base		4	758		582	34,925	35,511	93,400		638	8,237		174,056

Table 8. Disclosure on Credit risk rating exposure - December 31, 2020

		Long term Ratings of counterparties								
Exposure Class	Credit Quality Step	1	2	3	4	5	6	Unrated	Total	
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated		
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated		
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated		
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated		
<u>On and Off-balance-sheet Exposures</u>										
Governments and Central Banks	-	-	-	-	-	-	-	-	-	
Administrative bodies, NPOs	-	-	-	-	-	-	-	280	280	
CMLs and banks	-	47,644	-	57	-	-	-	-	47,701	
Corporates	-	-	-	-	-	-	-	16	16	
Retail	-	-	-	-	-	-	-	618	618	
Investments	-	-	-	-	-	-	-	188,508	188,508	
Securitization	-	-	-	-	-	-	-	-	-	
Margin Financing	-	-	-	-	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	-	154,524	154,524	
Total		47,644	-	57	-	-	-	343,948	391,649	

Table 9. Disclosure on Credit risk rating exposure - December 31, 2019

		Long term Ratings of counterparties								
Exposure Class	Credit Quality Step	1	2	3	4	5	6	Unrated		
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated	Total	
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated		
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated		
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated		
<u>On and Off-balance-sheet Exposures</u>										
Governments and Central Banks	-	-	-	-	-	-	-	-	-	
Administrative bodies, NPOs	-	-	-	-	-	-	-	28	28	
CMIs and banks	-	27,073	-	-	-	-	-	-	27,073	
Corporates	-	-	-	-	-	-	-	583	583	
Retail	-	-	-	-	-	-	-	83,155	83,155	
Investments	-	-	-	-	-	-	-	218,468	218,468	
Securitization	-	-	-	-	-	-	-	-	-	
Margin Financing	-	-	-	-	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	-	49,777	49,777	
Total	-	27,073	-	-	-	-	-	352,011	379,084	

Table 10. Disclosure on Credit Risk Mitigation (CRM) - December 31, 2020

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
<u>Credit Risk</u>						
On-balance Sheet Exposures	-	-	-	-	-	-
Governments and Central Banks	-	-	-	-	-	-
Administrative bodies, NPOs	280	-	-	-	-	280
CMIs and banks	47,701	-	-	-	-	47,701
Corporates	16	-	-	-	-	16
Retail	618	-	-	-	-	618
Investments	188,508	-	-	-	-	188,508
Securitization	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets	144,524	-	-	-	-	144,524
Total On-Balance sheet Exposures	381,649	-	-	-	-	381,649
Off-balance Sheet Exposures	-	-	-	-	-	-
OTC/Credit Derivatives	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-
Exposure in the form of commitments	-	-	-	-	-	-
Other Off-Balance sheet Exposures	10,000	-	-	-	-	10,000
Total Off-Balance sheet Exposures	10,000	-	-	-	-	10,000
Total On and Off-Balance sheet Exposures	391,649	-	-	-	-	391,649

Table 11. Disclosure on Credit Risk Mitigation (CRM) - December 31, 2019

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks						
Administrative bodies, NPOs	28	-	-	-	-	28
CMLs and banks	27,073	-	-	-	-	27,073
Corporates	583	-	-	-	-	583
Retail	83,155	-	-	-	-	83,155
Investments	218,468	-	-	-	-	218,468
Securitization	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets	37,044	-	-	-	-	37,044
Total On-Balance sheet Exposures	366,350	-	-	-	-	366,350
Off-balance Sheet Exposures						
OTC/Credit Derivatives	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-
Exposure in the form of commitments	3,747	-	-	-	-	3,747
Other Off-Balance sheet Exposures	8,987	-	-	4,493	-	4,493
Total Off-Balance sheet Exposures	12,734	-	-	4,493	-	8,240
Total On and Off-Balance sheet Exposures	379,084	-	-	4,493	-	374,590

7.3 Market Risk Quantitative Disclosures

Market Risk capital requirements as per the Pillar I of the Prudential Rules as of December 31, 2020 are as follows :

Table 12. Disclosure on Market Risk December 31, 2020

	FY 2020 SAR '000	FY 2019 SAR '000
Market Risk		
Equity Risk	-	2,919
Fund Risk	-	918
Interest Rate Risk	-	-
Commodities Risk	-	-
FX Risk	2,031	2,280
Underwriting Risk	-	-
Excess Exposure Risk	-	-
Settlement Risk	-	-
Total Market Risk Capital Required	2,031	6,117

7.4 Operational Risk Disclosure

Operational Risk capital requirements as per the Pillar 1 of the Prudential Rules as of December 31, 2020 are as follows:

Table 13. Disclosure on Operational Risk December 31, 2020

Approach	FY 2018 SAR '000	FY 2019 SAR '000	FY 2020 SAR '000	Average	Risk Charge %	Capital Re- quirements
Basic Indicator Approach Operating Income	131,473	39,968	38,582	70,007	15 %	10,501
Expenditure Based Approach Overhead Expenses			25,461		25%	6,365
Total Operational Risk Capital Required						10,501

Table 14. Disclosure on Operational Risk December 31, 2019

Approach	FY 2017 SAR '000	FY 2018 SAR '000	FY 2019 SAR '000	Average	Risk Charge %	Capital Re- quirements
Basic Indicator Approach Operating Income	38,827	131,473	39,968	70,089	15%	10,513
Expenditure Based Approach Overhead Expenses			35,143		25%	8,786
Total Operational Risk Capital Required						10,513

End of Report