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مرخصة من هيئة السوق المالية

ARAB NATIONAL INVESTMENT COMPANY

A CLOSED JOINT STOCK COMPANY

PILLAR III QUALITATIVE AND QUANTITATIVE DISCLOSURES

AS OF 31 DECEMBER 2020

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1. GENERAL

Arab National Investment Company (the "Company") is a closed joint stock company established and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010239908 on Shawwal 26, 1428 H (corresponding to November 7, 2007). Under the terms of its license, the Company was segregated from its parent, Arab National Bank ("ANB"), as from the date of commencement of its commercial operations on January 12, 2008. The Company is a fully integrated Capital Market Institution regulated by the Rules and Regulation of Capital Market Authority ("CMA"); it is a wholly owned subsidiary of ANB and acts as its sole investment arm.

The Company is a wholly owned subsidiary of the ANB. ANB has following subsidiaries and associates:

Subsidiaries and Associates	Percentage of Holding of the Bank
Arab National Investment Company	100%
ANB Insurance Agency	100%
Al-Manzil Al-Mubarak Real Estate Financing Limited	100%
ANB Global Markets Limited	100%
Arabian Heavy Equipment Leasing Company	87.50%
Saudi Home Loans Company	40%
ANBI Business Gate Fund	25.47%
Sara Real Estate Investment Fund	31.90%

In 2015 Company had subscribed 25.47% of the units of the ANBI Business Gate Fund, a closed-ended private placement real estate investment fund with the amount of SAR 242 million as a seed investment. The fund's purpose is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the fund will receive rental and hotel operating income over the fund term. The Company exercises significant influence over the fund and manages the fund through an agreement between the Company as Fund Manager and the Fund unitholders. Accordingly, the Company has classified the seed investment in the fund as an investment in associate.

During the year 2020 The Company also subscribed 23.76% of the units of the Sara Real Estate Investment Fund with the amount of SAR 325 million. It is also a closed-ended private placement real estate investment having income generating real estate property located in eastern province of KSA.

The Company has no local or foreign subsidiaries. Further, the Company also does not jointly manage or exercise significant influence over any foreign company or has investments in private equity in which the Company owns majority of the voting rights.

On Sha'ban 3, 1433 (corresponding to June 23, 2012), the Company received instruction from CMA to change the legal form of the Company from a limited liability company to a closed joint stock company. Such change was approved according to the Ministerial Resolution No. 317/G dated Muharram 19, 1436 H (corresponding to November 12, 2014), and a revised commercial registration was issued on Rabi Al Awal 17, 1436 H (corresponding to January 8, 2015).

The objective of the Company has been amended and approved by CMA Board of Commissioners on Muharram 28, 1437 H (corresponding to November 10, 2015) through a resolution number S/1/6/14832/15 to include dealing as a principal activity. Accordingly, the amended objectives of the Company is to conduct dealing as a principal as well as an agent; underwriting the asset management and investment banking activities, discretionary portfolio management, brokerage arranging, advising and custody activities in the Kingdom of Saudi Arabia. This includes various investment activities in Islamic and other related investments such as establishment and management of public equity portfolios, seed investments and real estate funds. The Company operates through its head office located in Riyadh and 9 investment centres across the Kingdom of Saudi Arabia.

2. CAPITAL STRUCTURE

The Company's capital structure comprises of:

Tier-1 capital of the Company consists of paid up share capital of SAR 1000 million (100 million shares at a par value per share of SAR 10), capital contribution in the form of statutory reserves established by appropriation of 10% of net income of the year and audited retained earnings being the net amount after appropriation of statutory reserve and deduction of zakat and income tax for the year.

For Quantitative disclosure on the capital structure refer to **Appendix I**

3. CAPITAL ADEQUACY

The Company Board of Directors has established Risk Management Committee with the mandate to monitor and ensure that the Company has adequate capital to support all the risks inherent in its current and future business plans.

The Company's capital adequacy includes identification and assessment of all types of material risks and ensures that besides having enough capital to cover these risk, adequate policies, processes and internal controls are in place to manage these risks in a timely manner. The Company has adopted Pillar I capital calculation methodologies under the Standardized approaches, in accordance with the guidelines issued by CMA. It has developed its own methodologies for assessing and allocating capital for material Pillar II risks. At the same time, stress-testing scenarios are applied to arrive at stress capital ratios with a view to ensure that the Company remains adequately capitalized under stressed conditions during the economic down-turns.

The Company's capital adequacy ratio is based on Pillar I and Pillar II risks for both Tier-1 and Tier-2 capital. It intends to target its capital adequacy ratio (CAR) well above CMA's minimum regulatory requirement of 1x. However, management actions trigger is set at higher than the required minimum CAR advised by CMA, wherein Risk Management Committee will review the capital adequacy position and recommend corrective action, if required.

The Company as of the year end is adequately capitalised with surplus capital over and above the minimum capital requirement of the Company.

For Quantitative disclosure on the capital adequacy refer to **Appendix II**

4. *RISK MANAGEMENT*

4.1 Risk Governance Structure

The Company has well documented Risk Management Policy approved by its Risk Management Committee and Board of Directors. The policy provides guidelines for identification, measurement and control of relevant risks originating from the different business lines including capital estimation for each risk component under the regulatory guidelines. Risk management reporting and monitoring framework is in place which allows the senior management to monitor and analyse the risk at the Company level enabling the management to assess the risk level and trend, the sensitivity and reliability of risk management processes within the Company.

Risk management Committee: The overall risk within the Company is managed under the supervision of Risk Management Committee which comprises of the CEO, Head of Operations, the CFO, the Chief Compliance Officer, and members designated by the Risk Management Group of ANB. The roles and responsibilities of Risk Management Committee are as follows:

- Ensure that the Company has proper risk management framework.
- Define the risk strategy, adopt and periodically affirm or revise the Company's "risk appetite".
- Ratify any changes to the risk management framework including those resulting from changes to the regulatory environment, launch of new products/services or business practices.
- Set risk tolerances and ensure that senior management takes necessary steps to identify, measure, monitor and control these risks.
- Ensure that the Company remains adequately capitalized at all times and the capital is commensurate with its level of risk.
- Approve the ICAAP Report for adoption by the Company and submit to Board for ratification.

Internal Audit : Internal audit independently monitors the effectiveness of risk management policies, procedures and internal controls through periodic testing of the design and operation of the processes related to the identification, measurement, management, monitoring and reporting of risks. The findings of such audit reviews are reported to the Committee for corrective actions. The purpose of independent review is to ensure that those who take or accept risk on behalf of the Company are not the only ones who measure, monitor and evaluate the risks.

Compliance Function: The Compliance function assists in identifying, assessing, monitoring and reporting on compliance risk in matters relating to the Company, its operations and personnel conduct. Compliance function contributes in an independent manner, to the overall risk management of the Company by protecting the integrity and reputation of the Company and the staff, and in strengthening the Company's accountability and transparency through regular reporting of breaches to Compliance Committee & Audit Committee.

4.2 Credit Risk

Credit risk arises from the default of the counterparties due to inability or unwillingness to meet their obligation in relation to lending, trading, settlement or other financial transactions. From the Company's perspective, the credit risk arises due to default from counterparties with whom deposits are placed regularly and investment in funds, which does not form part of the trading portfolio.

The Company is engaged in offering a collateralized share trading to its customers for buying local shares on margin, where the shares serves as company's collateral. In order to limit the credit risk exposure on share trading, customers' facilities are subject to standard threshold limit of 200% coverage ratio, 175% call ratio and 150% liquidation ratios. The Company also invests free capital in the form of deposits mostly with its parent Bank. The Company provide seed capital to newly created funds, but the level of seed capital is approved by the Board of Directors and not exceed 10% of any fund's initial net asset value. However, an exception in case of seed capital investment in a close ended private placement real-estate fund, whereby the Company has subscribed more than 10% of the fund's initial net asset value with prior intimation to CMA during the offering of the fund.

Past Due Exposures & Specific Provisions: The Company has receivable policy in place which defines past due claims, as claims which are outstanding and not expected to be realised. Against such past due claims the Company makes specific provisions depending on the number of day's receivable balance outstanding. The Company makes provision for such exposures and write off the same from the books, if required. As of 31 December 2020 the Company does not have past due claims.

Credit Rating Agencies: Company follows CMA guidelines with respect to credit risk exposure. The Company does not use ratings of credit rating agencies for its credit risk exposures as significant credit risk exposures are with reputed local banks where the credit risk is minimal.

The Company follows the Standardized approach suggested by CMA for assessment of credit risk capital requirements where weights are assigned to respective assets and capital is computed at 14% of the risk weighted assets.

4.3 Credit Risk Mitigation Exposure

The Company has started to offer collateralized share trading facility to its customers from April'2017. The Customers are required to deposit cash or securities owned by them, before the overdraft facility is granted to them. The overdraft credit limit is either equal to the amount of the cash deposited or is a percentage of the market value of the securities deposited. The overdraft facility is available only to purchase additional shares that are pledged to the company. The Company also invest its cash flow in the financial instruments which have very minimal credit risk exposures such as demand deposits with local banks and own managed local funds.

4.4 *Counterparty Credit Risk and off-Balance Sheet Disclosure*

As per the policy of the Company significant amount of the capital invested in deposits with local banks and own managed local funds. Company does not have any open positions in derivatives transactions, repos and reverse repos and securities borrowing/lending either during the year or at the balance sheet date.

Counter Party Credit Risk: The Company has adopted the following approach for credit risk assessment of the counterparties with whom deposits are placed:

- Perform annual risk review of all the counterparties for placement of deposits, including tracking of adverse movement in the rating, financial performance, political environment etc. of counterparties
- Approval of counterparty limits by the Credit Department of ANB.
- Approval of exposure limits for new counterparties before investment.

The Company has only invested in its own managed funds as a Fund Manager for which credit risk assessment is not required, as the counter party is the Company itself.

Company settlement transactions process with different exchanges are such that it does not have counter party credit risk as the settlement is only executed with adequate cash balance available with the counter party.

Credit Risk Mitigation: In order to mitigate the credit risk from a counterparty, the Company considered the following eligible financial collaterals reduced from the credit exposure:

- Certificate of deposits or other money market instruments issued by the relevant authorities.
- Debt instruments and
- Equity and convertibles included in one of the indices recognised by the relevant authorities.

For Quantitative disclosure on the credit risk refer to **Appendix III to V**

4.5 *Market Risk*

Market risk generally arises from trading book exposure related to the positions, which are held intentionally for short-term resale and / or with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profit. Market risk consists of various components like interest rate risk, foreign exchange risk, equity price risk, underwriting risk, settlement risk and commodity price risk.

The Company calculates the capital charge on market risk as per CMA rules using the standardized approach for its trading book exposure. Risk is mitigated through approved strategy policies and procedure laid down in respective product programme and the risk management policy. The company shall not take any exposure in the trading activities without explicit approval from the Board or its authorised committee.

The Company is exposed to underwriting risk when it would be obliged to purchase previously issued equity and/or interest bearing financial instruments securities due to overestimation of demand for underwritten securities or sudden change in market conditions. As per CMA guidelines, the Capital Market Institution should calculate the capital requirements for the underwritten positions in accordance with the rules, which apply to calculating capital requirements for the holding of such financial securities.

Foreign Exchange Risk: Foreign exchange risk arises out of holding open positions (whether long or short) in foreign currencies or exposure caused by the Company's foreign exchange related assets and liabilities. As per CMA guidelines, foreign exchange risk comprises both trading and non-trading activities. The Company does not trade in foreign currencies and does not hold any foreign currency denominated assets and liabilities. However, the Company receives foreign exchange revenue from brokerage and asset management businesses which is insignificant in proportion to its total revenues from brokerage and asset management businesses. Most of foreign currencies revenues are in GCC currencies which are pegged to USD, thus resulting in insignificant impact on the revenues of the Company. Considering the fact that the Company does not have any significant exposure in foreign exchange, the impact arising out of adverse movement in foreign exchange is minimal and there is no requirement to hold additional capital for foreign exchange risk.

4.6 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes reputation and business/strategic risk. Operational risk is inherent within each activity or process conducted by the business.

The Company identifies various sources of operational risk events within the organization. The sources of risk can be attributed to the following events:

- Internal fraud
- External fraud
- Employment practices and workplace safety
- Clients, products and business practices
- Damage to physical assets
- Business disruption and system failures
- Execution, delivery and process management

The Company continuously strives towards updating its policies, procedures, processes and systems with a view to reduce the operational losses. At the same time, the Company's business departments monitor the actual losses or legal claims, to establish mitigation plans for avoiding or reducing such losses in the future, if possible. Further, in order to have better control over operations, each business department on a monthly basis perform Control and Risk Self-Assessment and Generic Key Risk Indicators. The results of operational findings are reported to the CEO on a monthly basis by the Risk Management Group of ANB.

The Company has taken a Professional Indemnity Insurance and Bankers Blanket Bond Insurance Policy from a reputable insurance company, which insures the Company for a reasonable sum.

The Company follows Business Continuity Planning as per ANB standards and serves to ensure that it has resources to manage unexpected crises to ensure continued effective operations

The Company follows a Basic Indicator Approach (BIA) as demonstrated by CMA guidelines for assessment of operational risks capital requirement. The Company computes the capital requirements at 15% of average operating income of the last three years subject to minimum of 25% of overhead expenses.

The Company's operational risk capital requirement considered at minimum of 15% of the average operating income of last three years from 2018 to 2020 in comparison to 25% of overhead expenses of 2020.

For Quantitative disclosure on the Operational risk refer to **Appendix VI**

4.7 Liquidity Risk Disclosure

Liquidity Risk is defined as the risk of losing earnings and capital due to an inability to meet obligations in a timely manner when they become due. Liquidity risk is categorized into following risks:

- Funding liquidity risk arises when the Company cannot fulfill its obligations because of its inability to obtain new funding.
- Market liquidity risk arises when the Company is unable to sell or realize specific assets without significant losses in price.

For measuring the liquidity risk, both stock and flow approaches have been considered. For liquidity risk management under stock approach, the Company 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. The ratio based on the 31 December 2020 balance sheet indicates comfortable position of 65.6% which means that significant assets are available to meet the contingent situation.

Under flow approach, the Company measures the liquidity risk by calculating cash flow mismatches based on the maturity dates relating to all its asset and liabilities.

The Company has prepared the liquidity statement based on the audited balance sheet as of 31 December 2020 and the statement shows the Company's liquidity position.

Overall liquidity situation is very comfortable after measuring the liquidity risk through stock and flow approach. Thus, the Company should not hold additional capital on account of liquidity risk.

For Quantitative disclosure on the Liquidity risk refer to **Appendix VII**

App 1: Disclosure on Capital Base

(SAR 000)

Capital Base	2020	2019
Tier-1 capital		
Paid-up capital	1,000,000	1,000,000
Audited retained earnings	432,526	333,576
Share premium	-	-
Reserves (other than revaluation reserves)	61,726	50,845
Tier-1 capital contribution	1,494,252	1,384,421
Deductions from Tier-1 capital	10,753	11,382
Total Tier-1 capital	**1,483,499**	**1,373,039**
Tier-2 capital		
Subordinated loans	-	-
Cumulative preference shares	-	-
Revaluation reserves	-	-
Other deductions from Tier-2 (-)	-	-
Deduction to meet Tier-2 capital limit (-)	-	-
Total Tier-2 capital	**-**	**-**
TOTAL CAPITAL BASE	1,483,499	1,373,039

App II: Disclosure on Capital Adequacy

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(SAR 000)

Exposure Class	Exposures before CRM	Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
				2020
Credit Risk				
On-balance Sheet Exposures				
Governments and Central Banks	-	-	-	-
Authorised Persons and Banks	143,302	143,302	48,596	6,803
Corporates	-	-	-	-
Retail	-	-	-	-
Investments	568,274	568,274	2,192,593	306,963
Securitisation	-	-	-	-
Margin Financing	670,904	670,904	1,006,356	140,890
Other Assets	9,828	9,828	35,128	4,918
Total On-Balance sheet Exposures	1,392,308	1,392,308	3,282,673	459,574
Off-balance Sheet Exposures				
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	1,158	1,158	8,268	1,158
Other off-balance sheet exposures	-	-	-	-
Total Off-Balance sheet Exposures	1,158	1,158	8,268	1,158
Total On and Off-Balance sheet Exposures	1,393,466	1,393,466	3,290,941	460,732
Prohibited Exposure Risk Requirement	-	-	-	-
Total Credit Risk Exposures	1,393,466	1,393,466	3,290,941	460,732

Market Risk	Long Position	Short Position	Capital Requirement
Interest rate risks			
Equity price risks			
Risks related to investment funds	173,974	-	27,836
Securitisation/resecuritisation positions			
Excess exposure risks			
Settlement risks and counterparty risks			
Foreign exchange rate risks			
Commodities risks.			
Total Market Risk Exposures			27,836

Operational Risk	25,433
Minimum Capital Requirements	514,001
Surplus/(Deficit) in capital	969,498
Total Capital ratio (time)	2.89

App II: Disclosure on Capital Adequacy

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(SAR 000)

Exposure Class	Exposures before CRM	Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
				2019
Credit Risk				
On-balance Sheet Exposures				
Governments and Central Banks	-	-	-	-
Authorised Persons and Banks	1,140,160	1,140,160	234,401	32,816
Corporates	-	-	-	-
Retail	-	-	-	-
Investments	250,844	250,844	940,436	131,661
Securitisation	-	-	-	-
Margin Financing	715,560	715,560	1,073,340	150,268
Other Assets	11,405	11,405	37,269	5,217
Total On-Balance sheet Exposures	2,117,969	2,117,969	2,285,446	319,962
Off-balance Sheet Exposures				
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	4,812	4,812	34,358	4,810
Other off-balance sheet exposures	-	-	-	-
Total Off-Balance sheet Exposures	4,812	4,812	34,358	4,810
Total On and Off-Balance sheet Exposures	2,122,781	2,122,781	2,319,804	324,772
Prohibited Exposure Risk Requirement	-	-	-	-
Total Credit Risk Exposures	2,122,781	2,122,781	2,319,804	324,772
Market Risk	Long Position	Short Position		
Interest rate risks				
Equity price risks				
Risks related to investment funds	51,037	-		8,166
Securitisation/resecuritisation positions				
Excess exposure risks				
Settlement risks and counterparty risks				
Foreign exchange rate risks				
Commodities risks.				
Total Market Risk Exposures				8,166
Operational Risk				23,393
Minimum Capital Requirements				356,331
Surplus/(Deficit) in capital				1,016,708
Total Capital ratio (time)				3.85

App III: Disclosure on Credit Risk's Risk Weight

(SAR 000)

Risk Weights	Exposures after netting and credit risk mitigation												2020
	Governments and central banks	Administrative bodies and NPO	Authorised persons and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitisation	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	-	-	30	-	-	-	-	-	-	-	-	30	-
20%	-	-	127,967	-	-	-	-	-	-	-	-	127,967	25,593
50%	-	-	-	-	-	-	-	-	-	-	-	-	
100%	-	-	-	-	-	-	-	-	-	-	-	-	
150%	-	-	15,335	670,904	-		-	19,669	-	-	-	705,908	1,058,862
200%	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	31,331	-	8,413	-	39,744	119,232
400%	-	-	-	-	-	-	-	517,274	-	-	-	517,274	2,069,096
500%	-	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	-	-	-	-	-	-	1,385	7,428	8,813	62,925
Average Risk Weight												-	0.14
Deduction from Capital Base												-	460,732

App III: Disclosure on Credit Risk's Risk Weight

(SAR 000)

Risk Weights	Exposures after netting and credit risk mitigation											2019
	Governments and central banks	Administrative bodies and NPO	Authorised persons and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitisation	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	-	-	35	-	-	-	-	-	-	-	-	35	-
20%	-	-	1,135,261	-	-	-	-	-	-	-	-	1,135,261	227,052
50%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	4,899	715,560	-	-	-	15,086	-		-	735,545	1,103,318
200%	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	25,225	-	10,607	-	35,832	107,498
400%	-	-	-	-	-	-	-	210,533	-	-	-	210,533	842,132
500%	-	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	-	-	-	-	-	-	763	4,812	5,575	39,806
Average Risk Weight												-	0.14
Deduction from Capital Base													324,772

App IV: Disclosure on Credit Risk's Rated Exposure

(SAR 000)

Exposure Class	Long term Ratings of counterparties								2020
	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	
	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	Total
On and Off-balance-sheet Exposures									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Authorised Persons and Banks*	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	568,274	568,274
Securitisation	-	-	-	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	7,428	7,428
Total	-	-	-	-	-	-	-	575,702	575,702

(SAR 000)

Exposure Class	Short term Ratings of counterparties						2020
	Credit quality step	1	2	3	4	Unrated	
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated	
	Fitch	F1+, F1	F2	F3	Below F3	Unrated	
	Moody’s	P-1	P-2	P-3	Not Prime	Unrated	
	Capital Intelligence	A1	A2	A3	Below A3	Unrated	Total
On and Off-balance-sheet Exposures							
Governments and Central Banks	-	-	-	-	-	-	-
Authorised Persons and Banks*	-	-	-	-	-	143,302	143,302
Corporates	-	-	-	-	-	-	-
Retail	-	-	-	-	-		-
Investments	-	-	-	-	-	-	-
Securitisation	-	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	670,904	670,904
Other Assets	-	-	-	-	-	9,828	9,828
Total	-	-	-	-	-	824,034	824,034

* Amount pertains to credit risk exposures in one of the local bank which is rated externaly by the agency as A. However, creding rating is not used and it is risk weighted as 20% as per CMA guidelines.

App IV: Disclosure on Credit Risk's Rated Exposure

(SAR 000)

Exposure Class	Long term Ratings of counterparties								2019
	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	
	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	Total
<u>On and Off-balance-sheet Exposures</u>									
Governments and Central Banks	-	-	-	-	-	-	-	-	-
Authorised Persons and Banks*	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	250,844	250,844
Securitisation	-	-	-	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	4,812	4,812
Total	-	-	-	-	-	-	-	255,656	255,656

(SAR 000)

Exposure Class	Short term Ratings of counterparties						2019
	Credit quality step	1	2	3	4	Unrated	
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated	
	Fitch	F1+, F1	F2	F3	Below F3	Unrated	
	Moody's	P-1	P-2	P-3	Not Prime	Unrated	
	Capital Intelligence	A1	A2	A3	Below A3	Unrated	Total
<u>On and Off-balance-sheet Exposures</u>							
Governments and Central Banks	-	-	-	-	-	-	-
Authorised Persons and Banks*	-	-	-	-	-	1,140,160	1,140,160
Corporates	-	-	-	-	-	-	-
Retail	-	-	-	-	-		-
Investments	-	-	-	-	-	-	-
Securitisation	-	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	715,560	715,560
Other Assets	-	-	-	-	-	11,405	11,405
Total	-	-	-	-	-	1,867,125	1,867,125

* Amount pertains to credit risk exposures in one of the local bank which is rated externaly by the agency as A. However, creding rating is not used and it is risk weighted as 20% as per CMA guidelines.

App V: Disclosure on Credit Risk Mitigation (CRM)

(SAR 000)

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 2020
						2020
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks	-	-	-	-	-	-
Authorised Persons and Banks	143,302	-	-	-	-	143,302
Corporates	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Investments	568,274	-	-	-	-	568,274
Securitisation	-	-	-	-	-	-
Margin Financing	670,904	-	-	-	-	670,904
Other Assets	9,828	-	-	-	-	9,828
Total On-Balance sheet Exposures	1,392,308	-	-	-	-	1,392,308
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	7,428	-	-	-	-	7,428
*Other Off-Balance sheet Exposures	-	-	-	-	-	-
Total Off-Balance sheet Exposures	7,428	-	-	-	-	7,428
Total On and Off-Balance sheet Exposures	1,399,736	-	-	-	-	1,399,736

* Refer to Chapter 2 of Annex 3.

App V: Disclosure on Credit Risk Mitigation (CRM)

(SAR 000)

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 2019
						2019
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks	-	-	-	-	-	-
Authorised Persons and Banks	1,140,160	-	-	-	-	1,140,160
Corporates	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Investments	250,844	-	-	-	-	250,844
Securitisation	-	-	-	-	-	-
Margin Financing	715,560	-	-	-	-	715,560
Other Assets	11,405	-	-	-	-	11,405
Total On-Balance sheet Exposures	2,117,969	-	-	-	-	2,117,969
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	4,812	-	-	-	-	4,812
*Other Off-Balance sheet Exposures	-	-	-	-	-	-
Total Off-Balance sheet Exposures	4,812	-	-	-	-	4,812
Total On and Off-Balance sheet Exposures	2,122,781	-	-	-	-	2,122,781

* Refer to Chapter 2 of Annex 3.

App VI: Disclosure on Operational Risk

(SAR 000)

Operational Risk	Gross Operating Income			Average Gross Operating Income	Risk Capital Charge %	2020 Capital Requirement
	2018	2019	2020			
1. BASIC INDICATOR APPROACH	140,119	150,144	218,401	169,555	15.00	25,433
CORPORATE FINANCE	-	-	-	-	18.00	-
RESEARCH AND ADVISORY	-	-	-	-	18.00	-
TRADING AND SALES	-	-	-	-	18.00	-
CUSTODY	-	-	-	-	15.00	-
ASSET MANAGEMENT	-	-	-	-	12.00	-
2. STANDARDISED APPROACH						-

	OVERHEAD EXPENSES (Year 2020)	Risk Capital Charge %	Capital Requirement
3. EXPENDITURE BASED APPROACH	93,572	25.00	23,393

CAPITAL REQUIREMENT FOR OPERATIONAL RISK - Higher of 1 & 3	23,393

App VI: Disclosure on Operational Risk

(SAR 000)

Operational Risk	Gross Operating Income 2017	Gross Operating Income 2018	Gross Operating Income 2019	Average Gross Operating Income	Risk Capital Charge %	2019 Capital Requirement
1. BASIC INDICATOR APPROACH	116,628	140,119	150,144	135,630	15.00	20,345
CORPORATE FINANCE	-	-	-	-	18.00	-
RESEARCH AND ADVISORY	-	-	-	-	18.00	-
TRADING AND SALES	-	-	-	-	18.00	-
CUSTODY	-	-	-	-	15.00	-
ASSET MANAGEMENT	-	-	-	-	12.00	-
2. STANDARDISED APPROACH						-

	OVERHEAD EXPENSES (Year 2019)	Risk Capital Charge %	Capital Requirement
3. EXPENDITURE BASED APPROACH	93,572	25.00	23,393

CAPITAL REQUIREMENT FOR OPERATIONAL RISK - Higher of 1 & 3	23,393

App VII: Disclosure on Liquidity Risk

S. No.	Indicators	2020	2019	Inference
1	Liquid assets / Total Assets	65.6%	86.6%	This reflects the cushion/comfort level in meeting its short-term liabilities and fixed cost payment
2	Illiquid +Long term investments/Total Assets	33.5%	13.4%	This ensures long-term sustainable returns on asset and provides stabilization of income in future years
3	Cumulative Mismatch as a % of total liabilities (excluding equity)	1197%	140%	This reflects that the Company has no significant short term liabilities and earning assets are funded by equity.

(SAR 000)

MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES AS ON DEC -2020								
Particulars	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
ASSETS								
Cash and cash equivalents	19,870	282,101	-		-	-	-	-
Shot term investments	-	-	-	-	-	-	-	-
Prepaid	-	-	526	1,053	1,578	-	-	-
Investment	-	-	-	-	-	-	14,369	517,273
Property & Equipment	-	-	-	-	-	-	-	11,178
Accounts receivable	-	-	-	167,500	201,270	302,134	-	-
Accrued Income & Others	-	-	-	21,369	25,566	11,248	-	-
Total Assets	**19,870**	**282,101**	**526**	**189,922**	**228,414**	**313,382**	**14,369**	**528,451**
LIABILITIES								
Accrued and other current liabilities	-	350	4,295	8,590	6,440	6,437	-	-
Zakat and Income Tax Payable	-	-	-	-	31,363	-	-	-
Employee terminal benefits	-	-	-	-	-	-	-	25,308
Equity	-	-	-	-	-	-	-	1,494,252
Total Liabilities & Equity	**-**	**350**	**4,295**	**8,590**	**37,803**	**6,437**	**-**	**1,519,560**
Maturity Gap	**19,870**	**281,751**	**(3,769)**	**181,332**	**190,611**	**306,945**	**14,369**	**(991,109)**
Cumulative Maturity Gap	**19,870**	**301,621**	**297,852**	**479,184**	**669,795**	**976,740**	**991,109**	**-**

(SAR 000)

MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES AS ON DEC -2019								
Particulars	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
ASSETS								
Cash and cash equivalents	44,046	-	1,091,250		-	-	-	-
Shot term investments	-	-	-	-	-	-	-	-
Prepaid	-	-	1,285	855	650	558	-	-
Investment	-	-	-	-	-	-	-	278,209
Property & Equipment	-	-	-	-	-	-	-	14,825
Accounts receivable	-	-	-	150,720	204,060	360,780	-	-
Accrued Income & Others	-	-	-	9,819	11,499	11,832	-	-
Total Assets	**44,046**	**-**	**1,092,535**	**161,394**	**216,209**	**373,170**	**-**	**293,034**
LIABILITIES								
Accrued and other current liabilities	-	365	18,393	158,264	203,582	366,421	-	-
Zakat and Income Tax Payable	-	-	-	-	23,272	-	-	-
Employee terminal benefits	-	-	-	-	-	-	-	25,670
Equity	-	-	-	-	-	-	-	1,384,421
Total Liabilities & Equity	**-**	**365**	**18,393**	**158,264**	**226,854**	**366,421**	**-**	**1,410,091**
Maturity Gap	**44,046**	**(365)**	**1,074,142**	**3,130**	**(10,645)**	**6,749**	**-**	**(1,117,057)**
Cumulative Maturity Gap	**44,046**	**43,681**	**1,117,823**	**1,120,953**	**1,110,308**	**1,117,057**	**1,117,057**	**-**