



**PILLAR III DISCLOSURE  
REPORT  
FOR THE YEAR ENDED  
31<sup>st</sup> DECEMBER 2021**

## TABLE OF CONTENTS

<b>1</b>	<b>Introduction .....</b>	<b>3</b>
<b>2</b>	<b>Scope of Application .....</b>	<b>3</b>
	2.1 Group Structure .....	4
	2.2 Material & Legal Impediments .....	5
<b>3</b>	<b>Risk Management Structured .....</b>	<b>5</b>
	3.1 Risk Management .....	5
	3.2 Board of Directors (“BoD”) .....	5
	3.3 Chief Executive Officer (“CEO”) .....	6
	3.4 Risk and Compliance Committee (“RCC”) .....	6
	3.5 Internal Audit .....	6
<b>4</b>	<b>Capital Structure .....</b>	<b>7</b>
	4.1 Capital Adequacy General Principal .....	7
	4.2 Regulatory Restrictions of the Capital Market Authority (“CMA”) .....	7
	4.3 Capital Base .....	7
<b>5</b>	<b>Capital Adequacy .....</b>	<b>8</b>
<b>6</b>	<b>General Qualitative Disclosure .....</b>	<b>9</b>
	6.1 Credit Risks .....	9
	6.2 Market Risk .....	10
	6.3 Operational Risk .....	10
	6.4 Liquidity Risk .....	11
<b>7</b>	<b>Additional and Quantitative Disclosures .....</b>	<b>13</b>
	7.1 Capital Adequacy Quantitative Disclosures .....	13
	7.2 Credit Risks Quantitative Disclosures .....	15
	7.3 Market Risk Quantitative Disclosures .....	22
	7.4 Operational Risk Disclosure .....	22

## LIST OF TABLES

<b>Table 1. Capital Base .....</b>	<b>7</b>
<b>Table 2. Capital Adequacy Comparison .....</b>	<b>8</b>
<b>Table 3. Disclosure on Capital Adequacy- December 31, 2021 .....</b>	<b>13</b>
<b>Table 4. Disclosure on Capital Adequacy- December 31, 2020 .....</b>	<b>14</b>
<b>Table 5. Credit Quality Rating Steps .....</b>	<b>15</b>
<b>Table 6. Disclosure On Credit Risk Weight - December 31, 2021 .....</b>	<b>16</b>
<b>Table 7. Disclosure On Credit Risk Weight - December 31, 2020 .....</b>	<b>17</b>
<b>Table 8. Disclosure on Credit risk rating exposure - December 31, 2021 .....</b>	<b>18</b>
<b>Table 9. Disclosure on Credit risk rating exposure - December 31, 2020 .....</b>	<b>19</b>
<b>Table 10. Disclosure on Credit Risk Mitigation (CRM) - December 31, 2021 .....</b>	<b>20</b>
<b>Table 11. Disclosure on Credit Risk Mitigation (CRM) - December 31, 2020 .....</b>	<b>21</b>
<b>Table 12. Disclosure on Market Risk December 31,2021 .....</b>	<b>22</b>
<b>Table 13. Disclosure on Operational Risk December 31, 2021 .....</b>	<b>22</b>
<b>Table 14. Disclosure on Operational Risk December 31, 2020 .....</b>	<b>22</b>

## 1 Introduction

Middle East Financial Investment Company hereinafter referred to as “MEFIC” 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](http://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, 2021 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 41.91 bn, and Kuwait total assets of KD 4.5 bn by the end of 2021.

### ❖ 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 & Audiovisual 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 2021, 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 function 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, 2021 and 2020 as follow:

<b>Table 1. CAPITAL Base</b>		
	<b>FY 2021</b>	<b>FY 2020</b>
	<b>SAR’ 000</b>	<b>SAR’ 000</b>
<b><u>Tier 1 Capital</u></b>		
Paid-up capital	400,000	400,000
Share premium	-	-
Reserves	14,861	12,918
Audited retained earnings	(75,790)	(93,536)
Deductions (-)	(14,172)	(14,332)
<b>Total Tier 1 capital</b>	<b>324,899</b>	<b>305,050</b>
<b><u>Tier 2 Capital</u></b>		
<b>Total Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total Capital Base</b>	<b>324,899</b>	<b>305,050</b>

## 5 Capital Adequacy

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, 2021 was 1.44x, which correspond to minimum capital requirements of ~SR 226 mm and capital surplus of ~SR 98 mm.

The Company minimum capital requirements as of 31 December 2021 and 2020 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 2021 SAR’ 000	FY 2020 SAR’ 000
<b><u>Credit Risk</u></b>		
<b>On-balance Sheet Exposures</b>		
Governments and Central Banks	-	-
Administrative bodies, NPOs	78	39
Capital Market Institutions (CMIs) and banks	509	1,336
Corporates	28	16
Retail	267	260
Investments	102,750	75,375
Securitization	-	-
Margin Financing	-	-
Other Assets	77,140	98,045
<b>Total On-Balance sheet Exposures</b>	<b>180,773</b>	<b>175,075</b>
<b>Off-balance Sheet Exposures</b>		
OTC/Credit Derivatives	-	-
Repurchase agreements	-	-
Securities borrowing/lending	-	-
Commitments	-	-
Other off-balance sheet exposures	3,489	9,996
<b>Total Off-Balance sheet Exposures</b>	<b>3,489</b>	<b>9,996</b>



Total On and Off-Balance sheet Exposures	184,261	185,066
Prohibited Exposure Risk Requirement	32,810	13,983
<b>Total Credit Risk Exposures</b>	<b>217,071</b>	<b>199,049</b>
<b><u>Market Risk</u></b>		
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	1,835	2,031
Commodities risks	-	-
<b>Total Market Risk Exposures</b>	<b>1,835</b>	<b>2,031</b>
<b>Total Operational Risk Exposures</b>	<b>7,338</b>	<b>10,501</b>
Minimum Capital Requirements	226,245	211,582
Surplus/(Deficit) in Capital	98,654	93,468
<b>Total Capital Ratio (Time)</b>	<b>1.44</b>	<b>1.44</b>

## 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 semiannually 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 2021, due to the absent of a trading portfolio and the nature of investment provided by the Company. The current market 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 2021 the LCR was 384%.

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	16%	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
<b>ASSETS</b>									
Cash and cash equivalents	18,121	-	-	-	-	-	-	-	18,121
Other receivables	-	-	1,256	2,399	5,917	28,843	470	-	38,886
Advances and prepayments	-	-	-	-	-	-	-	428	428
Investments (Short & Long Term)	-	35,543	3,373	-	-	22,527	192,848	-	254,290
Property and equipment	-	-	-	-	-	-	-	5,750	5,750
Property under CWIP	-	-	-	-	-	-	62,447	-	62,447
ROU Assets	-	-	-	-	-	-	-	30,966	30,966
Deferred Tax	-	-	-	-	-	-	402	-	402
<b>Total Assets</b>	<b>18,121</b>	<b>35,543</b>	<b>4,629</b>	<b>2,399</b>	<b>5,917</b>	<b>51,370</b>	<b>256,167</b>	<b>37,143</b>	<b>411,290</b>
<b>LIABILITIES</b>									
Other payable & accruals	-	-	818	2,275	1,771	789	-	-	5,652
Short-term borrowings	-	4,290	-	-	-	-	-	-	4,290
Accrued zakat and income tax	-	-	-	-	3,746	2,990	29,986	-	36,723
Employee terminal benefits	-	-	-	-	396	119	4,413	-	4,929
Lease Liabilities (Short & Long Term)	-	-	-	2,070	411	411	29,636	-	32,528
Shareholders' Equity	-	-	-	-	-	-	-	327,169	327,169
<b>Total Liabilities &amp; Equity</b>	<b>-</b>	<b>4,290</b>	<b>818</b>	<b>4,345</b>	<b>6,325</b>	<b>4,309</b>	<b>64,035</b>	<b>327,169</b>	<b>411,290</b>
<b>Cash flow (Maturity) Gap</b>	<b>18,121</b>	<b>31,253</b>	<b>3,812</b>	<b>(1,945)</b>	<b>(408)</b>	<b>47,061</b>	<b>192,132</b>	<b>(290,026)</b>	
<b>Cumulative CF (Maturity) Gap</b>	<b>18,121</b>	<b>49,374</b>	<b>53,185</b>	<b>51,240</b>	<b>50,832</b>	<b>97,894</b>	<b>290,026</b>	<b>-</b>	

## 7 Additional and Quantitative Disclosures

### 7.1 Capital Adequacy Quantitative Disclosures

**Table 3. Disclosure on Capital Adequacy- December 31, 2021**

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SR '000	Capital Requirement SAR '000
<b><u>Credit Risk</u></b>				
<b>On-balance Sheet Exposures</b>				
Governments and Central Banks	-	-	-	-
Administrative bodies, NPOs	559	559	559	78
CMI and banks	18,106	18,106	3,635	509
Corporates	28	28	201	28
	636	636	1,908	267
Investments	229,046	229,046	680,618	95,286
Listed Shares	35,543	35,543	53,314	7,464
Securitization	-	-	-	-
Margin Financing	-	-	-	-
Other Assets	125,087	125,087	551,000	77,140
<b>Total On-Balance sheet Exposures</b>	<b>409,005</b>	<b>409,005</b>	<b>1,291,235</b>	<b>180,772</b>
<b>Off-balance Sheet Exposures</b>				
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	8,306	8,306	24,918	3,489
<b>Total Off-Balance sheet Exposures</b>	<b>8,306</b>	<b>8,306</b>	<b>24,918</b>	<b>3,489</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>417,310</b>	<b>417,310</b>	<b>1,316,152</b>	<b>184,261</b>
<b>Prohibited Exposure Risk Requirement</b>	<b>56,608</b>	<b>56,608</b>	<b>234,358</b>	<b>32,810</b>
<b>Total Credit Risk Exposures</b>	<b>473,918</b>	<b>473,918</b>	<b>1,550,510</b>	<b>217,071</b>
<b><u>Market Risk</u></b>				
	<b>Long Position</b>	<b>Short Position</b>		
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	13,108	-		1,835
Commodities risks	-	-		-
<b>Total Market Risk Exposures</b>	<b>13,108</b>	<b>-</b>		<b>1,835</b>
<b>Total Operational Risk Exposures</b>				<b>7,338</b>

Minimum Capital Requirements	226,245
Surplus/(Deficit) in Capital	98,654

<b>Total Capital Ratio (Time)</b>	<b>1.44</b>
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**Table 4. Disclosure on Capital Adequacy- December 31, 2020**

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SAR '000	Capital Requirement SAR '000
<b><u>Credit Risk</u></b>				
<b>On-balance Sheet Exposures</b>				
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
<b>Total On-Balance sheet Exposures</b>	<b>381,649</b>	<b>381,649</b>	<b>1,250,502</b>	<b>175,070</b>
<b>Off-balance Sheet Exposures</b>				
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	10,000	10,000	71,400	9,996
<b>Total Off-Balance sheet Exposures</b>	<b>10,000</b>	<b>10,000</b>	<b>71,400</b>	<b>9,996</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>391,649</b>	<b>391,649</b>	<b>1,321,902</b>	<b>185,066</b>
<b>Prohibited Exposure Risk Requirement</b>	<b>24,125</b>	<b>24,125</b>	<b>99,877</b>	<b>13,983</b>
<b>Total Credit Risk Exposures</b>	<b>415,774</b>	<b>415,774</b>	<b>1,421,780</b>	<b>199,049</b>
<b><u>Market Risk</u></b>				
	<b>Long Position</b>	<b>Short Position</b>		
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	-	-		-
<b>Total Market Risk Exposures</b>	<b>14,510</b>			<b>2,031</b>

Total Operational Risk Exposures	10,501
Minimum Capital Requirements	211,582
Surplus/(Deficit) in Capital	93,468
Total Capital Ratio (Time)	1.44

## 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, 2021**

Risk Weights	Governments and central banks	Administrative bodies and NPO	CMI and banks	Corporates	Retail	Past due items	Investment Funds	Listed Shares	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	-	-	-	-	-	-	-	-	15	-	15	-
20%	-	-	18,061	-	-	-	-	-	-	-	18,061	3,612
50%	-	-	45	-	-	-	-	-	-	-	45	23
100%	-	559	-	-	-	-	-	-	-	-	559	559
150%	-	-	-	-	-	-	4,346	35,543	-	-	39,889	59,833
200%	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	636	-	224,700	-	35,275	8,306	268,917	806,751
400%	-	-	-	-	-	-	-	-	62,447	-	62,447	249,788
500%	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	28	-	27,365	56,608	-	-	-	84,001	429,945
Average Risk Weight	0%	100%	20%	714%	300%	714%	320%	150%	364%	300%	473,933	1,550,510
Deduction from Capital Base	-	78	509	28	267	27,354	128,097	7,464	49,786	3,489	-	217,071



**TABLE 7. DISCLOSURE ON CREDIT RISK WEIGHT - DECEMBER 31, 2020**

Risk Weights	Governments and central banks	Administrative bodies and NPO	CMI and banks	Corporates	Retail	Past due items	Investment Funds	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%	714%	300%	714%	308%	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 8. Disclosure on Credit risk rating exposure - December 31, 2021**

		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		
<b><u>On and Off-balance-sheet Exposures</u></b>										
Governments and Central Banks	-	-	-	-	-	-	-	-	-	
Administrative bodies, NPOs	-	-	-	-	-	-	-	559	559	
CMLs and banks	-	18,061	-	-	45	-	-	-	18,106	
Corporates	-	-	-	-	-	-	-	28	28	
Retail	-	-	-	-	-	-	-	636	636	
Investments	-	-	-	-	-	-	-	264,588	264,588	
Securitization	-	-	-	-	-	-	-	-	-	
Margin Financing	-	-	-	-	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	-	133,393	133,393	
<b>Total</b>		<b>18,061</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>399,205</b>	<b>417,310</b>	

**Table 9. 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		
	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	Total	
	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		
<b><u>On and Off-balance-sheet Exposures</u></b>										
Governments and Central banks	-	-	-	-	-	-	-	-	-	-
Administrative bodies, NPOs	-	-	-	-	-	-	-	280	280	
CMIs 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	
<b>Total</b>	-	<b>47,677</b>	-	<b>57</b>	-	-	-	<b>343,948</b>	<b>391,649</b>	

**Table 10. Disclosure on Credit Risk Mitigation (CRM) - December 31, 2021**

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
<b><u>Credit Risk</u></b>						
<b>On-balance Sheet Exposures</b>						
Governments and Central Banks	-	-	-	-	-	-
Administrative bodies, NPOs	559	-	-	-	-	559
CMIs and banks	18,106	-	-	-	-	18,106
Corporates	28	-	-	-	-	28
Retail	636	-	-	-	-	636
Investments (Fund & Listed Shares)	264,588	-	-	-	-	264,588
Securitization	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets	125,087	-	-	-	-	125,087
<b>Total On-Balance sheet Exposures</b>	<b>409,004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409,004</b>
<b>Off-balance Sheet Exposures</b>						
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	8,306	-	-	-	-	8,306
<b>Total Off-Balance sheet Exposures</b>	<b>8,306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,306</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>417,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>417,310</b>

**Table 11. 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
<b><u>Credit Risk</u></b>						
<b>On-balance Sheet Exposures</b>						
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
<b>Total On-Balance sheet Exposures</b>	<b>381,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>381,649</b>
<b>Off-balance Sheet Exposures</b>						
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
<b>Total Off-Balance sheet Exposures</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>391,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>391,649</b>

### 7.3 Market Risk Quantitative Disclosures

Market Risk capital requirements as per the Pillar I of the Prudential Rules as of December 31, 2021 are as follows:

**Table 12. Disclosure on Market Risk December 31, 2021**

	FY 2021 SAR '000	FY 2020 SAR '000
<b>Market Risk</b>		
Equity Risk	-	-
Fund Risk	-	-
Interest Rate Risk	-	-
Commodities Risk	-	-
FX Risk	1,835	2,031
Underwriting Risk	-	-
Excess Exposure Risk	-	-
Settlement Risk	-	-
<b>Total Market Risk Capital Required</b>	<b>1,835</b>	<b>2,031</b>

### 7.4 Operational Risk Disclosure

Operational Risk capital requirements as per the Pillar 1 of the Prudential Rules as of December 31, 2021 are as follows:

**Table 13. Disclosure on Operational Risk December 31, 2021**

Approach	FY 2019 SAR '000	FY 2020 SAR '000	FY 2021 SAR '000	Average	Risk Charge %	Capital Requirements
<b>Basic Indicator Approach</b> Operating Income	39,968	38,582	68,215	48,922	15%	7,338
<b>Expenditure Based Approach</b> Overhead Expenses			27,873		25%	<b>6,968</b>
<b>Total Operational Risk Capital Required</b>						<b>7,338</b>

**Table 14. Disclosure on Operational Risk December 31, 2020**

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