



Pillar III Disclosures

March 2019

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1 Scope of the document

Alinma Investment Company (hereinafter referred as “AIC” or “the Company”) is a Saudi Closed Joint Stock Company established pursuant to ministerial resolution numbered 183 dated 7 Jumad Thani 1430H (corresponding to May 31, 2009) and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010269764 dated 23 Jumad Thani 1430H (corresponding to 16 June 2009). The Company is a fully owned subsidiary of Alinma Bank, a Saudi Joint Stock Company.

The principal activities of the Company are to deal as principal, agent, managing, arranging, advising and custody as licensed by the Capital Market Authority (CMA) under license numbered 09134-37 dated 23 Rabi Thani 1430H (corresponding to April 19th, 2009). The Company commenced providing investment services pursuant to commencement letter issued by CMA on 2 Safar 1431H (corresponding to January 17th, 2010).

The Pillar III disclosures contained herein relate to the audited financials of Alinma Investment Company for the period ending on December 31st, 2018. These have been compiled in accordance with CMA’s minimum requirements for the annual market disclosure of information as referred to by the Part 7 “Pillar III – Disclosure and Reporting” of the Prudential Rules.

1.1 Pillar I – Minimum Capital Requirements

Pillar I sets minimum capital requirements to meet credit, market and operational risk as contained in the Part 3 chapter 4 to 16 of the Prudential Rules. Various approaches, differing in level of sophistication, are available to Authorized Persons (APs) to determine Pillar I requirements.

- AIC applies the Standardized Approach to calculate Pillar I capital requirements for credit risk.
- The capital charge for market risk is assessed for trading book portfolio and Foreign exchange positions in the books.
- The capital charge for operational risk is based on maximum of the basic indicator approach, which is compiled by considering maximum from amongst the income or expenditure based approach:
 - Income based approach: By considering 15% capital as against the income indicator, i.e., average of operating income for the last three years,
 - Expenditure based approach: Calculated by applying 25% to actual overhead expenses.

1.2 Pillar II – ICAAP

Pillar II refers to the process by which APs undertake a comprehensive assessment of their risks and determine the appropriate amount of capital to be held against these risks where other suitable mitigants are not available. It also refers to the additional capital, over and above Pillar I, determined to be required by this assessment. The risks and capital assessment is commonly referred to as the Internal Capital Adequacy Assessment Process (“ICAAP”),

introduced under Pillar II of the Prudential Rules, which is contained in Part 6 (Article 66) and Annex 9 of the Prudential Rules.

The range of risks that are covered by the ICAAP is much broader than Pillar I, which covers only credit, market and operational risk. Other risks such as liquidity, concentration, strategic, fiduciary and reputational risk are covered under Pillar II. ICAAP also includes extensive stress testing, strategic capital planning, the internal control framework and the roles and responsibilities of departments / individuals that are critical to the implementation of the framework.

The Company has been submitting comprehensive ICAAP report to CMA since 2013 by assessing capital requirements in accordance with the Company's risk profile, size and complexity of business.

1.3 Pillar III - Market Discipline

Pillar III aims to provide a detailed and transparent reporting framework that enhances market discipline to operate as sharing of information facilitates assessment of the AP by others, including investors, analysts, customers, and rating agencies, which leads to an improved corporate governance.

The information provided here has been reviewed and validated by the Management and is in accordance with the rules in force at the time of publication, covering both the qualitative and quantitative items.

In accordance with CMA regulation, AIC publishes its Pillar III disclosures on an annual basis at its website www.alinmainvestment.com.

1.4 Material or Legal Impediments between the Authorized Person and its Subsidiaries

AIC does not have any subsidiaries.

2 Capital Structure

For regulatory purposes, capital is categorized into two main classes. These are Tier 1 and Tier 2, which are described below:

2.1 Tier I Capital

Tier-1 capital of AIC consists of paid-up capital, reserves (other than revaluation reserves), audited retained earnings and verified interim profits.

AIC authorized share capital consists of 100 million shares of SR 10 each and its paid up capital comprises 25 million shares of SR 10 each as of December 31st, 2018.

(SAR '000)

Capital Base	2018
Tier-1 capital	
Paid-up capital	250,000
Reserves (other than revaluation reserves)	67,328
Audited retained earnings	558,282

Capital Base	2018
Verified Interim Profits	-
Reserves (other than revaluation reserves)	-
Tier-1 capital contribution	-
Deductions from Tier-1 capital	-
Total Tier-1 capital	875,610

Table 1 : Tier 1 Capital

2.2 Tier II Capital

At December 31st, 2018, AIC did not have any exposures which are subject to deduction, as defined by Prudential Rules, to arrive at Tier-2 capital.

Therefore, at December 31st, 2018 total capital base was Nil:

	(SAR '000)
Tier-2 capital	2018
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	-
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
Total Tier-2 capital	-

Table 2 : Tier 2 Capital

Please refer to Appendix 1 for the detailed disclosure on capital base of AIC.

3 Capital Adequacy

In line with regulatory norms, AIC regards minimum capital as the resource necessary to cover unexpected losses. AIC, therefore, at all times, maintains an adequate level of capital to cover unexpected losses arising from the risks inherent in its business operations and safeguards the company's ability to continue as a going concern.

3.1 Capital Adequacy Ratio and Minimum Capital Requirements

As of December 31st, 2018, AIC is well capitalized a total capital adequacy ratio of 2.42x (as against 2.11x in 2017), well above CMA's minimum regulatory requirement of 1.00x.

The following table reflects the comparative analysis of Company's capital numbers in 2018 & 2017.

	(SAR '000)	(SAR '000)	
Particulars	2018	Dec-17	% Change
Tier I Capital	875,610	624,392	40.23%
Tier II Capital	-	13,308	-100.00%
Total Capital	875,610	637,700	37.31%
Minimum Capital Requirements			
Particulars	2018	Dec-17	% Change
Credit Risk	317,879	268,364	18.45%

Particulars	(SAR '000)	(SAR '000)	% Change
	2018	Dec-17	
Market Risk	312	900	-65.36%
Operational Risk	43,554	32,487	34.07%
Total	361,744	301,751	19.88%
Particulars	2018	Dec-17	% Change
Capital Adequacy Ratio	2.42	2.11	14.54%
Surplus (Deficit) in Capital Base	513,866	335,949	52.96%

Table 3 : Comparison of capital adequacy and capital numbers

Please refer to Appendix 2 for the detailed disclosure on capital adequacy of AIC.

3.2 Internal Capital Adequacy Assessment Process (ICAAP)

AIC has developed an Internal Capital Adequacy Assessment Process by which it assesses other material risks, testing the capital requirement under different stress scenarios and capital required for covering all material risks due to current as well as prospective business profile from both regulatory and internal risk capital perspective. The ICAAP describes AIC's business strategy, its risk appetite and the Company's assessment of specific risk exposures, their mitigation and the capital allocated to these risks. The ICAAP is a crucial part of AIC's strategic decision making process and risk management framework. Within the framework of the ICAAP, the Senior Management reviews the Company's annual capital plan. The ICAAP is also reviewed and thereafter approved by the Board of Directors on an annual basis and a report is submitted to the CMA. The assessment draws on the results of existing risk management techniques and reporting.

3.3 Scenario Analysis and Stress Testing

AIC has started its stress testing framework in 2013. Scenario analysis and stress testing refer to various techniques (quantitative and/or qualitative) used by the Company to assess its exposure to extreme, but plausible events. These techniques are used to determine the resilience, solvency, liquidity and profitability of the Company in case of various stressed events. Such events may arise from downturns in macroeconomic, strategic, political and business environmental factors. Depending on the nature of the risk factor, the impact of the stress testing exercise where applicable, are measured on the following indicators of the Company:

- Asset quality – Decrease in the credit worthiness of the issuer / securities;
- Profitability - increase/decrease in the accounting profit/loss;
- Macroeconomic changes - measured in terms of changes in general Marco-economic indicators (e.g. Interest Rates, Inflation, Oil price, etc.)
- Capital adequacy - measured in terms of changes in total amount of capital and the Capital Adequacy Ratio (CAR)

The key objective of this process is to identify appropriate management actions, including putting risk mitigation measures in place or assigning capital to the risk, where the analysis shows this to be appropriate.

Senior management is informed of the stress test outcomes to ensure that they can determine that the Company has sufficient capital in place and that any unacceptable risks are mitigated on an on-going basis. The stress test scenarios are regularly reviewed and updated to account for changing market dynamics. Various stress scenarios and their impact on capital position is reported to CMA on annual basis.

4 Risk Management

AIC's Risk Management is based upon a risk culture that promotes accountability and responsibility and is an integral function within AIC encompassing the entire Company and its guidelines and policy are applicable to all employees. The mission of Risk Management is to develop and maintain programs that protect AIC from expected risks in the course of its business, as well as unanticipated losses in accordance with its Risk Management Policy. Risk management assumes a strategic role in assessing risks across businesses to gauge applicable impact on pricing, capital requirement or other controls / risk strategies requirements to manage risks. The Board has a pre-eminent role in shaping risk culture and the risk management framework.

4.1 Scope of Risk Management

4.1.1 Risk Management Strategy and processes

AIC's Risk management framework encompasses all of the activities of the Company that affect its risk profile. The Company's strategic objective is to optimize the risk / return trade-off by either maximizing return for a given level of risk or minimizing the risk for a desired level of return. Risk management processes involve identification of risks, establishing controls, monitoring risk frameworks, establishing limits or other controls on the risks the Company is willing to take in the pursuit of its business objectives.

Risk management processes are periodically reviewed and updated to ensure consistency with AIC's risk-taking activities. These reviews factor the size and complexity of the Company's operations, the business environment, the regulatory environment and the strategy of AIC. Risk management policy, principles and guidelines have been formulated at AIC and communicated to all employees.

4.1.2 Structure and organization of Risk Management, Compliance and Sharia functions

The Board is responsible for overall direction, supervision and control of risks at AIC. The Board serves the interests of AIC by overseeing, evaluating and approving AIC's strategies, its risk appetite, performance objectives, its policies, conduct, reputation and culture. Head of Risk is responsible for overall risk management functions at department as well as organization level based on AIC's Risk policy & procedure manual.

The Company follows the "three lines of defence" approach for management of risks with business units forming the first line of defence, risk and compliance forming the second line of

defence and audit forming third line of defence. AIC's business units as the first line of defence are responsible for the day-to-day risk management.

The Company's Compliance function is responsible for assisting AIC, its management and Board, in identifying, measuring and mitigating any compliance risks. The Compliance function's remit includes: monitoring regulatory changes, conducting compliance risk assessments, drafting, maintaining and implementing policies and procedures, increasing staff awareness, monitoring, checking and reviewing compliance with CMA rules and regulations, and reporting on the status of compliance and compliance controls to the Board of AIC.

AIC has established a Sharia Board in accordance with its commitment to comply with Islamic Sharia Laws. Sharia department, working under guidance of the Sharia Board, ensures compliance with the provisions of Islamic Sharia in all Company's activities.

4.1.3 Risk Appetite

The business and financial objectives set by the Board lay down the foundation for setting the overall risk appetite for the Company. Risk Appetite is defined as the amount of risk, on a broad level, that an organization is willing to take on in pursuit of the value. In other words, it is the total impact of risk an organization is prepared to accept in pursuit of its business objectives.

AIC has implemented the Risk Appetite Policy to communicate its risk culture, to control risk taking in the development and execution of its operating plans, budgets and to ensure the consistency of risk decisions throughout the Company. The Company follows a forward looking, top-down approach to define its risk appetite metrics to lines of Business. Business planning and strategy formulation is guided by this Policy. The Company has developed its Risk Appetite Statement as an integral part of its Risk Management Policy.

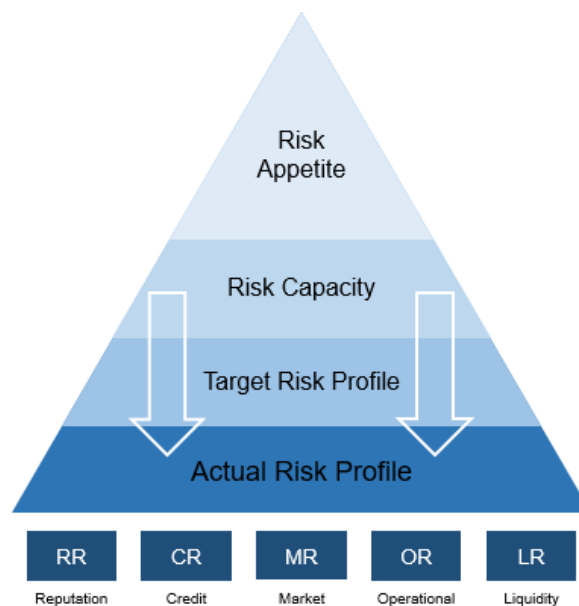


Figure 1 : Risk Appetite - Components

Definitions:

Risk Capacity refers to the amount and type of risk an organization is able to support in pursuit of its business objectives.

Risk Tolerance refers to the specific maximum risk that an organization is willing to take regarding each relevant risk.

Risk Target refers to the optimal level of risk that an organization wants to take in pursuit of a specific business goal.

Risk Limit refers to the thresholds to monitor that actual risk exposure does not deviate too much from the risk target and stays within an organization's risk tolerance/risk appetite. Exceeding risk limits will typically act as a trigger for management action.

4.2 Credit Risk

Credit risk is the risk of loss resulting from a borrower or counterparty failing to meet its obligations in accordance with agreed terms. For AIC, credit risk primarily arises from its exposures to local banks where it places deposits, from proprietary investments classified as 'Available for Sale' and from its portfolio financing product (Margin Lending). The Company's approach to credit risk management is guided by establishing appropriate counterparty limits, conducting risk reviews and tracking of adverse movement in the rating, financial performance and political environment of counterparties and intimation to the appropriate authority for revision in their limits. Portfolio financing is a secured financing product in which the partner's portfolio holdings (cash and securities) are held as collateral against the financing amount, and all contracts are monitored on a daily basis, and internal stakeholders or partners are notified to undertake appropriate action (such as intimation, liquidation) whenever the collateral coverage falls below the approved limits. The credit risk is limited since portfolios are always under AIC custody, and the minimum collateral coverage allowed by the product is 130% of the financing principal. In addition, Risk management department monitors the quality of the collateral to ensure that the securities held as a collateral are both liquid and their company's financials are robust.

AIC complies with CMA regulations and uses the Standardized Approach for calculation of the capital required for Credit risk. AIC's credit risk exposures and their distribution by risk weights are detailed in Appendix 3.

4.2.1 External ratings and credit quality steps

The Credit Risk across Alinma Investment needs to be assessed across the following areas and businesses:

- Exposures in Fixed Income instruments and investment funds in the Available For Sale category
- Margin financing receivable of the portfolio financing portfolio
- Deposits in Banks will entail minimal credit risk
- Other miscellaneous receivables

AIC uses credit ratings to determine the credit quality step the exposure corresponds to. The Company uses ratings from credit rating agencies prescribed by CMA in the prudential rules and maps it to the appropriate credit quality step. AIC then uses the credit quality step to determine appropriate risk weight for credit risk exposures for capital charge calculations.

The Company uses the following mapping table between rating agencies' credit ratings and the steps in the credit quality scales as prescribed by CMA. It takes into account credit ratings

issued by the “S&P”, “Moody’s”, and “Fitch” for assessing the counterparty credit risk of its exposures, wherever they are available. If two or more credit ratings are available for one exposure, lowest rating is considered for counterparty credit risk assessment.

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 4 : Credit Quality Steps and CRA's Rating Mapping

Please refer to Appendix 4 for the details of distribution of exposures by credit quality steps.

4.2.2 Impairments and Specific Provisions

With adoption of IFRS standards, AIC estimates its impairment losses for financial assets at Amortized Cost, debt instruments at Fair Value through Other Comprehensive Income (FVOCI). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, as well as their provision estimates. The underlying models assess forward looking one year losses or lifetime losses as per the IFRS classification and stage of impairment to compute the provision.

4.2.3 Geographic Distribution of Exposures

AIC has most of its credit risk exposures within the GCC region, hence geographic concentration is limited.

4.2.4 Residual Contractual Maturity

AIC has segregated all of its assets based on residual maturity profile into different buckets. The residual contractual maturity of AIC's exposures is given in the table below:

2018 (SAR '000)

Exposure Class	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	Past Due	No Maturity	Total
<i>On-balance Sheet Exposures</i>										
Governments and Central Banks	-	-	-	-	9,650	-	-	-	-	9,650
Authorized Persons and Banks	51,489	-	130,127	78,290	-	-	14,999	-	-	274,904

2018 (SAR '000)

Exposure Class	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	Past Due	No Maturity	Total
Corporates	-	-	-	-	-	-	61,529	-	-	61,529
Retail	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	464,748	464,748
Securitization	-	-	-	-	-	-	-	-	-	-
Margin Financing	-	-	18,244	1,620	337,206	58,126	11,000	-	-	426,196
Other Assets	-	-	-	-	-	17,037	-	-	13,332	30,369
Total On-Balance sheet Exposures	51,489	-	148,371	79,910	346,856	75,163	87,527	-	478,080	1,267,396
<i>Off-balance Sheet Exposures</i>										
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	-	-	-	-	-	-	-	-	-	-
Total Off-Balance sheet Exposures	-	-	-	-	-	-	-	-	-	-
Total On and Off-Balance sheet Exposures	51,489	-	148,371	79,910	346,856	75,163	87,527	-	478,080	1,267,396

Table 5 : Residual Contractual Maturity Profile

4.3 Credit Risk Mitigation

Collaterals are securities, cash or other qualified assets that are offered to secure a financing. Collateral becomes subject to seizure in case of default. It is a form of security to the financier or the party assuming credit risk for cases where the purchaser fails to pay back the finance amount.

For Portfolio Financing (Margin Lending), AIC has collateral against the financing of all the eligible securities held within the Partner's portfolio as well as all cash balances within the client investment account.

Risk management department at AIC, monitors the collateral value of each account against the facility outstanding on a daily basis, and Margin Calls are applied when the collateral coverage ratio drops below agreed thresholds.

For the duration of the Financing, AIC's partners are restricted from withdrawing cash or securities from their investment accounts/portfolios unless sufficient collateral coverage ratio is maintained.

Risk Management also monitors for concentration risks to collaterals across counterparty stocks and industry through specific limits.

Please refer to Appendix 5 for the details.

4.4 Counterparty Credit Risk and Off Balance Sheet Exposures

AIC does not have exposures to OTC derivatives, other credit derivatives, repos and reverse repos and securities borrowing or lending. The Company also does not have any off-balance sheet exposures.

4.5 Market Risk

Market risk refers to the risk of losses in on-and off-balance sheet positions arising from movements in market rates or prices such as profits rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital. Market Risk also includes the settlement risk which occurs when the Company simultaneously exchanges value with a partner or with another company in settlement of a foreign exchange obligation or a similar type of obligation. However, the Company has no exposure in such transactions that reflect in the balance sheet. Hence, settlement risk is not material for the Company.

4.5.1 Market Risk Management

AIC is exposed to equity price risk, investment fund risk and foreign exchange risk as part of its market risks through its principal book and Investment Banking businesses. The Company manages market risk through the establishment of risk limits. These risk limits are established using a variety of risk measurement tools, including sensitivity analysis, value-at-risk and stress test methodologies. Risk management department and Compliance department monitor the established market risk limits on a regular basis. The provisions and guidelines for managing market risk are detailed in the Company's Risk management policy and procedures.

4.5.2 Market Risk Capital

AIC has complied with CMA regulations in the calculation of risk capital required for Market risk. AIC has followed the Standardized approach for Market risk.

The capital requirement for the market related risks are indicated below:

Risk	Capital Required
Interest Rate Risk	-
Equity Price Risk	312

Risk	Capital Required
Investment Fund Risk	-
Securitization Risk	-
Excess Exposure Risk	-
Settlement and Counterparty Risk	-
Foreign Exchange Risk	-
Commodities Risk	-
Total Market Risk	312

Table 6 : Market Risk Capital

4.6 Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. It will include legal risks covering, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

4.6.1 Operational Risk Management

AIC's Risk management policy & procedures establishes the principles which ensure that operational risks are identified, assessed, monitored, and mitigated. The policy is the principal document controlling the management of operational risk. The detailed procedures are described in the related Operational risk policy documents of OR Incident Management, RCSA's, KRI's, Risk Register, New product risk management, Business continuity management, Disaster recovery planning, Legal risk and Fiduciary risk. AIC may consider 'risk transfer' strategy through purchase of insurance such as Director's and Officer's insurance, professional indemnity insurance and general insurance for fixed assets to manage operational risks.

4.6.2 Operational Risk Capital

In compliance with CMA requirements, the Company has adopted the Basic Indicator Approach (BIA) in order to estimate the required capital charge for operational risk as it leads to a higher capital charge than the Expenditure Based Approach (EBA):

- Basic Indicator Approach: Under the Basic Indicator Approach, 15% capital charge is calculated on average operating income of the last three audited financials.
- Expenditure Based Approach: Under the Expenditure Based Approach, 25% capital charge is calculated on all overhead expenses except extraordinary expenses as per the most recent audited annual financial statements.

Basic Indicator Approach (BIA)	Year	Gross Income	Average Gross Income	Risk Capital Charge	Capital Required
2018	2018	350,031	290,361	15%	43,554

	2017	335,314		
	2016	185,739		
Expenditure Based Approach (EBA)	Year	Overhead Expenses	Risk Capital Charge	Capital Required
2018	2018	110,432	25%	27,608
Capital Requirement for Operational Risk for 2018				43,554

Table 7 : Operational Risk Capital

4.7 Liquidity Risk

Liquidity or cash flow risk is defined as the risk that the Company, irrespective of solvency and profitability, may not have sufficient available cash (or near cash assets or funding facilities) to meet Government, regulatory or operational obligations as they fall due. This risk could arise as a result of illiquid asset holdings, inappropriate asset / liability matching, or inaccurate assessments of potential operating liquidity requirements resulting in insufficient short-term (including intra-day) and longer term liquidity.

Liquidity risk is categorized into following risks:

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

4.7.1 Liquidity Risk Management

AIC's approach to managing liquidity risk is to ensure sufficient liquidity at all times to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has established and implemented a contingency liquidity plan, which is based on understanding of its anticipated sources of funds, uses of funds and on the expected timing of those sources and uses. Managing the day-to-day liquidity of the company falls under the purview of the Chief Financial Officer's (CFO) office.

4.7.2 Liquidity Reserves

AIC invests funds in money market instruments, which can be accessed instantly according to its needs to support the liquidity requirements of the company.

4.7.3 Risk Measures and Ratios

AIC prepares a statement of expected cash flows arising at the time of settlement of its assets and liabilities and allocates them in different time intervals in which they are expected to occur.

The time intervals have been defined as per the prudential rules of Capital Market Authority (CMA) as stated below:

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
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Table 8 : Liquidity Risk Bucketing

AIC measures the liquidity risk by calculating cash flow gaps based on the maturity buckets relating to all its asset and liabilities. AIC ensures liquidity of asset management funds by maintaining sufficient cash balances in settlement and investment accounts. AIC also holds sufficient cash deposits with banks to meet its contingencies. Apart from cash flow gap analysis, following ratios are being monitored to maintain appropriate liquidity levels.

Ratio Analysis		
Indicators	Values	Inference
Current Ratio (Short term Assets / Short Term Liabilities)	2.43	This reflects the cushion/comfort level in meeting its short term liabilities and fixed cost payments
Liquidity Coverage Ratio	417%	This reflects that the Company has sufficient high quality liquid assets to cover the net cash outflows over the 90-day period

Table 9 : Liquidity Risk - Ratio Analysis

For liquidity risk assessment, the Company also uses benchmark ratios like Liquidity Coverage Ratio to determine the impact the liquidity emergency situation wherein funds from the liquid assets shall be utilized for liabilities falling due. The previously mentioned ratio as of December 31st, 2018 was 243%. As the liquidity risk is deemed to be material, capital charge may be allocated for liquidity risk as part of Pillar 2 assessment.

4.7.4 Contingency Funding Plan

The Finance Department draws a contingency funding plan at the beginning of the year to address any liquidity crisis in future. Any liquidity shortfall requirement of business is met through a short-term draw down facility from the holding parent bank. Also the Company maintains Liquidity Coverage Ratio greater than 100% in order to meet its net cash outflows over the 30-day period under stressed scenario.

5 Appendices

5.1 Appendix 1 – Disclosure on Capital Base

(SAR '000)	
Capital Base	2018
Tier-1 capital	
Paid-up capital	250,000
Reserves (other than revaluation reserves)	67,328
Audited retained earnings	558,282
Verified Interim Profits	-
Reserves (other than revaluation reserves)	-
Tier-1 capital contribution	-
Deductions from Tier-1 capital	-
Total Tier-1 capital	875,610
Tier-2 capital	
2018	
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	875,610

5.2 Appendix 2 – Disclosure on Capital Adequacy

2018 (SAR '000)

Exposure Class	Exposures before Credit Risk Mitigation (CRM)		Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
<u>Credit Risk</u>					
<i>On-balance Sheet Exposures</i>					
Governments and Central Banks	9,650		9,650	14,475	2,026
Authorized Persons and Banks	274,904		274,904	82,967	11,615
Corporates	61,529		61,529	439,315	61,504
Retail	-		-	-	-
Investments	463,016.97		463,017	997,790	139,691
Securitization	-		-	-	-
Margin Financing	426,196		426,196	639,294	89,501
Other Assets	30,369		30,369	96,720	13,541
Total On-Balance sheet Exposures	1,265,665		1,265,665	2,270,561	317,879
<i>Off-balance Sheet Exposures</i>					
OTC/Credit Derivatives	-		-	-	-
Repurchase agreements	-		-	-	-
Securities borrowing/lending	-		-	-	-
Commitments	-		-	-	-
Other off-balance sheet exposures	-		-	-	-
Total Off-Balance sheet Exposures	-		-	-	-
Total On and Off-Balance sheet Exposures	1,265,665		1,265,665	2,270,561	317,879
Prohibited Exposure Risk Requirement	-		-	-	-
Total Credit Risk Exposures	1,265,665		1,265,665	2,270,561	317,879
Market Risk	Long Position	Short Position			
Interest rate risks	-	-			-
Equity price risks	1,731	-			312
Risks related to investment funds	-	-			-
Securitization/re-securitization positions	-	-			-
Excess exposure risks	-	-			-
Settlement risks and counterparty risks	-	-			-
Foreign exchange rate risks	-	-			-
Commodities risks.	-	-			-
Total Market Risk Exposures	1,731	-			312
Operational Risk					43,554
Minimum Capital Requirements					361,744
Surplus/(Deficit) in capital					513,866
Total Capital ratio (time)					2.42

5.3 Appendix 3 – Disclosure on Credit Risk Weighted Assets

2018 (SAR '000)

Risk Weights	Governments and CBs	Authorised persons and banks	Margin Financing	Corporates	Investment Funds	Investments	Other assets	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	-	-	-	-	-	-	-	-	-
20%	-	181,616	-	-	-	-	-	181,616	36,323
50%	-	93,288	-	-	-	-	-	93,288	46,644
100%	-	-	-	-	-	-	-	-	-
150%	9,650	-	426,196	-	262,147	-	-	697,993	1,046,989
200%	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	198,910	-	32,240	231,150	693,450
400%	-	-	-	-	-	1,960	-	1,960	7,840
500%	-	-	-	-	-	-	-	-	-
714%	-	-	-	61,529	-	-	-	61,529	439,315
Average Risk Weight	150%	30%	150%	714%	215%	400%	300%	179%	179%
Deduction from Capital Base	2,026	11,615	89,501	61,504	138,593	1,098	13,541	317,879	317,879

5.4 Appendix 4 – Disclosure on Credit Risk's Rated Exposures

2018 (SAR '000)

Exposure Class	Long term Ratings of counterparties							
	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	
<u>On and Off-balance-sheet Exposures</u>								
Governments and Central Banks	-	-	-	-	-	-	-	9,650
Authorized Persons and Banks	-	51,489	50,049	95,077	58,256	20,034	-	-
Corporates	-	-	-	-	-	-	-	61,529
Retail	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	463,017
Securitization	-	-	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-	-	426,196
Other Assets	-	-	-	-	-	-	-	30,369
Total	-	51,489	50,049	95,077	58,256	20,034	-	990,760

Exposure Class	Short term Ratings of counterparties					
	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	
<u>On and Off-balance-sheet Exposures</u>						
Governments and Central Banks	-	-	-	-	-	9,650
Authorized Persons and Banks	-	-	-	-	-	-
Corporates	-	-	-	-	-	61,529
Retail	-	-	-	-	-	-
Investments	-	-	-	-	-	463,017
Securitization	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	426,196
Other Assets	-	-	-	-	-	30,369
Total	-	-	-	-	-	990,760

5.5 Appendix 5 – Disclosure on Credit Risk Mitigation

2018 (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
<i>Credit Risk</i>						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	9,650	-	-	-	-	9,650
Authorized Persons and Banks	274,904	-	-	-	-	274,904
Corporates	61,529	-	-	-	-	61,529
Retail	-	-	-	-	-	-
Investments	463,017	-	-	-	-	463,017
Securitization	-	-	-	-	-	-
Margin Financing	426,196	-	730,020	-	-	426,196
Other Assets	30,369	-	-	-	-	30,369
Total On-Balance sheet Exposures	1,265,665	-	730,020	-	-	1,265,665
<i>Off-balance Sheet Exposures</i>						
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	-	-	-	-	-	-
Total Off-Balance sheet Exposures	-	-	-	-	-	-
Total On and Off-Balance sheet Exposures	1,265,665	-	730,020	-	-	1,265,665