



## PILLAR III DISCLOSURES

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2014

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## **1 Scope of Application**

Saudi Hollandi Capital (hereinafter referred to as “SHC” or “the Company”) is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010242378 dated Dhul Hijjah 30, 1428H (corresponding to January 9, 2008) with a paid up capital of SAR 400 million.

SHC is authorized under Capital Market Authority (CMA) license number 07077-37 to act as principal or agent in providing underwriting, managing and advisory services and custody of financial securities.

The Pillar III disclosures contained herein relate to SHC for the period ended December 31, 2014. These are compiled in accordance with CMA’s prudential rules.

### **1.1 Pillar I – Minimum capital requirements**

Pillar I describes the minimum capital requirements for credit, market and operational risk. Various approaches, differing by level of sophistication, are available to Authorized Persons (APs) to determine Pillar I requirements.

SHC applies the standardized approach to calculate Pillar I capital requirements for credit risk.

The Company’s Pillar I capital for market risk is calculated using a “building-block” approach. The capital charge for each category of market risk is determined separately and then aggregated.

The Company determines its Pillar I capital requirement for operational risk using the expenditure based approach. In line with supervisory guidelines, the Pillar I capital requirement for operational risk is maintained at 25% of the SHC’s overhead expenses as laid down under expenditure based approach.

### **1.2 Pillar II – Internal Capital Adequacy Assessment Process**

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”). 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 and reputational risk are covered under Pillar II.

SHC has developed an ICAAP framework which closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained.

### **1.3 Pillar III – Market discipline**

Pillar III refers to the part of the regulatory regime which aims to provide a consistent and comprehensive disclosure framework that enhances comparability between APs and further promotes improvements in risk practices. The qualitative and quantitative information provided here as a part of the Pillar III requirements, has been reviewed and validated by senior management and is in accordance with the rules in force at the time of publication.

In accordance with CMA regulation, the SHC publishes its Pillar III disclosures on an annual basis at its website <http://www.shc.com.sa/>

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

SHC does not have any subsidiaries.

## 2 Capital Structure of SHC

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

### 2.1 Tier 1 Capital

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

SHC is a wholly owned subsidiary of Saudi Hollandi Bank ("SHB") and its paid-up capital consists of 400,000 shares of SAR one thousand each.

(As of 31<sup>st</sup> Dec, 2014)

Tier-1 capital	SAR '000
Paid-up capital	400,000
Share premium	-
Tier-1 capital contribution	-
Reserves (other than revaluation reserves)	17,239
Audited retained earnings	51,118
Verified interim profit / (loss)	38,115
Deductions from Tier-1 capital	-
Total Tier-1 capital	506,473

Table 1 - Tier 1 Capital

### 2.2 Tier 2 Capital

SHC's Tier-2 capital consists of revaluation reserves resulting from the change in fair value of AFS equity investments.

(As of 31<sup>st</sup> Dec, 2014)

Tier-2 capital	SAR '000
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	896
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
Total Tier-2 capital	896

Table 2 – Tier 2 Capital & Total Capital Ratio

Please refer to [Appendix 1](#) for the detailed disclosure on capital base of SHC.

### 3 Capital Adequacy

In line with regulatory norms, SHC regards capital as the resource necessary to cover unexpected losses. SHC must, therefore, at all times, maintain an adequate level of capital to cover unexpected losses arising from the risks inherent in its business operations and to support current & future activities.

SHC maintains a capital structure that it believes will ensure the viability of the Company under extreme stress conditions, and provide sufficient capacity for growth. At the same time, SHC's capital structure is and will continue to be compliant with regulatory requirements.

SHC has developed an Internal Capital Adequacy Assessment Process by which it examines its risk profile from both a regulatory and internal risk capital point of view. The ICAAP describes SHC's business strategy, its forecast risk weighted assets for the next three years, 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 SHC's strategic decision making process and risk management framework.

Within the framework of the ICAAP, the Company's annual capital plan is reviewed by the Senior Management. The ICAAP is also reviewed and thereafter approved by the Board of Directors on an annual basis.

#### 3.1 Scenario Analysis and Stress Testing

Scenario analysis and stress testing are performed to assess SHC's exposure to extreme, but plausible, events. 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 regularly 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.

#### 3.2 Capital Adequacy Ratio and Minimum Capital Requirements

SHC is well capitalized with a Tier I capital ratio of 10.71x (2013: 15.30x) and a total capital ratio of 10.73x (2013: 15.31x), well above CMA's minimum regulatory requirement of 1.00x.

The following table reflects the comparative analysis of capital numbers in 2014 & 2013.

*(All amounts in SAR '000 & As of 31<sup>st</sup> Dec, 2014)*

Particulars	2014	2013	% Change
Tier I Capital	506,473	479,653	5.59%
Tier II Capital	896	342	161.99%
Total	507,369	479,995	5.70%
Minimum capital required			
Credit Risk	36,146	20,948	72.55%
Market Risk	-	-	-
Operational Risk	11,161	10,409	7.23%
Total	47,307	31,356	51.14%
Tier-1 Capital Ratio	10.71x	15.30x	-30.00%

Particulars	2014	2013	% Change
Total Capital Ratio (including Tier II)	10.73x	15.31x	-29.92%
Surplus (Deficit) in Capital Base	460,062	448,639	2.55%

*Table 3 - Comparison of Capital adequacy and capital numbers – 2014 vs. 2013*

Please refer to [Appendix 2](#) for the detailed disclosure on capital adequacy of SHC.



## **4 Risk Management**

Risk management at SHC is based upon a risk culture that promotes accountability and responsibility. The Board has a pre-eminent role in shaping risk culture and the risk management framework has been formulated in line with SHB's overarching risk-management principles. Risk managers, risk owners and risk policy writers consider these principles for fulfilling their responsibilities and managing risks.

### **4.1 Scope of Risk Management**

#### **4.1.1 Risk Management Strategy and processes**

The risk management processes at SHC involves the identification of risks, establishing controls, monitoring risk frameworks and establishing limits on the risks SHC is willing to take in the pursuit of its business objectives.

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

Risk management is considered a continuous process which runs from SHC's strategy and risk governance down to the level of on-going monitoring and reporting of specific risks. Risk management methodically addresses all the risks surrounding SHC's products, services, activities and relationships. SHC's approach to risk management places emphasis on inculcating a risk awareness culture, and considers this as a highly effective way to minimize unexpected loss and contributes to the successful implementation of strategy.

#### **4.1.2 Structure and organization of Risk Management and Compliance functions**

SHC has an established risk governance structure, with the Board of Directors, Senior Management Committees, including the Risk Management Committee. SHC's Board is responsible for overall direction, supervision and control of risks at SHC. The Board represents the shareholder (Saudi Hollandi Bank) and serves the interests of SHC by overseeing, evaluating and approving SHC's strategies, its risk appetite, performance objectives, its policies, conduct, reputation and culture.

SHC addresses the entirety of its current risk exposure in line with internal requirements (mandated by the shareholders and SHC's Board) and regulatory requirements. However, at the current stage, SHC does not have its own separate, centralized, dedicated risk management team. SHC engages the services of the Risk Management entity at SHB and has a service level agreement in this regard. The Board is comfortable with this arrangement considering the current risk profile, size and complexity of SHC's business activities and the relatively low risk appetite in SHC's operations.

The below figure shows the governance structure at SHC, and highlights the support provided by SHB to the risk management function at SHC.

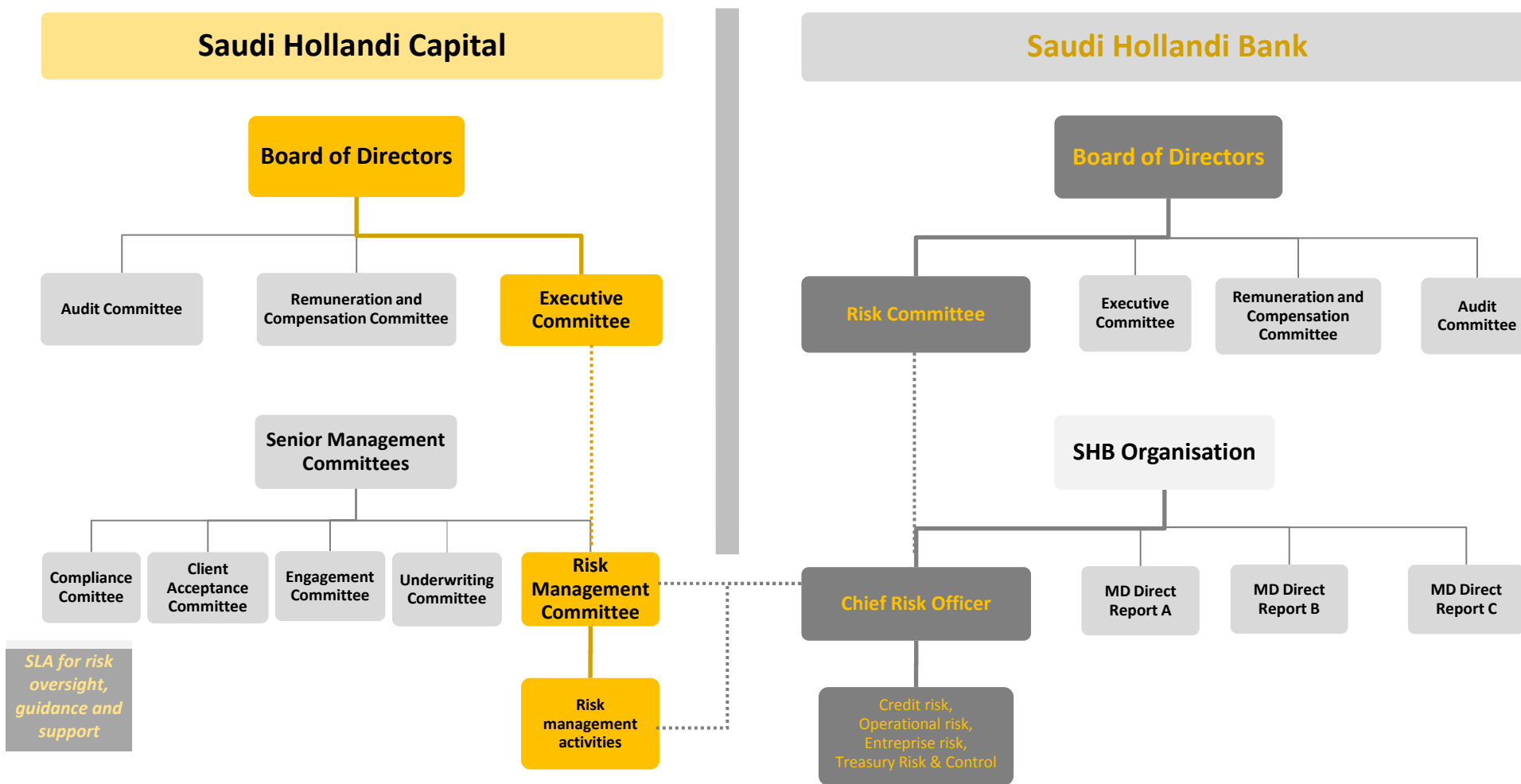


Figure 1 - Risk Governance Structure

## **Compliance**

The Company's Compliance function is responsible for assisting SHC, its management and Board, in identifying, measuring and mitigating any compliance exposures. 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 SHC.

### **4.1.3 Policies and guidelines for monitoring and mitigating risks**

SHCs Risk policies and procedures ensures that business activities are conducted within the approved limits or guidelines and are aligned with SHC's strategies and risk appetite.

Risk limits at SHC control risk-taking activities within the tolerance limits established by the Board and the Risk Management Committee. Any breaches of these limits or guidelines are reported to the relevant Senior Management committee and / or the Board. Limits establish accountability for key tasks in the risk-taking process and establish the level or conditions under which transactions may be approved or executed. Risk limits commence at the enterprise level via the Risk Appetite Statement and are then set at the execution or operational level through specific risk policies (counterparty, dealing limits) and / or through approvals on specific transactions (e.g. underwriting commitments, decisions on proprietary investments).

Some risk limits are directly mandated by CMA's Regulations, such as the Investment Funds Regulations for instance, which directly sets investor limits, investment limits, exposure limits to single issuers, large exposure limits, etc. SHC has zero tolerance for any breaches or violations of limits set/ prescribed by the Regulator.

Other types of limits are those set within individual DPM Agreements/ Mandate Letters, where potential breaches constitute operational, legal and reputational exposures rather than direct credit or market risk for the Company. SHC has zero tolerance for any violations or deviations of limits and restrictions set out in legal documents.

## **4.2 Credit Risk**

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. For SHC, credit risk primarily arises from its exposures to local banks where it places deposits and from proprietary investments classified as 'Available for Sale'. 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.

SHC has complied with CMA regulations and used the Standardized Approach for calculation of the capital required for Credit risk. SHC's credit risk exposures and their distribution by risk weights are detailed in [Appendix 3](#)

### **4.2.1 External ratings and credit quality steps**

SHC 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. SHC 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.

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

At SHC, assessment for Impairments and Specific Provisions is carried out at each balance sheet date to determine whether there is objective evidence that a specific financial asset could be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. The Company does not have any impaired exposures or specific provisions as on December 31, 2014.

#### 4.2.3 Geographic Distribution of exposures

SHC has all of its exposures in Kingdom of Saudi Arabia.

#### 4.2.4 Residual Contractual maturity

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

(All amounts in SAR '000 & As of 31<sup>st</sup> Dec, 2014)

Exposure Class	Total	1 Day to 1 Month	> 1 Month to 3 Months	> 3 Months to 6 Months	> 6 Months to 1 year	> 1 Year	Non-maturity
<b><u>On-balance Sheet Exposures</u></b>							
Governments and Central Banks	-	-	-	-	-	-	-
Authorized Persons and Banks (including cash)	431,243	394,720	-	36,523	-	-	-
Corporates	730	-	-	730	-	-	-
Retail	-	-	-	-	-	-	-
Investments	103,844	-	-	-	-	-	103,844
Securitization	-	-	-	-	-	-	-
Margin Financing*	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
<b>Total On-Balance sheet Exposures</b>	<b>535,817</b>	<b>3,94,720</b>	<b>-</b>	<b>37,253</b>	<b>-</b>	<b>-</b>	<b>103,844</b>
<b><u>Off-balance Sheet Exposures</u></b>							
OTC/Credit Derivatives	-	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-	-

Exposure Class	Total	1 Day to 1 Month	> 1 Month to 3 Months	> 3 Months to 6 Months	> 6 Months to 1 year	> 1 Year	Non-maturity
Exposure in the form of commitments	-	-	-	-	-	-	-
*Other Off-Balance sheet Exposures	-	-	-	-	-	-	-
<b>Total Off-Balance sheet Exposures</b>	-	-	-	-	-	-	-
<b>Total On and Off-Balance sheet Exposures</b>	<b>535,817</b>	<b>3,94,720</b>	-	<b>37,253</b>	-	-	<b>103,844</b>

Table 5 - Residual Contractual Maturity Profile

### 4.3 Credit Risk Mitigation

SHC does not have any exposures covered by financial collateral, guarantees or netting agreements as of December 31, 2014. SHC hence does not claim any reduction in capital requirements via credit risk mitigation.

Please refer to [Appendix 5](#) for the details.

### 4.4 Counterparty Credit Risk and Off Balance Sheet Exposures

SHC 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 is the risk of losses in on-and off-balance sheet positions arising from movements in market rates or prices such as profit rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in loss to earnings and capital and/ or change in the carrying value of SHC's assets and liabilities.

SHC uses the building block approach wherein the capital charge for each category of market risk is determined separately and then aggregated. As of December 31, 2014, SHC doesn't have any exposures to Market risk. Hence, capital requirement for the market related risks are 'Nil' as indicated below:

(All amounts in SAR '000 & As of 31<sup>st</sup> Dec, 2014)

Risk	Capital Required
Interest Rate Risk	-
Equity Price Risk	-
Investment Risk	-
Securitization Risk	-
Excess Exposure Risk	-
Settlement Risk and Counterparty Risk	-
Foreign Exchange Risk	-
Commodities Risk	-
<b>Total</b>	<b>-</b>

Table 6 - Market Risk Capital

## 4.6 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, this 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.

The Operational Risk capital charge is calculated as higher of the amounts under the following two approaches.

**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.

(All amounts in SAR '000 & As of 31<sup>st</sup> Dec, 2014)

Basic Indicator Approach (BIA)	Year	Gross Income	Average Gross Income	Risk Capital Charge (%)	Capital Required
2014 – Capital	2012	70,970	68,932	15%	10,340
	2013	58,462			
	2014	77,364			
Expenditure Based Approach (EBA)	Year – 1	Overhead Expenses	Risk Capital Charge (%)	Capital Required	
2014 – Capital	2014	44,645	25%	11,161	
<b>Capital requirement for Operational Risk for 2014</b> (Higher of Basic Indicator Approach and Expenditure Based Approach)					11,161

Table 7 - Operational Risk Capital

SHC, as part of SLA arrangements, receives a range of services from the Operational Risk Management Unit of SHB, which extend to advisory, review and oversight of operational risk management activities.

SHC has a repository in Company's Operational Loss Database (COLD) to capture all operational losses incurred by the Company, for the purpose of analysing and reporting operational errors and enhancing controls where necessary.

## 4.7 Liquidity Risk

Liquidity risk pertains to a company's inability to meet all expected and unexpected cash flows and outstanding commitments. Liquidity risk usually arises from the balance sheet structure, resulting in a mismatch where longer term assets are funded through short term liabilities. To mitigate this, the balance sheet should remain sufficiently liquid such that an acceptable proportion of assets are allocated to highly liquid instruments and the size of the permitted mismatch in relation to these liquid assets needs to be controlled. In the case of surplus situation, liquidity takes the form of opportunity cost in the form of loss of income due to investment of idle funds in low yield assets rather than higher yielding assets.

#### 4.7.1 Liquidity Risk Management

SHC considers SHB's framework for maintaining sound processes for identifying, measuring and reporting of liquidity risk. SHC, in coordination with SHB has established and implemented a contingency plan, which is based on understanding of the Company's anticipated sources of funds, uses of funds and on the expected timing of those sources and uses. The plan is subject to periodic review, assessment and approval.

#### 4.7.2 Liquidity Reserves

SHC holds deposits with local banks which can be accessed instantly according to its needs. SHC actively manages its daily funding obligations through a number of measures including availability of surplus cash and daily monitoring of funding requirements.

#### 4.7.3 Risk Measures and Ratios

SHC 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:

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
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Table 8 - Liquidity Risk Bucketing

The assets and liabilities with no maturity have been placed under a separate bucket, 'Non- Maturity'. The net cash flows across all time intervals are accumulated to observe the quantum of cumulative net cash flow in each bucket. As of 31<sup>st</sup> Dec 2014, SHC's cumulative cash flow is positive for the first three months signifying adequate liquidity to meet its short-term funding obligations. Moreover, the positive cumulative gap remains high across the longer duration buckets enough confirming strong liquidity position even in the long-term. This is primarily because the Company does not have any significant borrowings.

Apart from Cash flow, following ratios are being periodically monitored to maintain appropriate liquidity levels:

S.No	Indicators	Values	Inference
1	Liquid assets / Total Assets	73.7%	This reflects the cushion/comfort level in meeting its short-term liabilities and fixed cost payment
2	Cumulative Mismatch as a % of total liabilities (excluding equity)	1459.7%	The high positive ratio bears testimony to the fact the Company is highly liquid and has no significant short term liabilities since the assets are primarily funded by equity.

Table 9 – Liquidity Ratios

## 5 Appendices

### 5.1 Appendix 1 - Disclosure on Capital Base

(As of Dec 31, 2014)

Capital Base	SAR '000
<u>Tier-1 capital</u>	
Paid-up capital	400,000
Audited retained earnings	51,118
Verified interim profit / (loss)	38,115
Share premium	-
Reserves (other than revaluation reserves)	17,239
Tier-1 capital contribution	-
Deductions from Tier-1 capital	-
<b>Total Tier-1 capital</b>	<b>506,473</b>
<u>Tier-2 capital</u>	
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	896
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
<b>Total Tier-2 capital</b>	<b>896</b>
<b>Total Capital Base</b>	<b>507,369</b>



## 5.2 Appendix 2 - Disclosure on Capital Adequacy

(As of Dec 31, 2014)

Amounts in SAR '000					
Exposure Class	Exposures before CRM		Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
<b><u>Credit Risk</u></b>					
<i>On-balance Sheet Exposures</i>					
Governments and Central Banks	-	-	-	-	-
Authorized Persons and Banks (including cash)	431,243	431,243	97,205	13,609	
Corporates	730	730	5,213	730	
Retail	-	-	-	-	-
Investments	103,844	103,844	155,767	21,807	
Securitization	-	-	-	-	-
Margin Financing	-	-	-	-	-
Other Assets	-	-	-	-	-
<b>Total On-Balance sheet Exposures</b>	<b>535,817</b>	<b>535,817</b>	<b>258,185</b>	<b>36,146</b>	
<i>Off-balance Sheet Exposures</i>					
OTC/Credit Derivatives	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Securities borrowing/lending	-	-	-	-	-
Commitments	-	-	-	-	-
Other off-balance sheet exposures	-	-	-	-	-
<b>Total Off-Balance sheet Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>535,817</b>	<b>535,817</b>	<b>258,185</b>	<b>36,146</b>	
<b>Prohibited Exposure Risk Requirement</b>	-	-	-	-	-
<b>Total Credit Risk Exposures</b>					<b>36,146</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	-	-			-
Commodities risks.	-	-			-
<b>Total Market Risk Exposures</b>	<b>-</b>	<b>-</b>			<b>-</b>
<b><u>Operational Risk</u></b>					<b>11,161</b>
<b><u>Minimum Capital Requirement</u></b>					<b>47,307</b>
<b><u>Surplus/ (Deficit) in Capital</u></b>					<b>460,062</b>
<b><u>Total Capital Ratio (times)</u></b>					<b>10.73x</b>

## 5.3 Appendix 3 - Disclosure on Credit Risk Weighted Assets

(As of Dec 31, 2014)

Risk Weights	Exposures after netting and credit risk mitigation (Amounts in SAR '000)												Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
	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			
0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	394,720	-	-	-	-	-	-	-	-	-	394,720	78,944
50%	-	-	36,523	-	-	-	-	-	-	-	-	-	36,523	18,261
100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	103,844	-	-	-	-	103,844	155,767
200%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
500%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	-	730	-	-	-	-	-	-	-	730	5,213
Average Risk Weight	-	-	23%	-	714%	-	-	150%	-	-	-	-	48%	
Deduction from Capital Base	-	-	13,609	-	730	-	-	21,807	-	-	-	-	36,146	

## 5.4 Appendix 4 - Disclosure on Credit Risk's Rated Exposures

(As of Dec 31, 2014)

Exposure Class	Long term Ratings of counterparties (Amounts in SAR '000)							
	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	
<b>On and Off-balance-sheet Exposures</b>								
Governments and Central Banks		-	-	-	-	-	-	-
Authorized Persons and Banks (including cash)		-	36,523	-	-	-	-	-
Corporates		-	-	-	-	-	-	730
Retail		-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	103,844
Securitization		-	-	-	-	-	-	-
Margin Financing		-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-
<b>Total</b>		-	<b>36,523</b>	-	-	-	-	<b>104,574</b>

Exposure Class	Short term Ratings of counterparties (Amounts in SAR '000)					
	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	
<b><u>On and Off-balance-sheet Exposures</u></b>						
Governments and Central Banks		-	-	-	-	-
Authorized Persons and Banks (including cash)		394,720	-	-	-	-
Corporates		-	-	-	-	-
Retail		-	-	-	-	-
Investments		-	-	-	-	-
Securitization		-	-	-	-	-
Margin Financing		-	-	-	-	-
Other Assets		-	-	-	-	-
<b>Total</b>		<b>394,720</b>	-	-	-	-

## 5.5 Appendix 5 - Disclosure on Credit Risk Mitigation (CRM)

(Amounts are in SAR '000 &amp; As of Dec 31, 2014)

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><i>Credit Risk</i></b>						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	-	-	-	-	-	-
Authorized Persons and Banks (including cash)	431,243	-	-	-	-	431,243
Corporates	730	-	-	-	-	730
Retail	-	-	-	-	-	-
Investments	103,844	-	-	-	-	103,844
Securitization	-	-	-	-	-	-
Margin Financing*	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
<b>Total On-Balance sheet Exposures</b>	<b>535,817</b>				-	<b>535,817</b>
<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						
<b>Total Off-Balance sheet Exposures</b>	-	-	-	-	-	-
<b>Total On and Off-Balance sheet Exposures</b>	<b>535,817</b>	-	-	-	-	<b>535,817</b>