



## PILLAR III DISCLOSURES

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May 2020

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## 1 Introduction and Scope of Application

Alawwal Invest Company, is a Closed Joint Stock 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.

Alawwal Invest is authorized under Capital Market Authority (CMA) license number 07077-37 to provide underwriting, managing, advising, dealing, and custody services.

The Pillar III disclosures contained herein relate to Alawwal Invest for the period ended December 31, 2019. These are compiled in accordance with CMA's prudential rules. The purpose of this disclosure is to inform relevant stakeholders about the Company's capital, risk management and capital adequacy.

### 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.

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

The Company's Pillar I capital requirement 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 higher of **a)** 15% of the average last three year audited operating income or **b)** 25% of the last year's audited overhead expenses. In line with supervisory guidelines, the Pillar I capital requirement for operational risk is maintained at 25% of the Company'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 risk 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 risks. Other risks such as liquidity, concentration, strategic and reputational risk are covered under Pillar II.

Alawwal Invest 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, Alawwal Invest publishes its Pillar III disclosures on an annual basis at its website <http://www.alawwalinvest.com.sa>

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

Alawwal Invest does not have any subsidiaries.

## 2 Capital Structure of Alawwal Invest

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 Alawwal Invest consists of paid-up capital, reserves (other than revaluation reserves), audited retained earnings and verified interim profit.

Alawwal Invest is a wholly owned subsidiary of SABB and its paid-up capital consists of 400,000 shares of SAR one thousand each.

(As of 31<sup>st</sup> Dec, 2019)

Tier 1 capital	SAR '000
Paid-up capital	400,000
Audited retained earnings	110,225
Verified interim profit / (loss)	-
Share premium	-
Reserves (other than revaluation reserves)	23,040
Tier 1 capital contribution	-
Deductions from Tier 1 capital	-
<b>Total Tier 1 capital</b>	<b>533,265</b>

Table 1 - Tier 1 Capital

### 2.2 Tier 2 Capital

Alawwal Invest's Tier 2 capital is NIL. List of the Tier 2 constituents are below.

(As of 31<sup>st</sup> Dec, 2019)

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

<b>Total Capital Base</b>	<b>533,265</b>
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Table 2 – Tier 2 Capital & Total Capital Base

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

### 3 Capital Adequacy

In line with regulatory norms, Alawwal Invest regards capital as the resource necessary to cover unexpected losses. Alawwal Invest 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 and future activities.

Alawwal Invest 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, Alawwal Invest's capital structure is and will continue to be compliant with regulatory requirements.

Alawwal Invest 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 Alawwal Invest's business strategy, its forecasted 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 Alawwal Invest's strategic decision making process and risk management framework.

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 Alawwal Invest'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 ongoing 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

Alawwal Invest is well capitalized with a Tier 1 capital ratio of 7.37x (2018: 5.31x) and a total capital ratio of 7.37x (2018: 5.31x), well above CMA's minimum regulatory requirement of 1.00x.

The following table reflects the comparative analysis of capital numbers in 2019 and 2018.

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

Particulars	2019	2018	% Change
Tier 1 Capital	533,265	534,478	-0.23%
Tier 2 Capital	-	-	0.00%
<b>Total Capital Base</b>	<b>533,265</b>	<b>534,478</b>	<b>-0.23%</b>
<b>Minimum Capital Requirements</b>			
Credit Risk	48,738	89,759	-45.70%
Market Risk	19,454	-	0.00%
Operational Risk	9,977	10,909	-8.54%
<b>Total Capital Requirements</b>	<b>78,169</b>	<b>100,668</b>	<b>-22.35%</b>

Particulars	2019	2018	% Change
Tier 1 capital Ratio	6.82x	5.31x	28.49%
Total Capital Ratio (Including Tier 2)	6.82x	5.31x	28.49%
Surplus (Deficit) in Capital Base	455,096	433,810	4.91%

*Table 3 - Comparison of Capital adequacy and capital numbers - 2019 vs. 2018*

The decrease in credit risk capital requirements by 45.70% is due to decrease in margin financing portfolio and treatment of Investments – Fair value through profit or loss (investment is a part of Market risk). The Company obtained an overdraft credit facility of SAR 600 million from SABB to finance margin lending facilities. As at 31 December 2019, the amount of this facility utilized by the Company amounted to SAR 143.6 million (2018 – 246.6 million).

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



## **4 Risk Management**

Risk management at Alawwal Invest 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 SABB'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 Alawwal Invest involves the identification of risks, establishing controls, monitoring risk frameworks and establishing limits on the risks Alawwal Invest is willing to take in the pursuit of its business objectives.

Risk management processes and techniques are periodically reviewed and updated to ensure consistency with Alawwal Invest'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 Alawwal Invest. Risk management policy, principles and guidelines have been formulated at Alawwal Invest and communicated to all Alawwal Invest staff.

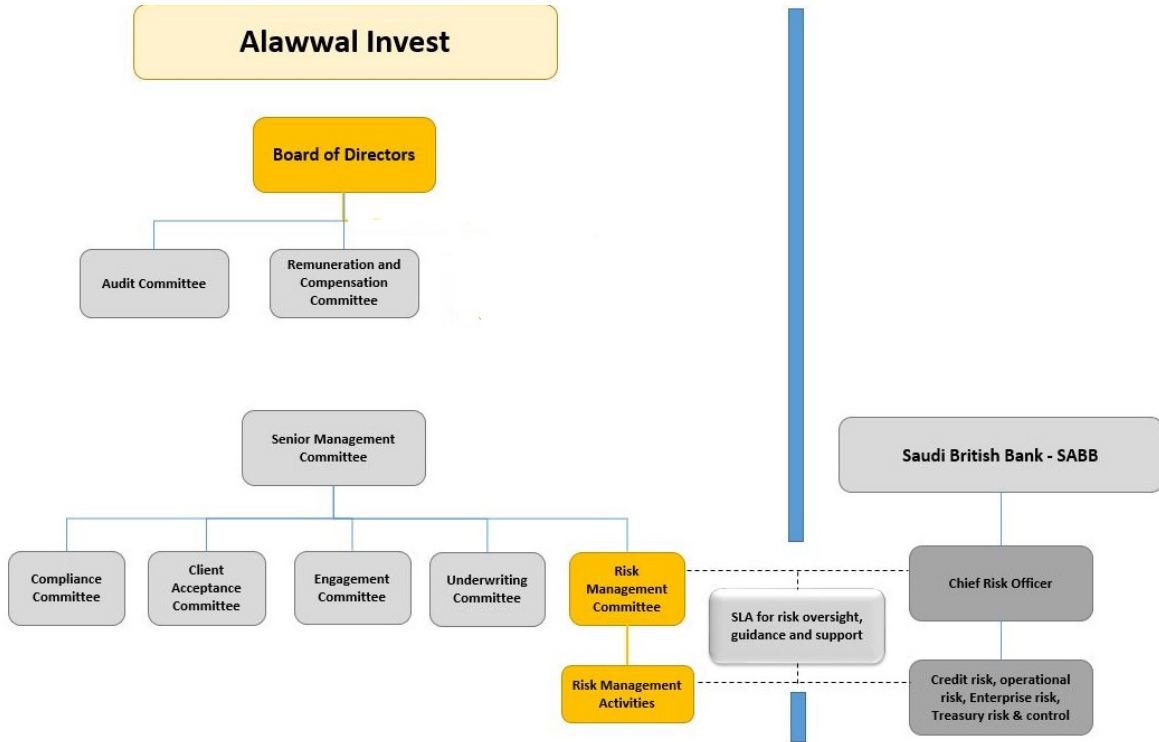
Risk management is considered a continuous process which runs from Alawwal Invest's strategy and risk governance down to the level of on-going monitoring and reporting of specific risks. Risk management methodically addresses all the risks surrounding Alawwal Invest's products, services, activities and relationships. Alawwal Invest'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**

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

Alawwal Invest addresses the entirety of its current risk exposure in line with internal requirements (mandated by the shareholders and Alawwal Invest's Board) and regulatory requirements. However, at the current stage, Alawwal Invest does not have its own separate, centralized, dedicated risk management team. Alawwal Invest engages the services of the Risk Management function at SABB 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 Alawwal Invest's business activities and the relatively low risk appetite in Alawwal Invest's operations.

The below figure shows the governance structure at Alawwal Invest, and highlights the support provided by SABB to the risk management function at Alawwal Invest.



## **Compliance**

The Company's Compliance function is responsible for assisting Alawwal Invest, 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, 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 Alawwal Invest.

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

Alawwal Invest's Risk policies and procedures ensure that business activities are conducted within the approved limits or guidelines and are aligned with Alawwal Invest's strategies and risk appetite.

Risk limits at Alawwal Invest 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. Alawwal Invest 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. Alawwal Invest 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 Alawwal Invest, credit risk primarily arises from its exposures to local banks where it places deposits and from Margin financing facility. 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.

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

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

Alawwal Invest 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. Alawwal Invest 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 Alawwal Invest, 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, 2019.

#### 4.2.3 Geographic Distribution of exposures

Alawwal Invest has all of its exposures in Kingdom of Saudi Arabia.

#### 4.2.4 Residual Contractual maturity

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

(All amounts in SAR '000 & As of 31<sup>st</sup> Dec, 2019)

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>							
Government and Central Banks	-	-	-	-	-	-	-
Authorized Persons and Banks (including cash)	453,048	-	-	450,544	-	-	2,504
Administrative Bodies	-	-	-	-	-	-	-
Margin Financing	143,627	-	-	-	-	-	143,627
Retail	-	-	-	-	-	-	-
Corporates	616	-	616	-	-	-	-
Investments	121,588	-	-	-	-	-	121,588
Other Assets / Right of use asset	5,277	-	-	-	-	5,277	-
<b>Total On-Balance sheet Exposures</b>	<b>724,156</b>	<b>-</b>	<b>616</b>	<b>450,544</b>	<b>-</b>	<b>5,277</b>	<b>267,719</b>

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><i>Off-balance Sheet Exposures</i></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	-	-	-	-	-	-	-
<b>Total Off-Balance sheet Exposures</b>	-	-	-	-	-	-	-
<b>Total On and Off-Balance sheet Exposures</b>	<b>718,879</b>	-	<b>616</b>	<b>450,544</b>	-	<b>5,277</b>	<b>267,719</b>

Table 5 - Residual Contractual Maturity Profile

### 4.3 Credit Risk Mitigation

Alawwal Invest's Margin financing book is entirely covered by collateral. The exposure for margin financing after Credit Risk Mitigation (CRM) is considered same as the exposure before CRM to comply with CMA guidelines on Capital requirements.

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

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

Alawwal Invest 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 Alawwal Invest's assets and liabilities.

Alawwal Invest 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, 2019, Alawwal Invest have exposures to Market risk on its investments in mutual funds. Hence, capital requirement for the market related risks are indicated below:

(All amounts in SAR '000 & As of 31<sup>st</sup> Dec, 2019)

Risk	Capital Required
Interest Rate Risk	-
Equity Price Risk	-
Investment Fund Risk	19,454
Securitization Risk	-

Risk	Capital Required
Excess Exposure Risk	-
Settlement Risk and Counterparty Risk	-
Foreign Exchange Risk	-
Commodities Risk	-
<b>Total Market Risk Capital</b>	<b>19,454</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, 2019)

Basic Indicator Approach (BIA)	Year	Gross Income	Average Gross Income	Risk Capital Charge (%)	Capital Required
2019 - Capital	2017	48,521	48,671	15%	7,301
	2018	54,098			
	2019	43,395			

Expenditure Based Approach (EBA)	Year	Overhead Expenses	Risk Capital Charge (%)	Capital Required
2019 - Capital	2019	39,909	25%	9,977

<b>Capital requirement for Operational Risk for 2019</b> (Higher of Basic Indicator Approach and Expenditure Based Approach)	<b>9,977</b>
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Table 7 - Operational Risk Capital

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

Alawwal Invest has a repository in B Wise system 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

Alawwal invest considers SABB's framework for maintaining sound processes for identifying, measuring and reporting of liquidity risk. Alawwal Invest 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

Alawwal Invest holds deposits with local banks which can be accessed according to its needs. Alawwal Invest 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

Alawwal Invest 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.

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	0.4%	This reflects the cushion/comfort level in meeting its short-term liabilities and fixed cost payment. It is low as the fixed deposit (450m) is maturing in April 20.
2	Illiquid +Long term investments/Total Assets	99.6%	This ensures long-term sustainable returns on asset and provides stabilization of income in future years.

S.No	Indicators	Values	Inference
3	Cumulative Mismatch as a % of total liabilities (excluding equity)	140.4%	The high positive ratio bears testimony to the fact the Company 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, 2019)

Capital Base	SAR '000
<b><u>Tier 1 capital</u></b>	
Paid-up capital	400,000
Audited retained earnings	110,225
Verified interim profit / (loss)	-
Share premium	-
Reserves (other than revaluation reserves)	23,040
Tier 1 capital contribution	-
Deductions from Tier 1 capital	-
<b>Total Tier 1 capital</b>	<b>533,265</b>
<b><u>Tier 2 capital</u></b>	
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	-
Other deductions from Tier 2 (-)	-
Deduction to meet Tier 2 capital limit (-)	-
<b>Total Tier 2 capital</b>	<b>-</b>
<b>Total Capital Base</b>	<b>533,265</b>

## 5.2 Appendix 2 - Disclosure on Capital Adequacy

(As of Dec 31, 2019)

Capital Adequacy (Amounts in SAR '000)				
Exposure Class	Exposures before CRM	Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
<b>Credit Risk</b>				
<b><u>On-balance Sheet Exposures</u></b>				
Governments and Central Banks	-	-	-	-
Authorized Persons and Banks	453,047	453,047	90,609	12,685
Corporates	616	616	4,398	616
Retail	-	-	-	-
Investments	-	-	-	-
Securitization	-	-	-	-
Margin Financing	143,627	143,627	215,441	30,162
Other Assets (includes cash)	5,278	5,278	37,678	5,275
<b>Total On-Balance sheet Exposures</b>	<b>602,568</b>	<b>602,568</b>	<b>348,126</b>	<b>48,738</b>
<b><u>Off-balance Sheet Exposures</u></b>				
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>Total On and Off-Balance sheet Exposures</b>	<b>602,568</b>	<b>602,568</b>	<b>348,126</b>	<b>48,738</b>
<b>Prohibited Exposure Risk Requirement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Credit Risk Exposures</b>	<b>602,568</b>	<b>602,568</b>	<b>348,126</b>	<b>48,738</b>
<b>Market Risk</b>	<b>Long Position</b>	<b>Short Position</b>		
Interest rate risks	-	-		-
Equity price risks	-	-		-
Risks related to investment funds	121,588	-		19,454
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>121,588</b>	<b>-</b>		<b>19,454</b>
<b>Operational Risk</b>				<b>9,977</b>
<b><u>Minimum Capital Requirement</u></b>				<b>78,169</b>
<b><u>Surplus/ (Deficit) in Capital</u></b>				<b>455,096</b>
<b><u>Total Capital Ratio (times)</u></b>				<b>6.82x</b>

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

(As of Dec 31, 2019)

Exposures after netting and credit risk mitigation (Amounts in SAR '000)													
Risk Weights	Governments and central banks	Administrative bodies and NPO	Authorised persons and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitisation	Other assets (includes cash)	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	-	-	-	-	-	-	-	-	-	1	-	1	-
20%	-	-	453,047	-	-	-	-	-	-	-	-	453,047	90,609
50%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	143,627	-	-	-	-	-	-	-	143,627	215,441
200%	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
500%	-	-	-	-	-	-	-	-	-	-	-	-	-
714%	-	-	-	-	616	-	-	-	-	5,277	-	5,893	42,076
<b>Average Risk Weight</b>	NA	NA	20%	150%	714%	NA	NA	NA	NA	714%	NA	58%	
<b>Deduction from Capital Base</b>	-	-	12,685	30,162	616	-	-	-	-	5,275	-	48,738	

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

(As of Dec 31, 2019)

Long term Ratings of counterparties (Amounts in SAR '000)								
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
	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		-	-	-	-	-	-	-
Corporates		-	-	-	-	-	-	-
Retail		-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-
Securitization		-	-	-	-	-	-	-
Margin Financing		-	-	-	-	-	-	143,627
Other Assets (includes cash)		-	-	-	-	-	-	5,277
<b>Total</b>		-	-	-	-	-	-	<b>148,904</b>

(As of Dec 31, 2019)

Short term Ratings of counterparties (Amounts in SAR '000)								
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
	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		-	-	-	-	-	-	-
Authorized Persons and Banks		453,047	-	-	-	-	-	-
Corporates		-	-	-	-	-	-	616
Retail		-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-
Securitization		-	-	-	-	-	-	-
Margin Financing		-	-	-	-	-	-	-
Other Assets (includes cash)		-	-	-	-	-	-	1
<b>Total</b>		<b>453,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>617</b>

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

(Amounts are in SAR '000 &amp; As of Dec 31, 2019)

Credit Risk Mitigation (Amounts in 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
<b><u>On-balance Sheet Exposures</u></b>						
Governments and Central Banks	-	-	-	-	-	-
Authorized Persons and Banks	453,047	-	-	-	-	453,047
Corporates	616	-	-	-	-	616
Retail	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Securitization	-	-	-	-	-	-
Margin Financing *	143,627	-	-	-	143,627	143,627
Other Assets (includes cash) **	5,278	-	-	-	-	5,278
<b>Total On-Balance sheet Exposures</b>	<b>602,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,627</b>	<b>602,568</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 in the form of commitments	-	-	-	-	-	-
*Other Off-Balance sheet Exposures	-	-	-	-	-	-
<b>Total Off-Balance sheet Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>602,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,627</b>	<b>602,568</b>

\* Alawwal Invest's Margin financing book is entirely covered by collateral. The exposure for margin financing after Credit Risk Mitigation (CRM) is considered same as the exposure before CRM to comply with CMA guidelines on Capital requirements.

\*\* Other Assets (includes cash) includes Right of use assets under IFRS 16.