



PILLAR III DISCLOSURES

March 2021

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1 Introduction and Scope of Application

Alawwal Invest Company (“the Company”) is a One person 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, 2020. 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 Group structure

Alawwal INVEST is fully owned subsidiary of The Saudi British Bank (‘SABB’). SABB is a joint stock company incorporated in the Kingdom of Saudi Arabia, providing a range of banking services. SABB also provides Shariah-compliant products, which are approved and supervised by an independent Shariah Board established by SABB.

Group structure of SABB is as follows,

SABB has 100% ownership interest in a subsidiary, SABB Insurance Agency Limited (“SIAL”), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010235187 dated 18 Jumada II 1428H (3 July 2007). SABB holds 98% of its interest in SIAL directly and 2% indirect ownership interest through another subsidiary (“Arabian Real Estate Company Limited”) incorporated in the Kingdom of Saudi Arabia. SIAL’s principal activity is to act as an exclusive insurance agent for SABB Takaful Company (“SABB Takaful”) (also a subsidiary company of SABB) within the Kingdom of Saudi Arabia.

SABB has 100% ownership interest in a subsidiary, Arabian Real Estate Company Limited (“ARECO”), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010188350 dated 12 Jumada I 1424H (12 July 2003). SABB holds 99% of its interest in ARECO directly and 1% indirect ownership interest through another subsidiary (“SABB Insurance Agency”) incorporated in the Kingdom of Saudi Arabia. ARECO is engaged in the purchase, sale and lease of land and real estate for investment purposes.

SABB has 100% ownership interest in a subsidiary, SABB Real Estate Company Limited (“SRECO”), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010428580 dated 12 Safar 1436H (4 December 2014), (the company is currently under liquidation). SABB holds 99.8% of its interest in SRECO directly and 0.2% indirect ownership interest through another subsidiary (“Arabian Real Estate Company Limited”) incorporated in the Kingdom of Saudi Arabia. SRECO’s principal activity is the registration of real estate and to hold and manage collateral on behalf of SABB.

SABB has 100% directly held ownership interest in a subsidiary, SABB Markets Limited (“SABB Markets”), a limited liability company incorporated in the Cayman Islands. SABB Markets is engaged in derivatives trading and repo activities.

SABB has 65% directly held ownership interest in a subsidiary, SABB Takaful, a joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010234032 dated 20 Jumada Awal 1428H (6 June 2007). SABB Takaful’s principal activity is to engage in Shariah compliant insurance activities and to offer family and general Takaful products to individuals and corporates in the Kingdom of Saudi Arabia.

SABB has 100% directly held ownership interest in a subsidiary, Alawwal Real Estate Company (“AREC”), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010250772 dated 21 Jumada I 1429H (26 May 2008). AREC’s principal activity is the registration of real estate assets under its name which are received by the Bank from its borrowers as collaterals and to hold and manage collateral on behalf of SABB.

SABB has 100% directly held ownership interest in a subsidiary, Alawwal Insurance Agency Company (“AIAC”), a limited liability company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010300250 dated 29 Muharram 1432H (4 January 2011). AIAC’s principal activity is to act as an insurance agent for Wataniya Insurance Company (WIC), an associate, to sell its insurance products (the company is currently under liquidation).

SABB had a 100% directly held ownership interest in a subsidiary, Alawwal Financial Markets Limited (“AFM”), a limited liability company incorporated in the Cayman Islands. AFM was engaged in derivatives trading and repo activities and was liquidated on 31 December 2020.

SABB has 49% directly held ownership interest in HSBC Saudi Arabia, a closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial registration No. 1010221555 dated 27 Jumada Al-Akhirah 1427H (23 July 2006). HSBC Saudi Arabia was formed in accordance with the Resolution No. 37-05008 of the CMA dated 05/12/1426H corresponding to 05/01/2006G. HSBC Saudi Arabia’s principal activity is to engage in the full range of investment banking and advisory services and asset management activities regulated by the CMA related to brokerage, dealing, managing, arranging, advising and taking custody of securities. HSBC Saudi Arabia is an associate of SABB with HSBC Asia Holdings B.V. a related party and shareholder in SABB.

SABB has 20% (31 December 2019: 20%) directly held ownership interest in an associate, Wataniya Insurance Company (“WIC”), a joint stock company incorporated in the Kingdom of Saudi Arabia formed pursuant to Royal Decree No. M/53 dated Shawwal 21, 1430H (10 October 2009). WIC’s principal activity is to engage in Shariah compliant insurance activities and to offer family and general Takaful products to individuals and corporates in the Kingdom of Saudi Arabia.

1.2 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 in accordance with the rules prescribed by CMA.

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.

1.3 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.

1.4 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>

1.5 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 40,000,000 shares of SAR ten each.

(As of 31st Dec, 2020)

Tier 1 capital	SAR '000
Paid-up capital	400,000
Audited retained earnings	93,630
Verified interim profit / (loss)	-
Share premium	-
Reserves (other than revaluation reserves)	24,338
Tier 1 capital contribution	-
Deductions from Tier 1 capital	-
Total Tier 1 capital	517,968

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 31st Dec, 2020)

Tier 2 capital	SAR '000
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	517,968

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 reviewed by senior management and approved by the Board of Directors.

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 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

Alawwal Invest is well capitalized with a Tier 1 capital ratio of 5.94x (2019: 6.82x) and a total capital ratio of 5.94x (2019: 6.82x), well above CMA's minimum regulatory requirement of 1.00x.

The following table reflects the comparative analysis of capital numbers in 2020 and 2019.

(All amounts in SAR '000 & as of 31st Dec)

Particulars	2020	2019	% Change
Tier 1 Capital	517,968	533,265	-2.87%
Tier 2 Capital	-	-	0.00%
Total Capital Base	517,968	533,265	-2.87%
Minimum Capital Requirements			
Credit Risk	77,811	48,738	59.65%
Market Risk	-	19,454	-100.00%
Operational Risk	9,335	9,977	-6.43%
Total Capital Requirements	87,146	78,169	11.48%
Tier 1 capital Ratio	5.94x	6.82x	-12.90%

Particulars	2020	2019	% Change
Total Capital Ratio (Including Tier 2)	5.94x	6.82x	-12.90%
Surplus (Deficit) in Capital Base	430,822	455,096	-5.33%

Table 3 - Comparison of Capital adequacy and capital numbers - 2020 vs. 2019

The increase in credit risk capital requirements by 59.65% is mainly due to increase in margin financing portfolio and prescribed classification of investment at fair value through profit and loss. The Company has an overdraft credit facility of SAR 600 million from SABB to finance margin lending facilities. As at 31 December 2020, the amount of this facility utilized by the Company amounted to SAR 164.4 million (2019 – SAR 143.6 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.

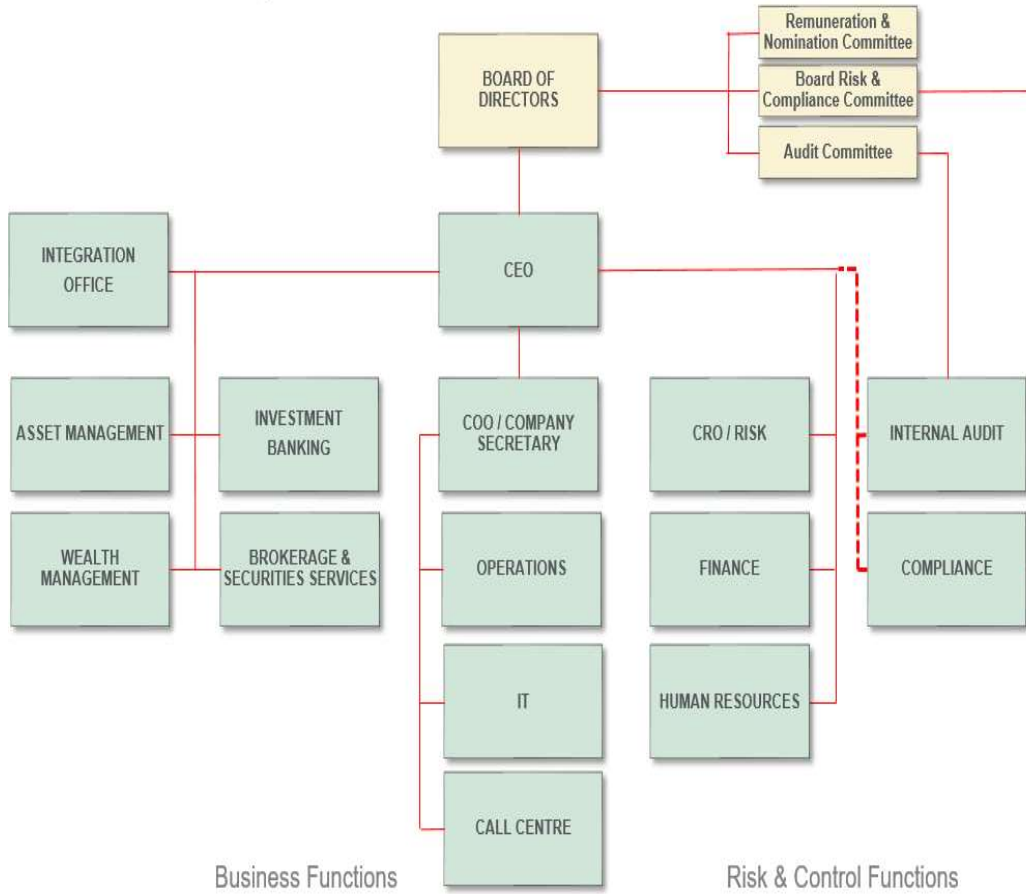
4.1.2 Structure and organization of Risk Management and Compliance functions

Alawwal Invest has an established risk governance structure, with the Board of Directors, Senior Management Committees, including the Risk and Compliance 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. Alawwal Invest has started to build up its Enterprise Risk Management function that monitors all the enterprise-wide risks via the Key Risk Indicators process however, is required to engage with those functions in SABB that have been outsourced to SABB based on a service level agreement to provide the MI needed for monitoring and reporting of those risks. 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.

Alawwal Invest Organisation



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 and Compliance 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. 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 mapping table between rating agencies' credit ratings and the steps in the credit quality scales as prescribed in Annex 11 and Annex 12 of CMA Prudential Rules.

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 has recognised an impairment loss of SR 0.1 million as of 31 December 2020 in the statement of income (2019 : SAR Nil).

4.2.3 Geographic Distribution of exposures

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

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-balance sheet 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.

As of December 31, 2020, Alawwal Invest does not have exposures to Market risk (2019: SAR 19.4 million). The related risks are indicated below:

(All amounts in SAR '000 & As of 31st Dec, 2020)

Risk	Capital Required
Interest Rate Risk	-
Equity Price Risk	-
Investment Fund Risk	-
Excess Exposure Risk	-
Settlement Risk	-
Foreign Exchange Risk	-

Risk	Capital Required
Commodities Risk	-
Total Market Risk Capital	-

Table 4 - 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 31st Dec, 2020)

Approach 1	Year	Gross Income	Average Gross Income	Risk Capital Charge (%)	Capital Required
Basic Indicator Approach (BIA)	2018	54,098	45,886	15%	6,883
	2019	43,395			
	2020	40,166			

Approach 2	Year	Overhead Expenses	Risk Capital Charge (%)	Capital Required
Expenditure Based Approach (EBA)	2020	37,339	25%	9,335

Capital requirement for Operational Risk for 2020 (Higher of Basic Indicator Approach and Expenditure Based Approach)	9,335
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Table 5 - Operational Risk Capital

Alawwal Invest has developed a Incidents Management Procedure as guideline to manage all incidents including a detailed procedure on processing of Operational Losses to ensure incidents and losses are appropriately managed and processed.

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.

Management monitors the maturity profile of the Company's assets and liabilities at the balance sheet date to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities other than end of service benefits and long-term loans are contractually payable on a current basis.

In addition to the operational profits, the main source of funds for Alawwal INVEST is its capital and undistributed profits. The Company has established a short term revolving loan facility from SABB carrying commission rate at agreed commercial rate.

The company has established a liquidity management process for Margin lending product to ensure that the company has access to adequate level of funding at all times to meet the cash flow requirements driven by changes in utilization levels and to fully mitigate any liquidity and reputation risks for the company.

4.7.1 Residual Contractual maturity

The residual contractual maturity of Alawwal Invest's exposures is given in the table below:

(All amounts in SAR '000 & As of 31st Dec, 2020)

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
<u>On-balance Sheet Exposures</u>							
Government and Central Banks	-	-	-	-	-	-	-
Authorized Persons and Banks (including cash)	441,323	-	25,000	250,344	160,249	-	5,730
Margin Financing	164,462	-	57,433	82,990	24,039	-	-
Retail	221	221	-	-	-	-	-
Corporates	92	-	92	-	-	-	-
Investments	123,041	-	-	-	-	-	123,041
Other Assets / Right of use asset	5,071	577	-	191	345	3,958	-
Total On-Balance sheet Exposures	734,210	798	82,525	333,525	184,633	3,958	128,771
<u>Off-balance Sheet Exposures</u>							
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	734,210	798	82,525	333,525	184,633	3,958	128,771

Table 6 - Residual Contractual Maturity Profile

The net cash flows across all time intervals are accumulated to observe the quantum of cumulative net cash flow in each bucket. The Company's cumulative gap is positive through all the maturity buckets signifying that the Company has adequate liquidity to meet its funding obligations.

For measuring the liquidity risk, the Company also uses benchmark ratio of Liquid Assets / Total Assets to determine the impact of the liquidity emergency situation wherein funds from the liquid assets shall be utilised to withstand the liquidity crisis. The ratio based on the 31 December 2020 balance sheet indicates comfortable position of 82.7%, which means that significant assets are available to meet the contingent situation.

S.No	Ratio	2020	Description
1	Liquid assets / Total Assets	82.7%	This reflects the overall liquidity of the balance sheet.
2	Maturity gap analysis	Positive	This reflect that the Company has positive gaps (net maturing assets) in all maturity buckets.

Table 7 – Liquidity Ratios

5 Appendices

5.1 Appendix 1 - Disclosure on Capital Base

(As of Dec 31, 2020)

Capital Base	SAR '000
<u>Tier 1 capital</u>	
Paid-up capital	400,000
Audited retained earnings	93,630
Verified interim profit / (loss)	-
Share premium	-
Reserves (other than revaluation reserves)	24,338
Tier 1 capital contribution	-
Deductions from Tier 1 capital	-
Total Tier 1 capital	517,968
<u>Tier 2 capital</u>	
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	517,968

5.2 Appendix 2 - Disclosure on Capital Adequacy

(As of Dec 31, 2020)

Capital Adequacy (Amounts in SAR '000)					
Exposure Class	Exposures before CRM		Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
Credit Risk					
<u>On-balance Sheet Exposures</u>					
Governments and Central Banks	-	-	-	-	-
Authorized Persons and Banks	441,323	441,323	441,323	88,443	12,382
Corporates	92	92	92	657	92
Retail	221	221	221	663	93
Investments	123,041	123,041	123,041	184,561	25,838
Securitization	-	-	-	-	-
Margin Financing	164,462	164,462	164,462	246,693	34,537
Other Assets (includes cash)	5,071	5,071	5,071	34,779	4,869
Total On-Balance sheet Exposures	734,210	734,210	734,210	555,796	77,811
<u>Off-balance Sheet Exposures</u>					
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	734,210	734,210	734,210	555,796	77,811
Prohibited Exposure Risk Requirement	-	-	-	-	-
Total Credit Risk Exposures	734,210	734,210	734,210	555,796	77,811
<u>Market Risk</u>	Long Position	Short Position			
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	-	-			-
Total Market Risk Exposures	-	-			-
<u>Operational Risk</u>					9,335
<u>Minimum Capital Requirement</u>					87,146
<u>Surplus/ (Deficit) in Capital</u>					430,822
<u>Total Capital Ratio (times)</u>					5.94x

5.3 Appendix 3 - Disclosure on Credit Risk Weighted Assets

(As of Dec 31, 2020)

Exposures after netting and credit risk mitigation (Amounts in SAR '000)													
Risk Weights	Government 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%	-	-	440,730	-	-	-	-	-	-	-	-	440,730	88,146
50%	-	-	593	-	-	-	-	-	-	-	-	593	297
100%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	164,462	-	-	-	123,041	-	-	-	287,503	431,255
200%	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	221	-	-	-	345	-	566	1,698
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
500%	-	-	-	-	-	-	-	-	-	-	-	-	-
714%	-	-	-	-	92	-	-	-	-	4,726	-	4,818	34,401
Average Risk Weight	NA	NA	20%	150%	714%	300%	NA	150%	NA	686%	NA	76%	
Deduction from Capital Base	-	-	12,382	34,537	92	93	-	25,838	-	4,869	-	77,811	

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

(As of Dec 31, 2020)

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
<u>On and Off-balance-sheet Exposures</u>								
Governments and Central Banks		-	-	-	-	-	-	-
Authorized Persons and Banks		-	-	-	-	-	-	-
Corporates		-	-	-	-	-	-	-
Retail		-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-
Securitization		-	-	-	-	-	-	-
Margin Financing		-	-	-	-	-	-	164,462
Other Assets (includes cash)		-	-	-	-	-	-	4,726
Total		-	-	-	-	-	-	169,188

Short term Ratings of counterparties (Amounts in SAR '000)						
Exposure Class	Credit quality step	1	2	3	4	Unrated
	S&P	A-1+ TO 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		-	-	-	-	-
Authorized Persons and Banks		440,730	593	-	-	-
Corporates		-	-	-	-	92
Retail		-	-	-	-	221
Investments		-	-	-	-	123,041
Securitization		-	-	-	-	-
Margin Financing		-	-	-	-	-
Other Assets (includes cash)		-	-	-	-	345
Total		440,730	593	-	-	123,699

(As of Dec 31, 2020)

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

(Amounts are in SAR '000 & As of Dec 31, 2020)

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
<u>On-balance Sheet Exposures</u>						
Governments and Central Banks	-	-	-	-	-	-
Authorized Persons and Banks	441,323	-	-	-	-	441,323
Corporates	92	-	-	-	-	92
Retail	221	-	-	-	-	221
Investments	123,041	-	-	-	-	123,041
Securitization	-	-	-	-	-	-
Margin Financing *	164,462	-	-	-	164,462	164,462
Other Assets (includes cash) **	5,071	-	-	-	-	5,071
Total On-Balance sheet Exposures	734,210	-	-	-	164,462	734,210
<u>Off-balance Sheet Exposures</u>						
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	734,210	-	-	-	164,462	734,210

* 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 prepaid, right of use assets under IFRS 16 and other receivables.