سدرة المالية
Sidra Capital

PILLAR III DISCLOSURES

AS AT DECEMBER 31, 2021

CONTENTS AT A GLANCE

1. Scope of Pillar III Disclosures

Sidra Capital ("Sidra Capital" or the "Company" may be used interchangeably) is a Saudi closed joint stock company registered in Jeddah, Kingdom of Saudi Arabia ("KSA") under Commercial Registration No. 4030187025 on February 25, 2009, corresponding to 30/2/1430H. The Company commenced its operation as per the resolution of the Ministry for Commerce and Industry dated January 24, 2009, corresponding to 27/1/1430H.

The Pillar III Disclosures (hereafter referred to as "Disclosures") contained herein relate to the audited financials of the Company for the financial year ended December 31, 2021. The aim of the Pillar III standards is to improve comparability and consistency of disclosures through the introduction of harmonised templates. These are compiled in accordance with the Capital Market Authority's ("CMA") minimum requirements for annual market disclosure of information, as referred to in Part 7 ("Pillar III – Disclosure and Reporting") of the Prudential Rules document. The rules set out in the document include guidelines for the annual disclosure of the Company's capital and risk management information, which is required to be published on the Company's website.

The Company is not part of any financial group and is operating from its main office in Jeddah, KSA and an office in Riyadh, KSA. The Company also has a subsidiary based in London, United Kingdom (UK). Sidra Capital (UK) Limited was established in London, UK, to enhance existing in-house capability in relation to investment into the UK and European real estate markets with an issued and paid-up capital of £500,000, of which the Company owns 100%.

Sidra Capital PTE. LTD. is a 100% subsidiary of the company that was incorporated in Singapore in 2020. It is a Registered Fund Management Company (RFMC) which is regulated by the Monetary Authority of Singapore to conduct fund management activities. Its main focus is on launching and managing private debt funds for the south east Asian region. It has an issued and paid-up capital of SGD 250,000.

Sidra Capital Limited is a 100% subsidiary of the company and has a Category 4 license issued by the Dubai Financial Services Authority (DFSA). It was acquired in 2021 and currently operates out of the Dubai International Financial Centre (DIFC). Its main activity is advising on financial products and arranging deals in investments. It has an issued and paid-up capital of USD 1,000,000.

These Disclosures have been approved by the Company's Board of Directors ("Board") before its publication. The Board are responsible for establishing and maintaining an internal control structure over the disclosure of financial information, including Pillar III disclosures. The Board has established a Pillar III disclosure governance policy and procedures which include information on the key internal controls designed to govern the preparation, review and sign-off of Pillar III disclosures. This Pillar III report has been verified and approved in line with this policy. The information presented in these Disclosures are not required to be and have not been subjected to an external audit.

1.1 Company Background

The Company's principal activities include dealing, managing Investments and operating Funds, custody, arranging and advising activities.

The Company's organisation structure is provided in Appendix 1.

The Company's focus is on Real Estate & Private Financing, as well as Corporate Finance & Advisory (debt advisory, private placements and financial advisory) and Investment Advisory.

A. Real Estate Division (RED)

Our Real Estate Division sources and manages transactions through the entire lifecycle of real estate, from development and stabilization to ongoing active asset management. Our goal is to generate stable and growing distributions for our investors while protecting them against downside risk. Our assets are diversified by sector and geography, reducing our exposure to movement in any single market and minimizing volatility by reducing correlations whilst also providing an effective hedge against risk.

B. Private Finance Division (PFD)

Our private finance division works in different jurisdictions structuring transactions to provide liquidity, as well as mitigating country risk and risk across the value chain, benefiting producers, processors, importers, and distributors mostly in the agricultural and energy sectors.

C. Corporate Finance Advisory (CFA)

Provision of client-focused financial and strategic advisory solutions, ranging from debt restructuring, private debt raising, private equity placement, corporate restructuring to mergers and acquisition. Intense business competition, regional liquidity constraints and growing risk premiums, all combine to create a challenging backdrop for investors and business owners aiming to raise capital efficiently.

D. Investment Advisory Division (IAD)

The Investment Advisory offers clients advisory services on investment portfolio development and construction, asset allocation, assessment of opportunities and selection of asset managers, based on the investment objectives and risk parameters of each client. Our existing network of relationships provides us with access to a wide range of investment products, strategies, asset managers and requisite expertise with which to support the realisation of the established investment objectives.

2. Capital Structure

The Company's objectives when managing its capital are to comply with the capital requirements set by the CMA to safeguard and sustain the Company's ability to continue as a going concern and to maintain a tenable capital base.

The current paid-up capital of the Company is SAR 90,000,000 and details on the shareholding as at 31st December 2021 are given below:

Shareholder	Ownership
Al Murjan Group Holding Limited	91.44%
Abdulrahman Khalid Bin Mahfooz	6.56%
Sultan Khaled Bin Mahfouz	1.00%
Talid Arabia Trading Company	1.00%

Restrictions on Capital

- The shareholders and/or the Company are not permitted to sell their shares, increase or reduce ordinary share capital or issue rights without the authorisation of the CMA.
- Statutory Reserve - The Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to May 2, 2016), require companies to set aside 10% of their net income each year as a statutory reserve until such reserve reaches 30% of the issued and paid-up share capital. This reserve is not available for dividend distribution. The Company has transferred SAR 6m to statutory reserve for the year. As at December 31, 2021 the total statutory reserve was SAR 13m.
- During the year ended December 31, 2013, new Prudential Rules ("Rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to December 30, 2012. The Rules state that a Capital Market Institution shall continually

possess a capital base which corresponds to no less than the total of the capital requirements as prescribed under Part 3 of Rules.

2.1 Quantitative Disclosure

2.1.1.Tier 1 Capital

Tier 1 Capital of the Company consists of paid-up capital, reserves (other than revaluation reserves) and audited retained earnings and has deductions in the form of dividend distributions from retained earnings and negative equity items. The Company's main strength in terms of its capital is that all the capital is in the form of Tier I Capital. The Company has a comfortable cushion for capital shocks.

2.1.2. Tier 2 Capital

Tier 2 Capital consists of subordinated loans, cumulative preference shares, revaluation reserves and other eligible capital items in accordance with the Rules. The Company does not have any Tier 2 Capital.

2.1.3. Tier 3 Capital

The total eligible capital (Tiers 1 and 2) is calculated in accordance with the CMA guidelines as of December 31, 2021 is as follows.

SAR '000

Capital Base	31 Dec 2020	31 Dec 2021	%
Tier-1 Capital			
Paid-up capital	90,000	90,000	**0%**
Audited retained earnings / losses	57,219	77,997	**36%**
Share premium			
Reserves (other than revaluation reserves)	7,026	12,647	**80%**
Tier-1 Capital contribution			
Deductions from Tier-1 Capital	(259)	(223)	**-10%**
Total Tier-1 Capital	**153,986**	**180,411**	**17%**

SAR '000

Capital Base	31 Dec 2020	31 Dec 2021	%
Tier-2 Capital	-	-	-
Subordinated loans	-	-	-
Cumulative preference shares	-	-	-
Revaluation reserves	-	-	-
Other deductions from Tier-2 Capital (-)	-	-	-
Deduction to meet Tier-2 Capital limit (-)	-	-	-
Total Tier-2 Capital	-	-	-
Total Capital Base	**153,986**	**180,411**	**17%**

3. Capital Adequacy

The purpose of risk measurement and management is to identify and quantify all identifiable and inherent risks faced by the Company, which may be idiosyncratic to the business performed by the Company, and then mitigate and manage such risks within the context of the Company's overall risk appetite. The Company is exclusively engaged in financial advisory and asset management related services and does not undertake any leverage on its balance sheet. The Company aims to consistently maintain an amount of capital that is in excess of the minimum regulatory capital recommended by the CMA.

Risk is part of the business and the Company needs to effectively identify, measure, monitor, manage and mitigate each of the risks that are likely to emerge during its operations. The Board will continue to review the material risks and consider the results of the work undertaken by management to effectively measure and mitigate those risks.

The capital adequacy for the Company is calculated based on the financial reporting period ended December 31, 2021 and is based on the audited financial statements.

The Company's capital requirement is calculated based on the Rules. The Company's minimum capital requirement is SAR 95.9m as of December 31, 2021. Details are provided in Appendix 2.

3.1 Capital Adequacy Assessment and Pillar II - ICAAP

The Internal Capital Adequacy Assessment Process ("ICAAP") is introduced under Pillar II of the Prudential Rules, which is contained in Part 6 (Pillar II – Assessment of All Risks) and Annex 9 (Internal Capital Assessment) of the Prudential Rules approved by the CMA and to be implemented by all Capital Market Institutions.

Premised on the assessment, the Company is well capitalized and will be able to allocate capital for both Pillar I and Pillar II risks.

3.2 Capital Planning

Capital planning is crucial to ensure sustainability of business and facilitates management in making strategic decisions. The Company's capital planning process incorporates rigorous, forward looking stress testing to indicate how much capital might be needed to absorb losses if large shocks occur. This in effect determines how much Value at Risk the Company has that is significantly exposed to volatility and ensures that efforts are made to mitigate and reduce the potential impact in the event this happens. Effective capital planning processes require the Company to assess risk exposures and consider the potential impact on earnings and capital.

Capital planning is done based on present levels of business activities and estimated projected business activities for the future. The Company projects its capital requirements on a per annum basis and also for the next three years.

The Company has a general contingency plan for dealing with divergences and unexpected events. The Company has a single major shareholder that can provide additional necessary capital in the event of major events. The Company may also recalibrate its business activities to closer focus on activities that require lower capital requirements.

The Company defines its overall risk appetite relating to capital adequacy. As part of this, Early Warning Indicator ("EWI") levels are established to enable the Company to take adequate measures on an effective and timely basis. Action plans for capital management and monitoring are triggered as part of the ICAAP process on any breach of established EWI. The risk appetite and capital ratio EWI triggers are defined in the ICAAP policy. In case the capital ratios are projected to fall below regulatory and acceptable levels, the Company shall consider taking actions to either reduce exposures, enhance capital or action both.

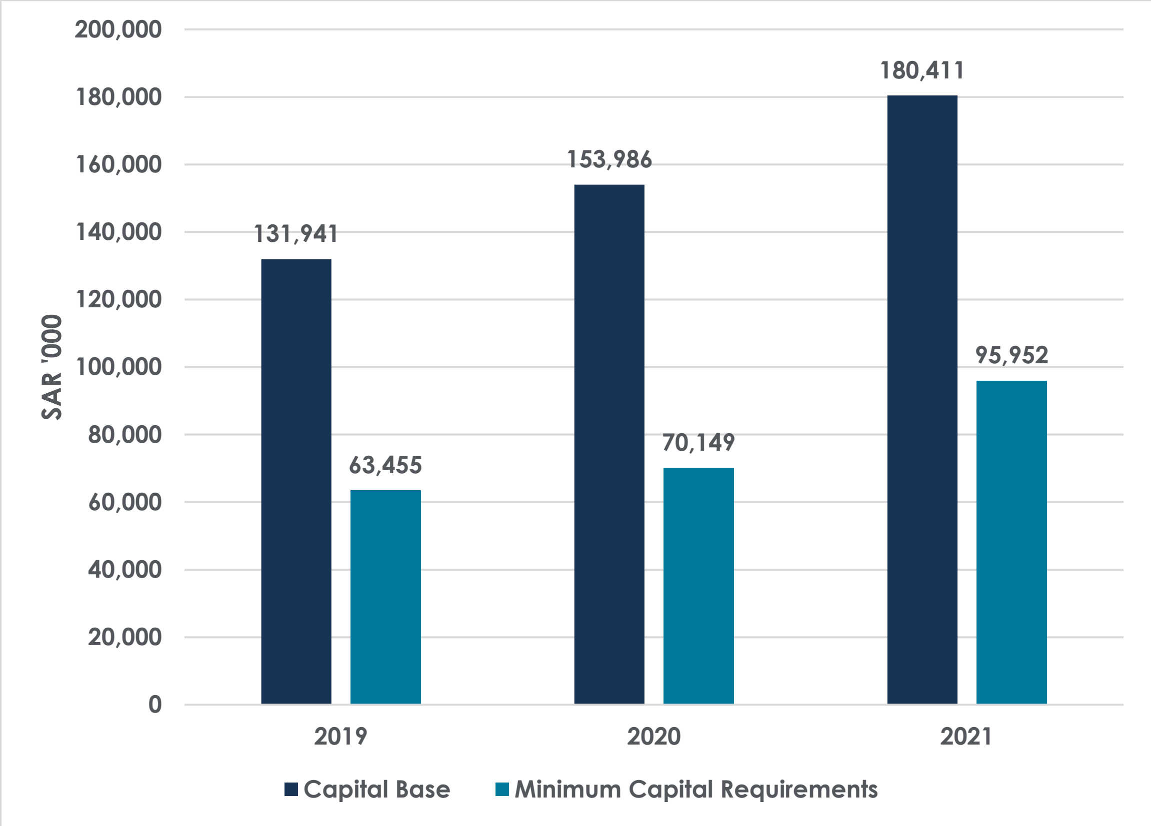
3.3 Stress Testing

The Company has defined a formal approach to stress testing and scenario-based analysis that defines the framework, approach and methodology for conducting stress tests to assess the impact on earnings and capital. Stress scenarios have been designed for material risk factors.

Stress testing is used to evaluate the potential vulnerability (Value at Risk) of the risk management system of the Company to certain unlikely but plausible events or movements in financial variables (Volatility). Stress testing can be done by using sensitivity-based factor analysis (wherein the impact of change in one independent variable is assessed on the Company's financial position, which is considered to be the dependent variable) or using scenario testing (which include simultaneous moves in a number of variables based on a single event experienced in the past).

3.4 Minimum Capital Requirements

The Company is currently well capitalised and capital levels are consistently higher than the minimum capital requirements. The following provides the capital buffer over the past three years.



4. Risk Management

The diversified business activities require the Company to identify, measure, aggregate, monitor and manage risks effectively and to allocate capital among its businesses appropriately.

Given the size of the Company and the scope of its operations, the Company has adequate risk management framework in place to identify and manage key risks. The Company has established a separate risk function and refined its key risk management policies which are approved by the Board. The Company is working towards integrating risk management into its daily operations and culture and sustaining a robust risk management environment as an integral part of its operations.

The Company has a strong corporate governance structure by virtue of various board and management committees and documented policies/ procedures. This ensures that management and governance related risks are well managed. They also take into serious considerations the interests of various stakeholders of the organisation including the regulators, clients and business partners.

The Board is responsible for the overall governance of the Company. This includes, determining the strategy, providing direction to the Senior Management, ensuring that the control functions are robust and conform as much as possible to international best practices. The Company also has adequate risk governance frameworks and processes in place as part of strengthening its corporate governance and risk management structures.

An outsourced internal audit function provides oversight/ and acts as a third line of defence over internal controls.

Risk Management Function

The Company operates in a complex and dynamic business environment which is constantly changing and evolving. These variations precede a variety of risks that can offer both opportunities and hazards, which can be navigated with the right measurement and identification of the nature of these risks. Recognizing that these risks are idiosyncratic to its business, Sidra Capital is committed to managing its overall risk exposure systematically and in such manner that supports its strategic decision-making through designated processes.

Furthermore, the Company has an independent Risk and Internal Audit division (RIAD) to align its workforce towards integrating better risk management with their daily professional lives with the intent of maximizing shareholder value as a whole.

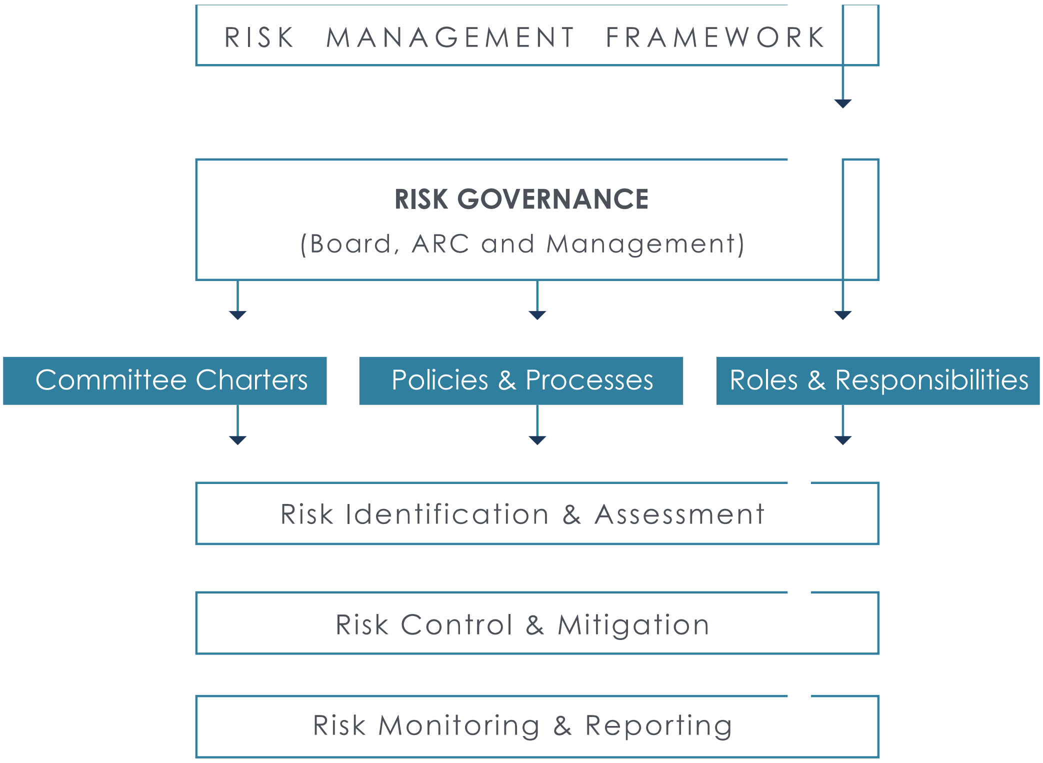
Risk Management Cycle and Oversight

The Company continues to strengthen the robust risk management governance framework to efficiently manage the risks undertaken.

The purpose of having a robust Risk Governance Framework is to provide the following:

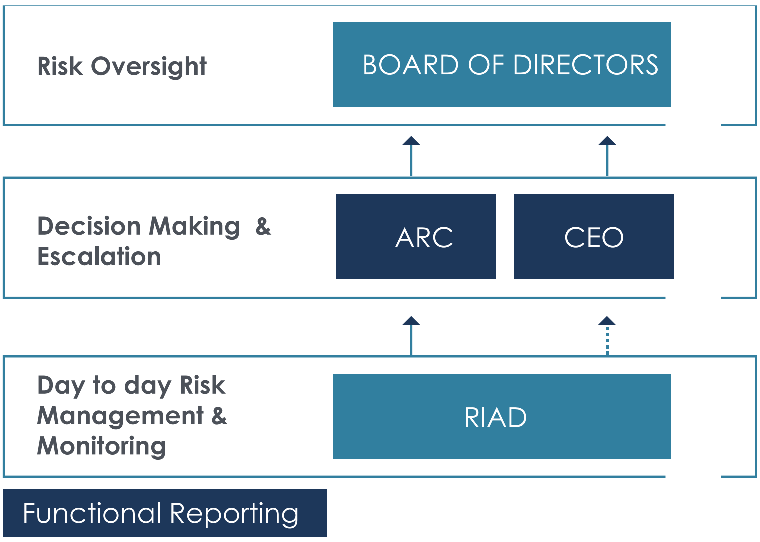
- An efficient decision-making structure that is fair, transparent and accountable, and aligns the interests of investors, management and employees with those of its shareholders, financiers and investors.
- A clear and concise methodology and organisation of thought that informs decision making, as well as actions and business operations of the Company and is independent of individual influence
- A structure that oversees the Company's adherence to Shari'ah principles in the conduct of its business and other activities.
- Establish a Risk Governance Organization Structure, along with roles and responsibilities of the Board, Board-level committees, management-level committees, business units, RIAD and other support functions, to effectively manage all financial and non-financial risks impacting the Company.

Depicted below is the schematic representation of the overall risk management framework practiced by the Company:



RIAD Structure

The day-to-day risk management activities are currently undertaken by RIAD. The CEO is responsible for oversight of the functions, in addition to and tangential with the Board level oversight by the ARC. The risk management functional structure is depicted below:



Risk Appetite

The Company's risk appetite is the single most influential factor in its fundamental risk attitude. Risk appetite is defined as the amount of, and type of risks that the Company is willing to undertake within the context of its business strategy. Risk appetite is either quantitatively defined by the appropriate indicators and metrics (e.g. capital adequacy level and risk limits) or qualitatively embedded in the policies and procedures (e.g. underwriting criteria).

Within the risk appetite levels specified, specific risk limits may be fixed or held constant to monitor risks on an ongoing basis. Such risk limits shall ensure that the Company operates within its target range and does not exceed its aggregate risk tolerance. The Company's risk tolerance levels and risk limits are part of the various existing policy and process documents.

Any breach of EWI or risk appetite threshold for capital adequacy ratio shall be escalated to the Audit & Risk Committee ("ARC") / Board. Appropriate remedial steps shall be initiated if deemed necessary.

Breaches of other Risk Appetite Statements are escalated to the ARC for remediation which will than escalate its recommendation to the Board.

Due Diligence Process to Mitigate Investment Risk

The Company's investments are made after proper and thorough review and approval process by the Investment Committee. As part of the review process, the Investment Committee evaluates the following risk factors before granting approval:

1. Geo-political situation in the country where investment is to be made (*Geo-Political Risk*)
2. Current exposure to the type of investment and/or product (*Concentration Risk*)
3. Adequacy of liquid surplus after such investment is made (*Securitisation Risk*)
4. Review of credit rating of the investment (*Credit Risk*)
5. Time horizon, maturity, lock in period and other constraints (*Liquidity Risk*)
6. Partners involved in the transaction and their financial commitment (*Counterparty Risk*)
7. Legal and tax due-diligence and other appropriate due diligences (*Operational Risk*)

All investments are made only after obtaining the approval from the Investment Committee.

4.1 General Qualitative Disclosure of Risks

4.1.1. Credit Risk

Credit risk is one of the most important risks that the Company faces in its operations. It could be defined as the risk of a potential loss due to a counterparty failure or an obligor's non-payment of an outstanding debt. It is considered the risk of default by one or more of the Company's major counterparties

Credit risk is principally controlled by establishing and enforcing limits and by defining exposure levels to counterparties, as well as checking the creditworthiness of counterparties that are not related parties. To mitigate this risk, the Company has diversified its banking relationships across several local and international banks.

As at December 31, 2021, the Company's cash and cash equivalents position stood at SAR 69.9m and these are all placed with financial institutions, while receivables and other investment amounted to SAR 125.3m. Under the standardised Pillar 1 methodology, the capital required to cover credit risk in respect of these assets is SAR 77.0m.

The Company shall measure and maintain capital for credit risk as per the methodology set by the CMA under the Standardized Approach. Most of the credit risk for the Company originates from investments and receivables.

4.1.2. Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in the market as well as losses that could arise from trading positions. The CMA has listed the following as key market risks:

- Equity Risk.
- Fund Risk.
- Option Risk.
- Interest Rate Risk.
- Commodities Risk.
- FX Risk.
- Underwriting Risk.
- Excess Exposure Risk.
- Settlement Risk.

After discussions with the external auditor and taking into consideration the fact that the Company does not have a trading book, nor invest directly into equities or use derivatives to hedge and diversify, the market risk metrics that are applicable to the Company are foreign exchange risk related to investment activities and fund risks arising from investment funds.

Foreign exchange risk is the risk that the future cash flows or fair value of financial instruments will fluctuate because of changes in foreign exchange rates. There are two ways in which changes in foreign exchange rate could adversely impact the capital position of the Company. These are either through our investment in foreign currency products or the value of fees generated from foreign currency funds managed by the Company declining in value as compared to our base currency of Saudi Riyals.

In respect of the Company's exposure to non-Saudi Riyals denominated income and expenses, the Company tries to match payment with any income in that currency and vice versa. Open positions in foreign currencies are not something that we take, and action is taken to convert open currency positions into Saudi Riyals on a regular basis, thereby keeping open positions and foreign currency exchange risk to the minimum.

As at December 31, 2021, the Company had long positions in five foreign currencies namely – GBP, USD, EUR, AUD and AED. Under Pillar 1, the market risk is calculated at 2% (for USD and AED) and 14% (for AUD, GBP and EUR) of the Saudi Riyals equivalent open positions respectively and amounts to SAR 7.8m.

4.1.3. Operational Risk

Basel II requires financial institutions to have sufficient capital to cover operational risks. Operational risk is defined as risk of loss resulting from inadequate or failed internal processes, people and systems, legal and compliance risks, as well as the risk of loss arising from external events. Additionally, Basel II provides the opportunity to improve the internal control and risk measurement processes through supplementary means by supervisory review process and market discipline through Pillar II as well as Pillar III of the Accord.

4.1.4. Interest Rate Risk

The Company's exposure to adverse movements in interest rates due to its financial positions is referred to as interest rate risk. The Company has no trading book. Since all of the Company's sources of funds are equity and there are no interest sensitive liabilities, there is no impact on the Company's capital requirement.

4.1.5. Concentration Risk

Concentration risk may involve large exposures to groups of interconnected clients. These groups refer to companies which are legally or economically connected in such a way that a majority of the individual companies in the group would likely encounter repayment problems if one of them encountered financial difficulties. Credit risk concentration can generate such large losses that the risk-bearing capacity and continued existence of the Company might be endangered.

Types of Concentration risk

Concentration risk can take many forms and can arise whenever a significant number of exposures have similar risk characteristics and have not been diversified enough. Large exposures and high correlation between exposures could increase the size of losses to the Company and can arise from the following:

- Revenues generated from geographical regions/jurisdictions.
- Revenues from a specific client.
- Revenues from a specific product, and
- Revenues from a particular industry or economic sector.

Management of Concentration Risk

Concentration risk is managed through prescription and use of various prudential / exposure limits.

- **Large Exposures**
  Currently, the Company is not significantly exposed to any client other than related parties. In other cases, the Company has recourse to cash that was invested with the Company and which can be netted out in the event of default by the debtor, providing a hedge for this situation.

- **Geographic Concentration**
  The Company is exposed to geographic concentration as most of its investments are in the USA, KSA and Europe. The Company does not actively monitor geographic concentration as the Company is aware that the geographic concentrations are the result of its business model.

- **Industry Concentration**
  The Company is exposed to industry/sector concentration. The Company is planning to increase the risk appetite levels to justify the exposures to highly concentrated industries/sectors, and shall increase the risk appetite limits and seek necessary approvals from the Board to increase such exposures.

4.2 Credit Risk Disclosure

Credit risk consumes the largest proportion of the Company's minimum capital requirement. Within the established principles and parameters, the Company ensures that strict capital discipline is maintained through correct pricing, risk management processes, organisational structure and governance and management of credit risks.

4.2.1. Gross Credit Risk Exposures

The gross credit exposure as presented in Appendix 3 is reflected before applying any credit risk mitigation, such as financial collaterals and guarantees. Since the Company does not use financial collaterals and guarantees, both gross credit risk exposure and net credit risk exposure are the same.

External ratings

The Company uses globally recognised credit ratings to determine which credit quality step an exposure corresponds to. Credit ratings of all exposures are individually determined from the above credit rating agencies and mapped to the exposures by assigning a risk weight in accordance with the Prudential Rules.

As per the CMA's Prudential Rules, a Capital Market Institution which uses credit ratings for a particular exposure category shall use these credit ratings consistently for all exposures belonging to that category.

Credit quality steps

The Company uses the CMA guidelines in assigning credit quality steps for its credit exposures. The range of the credit quality steps is 1 to 6 and arises due to exposure to financial institutions, investment in companies and funds.

The following are the mappings between the credit rating from each of the credit rating agencies and the credit quality steps with respect to non-trading activities. This is in compliance with the Prudential Rules issued by the CMA.

Credit quality step - Long term rating	S&P	Fitch	Moody's	Capital Intelligence
1	AAA TO AA-	AAA TO AA-	Aaa TO Aa3	AAA
2	A+ TO A-	A+ TO A-	A1 TO A3	AA TO A
3	BBB+ TO BBB-	BBB+ TO BBB-	Baa1 TO Baa3	BBB
4	BB+ TO BB-	BB+ TO BB-	Ba1 TO Ba3	BB
5	B+ TO B-	B+ TO B-	B1 TO B3	B
6	CCC+ and below	CCC+ and below	Caa1 and below	C and below
Unrated	Unrated	Unrated	Unrated	Unrated

Credit quality step - Short term rating	S & P	Fitch	Moody's	Capital Intelligence
1	A-1+, A-1	F1+, F1	P-1	A1
2	A-2	F2	P-2	A2
3	A-3	F3	P-3	A3
4	Below A-3	Below F3	Not Prime	Below A3
Unrated	Unrated	Unrated	Unrated	Unrated

Credit Risk Exposures by Credit Quality

The credit risk exposure by long term and short-term ratings is given as per Appendix 4 and follows Annex 11 and 12 of the Prudential Rules in determining the credit quality.

Residual contractual maturity

The residual contractual maturity of the Company's credit risk exposures is given as per Appendix 5.

Impairment, Past Due and Provisions

An exposure is identified and recognised as impaired when it is not probable or where no reasonable assurance exists that the Company will be able to collect all amounts due according to the contractual terms. The exposure can be a receivable from the customers or employees of the Company, or an investment made by the Company.

Past due claims are exposures where repayments of principal and /or profit charges have not been made as per the due date. The Company's policy defines the approach to be used when determining provisions. Certain factors are taken into consideration prior to deciding on the level of provision.

The Company has Nil past due exposures as of December 31, 2021.

Geographic Distribution of Credit Risk Exposures

Credit risk exposures of the Company are geographically concentrated in KSA and Europe. The following table provides geographic distribution of credit risk exposures by geography.

SAR '000

Exposure Class	Total	Saudi Arabia	GCC (Except KSA)	Europe	USA	Rest of the World
Credit Risk						
On-balance Sheet Exposures						
Governments and central banks						
Administrative bodies and NPOs						
CMIs and banks	**69,926**	23,427	11,153	34,598		748
Margin financing						
Corporates	**20,537**	43	-	20,493	-	-
High risk investments	**51,509**	5,125	-	12,830	33,503	51
Securitisation and re-securitisation						
Investment funds	**49,173**	14,479	-	12,589	22,105	-
Investment funds (underlying)						
Counterparty credit risk for derivatives						
CCP - default fund contribution						
CCP - cash margin						
Listed shares						
Other exposures	**17,550**	7,443	-	5,438	4,666	3
Prohibited exposures						
Total On-Balance sheet Exposures	**208,694**	**50,517**	**11,153**	**85,948**	**60,274**	**802**
Off-balance Sheet Exposures						
Guarantee						
Securities Lending						
Securities Pledging						
Bookbuilding						
Others						
Other off-balance sheet exposures						
Total Off-Balance sheet Exposures	**-**	**-**	**-**	**-**	-	-
Total On and Off-Balance sheet Exposures	**208,694**	**50,517**	**11,153**	**85,948**	**60,274**	**802**

4.3 Credit Risk Mitigation Exposure

The Company does not deal in lending activities and as such has neither eligible or non-eligible financial collaterals used for credit risk mitigation purposes. Accordingly, credit risk mitigation exposures are Nil.

Appendix 6 provides details of gross and net credit risk exposures.

4.4 Counterparty Credit Risk (CCR) and Off-Balance Sheet Disclosure

Counterparty risk is derived from the exposure to a single party in a financial transaction or business transaction. It is the risk in a transaction that may occur if the counterparty is unable to perform in accordance with the agreements executed with the Company.

Counterparty credit risk (CCR) exposures may include over the counter (OTC) and exchange-traded derivatives (ETDs), securities financing transactions (SFTs) and long-settlement transactions.

The Company does not deal with transactions in OTC derivatives, repos and reverse repos and securities borrowing/ lending. The Company does not have any outstanding guarantees as of December 31, 2021.

Mitigating Counterparty Risk

- The Company sets criteria for appropriate due diligence analysis including processes for measuring and managing counterparty risk.
- The Company sets criteria for selecting and maintaining relationships with counterparties.
- The Company sets controls that limit the exposure of capital to a single counterparty expressed as a percentage of the Company's capital base (if applicable).
- The Company conducts periodic reporting and monitoring of counterparty exposures to the Investment Committee (if applicable).
- The Company takes actions to mitigate the Company's exposure in the event the financial condition of a counterparty deteriorates, and doubts arise as to its ability to perform in accordance with the agreements and contracts the Company has executed.

4.5 Market Risk Disclosure

4.5.1. Market Risk Capital - Qualitative Disclosure

Market risk is the risk of loss in on-and off-balance sheet trading book positions arising from movements in market rates or prices such as profits rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital.

4.5.2. Market Risk Capital - Quantitative Disclosure

SAR '000

Market Risk	Capital Required 31 Dec 2020	Capital Required 31 Dec 2021	% change (YoY)
Equity Risk			
Fund Risk			
Option Risk			
Interest Rate Risk			
Commodities Risk			
FX Risk	7,194	7,632	6.08%
Underwriting Risk			
Excess Exposure Risk			
Settlement Risk			
Total Market Risk Capital	**7,194**	**7,632**	**6.08%**

4.6 Operational Risk Disclosure

Operational risk is defined as risk of loss resulting from inadequate or failed internal processes, people and systems, legal and compliance risks, as well as the risk of loss arising from external events.

Basel II requires financial institutions to have sufficient capital to cover operational risks. In addition to the regulation, Basel II provides opportunity to improve internal control and risk measurement processes supplemented by supervisory review process and market discipline through Pillar II as well as Pillar III of the Accord.

4.6.1. Operational Risk Capital - Qualitative Disclosure

Risks in this category are broad in nature and inherent in most businesses and processes and cover the following:

- **Fraud or the risk of loss from financial crime**

  The Company aims to minimise the opportunity for fraud and financial crime through segregation of duties and due process. In addition, the Company has outsourced its AML and terrorism financing courses for staff to Thomson Reuters.

- **Outsourcing risk**

  This is the risk of loss or reputational damage as a result of service failure on the part of an outsourced service provider. The Company does outsource certain fund administration services to reputable service providers operating in well-regulated offshore centers. The Company undertakes a rigorous selection process of service providers and has an ongoing due diligence process.

- **Employee retention**

The Company recognizes that due to its small size there is an operational dependency on key individuals and the loss of a member could have a material adverse impact on revenues. The Company has implemented a competitive remuneration package for staff. The Company has a succession plan at the highest level of management to ensure compliance and effective operation at all levels by ensuring that key staff are identified and supported by a second-in-charge.

- **Legal action**

The risk of liability related to litigation from clients, staff or third parties is covered under legal action. This risk is mitigated by compliance with existing legislation, which is reinforced by internal policies and monitoring checks. The Company has also both Professional Indemnity, and Directors and Officers Liability insurance arrangements in place.

- **Business continuity and disaster recovery**

Physical disasters affecting the Company's premises and continued operations could come in many different forms – fire, flood, failure of IT systems, hacking, etc. Each of these different threats presents a risk to the Company. However, the impact of these different threats materialising will have many common implications which are detailed in the Disaster Recovery and Business Continuity Plans of the Company.

4.6.2. Operational Risk Capital - Quantitative Disclosure

Under Pillar 1 and using the Basic Indicator Approach, the capital needed to cover operational risks is the higher of 15% of the average of the last 3-years gross operating income or 25% of last year's operating expenditure. For the Company, the capital needed is based on 25% of last year's operating expenditure and amounts to SAR 11.3m.

SAR '000

Approach	Year	Gross Income	Average Gross Income	Risk Capital Charge (%)	Capital Required
Basic Indicator Approach	2019	60,168	72,516	15%	10,877
	2020	54,726			
	2021	102,653			
Approach	Year	Expenses		Risk capital Charge (%)	Capital Required
Expenditure Based Approach	2021	45,261		25%	11,315
Minimum Operational Risk Capital - December 31, 2020					8,363
Minimum Operational Risk Capital - December 31, 2021					**11,315**

4.7 Liquidity Risk Disclosure

Liquidity risk is the 'potential for loss' to the Company arising from either its inability to meet its obligations or to fund assets as they fall due without incurring unacceptable cost or losses.

Liquidity risks can be classified as-

- Funding liquidity risks: Need to replace net outflows.
- Time risk: Need to compensate for non-receipt of expected inflows,
- Call risk: Due to crystallization of contingent liabilities.

Liquidity risk in the context of the Company is best understood as Funding Liquidity Risk - the risk that the Company will not be able to efficiently meet both expected and unexpected current and future cash flow needs without affecting either daily operations or its financial condition. This is the risk that the Company does not have the available resources to meet its payment obligations as they fall due or can only secure such resources at excessive cost.

4.7.1. Risk Assessment Methodology

The Company identifies the liquidity risk on an on-going basis. To mitigate these risk, the Company's liquidity risk management guidelines requires that the Company maintain enough cash to pay all projected operating costs for a period of 12 months.

4.7.2. Risk Measurement Methodology ("Quantitative / Qualitative")

In order to ensure adequate liquidity availability and healthy funding profile, the Company uses various metrics and internal controls. The liquidity risk measurement approach is qualitative and Early Warning Indicators (EWI) based.

4.7.3. Liquidity Early Warning Indicators ("EWI")

Early warning indicators help in identifying the emergence of increased risk or vulnerabilities in the Company's liquidity risk position or potential funding needs.
The EWIs measure the liquidity risk position of the Company from various perspectives, including the following:

- Adequacy of funding buffer
- Unutilized banking limits
- Adherence to regulatory limits
- Repeated incidents of breach of internal limits

Risk Mitigation

Liquidity risk also includes the risk that investments in illiquid instruments cannot be exited in an efficient manner in the event of a downturn. The Company provides a buffer against this by the fact that the Company has no debt, maintains cash levels in excess of regulatory capital requirements and its main cost items are discretionary compensation which is linked to profitability. It.

To mitigate these risks, the Company enacts its liquidity risk management guidelines which requires that the Company maintain enough cash to pay all projected operating costs for a period of 12 months. In respect of investing in long term projects, the Company only invests in its own products. All investments are approved by the Investment Committee and regular reporting on performance and risks are made by the respective Heads of Divisions on the use of the Company's capital.

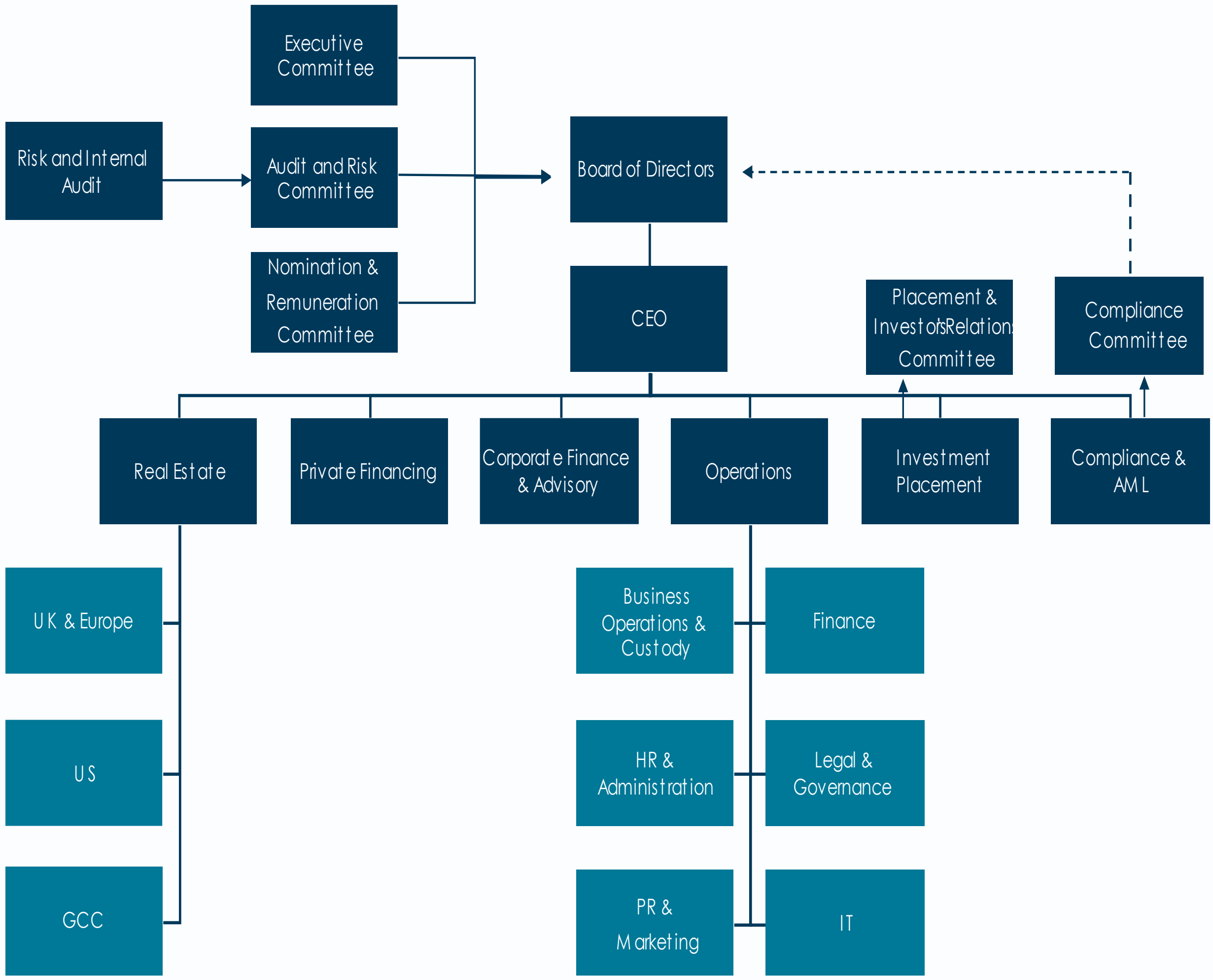
4.7.4. Contingency Plan

The Company has a general contingency plan for dealing with divergences and unexpected events. The Company has a single major shareholder that can provide additional capital in the eventuality of any major events or shocks. The Company can also swiftly modify its business plans to focus on advisory services that require little to no capital.

Contingency Buffer

The Company proposes to maintain a contingency buffer reserve equivalent to 12 months of working capital needs.

Appendix 1 - Organisation Structure



Appendix 2 - Capital Adequacy

SAR '000

Exposure Class	Exposures before CRM	Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
Credit Risk				
On-balance Sheet Exposures	-	-	-	-
Governments and central banks	-	-	-	-
Administrative bodies and NPOs	-	-	-	-
CMIs and banks	69,926	69,926	13,985	1,958
Margin financing	-	-	-	-
Corporates	20,537	20,537	146,632	20,528
High risk investments	51,509	51,509	206,035	28,845
Securitisation and re-securitisation	-		-	-
Investment funds	49,173	49,173	121,518	17,012
Investment funds (underlying)	-		-	-
Counterparty credit risk for derivatives	-		-	-
CCP - default fund contribution	-		-	-
CCP - cash margin	-		-	-
Listed shares	-		-	-
Other exposures	17,550	17,550	61,867	8,661
Prohibited exposures	-	-	-	-
Total On-Balance sheet Exposures	**208,694**	**208,694**	**550,037**	**77,005**
Off-balance Sheet Exposures				
Guarantee				
Securities Lending				
Securities Pledging				
Bookbuilding				
Others				
Total Off-Balance sheet Exposures	-	-	-	-
Total On and Off-Balance sheet Exposures	**208,694**	**208,694**	**550,037**	**77,005**
Prohibited Exposure Risk Requirement	-	-	-	-
Total Credit Risk Exposures	208,694	208,694	550,037	**77,005**
Market Risk	***Net Long***	***Net Short***		***Capital Requirements***
Equity Risk				
Fund Risk				
Option Risk				
Interest Rate Risk				
Commodities Risk				
FX Risk	182,442	-		7,632
Underwriting Risk				
Excess Exposure Risk				
Settlement Risk				
Total Market Risk Exposures	182,442	-		**7,632**
Operational Risk				**11,315**
Minimum Capital Requirements				**95,952**
Surplus/(Deficit) in capital				**84,459**
Total Capital ratio (time)				**1.88**

Appendix 3 - Credit Risk's Risk Weights

SAR '000

Risk Weights	Governments and central banks	Administrative bodies and NPO	CMIs and banks	Margin Financing	Corporates	High risk investments	Securitisation and re-securitisation	Investment funds	Other on-balance sheet exposures	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%									17		17	-
20%			69,926								69,926	13,985
50%											-	-
100%											-	-
150%								52,503			52,503	78,755
200%											-	-
300%									15,335		15,335	46,004
400%						52,083					52,083	208,334
500%											-	-
714% (include prohibited exposure)					20,536				2,226		22,763	162,526
Average Risk Weight			20%		714%	396%		231%	352%		259%	-
Deduction from Capital Base			1,958		20,528	28,845		17,012	8,661		77,005	-

Appendix 4 - Credit Risk's Rated Exposure

Exposure Class	Long term Ratings of counterparties							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
On and Off-balance-sheet Exposures								
Governments and Central Banks								
Admin bodies and NPO								
CMI and Banks								
Corporates								
Retail								
Open-end funds								
Closed-end funds								
Central Counterparties (CCP)								
Direct Margin Financing								
Total	-	-	-	-	-	-	-	-

Exposure Class	Short term Ratings of counterparties					
	Credit quality step	1	2	3	4	Unrated
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
	Capital Intelligence	A1	A2	A3	Below A3	Unrated
On and Off-balance-sheet Exposures						
Governments and Central Banks						
Admin bodies and NPO						
CMI and Banks		33,345	21,994	14,587		
Corporates						18,385
Retail						
Open-end funds						
Closed-end funds						
Central Counterparties (CCP)						
Direct Margin Financing						
Total		**33,345**	**21,994**	**14,587**	-	**18,385**

Appendix 5 - Residual Contractual Maturity of Credit Risk Exposures

SAR '000

Exposure Class	Total	1 Day to 1 month	>1 month to 3 months	>3 months to 6months	>6 months to 1 year	>1 year
Credit Risk						
On-balance Sheet Exposures						
Governments and central banks						
Administrative bodies and NPOs						
CMIs and banks	69,926	69,926				
Margin financing						
Corporates	20,536	19,717			563	256
High risk investments	51,509					51,509
Securitisation and re-securitisation						
Investment funds	49,173					49,173
Investment funds (underlying)						
Counterparty credit risk for derivatives						
CCP - default fund contribution						
CCP - cash margin						
Listed shares						
Other exposures	17,550	15,324				2,226
Prohibited exposures						
Total On-Balance sheet Exposures	**208,694**	**104,967**			**563**	**103,164**
Off-balance Sheet Exposures						
Guarantee						
Securities Lending						
Securities Pledging						
Bookbuilding						
Others						
Total Off-Balance sheet Exposures	**-**	**-**	**-**	**-**	**-**	**-**
Total On and Off-Balance sheet Exposures	**208,694**	**104,967**			**563**	**103,164**

Appendix 6 - Disclosure on Credit Risk Mitigation (CRM)

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
Credit Risk						
On-balance Sheet Exposures						
Governments and central banks	-	-	-	-	-	-
Administrative bodies and NPOs	-	-	-	-	-	-
CMIs and banks	69,926	-	-	-	-	69,926
Margin financing	-	-	-	-	-	-
Corporates	20,537	-	-	-	-	20,537
High risk investments	51,509	-	-	-	-	51,509
Securitisation and re-securitisation	-	-	-	-	-	-
Investment funds	49,173	-	-	-	-	49,173
Investment funds (underlying)	-	-	-	-	-	-
Counterparty credit risk for derivatives	-	-	-	-	-	-
CCP - default fund contribution	-	-	-	-	-	-
CCP - cash margin	-	-	-	-	-	-
Listed shares	-	-	-	-	-	-
Others exposures	17,550	-	-	-	-	17,550
Prohibited exposures	-	-	-	-	-	-
Total On-Balance sheet Exposures	**208,694**	**-**	**-**	**-**	**-**	**208,694**
Off-balance Sheet Exposures						
Guarantee	-	-	-	-	-	-
Securities Lending	-	-	-	-	-	-
Securities Pledging	-	-	-	-	-	-
Bookbuilding	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total Off-Balance sheet Exposures	-	-	-	-	-	-
Total On and Off-Balance sheet Exposures	**208,694**	**-**	**-**	**-**	**-**	**208,694**

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