NOMW Capital

Basel III - Pillar III disclosures

As of December 31, 2018

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1. Background

Capital Market Authority (CMA) issued its Prudential Rules in December 2012. As per the Chapter 20 of the Prudential Rules, all Authorized Persons (APs) are required to have in place an Internal Capital Adequacy Assessment Process ("ICAAP").

As outlined in the CMA prudential rules, ICAAP requires five features including governing body oversight, sound capital assessment, comprehensive assessment of risks, monitoring and reporting and internal control review. Therefore, ICAAP not only ensures that companies have adequate capital to support all the risks in their business, but also encourages them to develop and use better risk management techniques by including adequate Stress Testing scenarios in monitoring and managing their risks.

NOMW Capital (hereinafter referred to as "NOMW" or "the Company"), began operating in 2014, will provide its clients the following products:

- Real Estate Development Fund;
- Equity Arrangement: Venture Capital/Private Equity;
- Yielding Portfolio;
- Syndication/Sukuk Arrangement;
- Merger and Acquisition Services; and
- IPO Arrangement, Placement and Custody.

NOMW is licensed by CMA (license number 13172-37 dated November 26, 2013) to provide wide number of financial services including dealing as principal, as underwriter, managing investment fund, managing client portfolios, arranging and custody in the securities businesses.

ICAAP at NOMW is comprehensive in its approach – its coverage includes all material risks, corporate governance and internal control framework, capital planning and management framework, strategic plans, and macro-economic factors. NOMW is in the process of implementing robust policies and processes to measure, monitor, report all material risks and adopt an efficient capital planning process to ensure that sufficient capital is available to meet any unforeseen contingencies.

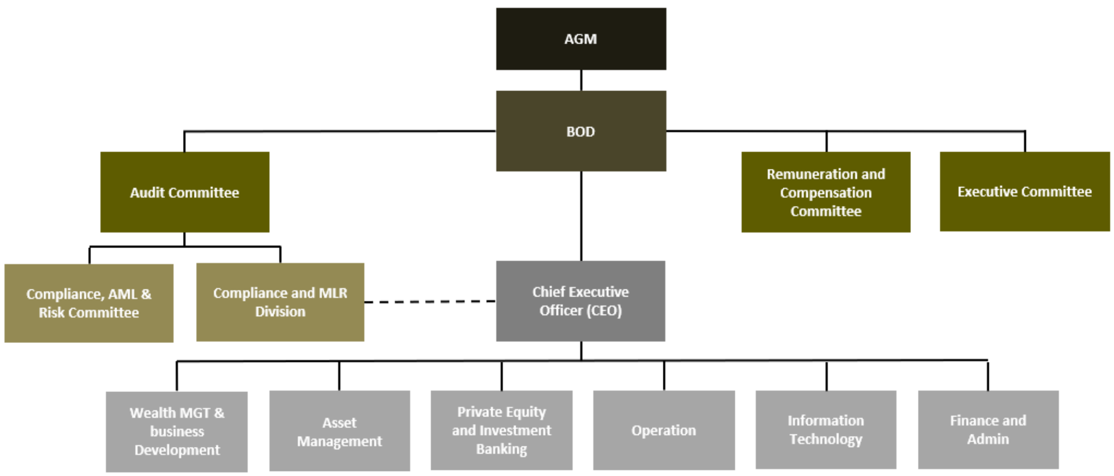
NOMW Capital Background

NOMW Capital is a closed joint stock investment company with commercial registration number 1010404870, which is an authorized person under the Authorised Persons Regulations, and regulated by the Saudi Capital Market Authority (CMA) with license number 13172-37 dated November 26, 2013 to conduct securities business including, dealing as principal, as underwriter, managing investment fund, managing client portfolios, arranging and custody in the securities businesses.

The following depicts NOMW's ownership structure:

- ✓ Al Tayar Investment and Real Estate Development Company – 25%
- ✓ Dr. Naser Al Tayar – 25%
- ✓ Dr. Ahmed Al Mohaymeed – 25%
- ✓ Dr. Nabih Al Jabr – 25%

NOMW's current operational structure as at December 31, 2018 is as follows:



Summary of current and projected Financial and Capital Positions:

NOMW has projected its financial position based on its current position and expected growth in the next three years. The expected growth is based on its strategic / business direction of NOMW which it has documented in its business plan.

Current and Projected Financial Performance:

NOMW's current financial results and projected financial performance are as follows. The current financial results of 2017 and 2018 have been depicted along with the three years' performance projection in the below table:

Particulars	2021 (Forecast)	2020 (Forecast)	2019 (Budget)	2018 (Actual)	2017 (Actual)
	------------------------------- SAR ------------------------------				
INCOME STATEMENT					
Income:					
Arrangement Fee	8,860,000	5,860,000	5,929,137	2,929,137	6,383,831
Asset Management	22,100,000	20,775,000	17,475,000	16,153,614	3,061,983
Custody Fee	2,200,000	1,900,000	1,114,110	1,296,096	986,460
Structuring Fees	-	-	-	200,000	-
Other Income	1,500,000	1,250,000	446,000	505,922	(174,676)
Fair value changes on FVTPL investments	-	-	-	(166,076)	(151,082)
Total Income	**34,660,000**	**29,785,000**	**24,964,247**	**20,918,693**	**10,106,516**
Expenses:					
Staff Cost	13,077,088	11,888,262	10,807,511	8,179,624	5,720,299
General and Administrative Costs	5,421,249	4,928,408	4,480,371	1,780,442	4,847,312
Rent	548,064	456,720	380,600	298,400	298,400
Depreciation	486,527	442,297	402,088	63,601	152,539
Non –Controlling interest	-	-	-	-	(53,699)
Zakat	2,248,250	1,955,000	1,700,000	1,355,947	1,073,051
Total Expenses	**21,781,178**	**19,670,687**	**17,770,570**	**11,678,014**	**12,037,902**
Net Operating Income	**12,878,822**	**10,114,313**	**7,193,677**	**9,240,679**	**(1,931,386)**

The projections of NOMW are a depiction of growth in NOMW's size and operations. As depicted in the table above NOMW has plans to grow by launching new products which will substantially enhance its income from different business departments. However, there would be an increase in personnel costs, rent, and other related expenses. In a nutshell, NOMW's Net Profits will increase on average by 15% based on the next 3 years' projection.

Particulars	2021 (Forecast)	2020 (Forecast)	2019 (Budget)	2018 (Actual)	2017 (Actual)
	------------------------------- SAR -------------------------------				
BALANCE SHEET					
Assets					
Current Assets:					
Cash and cash equivalents	6,740,811	9,025,394	1,330,295	3,226,976	17,607,936
Murabaha with banks	35,000,000	30,000,000	18,000,000	33,000,000	17,500,000
Investment in trading securities	-	-	256,303	256,304	422,378
Account receivables including related parties	20,000,000	15,000,000	34,428,350	17,839,811	7,047,067
Other current assets	2,500,000	2,000,000	577,236	929,082	754,053
Total Current Assets	**64,240,811**	**56,025,394**	**54,592,184**	**55,252,173**	**43,331,434**
Non-current Assets					
Properties, plant and equipment	1,500,000	1,000,000	932,068	56,629	100,373
Available For Sale investments	20,000,000	15,000,000	8,857,984	8,857,984	10,134,232
Total non-current assets	**21,500,000**	**16,000,000**	**9,790,052**	**8,914,613**	**10,234,605**
Total Assets	**85,740,811**	**72,025,394**	**64,382,235**	**64,166,786**	**53,566,039**
Liabilities and shareholders' equity					
Liabilities					
Current Liabilities					
Other current liabilities	3,942,250	3,495,000	5,998,331	4,298,330	1,941,201
Total current liabilities	**3,942,250**	**3,495,000**	**5,998,331**	**4,298,330**	**1,941,201**

Particulars	2021 (Forecast)	2020 (Forecast)	2019 (Budget)	2018 (Actual)	2017 (Actual)
	SAR				
Non-current liabilities:					
Indemnity	1,609,536	1,220,192	1,188,015	866,242	966,944
Total non-current liabilities	**1,609,536**	**1,220,192**	**1,188,015**	**866,242**	**966,944**
TOTAL LIABILITIES	**5,551,786**	**4,715,192**	**7,186,346**	**5,164,572**	**2,908,145**
SHAREHOLDERS' EQUITY					
Capital	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Statutory reserve	4,829,878	3,541,996	2,530,564	1,811,197	887,129
Change in fair value of AFS Investments	(4,299,918)	(4,299,918)	(4,299,918)	(4,299,918)	(3,023,670)
Retained earnings	29,281,608	17,690,667	8,587,786	11,113,478	2,796,867
Actuarial gain / (Loss)	377,457	377,457	377,457	377,457	(2,432)
TOTAL SHAREHOLDERS' EQUITY	**80,189,025**	**67,310,202**	**57,195,889**	**59,002,214**	**50,657,894**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**85,740,811**	**72,025,394**	**64,382,235**	**64,166,786**	**53,566,039**

Business Plan

NOMW plan is to focus on “start and quick win services and products” between 2018 and 2020, specifically real estate development fund, yielding fund and financing arrangements. Phase 2 of NOMW plan will extend from 2021 till 2022 and the focus will be on IPO arrangements, Sukuk, venture capital and private equity fund. Third phase will be from 2023 and forward where NOMW will establish financial alliance with respected financial institution in order to manage and provide equity and fixed income instruments and will look for opportunities in the MENA market.

NOMW assumptions for 2019 are the following:

- ✓ Three (3) Arrangement Services transactions, to be distributed as follows:

  - Two (2) Debt financing arrangement. Fees are 0.50% for debt financing to be closed by Quarter 2 and Quarter 4. The estimated size of the transactions is SAR 600 million.

  - One (1) arrangement service with estimated service fees of SAR 3 million,

- ✓ Launching a new private equity fund; leading NOMW to manage four (4) funds. The fund’s sizes will be as follows:

- Managed real estate funds SAR 900 million.
- Managed equity funds SAR 20 million.

NOMW's plan is to increase its total assets up to SAR 86 million during the next 3 years. The growth target for the next three years by NOMW is a Compounded Annual Growth Rate of 10%.

To achieve the above mentioned business objectives, NOMW has set the following key targets for each of its lines of business based on which it has developed its financial projections for the next three years:

The arrangement offered by NOMW to the clients will be through the following products:

Real estate Development Fund

A real estate development fund will be established to develop a single or multi projects and to cater for the demand in this sector in the KSA market.

Equity Arrangement: Venture Capital/Private Equity

A company will be established between strategic investors, technical partner to play an active role in the one of the most growing sector.

Yielding Portfolio

This portfolio will be established as a venue for investors which are looking to deploy their liquidity in secured income yielding portfolio.

Syndication/Sukuk Arrangement

To arrange financing to corporate either through syndication or Sukuk or qusi equity instrument.

Merger & Acquisition Services

To provide on merger and acquisition services.

2. Executive Summary

The Capital Adequacy and Risk Management Report for NOMW CAPITAL “The Company” has been prepared in accordance with the public / market disclosure requirements and guidelines in respect of Pillar 3 of Basel III, as per the prudential rules published in December 2012 by Capital Market Authority “CMA” of the Kingdom of Saudi Arabia.

The purpose of this disclosure is to inform market participants of the key components, scope and effectiveness of NOMW’s risk management systems, risk measurement processes, risk profile and capital adequacy. This is accomplished by providing consistent and understandable disclosure of NOMW’s risk profile in a manner that enhances comparability with other institutions.

Pillar III is adopted by NOMW in 2014 for the first time.

NOMW has adopted the Standardized Approach for Credit Risk and highest of Basic Indicator Approach and Expenditure approach for Operational Risk. These approaches have been discussed in detail in the following pages of this report.

This Capital Adequacy and Risk Management Report provides details on NOMW’s risk profile with business volumes by risk asset classes, which form the basis for the calculation of our capital requirement.

In accordance with the minimum capital requirement calculation methodology as prescribed under Basel III, NOMW capital adequacy as at 31st December is as follows:

	31 December 2018	31 December 2017
Total Capital Adequacy Ratio (including Pillar II and stress tests impact)	3.30	3.66

Simulated total capital adequacy ratio for 2019-2021:

	31 December 2019	31 December 2020	31 December 2021
Total Capital Adequacy Ratio (including Pillar II and stress tests impact)	1.91	2.77	2.64

Based on the above, it’s clear that NOMW Capital would be sufficiently capitalized and would not need to raise capital from future sources in case a plausible stress event is to transpire.

As of 31st December 2018 total Risk Weighted Assets (RWA) amounted to SAR 15.2 M which comprised of 82.7% Credit Risk, 0.3% market risk and 17% Operational Risk.

Capital adequacy assessment details as of 31st December 2018 are shown as below table:

CAPITAL ADEQUACY ASSESSMENT SUMMARY – 31st December 2018		
Particulars	Regulatory Capital – Pillar I	Risk Capital – (Pillar I + Pillar II)
	---------------- SAR ('000)	--------------
Credit Risk	12,528	12,528
Market Risk	46	46
Operational Risk	2,581	2,581
Pillar I Total	**15,155**	**15,155**
Reputation Risk		152
Business/Strategic Risk		57
Concentration Risk		76
Pillar II Total		**15,440**
Additional capital to cover stress testing		(119)
ICAAP Capital Requirement	**15,155**	**15,321**
Additional Capital Requirement	**-**	**166**
Capital Base	**58,459**	**50,579**
Surplus (Deficit) in Capital Base	**43,304**	**35,258**
Capital Ratio	**3.86**	**3.30**

N.B: it is worth to be noted that all figures and amounts being reflected in this report are in Saudi Riyals.

Simulated capital adequacy assessment as of 31 December 2019-2021:

CAPITAL ADEQUACY ASSESSMENT SUMMARY – 31st December 2019		
Particulars	Regulatory Capital – Pillar I	Risk Capital – (Pillar I + Pillar II)
	---------------- SAR ('000)	--------------
Credit Risk	19,187	19,187
Market Risk	46	46
Operational Risk	4,443	4,443
Pillar I Total	**23,676**	**23,676**
Reputation Risk		237
Business/Strategic Risk		89
Concentration Risk		118
Pillar II Total		**24,120**
Additional capital to cover stress testing		(75)
ICAAP Capital Requirement	**23,676**	**24,045**
Additional Capital Requirement		**369**
Capital Base	**57,196**	**45,990**
Surplus (Deficit) in Capital Base	**33,520**	**21,945**
Capital Ratio	**2.42**	**1.91**

CAPITAL ADEQUACY ASSESSMENT SUMMARY – 31st December 2020		
Particulars	Regulatory Capital – Pillar I	Risk Capital – (Pillar I + Pillar II)
	---------------- SAR ('000) --------------	
Credit Risk	14,785	14,785
Operational Risk	4,918	4,918
Pillar I Total	**19,703**	**19,703**
Reputation Risk		197
Business/Strategic Risk		74
Concentration Risk		99
Pillar II Total		**20,073**
Additional capital to cover stress testing		160
ICAAP Capital Requirement	**19,703**	**20,233**
Additional Capital Requirement		**530**
Capital Base	**67,310**	**56,075**
Surplus (Deficit) in Capital Base	**47,607**	**35,842**
Capital Ratio	**3.42**	**2.77**

CAPITAL ADEQUACY ASSESSMENT SUMMARY – 31st December 2021		
Particulars	Regulatory Capital – Pillar I	Risk Capital – (Pillar I + Pillar II)
	---------------- SAR ('000) --------------	
Credit Risk	19,481	19,481
Operational Risk	5,445	5,445
Pillar I Total	**24,926**	**24,926**
Reputation Risk		249
Business/Strategic Risk		93
Concentration Risk		125
Pillar II Total		**25,393**
Additional capital to cover stress testing		35
ICAAP Capital Requirement	**24,926**	**25,428**
Additional Capital Requirement		**502**
Capital Base	**80,189**	**67,008**
Surplus (Deficit) in Capital Base	**55,263**	**41,580**
Capital Ratio	**3.22**	**2.64**

Based on the above, it is clear that NOMW Capital would be sufficiently capitalized and would not need to raise capital from future sources in case a plausible stress event is to transpire.

3. Basel III Components

In December 2012, CMA issued a circular requiring financial institutions operating in the Kingdom of Saudi Arabia to report their capital adequacy requirements according to the Basel III guidelines. Basel III is an international initiative (adopted by CMA) with a view to ensure adequate capitalization of financial institutions on a more robust risk-sensitive basis providing a framework for assessment of risk and calculation of regulatory capital requirement, i.e. the minimum capital that an institution must hold, given its risk profile. Basel III framework is intended to strengthen risk management practices and processes within financial institutions.

CMA's Basel II / III framework describes the following three pillars which are designed to be mutually re-enforcing and are meant to ensure an adequate capital base which corresponds to the overall risk profile of the financial institution:

- ✓ Pillar 1: Calculation of capital adequacy ratio based on charge for credit, market and operational risks stemming from business operations.
- ✓ Pillar 2: Supervisory review process which includes:
  - Internal Capital Adequacy Assessment Process (ICAAP) to assess incremental risk types not covered under Pillar 1;
  - Quantification of capital required for these identified risks; and
  - The assurance that the Company has sufficient capital cushion (generated from internal / external sources) to cover these risks over and above the regulatory requirement under Pillar 1.
- ✓ Pillar 3: Market discipline through public disclosures that are designed to provide transparent information on capital structure, risk exposures, risk mitigation and the risk assessment process.

These concepts are further described in the following pages.

This report represents the Company's market disclosures, under the Pillar 3 requirements, of its risk profile and capital adequacy as at the end of 31st December 2018.

3.1. Pillar I – Minimum Capital Requirements

Basel II / III, as adopted and implemented by CMA, cover the minimum regulatory capital requirement for financial institutions for credit, market and operational risks stemming from its business operations. It also sets out the basis for consolidation of entities for capital adequacy reporting requirements, the definition and calculations of Risk Weighted Assets (RWA) and the various options given to financial institutions to calculate these Risk Weighted Assets.

The regulatory capital requirements are calculated according to the following formula (expressed as a percentage):

$$\text{Minimum Capital Requirements} = \frac{\text{Capital Base}}{\text{RWA}}$$

The Minimum Capital Requirements is to be greater or equal to 14 %.

The table below describes the approaches available for calculating the RWA for each of the aforementioned risk types:

Credit Risk	Market Risk	Operational Risk
Standardized Approach	Standardized Approach	Highest of Basic Indicator approach and Expenditure based approach

a) Credit Risk

The Company uses the Standardized Approach at the consolidated level for regulatory reporting purposes. This approach differs from the Basel I regulations in that it allows the use of external ratings, where available, from accredited ratings agencies for the determination of appropriate risk weights, and also includes a wider range of eligible financial collaterals.

b) Market Risk

The Company uses the Standardized Approach at the consolidated level for regulatory reporting purposes.

c) Operational Risk

The Company uses the higher of Basic Indicator Approach and Expenditure Based Approach.

Basic Indicator Approach related capital charge is the average of the last 3 gross operating Income multiplied by 15 %.

Expenditure Based Approach related capital charge is the total expenditure multiplied by 25 %.

3.2. Pillar II – Supervisory Review Process

The Supervisory Review Process (SRP) under Pillar II requires financial institutions to employ an Internal Capital Adequacy Assessment Process (ICAAP) aimed at:

a) Quantifying the Company's own internal assessment of the level of capital that it deems appropriate to adequately cover all material risks that it is exposed to; and

b) Instituting a comprehensive process for business and capital planning to ensure that adequate capital is always available to cover its risk exposures. Companies are also required to identify sources for raising additional capital in case of need and to provide documented plans thereof. As part of this process financial institutions are required to ascertain whether credit, market and operational risk capital charges calculated under Pillar I are adequate to cover Companies' internal assessment of these risks or not. Furthermore, they are expected to ascertain additional capital requirements (over and above the Pillar I requirements) for the Pillar II risks that Companies are exposed to (examples of some risks are reputation risk, business strategic risk). The ICAAP has to be designed to ensure that companies have sufficient capital cushion to meet regulatory and internal capital requirements during periods of systemic / cyclical economic downturns or during times of financial distress - which involves employing stress testing and scenario analysis techniques.

In compliance with the regulatory requirements, NOMW has submitted its detailed ICAAP Plan for the year 2018.

3.3. Pillar III – Market Discipline

Under Pillar 3, CMA prescribes the qualitative and quantitative disclosures which are required to be made to external stakeholders of the Company. The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite, risk exposures and risk profile. It encourages the move towards more advanced forms of risk management.

4. Risk and Capital Management Process

NOMW is exposed to a broad range of risks in the normal course of its business. The Company's risk and capital assessment policies are designed to identify and quantify these risks, set appropriate limits in line with defined risk appetite, ensuring control and monitoring adherence to the limits. The principal risks associated with the Company's business are reputation risk and business strategic risk.

Executive Committee

The Executive Committee shall assist the Board in carrying out its investment and management responsibilities, which include the following:

- ✓ Define the operational financing for the current investments to certain limits on behalf of the board of directors
- ✓ Approving new deals or additional financing for the current investments to certain limits on behalf of the BOD
- ✓ Monitoring the performance of the company's management portfolio
- ✓ Approving the capital structure, full or partial liquidation of investments and approval on recommending (subject to the agreement of the BOD) on annual financial statements, annual budget and assigning external auditors
- ✓ Approving and recommending policies and procedures, organizational structure and others.

Audit Committee

The audit committee duties and responsibilities are as per the following:

- ✓ Acting as an independent body to monitor the financial reporting system and the Company's internal control procedures
- ✓ Reviewing and evaluating the work of the internal and external auditors, and providing a channel of communication between them and senior management and BOD

Compliance Committee

The Compliance committee shall assist the BOD and the Company's management team to oversee the following:

- ✓ Compliance program to ensure compliance with laws, rules and regulations specially the rules issued by the Capital Market Authority
- ✓ Compliance with internal policies and procedures
- ✓ Guides of the corporate governance and others.

Nomination and remuneration Committee

The nomination and remuneration committee is responsible for assisting the BOD on the selection of staff and determine their remuneration, development, and promotions. It is also responsible for adopting of succession plan to ensure the Company's business continuity.

BOD

NOMW Capital's BOD is responsible for overseeing the Company's business, the development of its policies and objectives, identifying the main risks involved in the Company's investments and implementing effective systems to monitor and manage these risk efficiently, protecting its assets and shareholder's equity, developing and implementing succession policies for senior management team to ensure the business continuity, supervising the implementation of internal policies, provide leadership and direction for the Company with commitment to the highest ethical standards and integrity, and ensure compliance with all regulatory and legal requirements in force.

Internal Audit

The Company has assigned third party to provide internal audit function for the Company since December 2015.

5. Regulatory Capital Requirements

This chapter describes NOMW's capital requirements, calculated on the basis of regulatory guidelines. The risk types under Pillar I are in accordance with Basel II / III guidelines issued by CMA and contain credit, market and operational risks.

As at 31st December 2018 the Company's overall regulatory capital requirements under Pillar I can be broken down as follows.

Risk Type	Capital Requirement SAR ('000)	% of Total Requirement
Credit Risk	12,528	82.7 %
Market Risk	46	0.3 %
Operational Risk	2,581	17.0 %
Total	**15,155**	**100.0 %**

Simulated Company's overall regulatory capital requirements under Pillar I for 2019-2021 are as follows:

Risk Type	Capital Requirement SAR ('000)	% of Total Requirement
2019		
Credit Risk	19,187	81.0%
Market Risk	46	0.2%
Operational Risk	4,443	18.8%
Total	**23,676**	**100.0 %**
2020		
Credit Risk	14,785	75.0%
Market Risk	-	-
Operational Risk	4,918	25.0%
Total	**19,702**	**100.0 %**
2021		
Credit Risk	19,481	78.2%
Market Risk	-	-
Operational Risk	5,445	21.8%
Total	**24,926**	**100.0 %**

5.1. Capital Requirement for Credit Risk

NOMW calculates the capital requirements for credit risk according to the Standardized Approach. Under this approach, exposures are assigned to portfolio segments based on the type of counterparty and/or the nature of the underlying exposure.

The major portfolio segments as defined by the Basel guidelines adopted by CMA where each segment has a defined risk weight ranging from 0% to 714% depending on tenor, type of exposure, asset class, whether the counterparty has an external rating and whether the exposure is past due.

The following table describes the amount of exposures subject to credit risk and the related capital requirements, by portfolio.

2018

<table>
<tr><th>Asset Class</th><th>Exposure SAR ('000)</th><th>Risk Weights</th><th>Effective RWA
SAR ('000)</th><th>Capital Requirement
SAR ('000)</th></tr>
<tr><td>Exposure to Banks</td><td>36,227</td><td>20%</td><td>7,245</td><td>1,014</td></tr>
<tr><td>Exposure to APs</td><td>1,179</td><td>150%</td><td>1,769</td><td>248</td></tr>
<tr><td>Exposure to Corporates</td><td>110</td><td>714%</td><td>785</td><td>110</td></tr>
<tr><td>Tangible assets</td><td>57</td><td>300%</td><td rowspan="10">79,687</td><td rowspan="10">11,156</td></tr>
<tr><td>deferred expenditure / accrued income</td><td>427</td><td>300%</td></tr>
<tr><td>Retail exposures</td><td>90</td><td>300%</td></tr>
<tr><td>Holdings in listed shares or equivalent</td><td>800</td><td>150%</td></tr>
<tr><td>Closed-ended Investment Fund</td><td>24,610</td><td>300%</td></tr>
<tr><td>Open-ended Investment Fund</td><td>-</td><td>150%</td></tr>
<tr><td>Cash or Gold</td><td>-</td><td>0%</td></tr>
<tr><td>Unlisted equity</td><td>-</td><td>400%</td></tr>
<tr><td>Other on balance sheet exposures - Other items</td><td>411</td><td>714%</td></tr>
<tr><td>Off Balance Sheet</td><td></td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>63,911</td><td></td><td>89,486</td><td>12,528</td></tr>
</table>

Simulated exposures for 2019-2021 subject to credit risk and the related capital requirements are described in the following tables:

2019

Asset Class	Exposure SAR ('000)	Risk Weights	Effective RWA SAR ('000)	Capital Requirement SAR ('000)
Exposure to Banks	19,330	20%	3,866	541
Exposure to APs	-	150%	-	-
Exposure to Corporates	-	714%	-	-
Tangible assets	932	300%	2,796	391
Deferred expenditure / accrued income	577	300%	1,731	242
Holdings in listed shares or equivalent	800	150%	1,200	168
Closed-ended Investment Fund	42,486	300%	127,458	17,845
Open-ended Investment Fund	-	150%	-	-
Unlisted equity	-	400%	-	-
Cash or Gold	-	0%	-	-
Other on balance sheet exposures - Other items	-	714%	-	-
Total	**64,125**		**137,051**	**19,187**

2020

Asset Class	Exposure SAR ('000)	Risk Weights	Effective RWA SAR ('000)	Capital Requirement SAR ('000)
Exposure to Banks	39,025	20%	7,805	1,093
Exposure to APs	-	150%	-	-
Exposure to Corporates	-	714%	-	-
Tangible assets	1,000	300%	3,000	420
Deferred expenditure / accrued income	2,000	300%	6,000	840
Holdings in listed shares or equivalent	800	150%	1,200	168
Closed-ended Investment Fund	29,200	300%	87,600	12,264
Open-ended Investment Fund	-	150%	-	-
Unlisted equity	-	0%	-	-
Cash or Gold	-	0%	-	-
Other on balance sheet exposures - Other items	-	714%	-	-
Total	**72,025**		**105,605**	**14,785**

2021

Asset Class	Exposure SAR ('000)	Risk Weights	Effective RWA SAR ('000)	Capital Requirement SAR ('000)
Exposure to Banks	41,741	20%	8,348	1,169
Exposure to APs	-	150%	-	-
Exposure to Corporates	-	714%	-	-
Tangible assets	1,500	300%	4,500	630
Deferred expenditure / accrued income	2,500	300%	7,500	1,050
Holdings in listed shares or equivalent	800	150%	1,200	168
Closed-ended Investment Fund	39,200	300%	117,600	16,464
Open-ended Investment Fund	-	150%	-	-
Unlisted equity	-	400%	-	-
Cash or Gold	-	0%	-	-
Other on balance sheet exposures - Other items	-	714%	-	-
Total	**85,741**		**139,148**	**19,481**

5.2. Capital Requirements for Market Risk

NOMW currently (or in the future) is not subject to material Market risk, and the source of the market risk as of the end of year 2018.

5.3. Capital Requirements for Operational Risk

The Company uses the higher of Basic Indicator Approach and Expenditure Based Approach.

Basic Indicator Approach related capital charge is the average of the last 3 gross operating Income multiplied by 15 %.

Expenditure Based Approach related capital charge is the total expenditure multiplied by 25 %.

The capital charge requirements for operational risk are detailed in the table below.

Basic Indicator Approach ---- SAR ('000) ----					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2016	2017	2018			
6,387	10,107	20,919	12,471	15%	1,871

Expenditure Based Approach ---- SAR ('000) ----		
Overhead expenses (2018)	Risk Capital Charge	Capital Requirements
10,322	25%	2,581
Maximum of Basic Indicator Approach and Expenditure Approach		**2,581**

The simulated capital charge requirements for 2019-2021 for operational risk are detailed in the below tables:

2019

Basic Indicator Approach ---- SAR ('000) ----					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2017	2018	2019			
10,107	20,919	24,964	18,663	15%	2,799

Expenditure Based Approach ---- SAR ('000) ----		
Overhead expenses (2019)	Risk Capital Charge	Capital Requirements
17,771	25%	4,443
Maximum of Basic Indicator Approach and Expenditure Approach		**4,443**

2020

Basic Indicator Approach ---------- SAR ('000) ----------					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2018	2019	2020			
20,919	24,964	29,785	25,223	15%	3,783

Expenditure Based Approach ---------- SAR ('000) ----------		
Overhead expenses (2020)	Risk Capital Charge	Capital Requirements
19,671	25%	4,918
Maximum of Basic Indicator Approach and Expenditure Approach		**4,918**

2021

Basic Indicator Approach ---------- SAR ('000) ----------					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2019	2020	2021			
24,964	29,785	34,660	29,803	15%	4,470

Expenditure Based Approach ---------- SAR ('000) ----------		
Overhead expenses (2021)	Risk Capital Charge	Capital Requirements
21,781	25%	5,445
Maximum of Basic Indicator Approach and Expenditure Approach		**5,445**

5.4. Capital Structure

The total eligible capital (Tier I and II) calculated in accordance with CMA guidelines is as follows.

Name of authorised person:	**NOMW Capital**	
Reporting date:	**Dec 2018**	**Dec 2017**
CAPITAL BASE	**SAR '000**	**SAR '000**
Tier-1 Capital		
Paid-up capital	50,000	50,000
Share premium	0	0
Reserves	1,811	887
Audited retained earnings	0	3,180
Verified previous year profit/(loss)	1,873	0
Verified interim profit/(loss)	9,241	(2,362)
Loss offsetting against capital reduction	0	0
Tier-1 adjustment *		
Unverified interim loss (-)	*0*	*0*
Unverified previous year loss (-)	*0*	*0*
Goodwill and intangible assets (-)	*0*	*0*
Unrealised losses from HFT investments (-)	*(166)*	*(151)*
Unrealised losses from AFS investments (-)	*(4,300)*	*(682)*
Deferred zakah assets (-)	*0*	*0*
Dividend expense from retained earnings (-)	*0*	*0*
Zakah expense from retained earning (-)	*0*	*0*
Other negative equity items (-)	*0*	*0*
Other deductions from Tier-1 (-)		
Deductions (-)	(4,466)	(833)
Tier-1 capital	58,459	50,872
Tier-2 Capital		
Subordinated loans	0	0
Tier 2 debt securities	0	0
Cumulative preference shares	0	0
Revaluation reserves	0	0
Tier-2 adjustment *		
Other deductions from Tier-2 (-)		
Deduction to meet Tier-2 capital limit (-)	0	0
Tier-2 capital	0	0
CAPITAL BASE	**58,459**	**50,872**

6. Credit Risk

6.1. Credit Exposure

6.1.1. Asset Classes

Asset Class	Exposure SAR ('000)	Risk Weights	Effective RWA SAR ('000)	Capital Requirement SAR ('000)	Credit Rating SAR ('000)
Exposure to Banks	36,227	20%	7,245	1,014	*
Exposure to APs	1,179	150%	1,769	248	Unrated
Exposure to Corporates	110	714%	785	110	
Tangible assets	57	300%	79,687	11,156	
deferred expenditure / accrued income	427	300%			
Retail exposures	90	300%			
Holdings in listed shares or equivalent	800	150%			
Closed-ended Investment Fund	24,610	300%			
Open-ended Investment Fund	-	150%			
Cash or Gold	-	0%			
Other on balance sheet exposures - Other items	411	714%			
Off Balance Sheet	-	-			
Total	**63,911**		**89,486**	**12,528**	

* Details of APs and Banks' related credit ratings are described in the following table.

NOMW

Bank	Exposure SAR ('000)	Risk Weights	Effective RWA SAR ('000)	Capital Requirement SAR ('000)	Credit Rating	Credit Agency
Bank Albilad	566	20%	113	16	A2	Moody's
Albilad Capital	390	20%	78	11	A2	Moody's
National Commercial Bank	100	20%	20	3	A+	Fitch
Alinma Bank	35,171	20%	7,034	984	A-	Fitch
Exposure to APs and Banks	**36,227**	**20%**	**7,245**	**1,014**		

6.1.2. Allocation of on-balance sheet exposures to risk weight buckets

An analysis of the portfolio by the regulatory risk weight buckets is presented in the table below:

Portfolio	Risk Buckets					Total
	0 %	20 %	150 %	300 %	714 %	
Exposure to APs and Banks	-	36,227	1,179	-	-	37,406
Exposure to Corporates	-	-	-	-	110	110
Tangible assets	-	-	-	57	-	57
Deferred expenditure / accrued income	-	-	-	427	-	427
Retail exposures	-	-	-	90	-	90
Holdings in listed shares or equivalent	-	-	800	-	-	800
Closed-ended Investment Fund	-	-	-	24,610	-	24,610
Open-ended Investment Fund	-	-	-	-	-	-
Cash or Gold	-	-	-	-	-	-
Unlisted equity	-	-	-	-	-	-
Other on balance sheet exposures - Other items	-	-	-	-	411	411
Off Balance Sheet	-	-	-	-	-	-
Total	**-**	**36,227**	**1,979**	**25,184**	**521**	**63,911**
Total Related Capital Charge	**-**	**1,014**	**416**	**10,577**	**521**	**12,528**

6.2. Receivables' Ageing

Receivables	0-90 days	More than 90 days	Total as of 31 December 2018
Exposures related to Corporates	-	110	**110**
Retail	-	90	**90**
Investment Funds (Closed ended)	9,008	6,969	**15,977**
Other receivables	733	930	**1,663**
Total	**9,741**	**8,099**	**17,840**

7. Market Risk

Market risk is the risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors. The standard market risk factors are stock prices, interest rates and foreign exchange rates. The associated market risks are:

- ✓ Equity risk, the risk that stock prices and/or the implied volatility will change.
- ✓ Interest rate risk, the risk that interest rates and/or the implied volatility will change.
- ✓ Currency risk, the risk that foreign exchange rates and/or the implied volatility will change.

NOMW currently (or in the future) is not subject to material Market risk.

Measurement

NOMW has used the approach stipulated in CMA Prudential Rules for its market risk assessment to arrive at the Risk Weighted Assets (RWA) for its market risk.

2018

Risk	Net Long Position	Net Short Position	Capital Requirement
Equity Price Risks	**251**	**-**	**45**
Investment Fund Risks	**6**	**-**	**1**
Interest Rate Risks - Debt Securities	**-**	**-**	**-**
Interest Rate Risks - Securitisation	**-**	**-**	**-**
Interest Rate Risks - Resecuritisation	**-**	**-**	**-**
Foreign Exchange Rate Risks	**-**	**-**	**-**
Commodities Risks	**-**	**-**	**-**
Settlement Risks	**-**	**-**	**-**
Total			**46**

8. Operational Risk

It is a risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk, but excludes strategic and reputational risks.

Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. It arises out of the legal implications of failed systems, people, processes or external events.

Information Technology Risk, an integral part of Operational Risk arises out of failure in systems or non-adherence to laid-down processes or misuse by staff apart from external events.

Measurement

The Operational Risk Capital Charge for NOMW is calculated as higher of the Basic Indicator Approach (BIA) and Expenditure Based Approach under Pillar I as stipulated by CMA's prudential rules.

2018

Basic Indicator Approach --- SAR ('000) ---					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2016	2017	2018			
6,387	10,107	20,919	12,471	15%	1,871

Expenditure Based Approach --- SAR ('000) ---		
Overhead expenses (2018)	Risk Capital Charge	Capital Requirements
10,322	25%	2,581
Maximum of Basic Indicator Approach and Expenditure Approach		**2,581**

The capital charge for operational risk is the higher of the two above approaches of which is the Basic Indicator one amounting to 2.6m.

It is worth to be noted that although the standardized approach is one of the methods to be considered for operational risk as per Basel requirements, the Company has not taken it into consideration as the related capital adequacy of this excel sheet is disabled.

9. Other Risks (Pillar II)

Pillar II objectives are to cover risks not covered under Pillar I (which will be illustrated in details in this section) along with additional capital charge resulting from stress tests.

9.1. Interest Rate Risk on Banking Book

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the company's Banking Book because of movement in interest rates.

Measurement

NOMW currently (or in the future) is not subject to material interest rate risk in the banking book, hence this category has not been considered for quantification purposes

9.2. Liquidity risk

Liquidity risk is defined as the company's inability to meet its obligations. The analysis of liquidity risk requires to measure the liquidity position of the company and to examine how funding sources are likely to evolve under various scenarios. Liquidity risk usually arises from short term liabilities that have a short contractual maturity such as non-interest bearing accounts and are generally dealt by keeping a cash buffer to serve the liquidity needs.

Measurement

Liquidity Risk has been incorporated based on analysis of NOMW's ability to meet its liabilities when due. However currently NOMW Capital does not have material liabilities (or in the future) and as such currently these are considered negligible.

9.3. Reputation risk

Reputation risk is the current and prospective impact on earnings and capital arising from negative public opinion. This may arise from market rumors, severe regulatory sanctions, or heavy financial losses. Such negative publicity, whether true or not, may impair public confidence, result in costly litigation, or lead to a decline in its client base/ business.

NOMW operations began in June 2014 and have not faced any adverse publicity, investor run or regulatory penalties since then. As an employer, the company's remuneration is in line with the industry. The policies for various risks are well documented and are reviewed regularly. Risk and Compliance function at NOMW ensures that business is conducted within the applicable legal and regulatory framework. The HR function focuses on developing ethical and moral values in the employees.

Measurement

The factors that primarily have an impact on the reputation of NOMW have been identified based on which a scorecard based methodology has been adopted. These factors are outlined in the table below:

#	Risk Drivers
1	Loss Event Identification
2	Peer Group Comparison
3	Information Reporting Accuracy
4	Staff Competence and Support
5	Corporate Culture
6	Risk Management & Control Environment
7	Financial Soundness
8	Business Practices
9	Customer Satisfaction
10	Legal and Compliance Risk
11	Contagion Risk
12	Crisis Management
13	Transparency & Accountability

The scorecard is administered by the Senior Management for measuring the impact of the above mentioned factors on the company's reputation. A risk mapping table has been developed and adopted by NOMW to link the score to the amount of capital that needs to be kept aside.

The scores obtained from the scorecard are then calculated based on weight given to responses within each area and aggregated to arrive at a final score for Reputational Risk. The score obtained for Reputational Risk assessment is 85.6 out of 100. This score is then calibrated with Pillar I capital charge as mentioned below:

Score Grade	Min	Max	Applicable Capital charge
75-100	75	100	1.00%
50-74	50	75	2.00%
25-49	25	50	4.00%
0-24	0	25	8.00%

Reputation Risk Score	85.6
Applicable % of Reputation Risk	1%
Pillar I Capital Charge (‘000)	**SAR 15,155**
Reputation Risk Capital Charge (‘000)	**SAR 151.55**

So the reputation Capital charge is 151.55 thousand.

Simulated Reputation Risk Capital Charge from 2019 to 2021:

Reputation risk Capital Charge projections till the year 2021 are given below:

Score Grade	2019	2020	2021
Pillar I Capital Charge SAR (‘000)	23,676	19,703	24,926
Applicable Capital Charge for Reputation Risk	1.00%	1.00%	1.00%
Capital required for Reputation Risk SAR (‘000)	**236.76**	**197.03**	**249.26**

9.4. Business / Strategic risk

Business / Strategic risk refers to the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It arises from formulation and implementation of strategic plan, business plan, which is inappropriate and inconsistent with internal factors and external environment that may affect earnings, capital fund or viability of the business.

NOMW has defined vision and mission statements which are in line with its business objectives. i.e. as follows:

Vision:

To be one of the top leading investment house in the MENA region.

Mission:

To be one the preferred investment house by maintaining the following:

- ✓ High management standards;
- ✓ High quality standards;
- ✓ Fulfill our commitments to deliver projects on time;
- ✓ Sourcing unique investment opportunities;
- ✓ Advising client in professional manner; and
- ✓ Deliver the targeted return.

To be a trusted financial House by maintaining the followings:

- ✓ Dealing with client in well transparent manner;
- ✓ Deliver right advice in right place; and

- ✓ Deliver service in mount of truth.

Measurement

The factors that primarily have an impact on the strategies / business of NOMW have been identified based on which a scorecard based methodology has been adopted. These factors are outlined in the table below:

#	Risk Drivers
1	Formulation of Overall Business and Corporate Objectives
2	Business Environment Scan
3	Economic Environment Scan
4	Investor Profiling
5	Real Estate Profiling
6	Business Planning
7	Staff Management - Strategic implementation plans
8	Technology Management - Strategic / Business implementation plans

A scorecard is used which attempts to rate the efficacy of each of the above defined areas to evaluate the effectiveness. Each of the areas is assigned weightage to arrive at a final score.

The scores obtained from the scorecard are then calculated based on weights given to response within each area and are aggregated to arrive at a final score for Business / Strategic Risk. The score obtained for Business / Strategic Risk assessment is 91.25 out of 100. This score is then calibrated with Pillar I capital charge as mentioned below:

Score Grade	Min	Max	Applicable Capital charge
75-100	75	100	0.375%
50-74	50	75	0.75%
25-49	25	50	1.50%
0-24	0	25	3.00%

The score of 91.25 calibrates to 0.375% of Pillar I Charge.

Business / Strategic Risk Score	91.25
Applicable % for Business / Strategic Risk	0.375%
Pillar I Capital Charge	**15,155**
Business / Strategic Risk Capital Charge	**56.83**

The Business / Strategic Risk Capital Charge come out to be SAR 56.83 thousand.

Simulated Strategic Risk Capital Charge from 2019 to 2021:

Strategic risk Capital Charge projections till the year 2021 are given below:

Score Grade	2019	2020	2021
Pillar I Capital Charge ('000)	23,676	19,703	24,926
Applicable Capital Charge for Strategic Risk	0.375%	0.375%	0.375%
Capital required for Strategic Risk ('000)	**88.79**	**73.89**	**93.47**

9.5. Concentration Risk

Concentration risk can be defined as any single (direct and/or indirect) exposure or group of exposures with the potential to produce losses large enough to threaten an institution's health or its ability to maintain its core business.

Measurement

The factors that primarily have an impact on the concentration of the assets of NOMW have been identified based on which a scorecard based methodology has been adopted. These factors are outlined in the table below:

#	Risk Drivers
1	Liquidity of the asset/investment
2	build-in risk
3	Authorities and regulators monitor
4	Collaterals

The scorecard is administered by the Senior Management for measuring the impact of the above mentioned factors on the company's assets concentration. A risk mapping table has been developed and adopted by NOMW to link the score to the amount of capital that needs to be kept aside.

The scores obtained from the scorecard are then calculated based on weight given to responses within each area and aggregated to arrive at a final score for Concentration Risk. The score obtained for Concentration Risk assessment is 79.85 out of 100. This score is then calibrated with Pillar I capital charge as mentioned below:

Score grade	Min	Max	Applicable Capital Charge %
75-100	75	100	0.50%
50-74	50	75	1.00%
25-49	25	50	2.00%
0-24	0	25	4.00%

The score of 74.75 calibrates to 0.50% of Pillar I Charge.

Concentration Risk Score	79.85
Applicable % of Concentration Risk	0.50%
Pillar I Capital Charge SAR (‘000)	SAR 15,155
Concentration Risk Capital Charge SAR (‘000)	SAR 75.78

The Concentration Risk Capital Charge comes out to be SAR 75.78 thousand.

Simulated Concentration Risk Capital Charge from 2019 to 2021:

Concentration risk Capital Charge projections till the year 2021 are given below

	2019	2020	2021
Pillar I Capital Charge SAR (‘000)	23,676	19,703	24,926
Applicable Capital Charge for Concentration Risk	0.50%	0.50%	0.50%
Capital required for Concentration Risk SAR (‘000)	**118.38**	**98.52**	**124.63**

9.6. Capital Planning and Stress Tests

NOMW evaluates strategic options on the grounds of market attractiveness and growth possibilities, along with the assessment of internal sources to exploit the opportunities, which results in an informed decision backed by a business rationale.

Based on the evaluation of strategic options, NOMW will continue operating under the scope of existing product/service licenses obtained from CMA, however will develop new products and services to enhance client experience. The Company as a strategy envisages to expand its product and service lines and it is expected that Investment banking and Asset Management for the coming years will constitute major sources of revenue. With an expectation of high growth in operations, NOMW will require continuous investment in working capital to support this growth.

As mentioned earlier, NOMW has sketched out a comprehensive business plan and has set out key targets and milestones for its business lines to complement its growth.

Currently, the minimum capital requirement for NOMW as at December 31, 2018 is SAR 15.3 million (after Pillar II and stress scenarios) and the associated Capital Ratio was 3.30 times. This ratio is well above minimum regulatory requirement of 1x and therefore NOMW does not currently need to seek alternate sources of capital.

Stress Testing

Overview

Stress Testing refers to various techniques used by the APs to measure their vulnerability to exceptional but plausible events. Stress testing is an important part of the risk management process in NOMW and is considered as an integral part of ICAAP under Pillar II. NOMW has already adopted CMA's Prudential Rules, for guideline on stress testing and endeavors to improve upon by adding further scenarios to the stress testing framework.

NOMW will apply stress tests at varying frequencies dictated by business requirements and relevance. It will undertake fresh stress tests when there are significant modifications in the underlying assumptions. The results of the various stress tests will be reported to the senior management and Board of Director's Audit Committee and will be an essential ingredient of NOMW's risk management systems.

The company will document the stress tests undertaken, the underlying assumptions, the results and the corrective action to be undertaken.

Detailed Stress Testing

The technique for stress testing employed at NOMW is according to the size, nature & profile of the company. The method is derived from guidelines provided by CMA and comparable industry practice. The stress testing technique employed at NOMW consists of scenario analyses, which will be carried out for the major risks that are faced by the company, viz., credit risk, market risk and operational risk.

The results of stress tests are analyzed for net change in required capital. The impact is quantified for the purpose of stress testing only where additional capital is required under a specific scenario.

Scenario 1 - Stress Testing of receivable deterioration

Stress Testing for receivable deterioration assess the impact of default by debtors of the company resulting in a deterioration of receivable to past due receivables thereby affecting the capital adequacy position. With respect to receivables deterioration Risk, the company has undertaken stress testing of low, medium and high intensity decline to assess the impact on capital ratio.

The following scenarios have been assumed:

- ✓ Low: Impairment of 3% on the receivables collectability.
- ✓ Medium: Impairment of 5% on the receivables collectability.
- ✓ High: Impairment of 10% on the receivables collectability.

The results of the additional capital requirements are shown in the table below:

Summary	(SAR) 2018		
	Low	Medium	High
Gross Account Receivables (000)	17,840	17,840	17,840
% of Impairment (Bad Debt)	3%	5%	10%
Amount of impairment cost	535	892	1,784
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR (‘000)	**(91)**	**(152)**	**(303)**

Calculation from 2019 to 2021:

Following is the impact on capital in case bad debt were to increase in value by the percentages given below

Summary	(SAR) 2019		
	Low	Medium	High
Gross Account Receivables (000)	34,428	34,428	34,428
% of Impairment (Bad Debt)	3%	5%	10%
Amount of impairment cost	1,033	1,721	3,443
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR (‘000)	**(176)**	**(293)**	**(585)**

Summary	(SAR) 2020		
	Low	Medium	High
Gross Account Receivables (000)	15,000	15,000	15,000
% of Impairment (Bad Debt)	3%	5%	10%
Amount of impairment cost	450	750	1,500
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR (‘000)	**(77)**	**(128)**	**(255)**

Summary	(SAR) 2021		
	Low	Medium	High
Gross Account Receivables (000)	20,000	20,000	20,000
% of Impairment (Bad Debt)	3%	5%	10%
Amount of impairment cost	600	1,000	2,000
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	**(102)**	**(170)**	**(340)**

Scenario 2 – Stress Testing of increment in operational expenditure

Stress Tests for Operational Risk assess the impact of change in overhead expenses on the company's capital adequacy position. With respect to Operational Risk the company has undertaken stress testing of low, medium and high intensity situations to assess the impact on capital ratio.

The following scenarios have been assumed:

- ✓ Low: Direct increase in expenditures by 5%
- ✓ Medium: Direct increase in expenditures by 10%
- ✓ High: Direct increase in expenditures by 20%

The results of the additional capital requirements are shown in the table below:

Summary	Low	Medium	High
Total Expenses (000)	10,322	10,322	10,322
% Increase in Expenditures	5%	10%	20%
Amount of increased Expenditure	516	1,032	2,064
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	**115**	**229**	**458**

Calculation from 2019 to 2021:

Following are projected impacts on operational risk capital for Year 2019, in case expenditure was to increase by 5%, 10% and 20% respectively:

Summary	Low	Medium	High
Total Expenses (000)	17,771	17,771	17,771
% Increase in Expenditures	5%	10%	20%
Amount of increased Expenditure	889	1,777	3,554
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	**197**	**395**	**789**

Following are projected impacts on operational risk capital for Year 2020, in case expenditure was to increase by 5%, 10% and 20% respectively:

Summary	Low	Medium	High
Total Expenses (000)	19,671	19,671	19,671
% Increase in Expenditures	5%	10%	20%
Amount of increased Expenditure	984	1,967	3,934
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR (‘000)	**218**	**437**	**873**

Following are projected impacts on operational risk capital for Year 2021, in case expenditure was to increase by 5%, 10% and 20% respectively:

Summary	Low	Medium	High
Total Expenses (000)	21,781	21,781	21,781
% Increase in Expenditures	5%	10%	20%
Amount of increased Expenditure	1,089	2,178	4,356
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR (‘000)	**242**	**484**	**967**

Scenario 3: Stress Testing on Decline in TASI Level

Stress Tests for Market Risk on Equity Investments assess the impact of decline in the market value of Equity Investments on the company’s capital adequacy position. With respect to Market Risk on Equity Investments, the company has undertaken stress testing of low, medium and high intensity decline to assess the impact on capital ratio. The company has based the scenario on all the effected balances (Investment in equities, revenue from assets management and revenue from custody service).

The following scenarios have been assumed:

- ✓ Low: Decrease in Equity Investment prices by 5%
- ✓ Medium: Decrease in Equity Investment prices by 10%
- ✓ High: Decrease in Equity Investment prices by 15%

The results for 2018 are shown in the table below:

Summary	(SAR'000) 2018		
	Low	Medium	High
Total Investments in Equity	1,057	1,057	1,057
% Drop in Equity Prices	5%	10%	15%
Investments' impairment cost	53	106	159
Investments' Amounts after Decrease in Prices	1,004	951	898
Total effect on Capital Base	53	106	159
Increase in Capital Charge SAR ('000)	**2**	**4**	**6**

Calculation from 2019 to 2021:

Following is the impact on capital in case TASI level were to decline in value by the percentages given below

Summary	(SAR'000) 2019		
	Low	Medium	High
Total Investments in Equity	1,057	1,057	1,057
% Drop in Equity Prices	5%	10%	15%
Investments' impairment cost	53	106	159
Investments' Amounts after Decrease in Prices	1,004	951	898
Total effect on Capital Base	53	106	159
Increase in Capital Charge SAR ('000)	**2**	**4**	**6**

Summary	(SAR'000) 2020		
	Low	Medium	High
Total Investments in Equity	800	800	800
% Drop in Equity Prices	5%	10%	15%
Investments' impairment cost	40	80	680
Investments' Amounts after Decrease in Prices	760	720	680
Total effect on Capital Base	40	80	120
Increase in Capital Charge SAR ('000)	**2**	**3**	**5**

Summary	(SAR'000) 2021		
	Low	Medium	High
Total Investments in Equity	800	800	800
% Drop in Equity Prices	5%	10%	15%
Investments' impairment cost	40	80	120
Investments' Amounts after Decrease in Prices	760	720	680
Total effect on Capital Base	40	80	120
Increase in Capital Charge SAR ('000)	**2**	**3**	**5**

Scenario 4: Stress Testing on fall in Value of Investment Funds

Stress Tests for Market Risk on Equity funds assess the impact of decline in the market value of Equity Funds on the company's capital adequacy position. With respect to Market Risk on Equity funds, the company has undertaken stress testing of low, medium and high intensity decline to assess the impact on capital ratio. The company has based the scenario on all the effected balances (Investment in mutual fund, revenue from assets management and revenue from custody service).

The following scenarios have been assumed:

- ✓ _Low: Decrease in mutual funds NAV by 5%
- ✓ Medium: Decrease in mutual funds NAV by 10%
- ✓ High: Decrease in mutual funds NAV by 15%

As of the year end of 2018 the Company does not hold any investment in investment funds neither there are any plans of investment in the future.

The results are shown in the table below:

Summary	(SAR'000) 2018		
	Low	Medium	High
Total Investments in Mutual Fund	-	-	-
% Drop in Mutual Fund NAV	5%	10%	15%
Investments' impairment cost	-	-	-
Investments' Amounts after Decrease in Prices	-	-	-
Total effect on Capital Base	-	-	-
Increase in Capital Charge SAR ('000)	**-**	**-**	**-**

Calculation from 2019 to 2021:

Following is the impact on capital in case investment fund were to decline in value by the percentages given below

Summary	(SAR'000) 2019		
	Low	Medium	High
Total Investments in Mutual Fund	-	-	-
% Drop in Mutual Fund NAV	5%	10%	15%
Investments' impairment cost	-	-	-
Investments' Amounts after Decrease in Prices	-	-	-
Total effect on Capital Base	-	-	-
Increase in Capital Charge SAR ('000)	**-**	**-**	**-**

Summary	(SAR'000) 2020		
	Low	Medium	High
Total Investments in Mutual Fund	-	-	-
% Drop in Mutual Fund NAV	5%	10%	15%
Investments' impairment cost	-	-	-
Investments' Amounts after Decrease in Prices	-	-	-
Total effect on Capital Base	-	-	-
Increase in Capital Charge SAR ('000)	**-**	**-**	**-**

Summary	(SAR'000) 2021		
	Low	Medium	High
Total Investments in Mutual Fund	-	-	-
% Drop in Mutual Fund NAV	5%	10%	15%
Investments' impairment cost	-	-	-
Investments' Amounts after Decrease in Prices	-	-	-
Total effect on Capital Base	-	-	-
Increase in Capital Charge SAR ('000)	**-**	**-**	**-**

Scenario 5: Stress Testing on fall in Value of Real Estate

Stress Tests for Market Risk on Real Estate assess the impact of decline in the market value of Real Estate on the company's capital adequacy position. With respect to Market Risk on Real Estate, the company has undertaken stress testing of low, medium and high intensity decline to assess the impact on capital ratio. The company has based the scenario on all the effected balances (Investment in real estate funds, revenue from assets management and revenue from custody service).

The following scenarios have been assumed:

- ✓ Low: Decrease in Real Estate Investment value by 5%

- ✓ Medium: Decrease in Real Estate Investment value by 10%
- ✓ High: Decrease in Real Estate Investment value by 15%

The results are shown in the table below:

Summary	(SAR'000) 2018		
	Low	Medium	High
Total Investments in Real Estate fund	8,058	8,058	8,058
% Drop in Real Estate	5%	10%	15%
Investments' impairment cost	403	806	1,209
Investments' Amounts after Decrease in Prices	7,655	7,252	6,849
Reduction on Management Fees	808	1,615	2,423
Reduction on Custody Fees	65	130	194
Total effect on Capital Base	1,275	2,551	3,826
Increase in Capital Charge SAR ('000)	**(93)**	**(186)**	**(279)**

Calculation from 2019 to 2021:

Following is the impact on capital in case real estate were to decline in value by the percentages given below

Summary	(SAR'000) 2019		
	Low	Medium	High
Total Investments in Real Estate fund	8,058	8,058	8,058
% Drop in Real Estate	5%	10%	15%
Investments' impairment cost	403	806	1,209
Investments' Amounts after Decrease in Prices	7,655	7,252	6,849
Reduction on Management Fees	874	1,748	2,621
Reduction on Custody Fees	56	111	167
Total effect on Capital Base	1,332	2,665	3,997
Increase in Capital Charge SAR ('000)	**(95)**	**(189)**	**(284)**

Summary	(SAR'000) 2020		
	Low	Medium	High
Total Investments in Real Estate fund	14,200	14,200	14,200
% Drop in Real Estate	5%	10%	15%
Investments' impairment cost	710	1,420	2,130
Investments' Amounts after Decrease in Prices	13,490	12,780	12,070
Reduction on Management Fees	1,039	2,078	3,116
Reduction on Custody Fees	95	190	285
Total effect on Capital Base	1,844	3,687	5,531
Increase in Capital Charge SAR ('000)	**(152)**	**(305)**	**(457)**

Summary	(SAR'000) 2021		
	Low	Medium	High
Total Investments in Real Estate fund	19,200	19,200	19,200
% Drop in Real Estate	5%	10%	15%
Investments' impairment cost	960	1,920	2,880
Investments' Amounts after Decrease in Prices	18,240	17,280	16,320
Reduction on Management Fees	1,105	2,210	3,315
Reduction on Custody Fees	110	220	330
Total effect on Capital Base	2,175	4,350	6,525
Increase in Capital Charge SAR ('000)	**(197)**	**(394)**	**(592)**

Scenario 6: Stress Testing on Change on Interest Rate

Stress Tests for the change on interest rate assess the impact of decline in the interest rate on the company's capital adequacy position. With respect to the decline on interest rate, the company has undertaken stress testing of low, medium and high intensity decline to assess the impact on capital ratio.

The following scenarios have been assumed:

- ✓ Low: Decline in Interest rate by 5%
- ✓ Medium: Decline in Interest rate by 7%
- ✓ High: Decline in Interest rate by 12%

The results are shown in the table below:

Summary	(SAR) 2018		
	Low	Medium	High
Total Other Income	387	387	387
% Reduction in other Income	5%	7%	12%
Amount of reduction in other income	19	27	46
Capital Charge %	21%	21%	21%
Increase in Capital Charge SAR (‘000)	**(0.54)**	**(0.76)**	**(1.30)**

Calculation from 2019 to 2021:

Following is the impact on capital in case interest rate were to decline in value by the percentages given below

Summary	(SAR) 2019		
	Low	Medium	High
Total Other Income	446	446	446
% Reduction in other Income	5%	7%	12%
Amount of reduction in other income	22	31	54
Capital Charge %	21%	21%	21%
Increase in Capital Charge SAR (‘000)	**(0.62)**	**(0.87)**	**(1.50)**

Summary	(SAR) 2020		
	Low	Medium	High
Total Other Income	1,250	1,250	1,250
% Reduction in other Income	5%	7%	12%
Amount of reduction in other income	63	88	150
Capital Charge %	21%	21%	21%
Increase in Capital Charge SAR (‘000)	**(2)**	**(2)**	**(4)**

Summary	(SAR) 2021		
	Low	Medium	High
Total Other Income	1,500	1,500	1,500
% Reduction in other Income	5%	7%	12%
Amount of reduction in other income	75	105	180
Capital Charge %	21%	21%	21%
Increase in Capital Charge SAR (‘000)	**(2)**	**(3)**	**(5)**

The Company ensures that, at any point in time, the capital adequacy ratio is above the minimum limit prescribed by the regulator. If the forecasted capital ratio after stress testing seems likely to fall below the minimum limit, corrective action will be taken to reduce the balance sheet or increase capital.

Based on the projection and the results of the stress tests it shows that the company holds sufficient capital against plausible stress event and the Company has sufficient capital to support its planned business activities in the coming 3 years and hence does not intend to raise more capital.

Please refer to the Executive Summary, were its demonstrated that the Company's Capital Coverage remain comfortably above the minimum regulatory levels even if severe stress events transpire, taking into account the forecasted assets from the year 2019-2021.