



NOMW Capital

Basel III - Pillar III disclosures

As of December 31, 2021

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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.

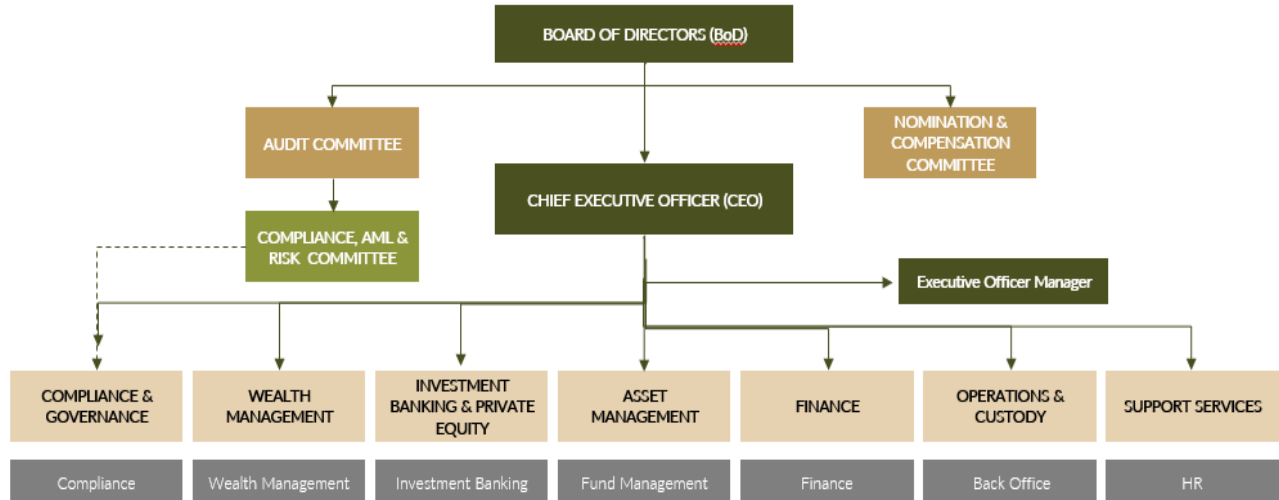
NOMW Capital Background

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:

- ✓ Mr. Tarik Mohammed Alfozan - 50%
- ✓ Mr. Ahmed Abdullah Al Fouzan – 50%

NOMW’s current operational structure as at December 31, 2021 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 2021 and 2020 have been depicted along with the three years' performance projection in the below table:

Particulars	2024	2023	2022	2021	2020
	(Forecast)	(Forecast)	(Budget)	(Actual)	(Actual)
----- SAR -----					
INCOME STATEMENT					
Income:					
Arrangement Fee	8,671,875	6,937,500	5,550,000	1,162,044	349,878
Asset Management	21,449,219	17,159,375	13,727,500	5,676,049	16,392,851
Custody Fee	5,156,250	4,125,000	3,300,000	2,056,586	1,485,760
Other Income	156,250	125,000	100,000	2,232,372	520,408
Fair value changes on FVTPL investments	-	-	-	(9,434)	59,022
Total Income	35,433,594	28,346,875	22,677,500	11,117,617	18,807,919
Expenses:					
Staff Cost	14,994,413	13,038,620	11,853,291	7,302,197	6,638,942
General and Administrative Costs	4,600,004	4,181,822	3,801,654	21,594,364	3,100,362
Rent	931,095	846,450	769,500	97,809	298,400
Depreciation	779,355	708,504	644,095	643,221	22,218
Zakat	2,645,000	2,300,000	2,000,000	1,259,455	1,432,678
Total Expenses	23,949,867	21,075,396	19,068,540	30,897,046	11,492,600
Net Operating Income	11,483,727	7,271,479	3,608,960	(19,779,429)	7,315,319

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 14% based on the next 3 years' projection.

Particulars	2024 (Forecast)	2023 (Forecast)	2022 (Budget)	2021 (Actual)	2020 (Actual)
----- SAR -----					
BALANCE SHEET					
Assets					
Current Assets:					
Cash & equivalents	33,665,370	31,163,390	21,141,144	6,995,435	13,356,500
Investment in trading securities	348,802	348,802	348,802	538,881	310,820
Account receivables including related parties	20,000,000	15,000,000	23,699,359	35,647,236	49,290,632
Other current assets	2,500,000	2,000,000	658,648	935,277	652,901
Total Current Assets	56,514,172	48,512,192	45,847,953	44,116,829	63,610,853
Non-current Assets					
Properties, plant and equipment	900,000	1,000,000	1,954,350	614,588	65,860
Available For Sale investments	20,000,000	15,000,000	7,875,291	7,765,202	7,652,806
Right of use asset	-	188,769	881,614	1,703,070	-
Total non-current assets	20,900,000	16,188,769	10,711,255	10,082,860	7,718,666
Total Assets	77,414,172	64,700,961	56,559,208	54,199,689	71,329,519
Liabilities and shareholders' equity					
Liabilities					
Current Liabilities					
Other current liabilities	6,440,000	5,600,000	4,302,011	5,346,671	4,410,016
Lease liability - Short term	-	-	766,396	769,500	-
Total current liabilities	6,440,000	5,600,000	5,068,407	6,116,171	4,410,016

Particulars	2024	2023	2022	2021	2020
	(Forecast)	(Forecast)	(Budget)	(Actual)	(Actual)
----- SAR -----					
Non-current liabilities:					
Indemnity	1,631,251	1,241,767	903,086	353,838	483,773
Lease liability - Long term	-	-	-	750,925	-
Total non-current liabilities	1,631,251	1,241,767	903,086	1,104,763	483,773
TOTAL LIABILITIES	8,071,251	6,841,767	5,971,493	7,220,934	4,893,789
SHAREHOLDERS' EQUITY					
Capital	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Statutory reserve	5,797,601	4,649,228	3,922,080	3,561,185	3,561,185
Change in fair value of AFS Investments	(5,392,699)	(5,392,699)	(5,392,699)	(5,392,700)	(5,505,096)
Retained earnings	18,211,690	7,876,336	1,332,005	(1,916,059)	17,863,370
Actuarial gain / (Loss)	726,329	726,329	726,329	726,329	516,271
TOTAL SHAREHOLDERS' EQUITY	69,342,921	57,859,194	50,587,715	46,978,755	66,435,730
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	77,414,172	64,700,961	56,559,208	54,199,689	71,329,519

Business Plan

NOMW plan is to focus on “start and quick win services and products” between 2021 and 2023, specifically real estate development fund, yielding fund, private equity fund, financial advisory for SME and financing arrangements. Phase 2 of NOMW plan will extend from 2024 till 2026 and the focus will be on IPO arrangements, Sukuk, venture capital and international fund. Third phase will be from 2027 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 2022 are the following:

- ✓ Four (4) Arrangement Services transactions. Fees are SAR 4.3 million to be closed by Quarter 2 and Quarter 4.
- ✓ Launching (5) new funds; leading NOMW to manage four (10) funds. The fund's sizes will be as follows:
 - Managed real estate funds SAR 1,185 million.
 - Managed equity funds SAR 1,270 million.

NOMW's plan is to increase its total assets up to SAR 23 million during the next 3 years. The growth target for the next three years by NOMW is a Compounded Annual Growth Rate of 14%.

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 quasi 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 2021	31 December 2020
Total Capital Adequacy Ratio (including Pillar II and stress tests impact)	1.17	1.33

Simulated total capital adequacy ratio for 2022-2024:

	31 December 2022	31 December 2023	31 December 2024
Total Capital Adequacy Ratio (including Pillar II and stress tests impact)	1.89	2.16	2.06

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 2021 total Risk Weighted Assets (RWA) amounted to SAR 27.7 M which comprised of 71.9% Credit Risk, 0.2% market risk and 27.9% Operational Risk.

Capital adequacy assessment details as of 31st December 2021 are shown as below table:

CAPITAL ADEQUACY ASSESSMENT SUMMARY – 31st December 2021		
Particulars	Regulatory Capital – Pillar I	Risk Capital – (Pillar I + Pillar II)
	----- SAR ('000) -----	
Credit Risk	19,931	19,931
Market Risk	54	54
Operational Risk	7,724	7,724
Pillar I Total	27,709	27,709
Reputation Risk		277
Business/Strategic Risk		104
Concentration Risk		139
Pillar II Total		28,229
Additional capital to cover stress testing		882
ICAAP Capital Requirement	27,709	29,111
Additional Capital Requirement	-	1,402
Capital Base	46,252	34,086
Surplus (Deficit) in Capital Base	18,543	4,975
Capital Ratio	1.67	1.17

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 2022-2024:

CAPITAL ADEQUACY ASSESSMENT SUMMARY – 31st December 2022		
Particulars	Regulatory Capital – Pillar I	Risk Capital – (Pillar I + Pillar II)
	----- SAR ('000) -----	
Credit Risk	15,013	15,013
Market Risk	63	63
Operational Risk	4,767	4,767
Pillar I Total	19,843	19,843
Reputation Risk		198
Business/Strategic Risk		74
Concentration Risk		99
Pillar II Total		20,214
Additional capital to cover stress testing		859
ICAAP Capital Requirement	19,843	21,073
Additional Capital Requirement		1,230
Capital Base	49,861	39,878
Surplus (Deficit) in Capital Base	30,018	18,805
Capital Ratio	2.51	1.89

CAPITAL ADEQUACY ASSESSMENT SUMMARY – 31 st December 2023		
Particulars	Regulatory Capital – Pillar I	Risk Capital – (Pillar I + Pillar II)
	----- SAR ('000) -----	
Credit Risk	14,504	14,504
Market Risk	63	63
Operational Risk	5,269	5,269
Pillar I Total	19,836	19,836
Reputation Risk		198
Business/Strategic Risk		74
Concentration Risk		99
Pillar II Total		20,207
Additional capital to cover stress testing		1,055
ICAAP Capital Requirement	19,836	21,262
Additional Capital Requirement		1,426
Capital Base	57,133	45,908
Surplus (Deficit) in Capital Base	37,297	24,646
Capital Ratio	2.88	2.16

CAPITAL ADEQUACY ASSESSMENT SUMMARY – 31 st December 2024		
Particulars	Regulatory Capital – Pillar I	Risk Capital – (Pillar I + Pillar II)
	----- SAR ('000) -----	
Credit Risk	18,863	18,863
Market Risk	63	63
Operational Risk	5,987	5,987
Pillar I Total	24,913	24,913
Reputation Risk		249
Business/Strategic Risk		93
Concentration Risk		125
Pillar II Total		25,380
Additional capital to cover stress testing		1,147
ICAAP Capital Requirement	24,913	26,527
Additional Capital Requirement		1,614
Capital Base	68,617	54,765
Surplus (Deficit) in Capital Base	43,704	28,238
Capital Ratio	2.75	2.06

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 2021.

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 2021.

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 2021 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	19,931	71.9 %
Market Risk	54	0.2 %
Operational Risk	7,724	27.9 %
Total	27,709	100.0 %

Simulated Company's overall regulatory capital requirements under Pillar I for 2022-2024 are as follows:

Risk Type	Capital Requirement SAR ('000)	% of Total Requirement
2022		
Credit Risk	15,013	75.7 %
Market Risk	63	0.3 %
Operational Risk	4,767	24.0 %
Total	19,843	100.0 %
2023		
Credit Risk	14,504	73.1 %
Market Risk	63	0.3 %
Operational Risk	5,269	26.6 %
Total	19,836	100.0 %
2024		
Credit Risk	18,863	75.7 %
Market Risk	63	0.3 %
Operational Risk	5,987	24.0 %
Total	24,913	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.

2021

Asset Class	Exposure SAR ('000)	Risk Weights	Effective RWA SAR ('000)	Capital Requirement SAR ('000)
Exposure to Banks	6,990	20%	1,398	196
Exposure to APs	102	150%	153	21
Exposure to Corporates	194	714%	1,384	194
Tangible assets	2,318	300%	139,427	19,520
deferred expenditure / accrued income	553	300%		
Retail exposures	23	300%		
Holdings in listed shares or equivalent	1,356	150%		
Closed-ended Investment Fund	41,512	300%		
Open-ended Investment Fund	198	150%		
Cash or Gold	5	0%		
Unlisted equity	237	400%		
Other on balance sheet exposures - Other items	410	714%		
Prohibited exposure				
Total	53,898		142,362	19,931

Simulated exposures for 2022-2024 subject to credit risk and the related capital requirements are described in the following tables:

2022

Asset Class	Exposure	Risk Weights	Effective RWA	Capital Requirement
	SAR ('000)		SAR ('000)	SAR ('000)
Exposure to Banks	21,141	20%	4,228	592
Exposure to APs	-	150%	-	-
Exposure to Corporates	-	714%	-	-
Tangible assets	2,836	300%	8,508	1,191
Deferred expenditure / accrued income	659	300%	1,977	277
Holdings in listed shares or equivalent	1,466	150%	2,199	308
Closed-ended Investment Fund	30,108	300%	90,324	12,645
Open-ended Investment Fund	-	150%	-	-
Unlisted equity	-	400%	-	-
Cash or Gold	-	0%	-	-
Other on balance sheet exposures - Other items	-	714%	-	-
Total	56,210		107,236	15,013

2023

Asset Class	Exposure	Risk Weights	Effective RWA	Capital Requirement
	SAR ('000)		SAR ('000)	SAR ('000)
Exposure to Banks	31,163	20%	6,233	873
Exposure to APs	-	150%	-	-
Exposure to Corporates	-	714%	-	-
Tangible assets	1,189	300%	3,567	499
Deferred expenditure / accrued income	2,000	300%	6,000	840
Holdings in listed shares or equivalent	1,466	150%	2,199	308
Closed-ended Investment Fund	28,534	300%	85,602	11,984
Open-ended Investment Fund	-	150%	-	-
Unlisted equity	-	0%	-	-
Cash or Gold	-	0%	-	-
Other on balance sheet exposures - Other items	-	714%	-	-
Total	64,352		103,601	14,504

2024

Asset Class	Exposure	Risk Weights	Effective RWA	Capital Requirement
	SAR ('000)		SAR ('000)	SAR ('000)
Exposure to Banks	33,665	20%	6,733	943
Exposure to APs	-	150%	-	-
Exposure to Corporates	-	714%	-	-
Tangible assets	900	300%	2,700	378
Deferred expenditure / accrued income	2,500	300%	7,500	1,050
Holdings in listed shares or equivalent	1,466	150%	2,199	308
Closed-ended Investment Fund	38,534	300%	115,602	16,184
Open-ended Investment Fund	-	150%	-	-
Unlisted equity	-	400%	-	-
Cash or Gold	-	0%	-	-
Other on balance sheet exposures - Other items	-	714%	-	-
Total	77,065		134,734	18,863

5.2. Capital Requirements for Market Risk

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

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
2019	2020	2021			
22,176	18,808	11,118	17,367	15%	2,605

Expenditure Based Approach		
----- SAR ('000) -----		
Overhead expenses (2021)	Risk Capital Charge	Capital Requirements
30,897	25%	7,724
Maximum of Basic Indicator Approach and Expenditure Approach		7,724

The simulated capital charge requirements for 2022-2024 for operational risk are detailed in the below tables:

2022

Basic Indicator Approach					
----- SAR ('000) -----					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2020	2021	2022			
18,808	11,118	22,678	17,534	15%	2,630

Expenditure Based Approach		
----- SAR ('000) -----		
Overhead expenses (2022)	Risk Capital Charge	Capital Requirements
19,069	25%	4,767
Maximum of Basic Indicator Approach and Expenditure Approach		4,767

2023

Basic Indicator Approach					
----- SAR ('000) -----					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2021	2022	2023			
11,118	22,678	28,347	20,714	15%	3,107

Expenditure Based Approach		
----- SAR ('000) -----		
Overhead expenses (2023)	Risk Capital Charge	Capital Requirements
21,075	25%	5,269
Maximum of Basic Indicator Approach and Expenditure Approach		5,269

2024

Basic Indicator Approach					
----- SAR ('000) -----					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2022	2023	2024			
22,678	28,347	35,434	28,819	15%	4,323

Expenditure Based Approach		
----- SAR ('000) -----		
Overhead expenses (2024)	Risk Capital Charge	Capital Requirements
23,950	25%	5,987
Maximum of Basic Indicator Approach and Expenditure Approach		5,987

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	
	Dec 2021	Dec 2020
Reporting date:	Dec 2021	Dec 2020
CAPITAL BASE	SAR '000	SAR '000
Tier-1 Capital		
Paid-up capital	50,000	50,000
Share premium	0	0
Reserves	3,561	3,561
Audited retained earnings	(1,916)	17,863
Verified previous year profit/(loss)	0	0
Verified interim profit/(loss)	0	0
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 (-)	0	0
Unrealised losses from AFS investments (-)	(5,393)	(5,505)
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 (-)	(5,393)	(5,505)
Tier-1 capital	46,252	65,919
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	46,252	65,919

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	6,990	20%	1,398	196	*	
Exposure to APs	102	150%	153	21	Unrated	
Exposure to Corporates	194	714%	1,384	194		
Tangible assets	2,318	300%	139,427	19,520		
deferred expenditure / accrued income	553	300%				
Retail exposures	23	300%				
Holdings in listed shares or equivalent	1,356	150%				
Closed-ended Investment Fund	41,512	300%				
Open-ended Investment Fund	198	150%				
Cash or Gold	5	0%				
Unlisted equity	237	400%				
Other on balance sheet exposures - Other items	410	714%				
Total	53,898					142,362

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

Bank	Exposure SAR ('000)	Risk Weights	Effective RWA SAR ('000)	Capital Requirement SAR ('000)	Credit Rating	Credit Agency
Bank Albilad	1	20%	0	0	A3	Moody's
Albilad Capital	3,750	20%	750	105	A3	Moody's
Saudi National Bank	2,012	20%	402	56	A-	Fitch
Arab National Bank	54	20%	11	2	BBB+	Fitch
Riyad Bank	13	20%	3	0	BBB+	Standard & Poor's
Aljazira Bank	1	20%	0	0	BBB+	Fitch
Alinma Bank	1,159	20%	232	33	A-	Fitch
Exposure to APs and Banks	6,990	20%	1,398	196		

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 %	400 %	714 %	
Exposure to APs and Banks	-	6,990	102	-	-	-	7,092
Exposure to Corporates	-	-	-	-	-	194	194
Tangible assets	-	-	-	2,318	-	-	2,318
Deferred expenditure / accrued income	-	-	-	553	-	-	553
Retail exposures	-	-	-	23	-	-	23
Holdings in listed shares or equivalent	-	-	1,356	-	-	-	1,356
Closed-ended Investment Fund	-	-	-	41,512	-	-	41,512
Open-ended Investment Fund	-	-	198	-	-	-	198
Cash or Gold	5	-	-	-	-	-	5
Unlisted equity	-	-	-	-	237	-	237
Other on balance sheet exposures - Other items	-	-	-	-	-	410	410
Off Balance Sheet	-	-	-	-	-	-	-
Total	5	6,990	1,656	44,406	237	604	53,898
Total Related Capital Charge	-	1,398	2,484	133,219	948	4,313	142,362

6.2. Receivables' Ageing

Receivables	0-90 days	More than 90 days	Total as of 31 December 2021
Exposures related to Corporates	117	105	222
Exposures related to Retail	23	-	23
APs and banks	39	62	101
Investment Funds	5,706	29,596	35,302
Total	5,885	29,763	35,648

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.

2021

Risk	Net Long Position	Net Short Position	Capital Requirement
Equity Price Risks – Specific Risk	294	-	12
Equity Price Risks – General Risk	294	-	41
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			54

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.

2021

Basic Indicator Approach					
----- SAR ('000) -----					
Gross Operating Income			Average Gross Operating Income	Risk Capital Charge	Capital Requirement
2019	2020	2021			
22,176	18,808	11,118	17,367	15%	2,605

Expenditure Based Approach		
----- SAR ('000) -----		
Overhead expenses (2021)	Risk Capital Charge	Capital Requirements
30,897	25%	7,724
Maximum of Basic Indicator Approach and Expenditure Approach		7,724

The capital charge for operational risk is the higher of the two above approaches of which is the Basic Indicator one amounting to 7.7m.

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 88.5 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	88.5
Applicable % of Reputation Risk	1%
Pillar I Capital Charge ('000)	SAR 27,709
Reputation Risk Capital Charge ('000)	SAR 277.09

So the reputation Capital charge is 277.09 thousand.

Simulated Reputation Risk Capital Charge from 2022 to 2024:

Reputation risk Capital Charge projections till the year 2024 are given below:

Score Grade	2022	2023	2024
Pillar I Capital Charge SAR ('000)	19,843	19,846	24,913
Applicable Capital Charge for Reputation Risk	1.00%	1.00%	1.00%
Capital required for Reputation Risk SAR ('000)	198.43	198.36	249.13

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	27,709
Business / Strategic Risk Capital Charge	103.91

The Business / Strategic Risk Capital Charge come out to be SAR 103.91 thousand.

Simulated Strategic Risk Capital Charge from 2022 to 2024:

Strategic risk Capital Charge projections till the year 2024 are given below:

Score Grade	2022	2023	2024
Pillar I Capital Charge ('000)	19,843	19,836	24,913
Applicable Capital Charge for Strategic Risk	0.375%	0.375%	0.375%
Capital required for Strategic Risk ('000)	74.41	74.38	93.42

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 75.28 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 76.38 calibrates to 0.50% of Pillar I Charge.

Concentration Risk Score	75.28
Applicable % of Concentration Risk	0.50%
Pillar I Capital Charge SAR ('000)	SAR 27,709
Concentration Risk Capital Charge SAR ('000)	SAR 138.55

The Concentration Risk Capital Charge comes out to be SAR 138.55 thousand.

Simulated Concentration Risk Capital Charge from 2022 to 2024:

Concentration risk Capital Charge projections till the year 2024 are given below

	2022	2023	2024
Pillar I Capital Charge SAR ('000)	19,843	19,836	24,913
Applicable Capital Charge for Concentration Risk	0.50%	0.50%	0.50%
Capital required for Concentration Risk SAR ('000)	99.22	99.18	124.56

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, 2021 is SAR 29.1 million (after Pillar II and stress scenarios) and the associated Capital Ratio was 1.17 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) 2021		
	Low	Medium	High
Gross Account Receivables (000)	35,647	35,647	35,647
% of Impairment (Bad Debt)	3%	5%	10%
Amount of impairment cost	1,069	1,782	3,565
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	(182)	(303)	(606)

Calculation from 2022 to 2024:

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

Summary	(SAR) 2022		
	Low	Medium	High
Gross Account Receivables (000)	23,699	23,699	23,699
% of Impairment (Bad Debt)	3%	5%	10%
Amount of impairment cost	711	1,185	2,370
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	(121)	(201)	(403)

Summary	(SAR) 2023		
	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) 2024		
	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)	31,356	31,356	31,356
% Increase in Expenditures	5%	10%	20%
Amount of increased Expenditure	1,568	3,136	6,271
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	348	696	1,392

Calculation from 2022 to 2024:

Following are projected impacts on operational risk capital for Year 2022, in case expenditure was to increase by 5%, 10% and 20% respectively:

Summary	Low	Medium	High
Total Expenses (000)	19,069	19,069	19,069
% Increase in Expenditures	5%	10%	20%
Amount of increased Expenditure	953	1,907	3,814
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	212	423	847

Following are projected impacts on operational risk capital for Year 2023, in case expenditure was to increase by 5%, 10% and 20% respectively:

Summary	Low	Medium	High
Total Expenses (000)	21,075	21,075	21,075
% Increase in Expenditures	5%	10%	20%
Amount of increased Expenditure	1,054	2,108	4,215
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	234	468	936

Following are projected impacts on operational risk capital for Year 2024, in case expenditure was to increase by 5%, 10% and 20% respectively:

Summary	Low	Medium	High
Total Expenses (000)	23,950	23,950	23,950
% Increase in Expenditures	5%	10%	20%
Amount of increased Expenditure	1,197	2,395	4,790
Capital Charge %	25%	25%	25%
Increase in Capital Charge SAR ('000)	266	532	1,063

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 2021 are shown in the table below:

Summary	(SAR'000) 2021		
	Low	Medium	High
Total Investments in Equity	1,895	1,895	1,895
% Drop in Equity Prices	5%	10%	15%
Investments' impairment cost	95	190	284
Investments' Amounts after Decrease in Prices	1,800	1,706	1,611
Total effect on Capital Base	95	190	284
Increase in Capital Charge SAR ('000)	4	8	11

Calculation from 2022 to 2024:

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

Summary	(SAR'000) 2022		
	Low	Medium	High
Total Investments in Equity	1,815	1,815	1,815
% Drop in Equity Prices	5%	10%	15%
Investments' impairment cost	91	182	272
Investments' Amounts after Decrease in Prices	1,724	1,634	1,543
Total effect on Capital Base	91	182	272
Increase in Capital Charge SAR ('000)	4	7	11

Summary	(SAR'000) 2023		
	Low	Medium	High
Total Investments in Equity	1,815	1,815	1,815
% Drop in Equity Prices	5%	10%	15%
Investments' impairment cost	91	182	272
Investments' Amounts after Decrease in Prices	1,724	1,634	1,543
Total effect on Capital Base	91	182	272
Increase in Capital Charge SAR ('000)	4	7	11

Summary	(SAR'000) 2024		
	Low	Medium	High
Total Investments in Equity	1,815	1,815	1,815
% Drop in Equity Prices	5%	10%	15%
Investments' impairment cost	91	182	272
Investments' Amounts after Decrease in Prices	1,724	1,634	1,543
Total effect on Capital Base	91	182	272
Increase in Capital Charge SAR ('000)	4	7	11

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 2021 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) 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)	-	-	-

Calculation from 2022 to 2024:

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

Summary	(SAR'000) 2022		
	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) 2023		
	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) 2024		
	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) 2021		
	Low	Medium	High
Total Investments in Real Estate fund	6,409	6,409	6,409
% Drop in Real Estate	5%	10%	15%
Investments' impairment cost	320	641	961
Investments' Amounts after Decrease in Prices	6,089	5,768	5,448
Reduction on Management Fees	256	511	767
Reduction on Custody Fees	103	206	308
Total effect on Capital Base	679	1,358	2,037
Increase in Capital Charge SAR ('000)	25	50	75

Calculation from 2022 to 2024:

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

Summary	(SAR'000) 2022		
	Low	Medium	High
Total Investments in Real Estate fund	6,409	6,409	6,409
% Drop in Real Estate	5%	10%	15%
Investments' impairment cost	320	641	961
Investments' Amounts after Decrease in Prices	6,089	5,768	5,448
Reduction on Management Fees	256	511	2,059
Reduction on Custody Fees	103	206	495
Total effect on Capital Base	679	1,358	3,515
Increase in Capital Charge SAR ('000)	25	50	404

Summary	(SAR'000) 2023		
	Low	Medium	High
Total Investments in Real Estate fund	13,534	13,534	13,534
% Drop in Real Estate	5%	10%	15%
Investments' impairment cost	677	1,353	2,030
Investments' Amounts after Decrease in Prices	12,857	12,180	11,504
Reduction on Management Fees	686	1,373	2,574
Reduction on Custody Fees	165	330	619
Total effect on Capital Base	1,528	3,056	5,223
Increase in Capital Charge SAR ('000)	74	148	364

Summary	(SAR'000) 2024		
	Low	Medium	High
Total Investments in Real Estate fund	18,534	18,534	18,534
% Drop in Real Estate	5%	10%	15%
Investments' impairment cost	927	1,853	2,780
Investments' Amounts after Decrease in Prices	17,607	16,680	15,754
Reduction on Management Fees	858	1,716	3,217
Reduction on Custody Fees	206	413	773
Total effect on Capital Base	1,991	3,982	6,771
Increase in Capital Charge SAR ('000)	79	157	413

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) 2021		
	Low	Medium	High
Total Other Income	76	76	76
% Reduction in other Income	5%	7%	12%
Amount of reduction in other income	4	5	9
Capital Charge %	21%	21%	21%
Increase in Capital Charge SAR ('000)	4.6	6.2	10.0

Calculation from 2022 to 2024:

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

Summary	(SAR) 2022		
	Low	Medium	High
Total Other Income	100	100	100
% Reduction in other Income	5%	7%	12%
Amount of reduction in other income	5	7	12
Capital Charge %	21%	21%	21%
Increase in Capital Charge SAR ('000)	(0.1)	(0.2)	(0.3)

Summary	(SAR) 2023		
	Low	Medium	High
Total Other Income	125	125	125
% Reduction in other Income	5%	7%	12%
Amount of reduction in other income	6	9	15
Capital Charge %	21%	21%	21%
Increase in Capital Charge SAR ('000)	(0.2)	(0.3)	(0.4)

Summary	(SAR) 2024		
	Low	Medium	High
Total Other Income	156	156	156
% Reduction in other Income	5%	7%	12%
Amount of reduction in other income	8	11	19
Capital Charge %	21%	21%	21%
Increase in Capital Charge SAR ('000)	(0.2)	(0.3)	(0.5)

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, where it is 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 2022-2024.