جدوى للإستثمار
Jadwa Investment

PILLAR III DISCLOSURES

March 2015

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1 Scope of Application

Jadwa Investment Company (hereby referred to as “the Firm” or “Jadwa”) is a Saudi Closed Joint Stock Company headquartered in Riyadh.

On August 21, 2006, the Saudi Arabian Capital Markets Authority (CMA) granted Jadwa all 5 licenses to operate as a full service Shariah compliant investment bank under the license number 37-6034.

The Pillar III disclosures contained herein relate to the audited financials of Jadwa Investment for the period ended December 31, 2014. These are compiled in accordance with CMA’s the minimum requirements for the annual market disclosure of information as referred to by the Part 7 “Pillar III – Disclosure and Reporting” of the Prudential Rules.

1.1 Pillar I – Minimum capital requirements

Pillar I sets minimum capital requirements to meet credit, market and operational risk as contained in the Part 3 chapter 4 to 16 of the Prudential Rules.

- Jadwa Investment uses the Standardized Approach in the calculation of the capital required for Credit risk.
- The capital charge for market risk is assessed for trading book portfolio and Foreign exchange positions in the books.
- The capital charge for operational risk is based on the basic indicator approach, which is calculated by applying 15% to the income indicator, i.e., average of operating income for the last three years.

1.2 Pillar II – ICAAP

The Internal Capital Adequacy Assessment Process is introduced under Pillar II of the Prudential Rules, which is contained in Part 6 (Article 66) and Annex 9 of the Prudential Rules.

Pillar II requires AP’s to perform a thorough review of all material risks, extensive stress testing, strategic capital planning, the internal control framework and the roles and responsibilities of departments / individuals that are critical to the implementation of framework.

The Firm has taken various initiatives to implement the ICAAP and assess capital requirements in accordance with the Firm’s risk profile, size and complexity of business.

1.3 Pillar III – Market discipline

Pillar III aims to provide a detailed and transparent reporting framework that enhances market discipline to operate as sharing of information facilitates assessment of the AP by others, including investors, analysts, customers, and rating agencies, which leads to an improved corporate governance.

The information provided here has been reviewed and validated by the Management and is in accordance with the rules in force at the time of publication, covering both the qualitative and quantitative items. Jadwa Investment shall publish the Pillar III disclosures at its website http://www.jadwa.com/en henceforth.

1.4 Material or Legal Impediments between AP and its Subsidiaries

Jadwa Investment does not have any subsidiaries and has no current or foreseen material or legal impediments for transfer of capital.

2 Capital Structure

For regulatory purposes, capital is categorized into two main classes. These are Tier 1 and Tier 2, which are as described below.

2.1 Tier 1 Capital

Tier-1 capital of the Firm consists of paid-up capital, reserves (other than revaluation reserves) and audited retained earnings and has deductions in the form of dividend expense from retained earnings & negative equity items.

In SAR '000

Tier-1 capital	Dec 2014	Dec 2013
Paid-up capital	852,735	568,490
Reserves (other than revaluation reserves)	305,128	290,968
Audited retained earnings	174,690	423,034
Total Tier-1 capital	**1,332,553**	**1,282,492**

Table 1 – Tier 1 Capital

A summary of the capital items and components is presented below:

Paid Up Capital: Jadwa increased its share capital from SAR 568,490,000 to SAR 852,735,000 by issuing 28,424,500 bonus shares with a nominal value of SR 10 each through appropriation from the retained earnings during the year 2014. Such new bonus shares will be issued to and distributed among the shareholders in the proportion of one new bonus share for every two shares owned in the Company.

Reserves: In accordance with the Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution

Retained Earnings:

All income taxes, Zakat and the other Saudi taxes, payable or chargeable to the shares of any Shareholder is fully deducted, from that Shareholder's share in the Company's profits and remaining amount is transferred to Audited Retained Earnings after the statutory Audit of each Financial year. Thereby, the profit for the year 2014 has been added after deduction of zakat.

2.2 Tier 2 Capital

Tier-2 capital of the Firm consists of revaluation reserves which resulted from the change in fair value of AFS equity investments.

In SAR '000

Tier-2 capital	Dec 2014	Dec 2013
Revaluation reserves	185,368	295,268
Total Tier-2 capital	**185,368**	**295,268**

TOTAL CAPITAL BASE (Tier-1 & 2)	1,517,921	1,577,760

Table 2 – Tier-2 Capital and Total capital Base

Please refer to Appendix 1 for the detailed disclosure on capital base.

3 Capital Adequacy

Jadwa Investment defines "Minimum Capital" as the resource necessary to cover unexpected losses and thus the Firm, maintains adequate level of capital to cover risks inherent in its business operations and to support current & future activities.

3.1 Capital Adequacy Ratio and Minimum Capital Requirements

The Firm is adequately capitalized with a Tier I capital ratio of 1.65x and a total capital ratio of 1.88x which is above CMA's minimum regulatory requirement of 1.00x.

Following table provides the Firm's capital adequacy ratio

Capital Adequacy Ratio		
Particulars	**Dec 2014**	**Dec 2013**
Tier-1 Capital Ratio	1.65x	1.59x
Total Capital Ratio	1.88x	1.95x

Table 3 – Capital Adequacy Ratio

The following table reflects the comparative analysis of capital numbers in 2014 & 2013.

(All amounts in '000 SAR)

Particulars	2014	2013	% Change
Tier I Capital	1,332,553	1,282,492	3.90%
Tier II Capital	185,368	295,268	-37.22%
Total	1,517,921	1,577,760	-3.79%
Minimum capital required			
Credit Risk	715,577	737,367	-2.96%
Market risk	41,704	30,302	37.63%
Operational risk	48,190	39,686	21.43%
Total	805,471	807,355	-1.83%
Capital adequacy ratio	1.88	1.95	-3.59%
Surplus (Deficit) in Capital Base	712,450	770,404	-7.52%

Table 4 – Comparison of Capital adequacy and capital numbers – 2014 vs. 2013

Please refer to Appendix 2 for the detailed disclosure on capital adequacy.

3.2 ICAAP

Jadwa Investment has introduced an Internal Capital Adequacy Assessment Process (ICAAP) last year by which it examines its risk profile from both regulatory and internal risk capital point of view.

The ICAAP describes the Firm's business strategy, its forecasts for the next three years for risk weighted assets, its risk appetite and the assessment of specific risk exposures, their mitigation and the capital allocated to these risks. In effect, the ICAAP is a crucial part of the Firm's strategic decision making process and risk management framework.

The ICAAP is reviewed by the management and approved by the Board on an annual basis and a Report is submitted to the CMA. The assessment draws on the results of existing risk management techniques and reporting.

3.3 Scenario Analysis and Stress Testing

Scenario analysis and stress testing refers to various techniques (quantitative and/or qualitative) used by the Firm to assess their susceptibility to exceptional but probable events. It is a risk management technique used to evaluate the potential effects of a specific event and/or movement in a set of financial variables on the Firm's financial condition.

Senior Management is regularly informed of the stress test outcomes to ensure that the Firm has sufficient capital in place and that any unacceptable risks are mitigated. These scenarios are regularly reviewed and updated to account for changing market dynamics. Various stress scenarios and their impact on capital position is reported to CMA on annual basis.

4 Risk Management

Risk Management is an integral function within Jadwa encompassing entire Firm and its guidelines and policy are applicable to all employees. The mission of Risk Management is to develop and maintain programs that protect Jadwa from unanticipated loss in accordance with Jadwa's Risk Management Policy. The primary aim of the Risk Management framework is to establish and strengthen the Risk Management practice at Jadwa as well as to create robust risk infrastructure for entire Jadwa and various stake holders.

It focuses on following lines:

- Management of Credit, Market, Investment, and Liquidity Risks across active businesses - Asset Management & Investment Banking, in addition to Proprietary Investment.
- Management of Enterprise Risk Management, by conducting Risk Control and Self-Assessment (RCSA) for all Jadwa's units and continuous update of Risk register.
- Monitoring Jadwa's performance and providing feedback to senior management for possible tightening or enhancing the risk limits.

4.1 Risk Management practice at Jadwa

4.1.1 Risk Management Strategies and processes

Jadwa's Risk management framework encompasses all of the activities of the Firm that affect its risk profile. These include decisions and actions to avoid, mitigate, transfer, insure against, put limits on or explicitly take risk.

Risk Management is the process by which Firm **identifies, measures, controls and monitors** its risk exposures. The Firm's strategic objective is to optimize the risk / return trade-off by either maximizing return for a given level of risk or minimizing the risk for a desired level of return.

4.1.2 Structure and organization of Risk Management and Compliance function

Head of Risk is responsible for overall risk management functions at department as well as organization level based on Jadwa's Risk policy & procedure manual.
The Firm follows the "three lines of defence" approach for management of risks with business units forming the first line of defence and the risk and compliance forming the second line of defence. Jadwa's operational units are responsible for the day-to-day risk management.

4.1.3 Scope and nature of risk reporting and measurement systems

The primary goal of risk management is to ensure that Jadwa's asset and liability profile, its trading positions, its credit and operational activities do not expose it to losses that could threaten the viability of the Firm. Risk management helps ensure that risk exposures do not become excessive relative to the Firm's capital position and its financial position.

In all circumstances, all activities giving rise to risk are identified, measured, managed and monitored. This, risk management may be viewed as "life cycle" which includes that following four cycles:

Figure 1 - Risk Management lifecycle

Jadwa's risk monitoring contains internal financial, operational, and compliance data, as well as external market information about events and conditions that are relevant for decision making. Jadwa's reports are distributed to appropriate levels of management and to all areas of Jadwa on which areas of concern may have an impact. The reports will fully reflect any identified problem area and will motivate timely corrective action on outstanding issues. The reports will be analyzed with a view to improve existing risk management performance as well as to develop new risk management policies and procedures.

The Firm periodically reviews their risk limitation and control strategies and adjusts their risk profile accordingly using appropriate strategies in light of their overall risk appetite and profile. Risk identification, evaluation and management in respect of particular activities are carried out in accordance with internal processes. Risks are assessed with reference to the Jadwa's strategic priorities, taking into account the likelihood of the risk occurring, potential impact and the range of implications.

4.1.4 Policies and guidelines for monitoring and mitigating risks

The Firm has established a Risk Appetite along with limits to monitor the risks across various businesses and at the Firm as a whole. Risk limits are thresholds to monitor that actual risk exposure does not deviate too much from the target and stays within an organization's risk tolerance/risk appetite. Exceeding risk limits will typically act as a trigger for management action. This requires a Firm to consider at a more granular level how much risk individual units/heads should be allowed to take.

All limit breaches are monitored by the Risk Department who seeks clarifications of such breaches from the business and reports to the CEO and Audit and Risk Committee. Limit breaches are followed by corrective actions in order to bring the risk to acceptable levels.

No	Risk Category	Risk Types	Business Line	Risk Appetite Statement
1	Credit Risk	Equity Portfolio Exposure	Proprietary Investment	Jadwa shall not exceed the internal threshold for single counterparty Jadwa shall not exceed the internal threshold for a single sector Jadwa shall not exceed the internal threshold for total investments
2		PE Portfolio Exposure		
3	Financial Risk	Liquidity Risk	Firm	Jadwa shall maintain adequate liquidity to meet its short-term obligations
4		Profit Rate Risk	Firm	Jadwa shall manage its rate sensitive assets and liability such that the change in market rates do not breach internal threshold
5		Earnings volatility	Firm	The projection of net profit based on an approved business plan should not deviate beyond a reasonable range.
6	Market Risk	Underwriting Risk and Capital Adequacy	Firm	Jadwa shall adopt a conservative approach when selecting underwriting public issues. Underwriting commitment should be based on the projected total capital ratio. Jadwa shall maintain minimum Capital adequacy coverage (≥ 1x) with adequate buffer at all times to meet CMA rules as well as to remain adequately solvent
7		Currency Risk	Firm	Jadwa can have exposure only in GCC currencies and major currencies such as JPY, EUR, GBP, AUD and USD The exposures shall be kept within internal thresholds
8	Operational Risk	Operational loss	Firm	Operational Risk Loss to be controlled with improvement in systems, policies & procedures of Jadwa's business.
9		People Risk	Firm	Jadwa strives to retain talent by employee friendly policies and offer competitive compensation structures
10	Other Risk	Regulatory risk	Firm	Jadwa shall maintain zero tolerance for any violation on regulatory guidelines related to its business lines or prudential rules issued by CMA.
11		Reputation Risk	Firm	Jadwa shall avoid any situation and action from adverse media News/Statements or customer services complaints resulting in a negative impact on reputation of any product or Jadwa. If an undesirable situation arises it will manage the same aggressively to preserve reputation and brand image.
12		Shariah Risk	Firm	All Business activities must be Shariah compliant and any new product or investment decision is approved by the Shariah Committee

Table 5 - Risk Appetite statement

Any breach beyond approved tolerance Limits is highlighted by the Risk to the Business Unit Heads and such breaches are reviewed by Business Unit Head and acceptable remedial actions are to be submitted to Risk and Audit Committee for review.

4.2 Credit risks

The credit risk is defined as the risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which authorized persons are exposed.

Risk Management allocates appropriate limits for counterparties based on its review and limit fixation parameters. Risk Management performs quarterly portfolio Risk Review and highlights key observations and exceptions, if any, to the senior management/ARCOM. Any adverse movements in terms of ratings, geo-political changes or significant down trend in financial performance are highlighted. Risk Management keeps the right to downsize or prohibit the future exposure based on its regular risk review. Such monitoring ensures continuous monitoring of portfolio as well as counterparties.

4.2.1 External ratings

For exposures, the relevant counterparties' rating bands are also considered as per the rating of external agencies. The Risk management policy also maintains an external conversion and ratings sheet for parity amongst the rating agencies approved by CMA. Jadwa uses ratings from credit rating agencies (CRA) mentioned in the Prudential Rules.

The Asset Management team's capabilities and achievements have also been internationally recognized with Moody's Investor Service awarding an investment manager quality rating of MQ-2 to Jadwa's Asset Management division. This is the highest rating for any asset management firm in in the region and the highest possible rating for a firm operating at a local and regional level.

4.2.2 Credit quality steps

Credit risk forms the prominent part of the Firm's risk exposures. It arises due to the exposures in listed equity kept under available for sale investments, investments in companies through private equity and investments in mutual funds. The deposits placed with banks also have some credit risk, though minimal.

4.2.3 Credit risk exposures

Jadwa has complied with CMA regulations and used the Standardized Approach in the calculation of the capital required for Credit risk. The 31-Dec-2014 numbers represents the risk positions of Jadwa during the period.

The major types of credit exposures are detailed in Appendix 3

4.2.4 Impairment, past due and provisions

An impaired exposure is an outstanding sum of money owed to Jadwa that has not been paid, despite repeated efforts to collect. The exposure can be either receivable from the customers or receivable from any other sources e.g. receivable from funds and employee. Factors such as the evidence to support the debt, likelihood of recovery, history of recoveries from client, nature of the assignment, competency (liquidity) of the client to pay, sensitivity of the relationship and economic cost of pursuing small debts are taking into account in arriving at the provision.

Provision of SAR 78.53 mn has been taken during the 2014 for one of the UK real estate fund. Provision of SAR 15 million was recorded in 2013 also. Total amount of investment in the said fund is in GBP and is equivalent to SAR 127 million.

4.2.5 Residual Contractual maturity

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

(All amounts in '000 SAR)

Exposure Class	Total	1 Day to 1 month	>1 month to 3 months	>3 months to 6 months	> 6 months to 1 year	> 1 year	Non Maturity
On-balance Sheet Exposures							
Governments and Central Banks	-	-	-	-	-	-	-
Authorised Persons and Banks	105,375	105,375	-	-	-	-	-
Corporates	1,928	-	1,928	-		-	-
Retail	33,736	-	33,736	-		-	-
Investments	1,620,235	-	-	200,401	-	1,178,589	241,245
Securitisation	-	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-	-
Other Assets	89,279	-	-	-	78,759	-	10,520
Total On-Balance sheet Exposures	**1,850,552**	**105,375**	**35,663**	**200,401**	**78,759**	**1,178,589**	**251,765**
Off-balance Sheet Exposures	-	-	-	-	-	-	-
OTC/Credit Derivatives	-	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-	-
Securities borrowing/lending	-	-	-	-		-	
Commitments	102,000	-	-	-	-	102,000	-
Other off-balance sheet exposures	-	-	-	-	-	-	-
Total Off-Balance sheet Exposures	**102,000**	**-**	**-**	**-**	**-**	**102,000**	**-**
Total On and Off-Balance sheet Exposures	**1,952,552**	**105,375**	**35,663**	**200,401**	**78,759**	**1,280,589**	**251,765**

Table 6 – Residual Maturity of Exposures

4.2.6 Risk Concentrations

Jadwa's Risk Management framework ensures that concentration risks emanating from counterparties and industry exposure are maintained within approved limits and corrective actions are taken to contain any over exposure.

4.2.7 Geographic Distribution of Exposures

Jadwa Investment has a part of its investment exposure in GCC & UK. The following table below suggests the geographic distribution of the Firm's exposures across various regions.

All amounts in '000 SAR)

Exposure Class	Total	KSA	GCC	UK	Rest of the World
On-balance Sheet Exposures					
Governments and Central Banks	-	-	-	-	-
Authorized Persons and Banks (including cash)	105,375	105,375	-	-	-
Corporates	1,928	1,928	-	-	-
Retail	33,736	33,736	-	-	-
Investments	1,620,235	1,538,865	12,516	68,854	
Securitization	-	-	-	-	-
Margin Financing	-	-	-	-	-
Other Assets	89,279	89,279	-	-	-
Total On-Balance sheet Exposures	**1,850,552**	**1,769,182**	**12,516**	**68,854**	
Off-balance Sheet Exposures			-	-	-
OTC/Credit Derivatives	-	-	-	-	-
Repurchase agreements	-	-	-	-	-
Securities borrowing/lending	-	-	-	-	-
Commitments	102,000	102,000	-	-	-
Other off-balance sheet exposures	-	-	-	-	-
Total Off-Balance sheet Exposures	**102,000**	**102,000**	-	-	-
Total On and Off-Balance sheet Exposures	**1,952,552**	**1,871,182**	**12,516**	**68,854**	-

Table 7 - Distribution of exposures by Geography

4.2.8 Credit Risk Exposures by Credit Quality

Please refer to Appendix 4 for the details

4.3 Credit Risk Mitigation

Collaterals are securities, cash or assets that are offered to secure a financing or a credit sales transaction. Collateral becomes subject to seizure on default. It is a form of security to the financier/seller in case the purchaser fails to pay back the finance amount. Jadwa does not deal in margin lending and as such has no eligible or non-eligible financial collaterals user for credit risk mitigation purposes.

Jadwa has controls in place to ensure that reporting and meaningful risk-reducing action take place when limits are exceeded. Some of the common ways of reducing exposures consist of: assigning transactions to other counterparties for diversification, and restructuring transactions to limit potential exposure and manage their sensitivity to market volatility.

Credit risk mitigations are managed by each of the relevant business as follows:

Private Equity

- All Private Equity investments are discussed within the team, a rigorous screening process is used and the final decision is approved by the Investment committee, EXCOM or BOARD based on authority matrix.

- Thorough market research and industry analysis are conducted prior to each PE investment and various risks such as commercial, technical, legal etc. are assessed. Support of independent reputed consultant is taken to conduct due diligence before submitting the proposal to the Risk Management department for review.
- The lack of liquidity and irregularity of cash flows is carefully considered in private equity investments and investments in this asset class are measured in terms of IRR to account for the limited cash flow in early years.
- The Firm is responsible for post- acquisition management of PE investments by Jadwa funds. This includes Jadwa board representation on the portfolio Firm and the approval and implementation of corporate governance and corporate strategy.
- Also, the Firm's proprietary charter limits the exposure of proprietary funds in PE investments.

Open ended funds

- A detailed study is undertaken to verify new product feasibility and risks are assessed through a due diligence exercise. New product ideas are presented to the CEO, product commitment committee and Shariah Board for approval and further to the risk and compliance before being introduced to the market.
- The risk limits of all equity based funds are monitored against approved benchmarks on a regular basis.

Holdings in Listed Stock

Jadwa's proprietary investments in stock involve meticulous fundamental analysis of stock prices and are spread across fundamentally sound, highly liquid stocks as outlined in the proprietary charter. The exposure and limit risk monitoring is done by the Risk Department.

Exposures to Authorized Persons and Banks

Jadwa places deposits with highly rated banks limiting the Firm's credit risk in deposits and current account balances considerably.

In order to mitigate credit risk, Jadwa employs the following broad principles:

- The limits for exposures in each of the asset class is pre-established
- Every exposure to any counterparty requires approvals at the appropriate (pre-established) seniority level
- All credit exposures are measured and consolidated for each Firm on a global, consolidated basis that applies across the Firm
- Credit ratings of the Banks where Jadwa places its deposits are constantly monitored

4.3.1 Credit Risk Exposures before/ after Credit Risk mitigation

Please refer to Appendix 5 for the details.

4.4 Counterparty Credit Risk and Off BS Exposure

Jadwa does not deal with transactions in OTC derivatives, repos and reverse repos and securities borrowing/ lending.

Jadwa has a Corporate Guarantee with commitment value of SAR 204 mn and credit equivalent amount of SAR 102 mn. The Risk weighted asset for this exposure is SAR 728.28 mn and the capital requirement is SAR 101.96 mn.

4.5 Market Risk

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

4.5.1 Market Risk Management

The guidelines for managing market risk are contained in the risk management policy. Market risk is monitored on a regular basis by the Risk Management Department.

The Firm manages market risk through the establishment of risk limits. These risk limits are established using a variety of risk measurement tools, including sensitivity analysis, value-at-risk and stress test methodologies.

There are no trading book positions in the Firm and the investments are made in AFS category. There are investments in GBP for which foreign exchange risk capital is reserved as per CMA Pillar 1 minimum capital requirement.

4.5.2 Market Risk - Capital

Market risk Capital requirement is as indicated below:

(All amounts in '000 SAR)

Risk	Capital Required
Equity & Fund Risk	32,064
Interest Rate / Profit Rate Risk	-
Commodities Risk	-
Foreign Exchange Risk	9,640
Underwriting Risk	-
Excess Exposure Risk	-
Settlement Risk Risk	-
Total	41,704

Table 8 - Market Risk Capital

4.6 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, this will include legal risks covering, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

4.6.1 Operational Risk Management

The Firm follows an Enterprise Risk Assessment approach by performing Risk based Internal Audit which starts with identification and assessment of risks and controls. Jadwa considers breakdowns in internal controls and corporate governance as the most important aspect of operational risk as such breakdowns can lead to financial losses through error, fraud, or failure to perform in a timely manner. The Firm recognizes that good management information systems (MIS) and a strong internal control culture and contingency planning are all crucial elements of effective operational risk management and takes measures to continually develop procedures and systems to support such requirements

Operational risks are reviewed continuously to delete expired risks and identify newly emerging risks in order to ensure that internal controls are proactively realigned to mitigate these emerging risks. Individual line managers are responsible for identifying and assessing the operational risks of their area; this process involves the support from Head of Risk.

4.6.2 Operational Risk Mitigation

The Firm maintains a risk register which follows a structured method to identify and mitigate risk. The high level steps involved in the creation of the risk register are identification, quantification and mapping of risks.

Jadwa has taken a Professional Indemnity Insurance policy (PII) from a reputed insurance company, which insures the Firm for a reasonable sum.

The Firm has in place a documented Business Continuity Planning (BCP), which comes under the oversight of the Risk Management Department and serves to ensure that the Firm has in place resources to manage unexpected crises and ensure continued effective operations.

4.6.3 Operational Risk capital charge

In compliance with CMA requirements, the Firm has adopted the Basic Indicator Approach (BIA) in order to estimate the required capital charge for operational risk as it leads to a higher capital charge than the Expenditure Based Approach (EBA)

(All amounts in ‘000 SAR)

Approach 1	Year	Gross Income	Average Gross Income	Risk Capital Charge (%)	Capital Required
Basic Indicator Approach (BIA)	2012	284,633	321,268	15%	48,190
	2013	321,246			
	2014	357,925			
Approach 2	**Year**	**Expenses**	**Risk Capital Charge (%)**		**Capital Required**
Expenditure Based Approach (EBA)	2014	137,795	25%		34,449
Maximum of (BIA or EBA)					**48,190**

Table 9 - Operational Risk Capital

4.7 Liquidity Risk

Liquidity risk is the inability of an organization to honour payment commitments when they are due and replace funds when they are withdrawn in a timely and cost effective manner.

4.7.1 Liquidity Risk Management

Jadwa has established and implemented a sound funding-liquidity contingency plan, which is based on understanding of the Firm's anticipated sources and uses of funds and on the expected timing of those sources and uses. The plan is subject to periodic review, assessment and approval.

Managing the day-to-day liquidity of the Firm falls under the purview of the CFO and the oversight if liquidity risk is done by Risk Management department. The Firm invests surplus funds in the money market instruments in order to support the liquidity requirements of the Firm. In addition, there are approved banking facilities available to accommodate any additional funding requirements for investments.

The portfolio in listed securities can be liquidated in one week or less. Additionally each fund that Jadwa manages is responsible for managing its own liquidity levels therefore there is no requirement to maintain additional liquidity reserve at the Firm level.

4.7.2 Liquidity Reserves

Jadwa holds its Cash in a current deposit account as this can be accessed instantly by it. Jadwa actively manages its funding obligations through a number of measures including availability of surplus cash and daily monitoring of Asset Management funding requirements.

4.7.3 Funding Sources

Jadwa has short term and long term funding lines in SAR from local Banks in Saudi which are tapped as per requirement. Below are the details of utilised facilities from the bank.

- Short Term Borrowings maturing within a year in '000: SAR 179,997
- Long Term Borrowings maturing after a year in '000: SAR 44,999

4.7.4 Risk Measures and Ratios

Jadwa prepares a statement of expected cash flows arising at the time of settlement of its assets and liabilities and allocates them in different time intervals in which they are expected to occur. The time intervals have been defined as per the prudential rules of Capital Market Authority (CMA) as stated below:

Particulars	1 Day	> 1 day to 1 week	>1 week to 1 month	>1 month to 3 months	>3 months to 6 months	> 6 months to 1 year	> 1 year	Non Maturity

Table 10 - Liquidity Risk Bucketing

An analysis of the residual maturity profile of Jadwa's assets and liabilities has been conducted segregating them in different maturity buckets. The cumulative gap in all the buckets is positive, reflecting that the cash inflows are more than cash outflows.

<u>Liquidity Ratios:</u>

S. No.	Indicators	Values	Inference
1	Current Ratio (Current Assets / Current Term Liabilities)	1.52	This reflects the cushion/comfort level of current assets in meeting Firm's short-term payment liabilities

S. No.	Indicators	Values	Inference
2	Cumulative Gap as a % of total liabilities (excluding equity)	384%	This reflects that the Company has no significant short term liabilities and earning assets are funded by equity.
3	Liquidity Coverage Ratio	651%	Liquidity coverage ratio is calculated by dividing high quality liquid assets by short term obligations. A liquidity coverage ratio of greater than 100% is considered satisfactory. LCR reflects that the Company has sufficient high quality liquid assets to cover the net cash outflows over next 90 days. (A haircut of 5% has been used for deposits with other banks and 20% for HFT as per standard market practice)

Table 11 - Liquidity Risk Ratios

4.7.5 Contingency Funding Plan

The Finance Department draws a contingency funding plan at the beginning of the year to address any liquidity crisis in future. The contingency funding plan clearly assesses the sources of funding through diverse resources (excluding funding from parent organization) and place aforesaid plan before the Board for their ratification.

5 Appendices

5.1 Appendix 1 - Disclosure on Capital Base

Capital Base	SAR '000
Tier-1 capital	
Paid-up capital	852,735
Audited retained earnings	174,690
Share premium	-
Reserves (other than revaluation reserves)	305,128
Tier-1 capital contribution	-
Deductions from Tier-1 capital	-
Total Tier-1 capital	**1,332,553**
Tier-2 capital	
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	185,368
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
Total Tier-2 capital	**185,368**
Total Capital Base	**1,517,921**

5.2 Appendix 2 - Disclosure on Capital Adequacy

All Amounts in SAR '000					
Exposure Class	**Exposures before CRM**		**Net Exposures after CRM**	**Risk Weighted Assets**	**Capital Requirement**
Credit Risk					
On-balance Sheet Exposures					
Governments and Central Banks	-		-	-	-
Authorized Persons and Banks (including cash)	105,375		105,375	21,075	2,951
Corporates	1,928		1,928	13,764	1,928
Retail	33,736		33,736	101,209	14,169
Investments	1,424,207		1,424,207	3,987,524	558,253
Securitization	-		-	-	-
Margin Financing	-		-	-	-
Other Assets	84,905		84,905	259,412	36,318
Total On-Balance sheet Exposures	1,650,151		1,650,151	4,382,983	613,618
Off-balance Sheet Exposures					
OTC/Credit Derivatives	-		-	-	-
Repurchase agreements	-		-	-	-
Securities borrowing/lending	-		-	-	-
Commitments	102,000		102,000	728,280	101,959
Other off-balance sheet exposures	-		-	-	-
Total Off-Balance sheet Exposures	102,000		102,000	728,280	101,959
Total On and Off-Balance sheet Exposures	**1,752,151**		**1,752,151**	**5,111,263**	**715,577**
Prohibited Exposure Risk Requirement	-		-	-	-
Total Credit Risk Exposures	**1,752,151**		**1,752,151**	**5,111,263**	**715,577**
Market Risk	**Long Position**	**Short Position**			
Interest rate risks	-	-			-
Equity price risks	-	-			-
Risks related to investment funds	200,401	-			32,064
Securitization/ re-securitization positions	-	-			-
Excess exposure risks	-	-			-
Settlement risks and counterparty risks	-	-			-
Foreign exchange rate risks	68,854	-			9,640
Commodities risks.	-	-			-
Total Market Risk Exposures	269,255	-			41,704
Operational Risk					**48,190**
Minimum Capital Requirement					**805,471**
Surplus/ (Deficit) in Capital					**712,450**
Total Capital Ratio (time)					**1.88**

5.3 Appendix 3 - Disclosure on Credit's Risk Weight

in SAR '000

Risk Weights	Exposures after netting and credit risk mitigation												
	Governments and central banks	Administrative bodies and NPO	Authorised persons and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitisation	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	-	-	-	-	-	-	-	-	-	-	-		
20%	-	-	105,375	-	-	-	-	-	-	-	-	105,375	21,075
50%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	350,895	-		-	350,895	526,342
200%	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	33,736	-	832,068	-	83,770	-	949,574	2,848,722
400%	-	-	-	-	-	-	-	241,245	-	-	-	241,245	964,979
500%	-	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	-	1,928	-	-	-	-	1,135	102,000	105,062	750,145
Average Risk Weight	-	-	20%	-	714%	300%	-	280%	-	306%	714%	292%	
Deduction from Capital Base	-	-	2,951	-	1,928	14,169	-	558,253	-	36,318	101,959	715,577	

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

in SAR '000

Exposure Class	Long term Ratings of counterparties							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
On and Off-balance-sheet Exposures								
Governments and Central Banks	NA	-	-	-	-	-	-	-
Authorized Persons and Banks (including cash)	NA	-	-	-	-	-	-	-
Corporates	NA	-	-	-	-	-	-	-
Retail	NA	-	-	-	-	-	-	-
Investments	NA	-	-	-	-	-	-	1,419,833
Securitization	NA	-	-	-	-	-	-	-
Margin Financing	NA	-	-	-	-	-	-	-
Other Assets	NA	-	-	-	-	-	-	84,905
Off-Balance sheet commitments								102,000
Total		-	-	-	-	-	-	1,606,738

Exposure Class	Short term Ratings of counterparties					
	Credit quality step	1	2	3	4	Unrated
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
	Capital Intelligence	A1	A2	A3	Below A3	Unrated
On and Off-balance-sheet Exposures						
Governments and Central Banks		-	-	-	-	-
Authorized Persons and Banks (including cash)		105,375	-	-	-	-
Corporates		-	-	-	-	1,928
Retail		-	-	-	-	33,736
Investments		-	-	-	-	4,374
Securitization		-	-	-	-	-
Margin Financing		-	-	-	-	-
Other Assets		-	-	-	-	-
Total		105,375	-	-	-	40,038

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

in SAR '000

A	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks	-	-	-	-	-	-
Authorized Persons and Banks (including cash)	105,375	-	-	-	-	105,375
Corporates	1,928	-	-	-	-	1,928
Retail	33,736	-	-	-	-	33,736
Investments	1,424,207	-	-	-	-	1,424,207
Securitization	-	-	-	-	-	-
Margin Financing*	-	-	-	-	-	-
Other Assets	84,905	-	-	-	-	84,905
Total On-Balance sheet Exposures	**1,650,151**	**-**	**-**	**-**	**-**	**1,650,151**
Off-balance Sheet Exposures						
OTC/Credit Derivatives	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-
Exposure in the form of commitments	102,000	-	-	-	-	102,000
*Other Off-Balance sheet Exposures	-	-	-	-	-	-
Total Off-Balance sheet Exposures	**102,000**	**-**	**-**	**-**	**-**	**102,000**
Total On and Off-Balance sheet Exposures	**1,752,151**	**-**	**-**	**-**	**-**	**1,752,151**