

# **SAUDIMED INVESTMENT COMPANY**

**Regulated by The Capital Market Authority – License Number 37-07065**

**Pillar III Report – Disclosure and Reporting (For the year  
ended December 31, 2018)**

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**Pillar III Report,  
Disclosure and  
Reporting (2018)**

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## A. THE PURPOSE OF THE DOCUMENT

This document describes the legal structure of the Company, objective and guidelines of risk management, the Balance Sheet components and disclosures about the Company's capital base and capital adequacy requirements. It was prepared in compliance with the Prudential Rules and as per CMA circular reference 3/6/11098/14 dated 19/11/2014G in relation to Pillar III – Disclosure & Reporting.

The document was reviewed and approved by the Board of Directors on March 14, 2019 .

## B. SPECIFIC DISCLOSURE REQUIREMENTS

### 1. SCOPE OF APPLICATION

Type of Disclosure	Item	Disclosure Requirement									
Qualitative Disclosures	(a)	<p>SaudiMed Investment Company is a Saudi Closed Joint Stock Company established pursuant to Royal Decree Number M/30 and registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010243382 on 19 Muharram 1429H (corresponding to January 28, 2008).</p> <p>The share capital of the Company, amounting to SAR 100 million, is divided into 10 million shares of SAR 10 each. The principal activities of the Company are trading as principal, underwriting, arranging, asset management (funds), providing advisory and safekeeping services relating to financial papers, as per license of the Capital Market Authority ("CMA") number 37-07065, dated Jumada Al-Thani 2, 1428H (corresponding to June 17, 2007).</p>									
	(b)	<p>The below table shows the Shareholder's structure as at December 31, 2018:</p> <table border="1"><thead><tr><th>Shareholder Name</th><th>Nationality</th><th>Ownership %</th></tr></thead><tbody><tr><td>BankMed, Sal</td><td>Lebanon</td><td>83</td></tr><tr><td>BankMed (Suisse) sa.</td><td>Switzerland</td><td>17</td></tr></tbody></table>	Shareholder Name	Nationality	Ownership %	BankMed, Sal	Lebanon	83	BankMed (Suisse) sa.	Switzerland	17
	Shareholder Name	Nationality	Ownership %								
BankMed, Sal	Lebanon	83									
BankMed (Suisse) sa.	Switzerland	17									
(c)	<p>There isn't any current or foreseen material or legal impediment to the prompt transfer of capital or repayment of liabilities.</p>										

Type of Disclosure	Item	Disclosure Requirement
	(d)	<p>The below shows the Group Organizational Structure:</p>

## 2. CAPITAL STRUCTURE

Type of Disclosure	Item	Disclosure Requirement
Qualitative Disclosures	(a)	<p>Summary of the terms and conditions that apply to all capital items and components:</p> <p><b>Capital</b></p> <p>The capital of the Company was set at (100,000,000) one hundred million Saudi Riyals divided into ten million nominal shares, with an equivalent value per share of (10) Saudi Riyal. All shares are ordinary shares.</p> <p><b>Subscription</b></p> <p>The founders subscribed to the entirety of the Company’s shares amounting to (10,000,000) ten million nominal shares, the value of each share being (10) ten Saudi Riyals and they paid up the entire value of the shares.</p> <p>The total subscription value amounting to (100,000,000) one hundred million Saudi Riyals has been deposited with the Saudi Investment Bank by virtue of a Certificate of Deposit, in an account opened in the name of the Company under incorporation.</p>

Type of Disclosure	Item	Disclosure Requirement
		<p><b>Shares</b></p> <p>All shares are nominal shares. They may not be issued at a value less than their nominal value; however, they may be issued at higher value than their nominal value, in such case, the difference in the value shall be added to the legal reserve fund even if it reached its maximum limit.</p> <p>The share is indivisible toward the Company. In the event that a share is owned by more than one person, they shall appoint one of them to exercise on their behalf the rights related to the share. Said persons shall be jointly responsible for the obligations deriving from the ownership of the share.</p> <p><b>Trading</b></p> <p>Shares are tradable following the issuance of their certificates. However, shares subscribed to by the founders may not be traded prior to the publication of the balance sheet and the profit and loss account for three consecutive financial years as of the date of incorporation of the Company, each financial year not being less than twelve months.</p> <p>The share certificate shall indicate the type of the share, date of incorporation of the Company, and the duration during which they may not be traded. However, and during the mentioned prohibition period, all or part of the founders' shares may be offered to the public and listed on the Saudi stock market following the Capital Market Authority's approval.</p> <p>During the prohibition period, shares subscribed to by the founders may be transferred in accordance with the regulations governing the transfer of rights by one founder to another or to a member of the Board of Directors to be deposited in guarantee of his management or by the heirs of one founder in case of his death to a third party.</p> <p><b>Preferred shares</b></p> <p>The Extraordinary General Assembly of the Company may, based on the rules set by the relevant authority body, issue preferred shares or decide to purchase them or convert common shares to preferred shares or convert preferred shares to common shares, without giving the preferred shares the right to vote in the general assembly meetings of the shareholders; those shares give the right to their holders to obtain a higher percentage than the ordinary shareholders of net profits after the constitution of the legal reserve.</p>

Type of Disclosure	Item	Disclosure Requirement
		<p><b>Shares Register</b></p> <p>Registered shares shall be traded by registration in the shareholders' register prepared by the Company, which includes the shareholders' names, nationality, place of residence, occupation, the shares' serial numbers and paid-up amounts. Said registration shall be mentioned on the shares. The transfer of the share ownership shall be enforceable toward the Company or third parties as of the date of registration in the mentioned register or the completion of transfer of ownership formalities through the automated system related to the information on shares. The subscription to the shares and their ownership implies the shareholder's acceptance of the Company's By-laws and his abidance by the decisions rendered by the Company's General Meetings in accordance with the provisions of these By-laws, whether he was present or absent from the Meeting, and whether he accepted or not said decisions.</p> <p><b>Share Certificates</b></p> <p>The Company shall issue share Certificates bearing serial numbers. Said certificates shall be signed by the Chairman of the Board of Directors or the person appointed by him from among the members of the Board and shall bear the Company's seal. The share certificate shall mention in particular the number and date of the ministerial decision declaring the incorporation of the Company, the capital amount, the number of shares, the nominal value of the share, the paid-up amount, a brief description of the Company's object, the head office and duration of the Company. Shares may have coupons with serial numbers including the number of the share to which it is attached.</p> <p><b>Seizure of the shares</b></p> <p>In the event that a shareholder fails to pay the value of the share at the dates fixed for payment, the Board of Directors may, after notifying the shareholder by virtue of a registered letter sent to his address mentioned in the shareholders' register, sell the share through public auction, and in such case, the defaulting shareholder may until the scheduled date of the auction, pay the amount due by him in addition to the expenses incurred by the Company. The Company shall receive from the yield of the sale the amounts due to it and shall return the balance to the shareholder. In the event that the yield of the sale is not sufficient to cover the amounts due to the Company, the Company may collect the remaining amounts from all of the shareholder's assets, and the Company shall annul the sold share and give the buyer a new share bearing the number of the annulled share while indicating this in the shareholders' register.</p>

Type of Disclosure	Item	Disclosure Requirement
		<p><b>Capital increase</b></p> <p>The Extraordinary General Meeting may, after verifying the economic feasibility and following the approval of the competent departments, decide to increase the Company’s capital one or more times by issuing new shares with the same nominal value as the original shares, provided that the initial capital has been fully paid-up and subject to the Company Law. Said decision shall determine the means through which the capital will be increased.</p> <p>The Extraordinary General Assembly, in all circumstances, has the right to allocate all or part of the issued shares upon capital increase to the employees of the Company and subsidiaries or some or any of them. The shareholders do not have the right exercise a priority right when the Company issues such shares to employees.</p> <p>The shareholders shall have a priority right to subscribe to the new shares, and the latter shall publish their priority right in a daily newspaper mentioning the decision to increase the capital and the subscription conditions. Each shareholder shall express his wish to exercise his priority right within fifteen days as of the date of the publication.</p> <p>The Extraordinary General Assembly may, cease the priority right to the shareholders upon subscription in a capital increase in return of cash distributions, or give the priority right to non-shareholders in circumstances that it sees is for the best interest of the Company. The shareholder may sell or waive the priority right, during the period between the date of the General Assembly decision for the capital increase and the last subscription date in the new shares attached to those rights, based on the regulations set by the relevant authority body.</p> <p>Said new shares shall be distributed among the founding shareholders, who requested subscription, pro rata to the initial shares they hold provided that the shares they obtain to do not exceed the requested number of new shares. The remaining new shares shall be distributed among the founding shareholders who requested to subscribe to a number of shares exceeding the number of initial shares they hold, provided that the number of shares they receive does not exceed the requested number of new shares.</p>

Type of Disclosure	Item	Disclosure Requirement
		<p><b>Capital decrease</b></p> <p>The Extraordinary General Meeting may decrease the Company's capital if the capital exceeds its needs or if the Company incurred losses. Said decision shall not be issued prior to the reading of the auditors' report on the motives justifying said decrease, the Company's obligations, and the impact of the decrease on said obligations, in accordance with the Company Law. The decision shall indicate the means through which the decrease will take place; and if the decrease is a result from the fact that the capital exceeds the Company's needs, creditors are invited to notify their oppositions within 60 days as of the date of publication of the decrease decision in a daily newspaper distributed in the country where the Company's head office is located. If one creditor opposes said decrease and submits his documents to the Company within the fixed time limit, the Company shall settle the debt to him in case of short-term debt, or submit a sufficient guarantee in case of a long-term debt.</p>
<b>Quantitative Disclosures</b>	(b)	<p>Refer to Appendix I for details related to the amount of Tier 1 capital, with separate disclosure of:</p> <ul style="list-style-type: none"> <li>• Paid-up capital;</li> <li>• Audited retained earnings;</li> <li>• Share premium;</li> <li>• Reserves (other than revaluation reserves);</li> <li>• Tier-1 capital contribution; and</li> <li>• Any deductions from Tier-1 capital</li> </ul>
	(c)	As of December 31, 2018, Tier-2 capital is composed of revaluation reserves of SAR 1.636 million
	(d)	As of December 31, 2018, Total capital base, net of deductions is SAR 163.048 million. Refer to Appendix I for more details.

### 3. CAPITAL ADEQUACY

Type of Disclosure	Item	Disclosure Requirement
<b>Qualitative Disclosures</b>	(a)	<p>As of December 31, 2018 SaudiMed was in full compliance with the prudential rules, the Company maintained a total capital ratio of 1.45 and a surplus in capital of SAR 50.279 million.</p> <p>The Company closely monitors its capital adequacy ratios to be above the minimum capital requirement and also ensures to maintain all its exposures below the prohibited amounts.</p>

Type of Disclosure	Item	Disclosure Requirement
	(b)	<p>The Company focuses on maintaining adequate capital in addition to growing its core business in corporate finance, structured finance, asset management and its investments against capital. The capital planning process is tied to the strategic business plan adopted by the Company which aims at:</p> <ol style="list-style-type: none"> <li>1. Pursuing corporate finance/structured finance mandates in the Saudi markets and to place them regionally.</li> <li>2. Aiming at launching one or more new real estate development funds during 2019-2020 in addition to the existing Med SI Real Estate Development Fund II that was launched in December 2013.</li> <li>3. Pursuing exclusive marketing and placement relationships with international and regional asset managers wanting to place their funds in Saudi Arabia.</li> <li>4. Holding its current investment position in an international Bond amounting to USD 3.450 million until maturity.</li> <li>5. Holding its current investment position in securitization notes amounting to USD 3.850 million until maturity.</li> <li>6. Holding its current investment position in a private equity fund of USD 1 million (Principal).</li> <li>7. Holding its current investment position in a Money Market Fund of USD 5 million (Principal).</li> <li>8. Maintaining the deposits with the Parent Company (being part of the Capital) at an average balance of USD 26 million.</li> </ol>

Type of Disclosure	Item	Disclosure Requirement
		<p>The Company continuously monitors its capital requirement taking into account its projected business plan. The main assumptions in calculating and assessing the projected capital adequacy over the coming 3 years are as follows:</p> <ol style="list-style-type: none"> <li>1. Maintain annual growth in revenues within a range of 5 to 10%.</li> <li>2. Growth in Operating Expenses should not exceed 5% annually.</li> <li>3. Maintain the current investment positions in addition to new potential investments.</li> <li>4. Adhere to the strategic plan in terms of developing the asset management, corporate finance and structured finance business.</li> </ol>
<b>Quantitative Disclosures</b>	(c)	Capital requirements for credit risks, market risks and operational risks, foreign exchange risks and commodity risk in accordance with the PRs are found in Appendix II.
	(d)	As of December 31, 2018, Total capital ratio is 1.45; For more details refer to appendix II.

## 4. RISK MANAGEMENT

### 4.1 General Qualitative Disclosure for Risks

#### **Objectives and Guidelines for Risk Management**

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The principal objectives of the Risk Management Function are to maintain a strong risk culture and a robust risk policy and procedures framework. A strong risk culture helps reinforce the management of risk and return across the Company. Also, it requires a forward-looking perspective on key issues and a good assessment of those risks.

#### **Strategies and Processes for Risk Management**

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SaudiMed is exposed to various types of risks in the normal course of its business. The principal risks associated with SaudiMed business are credit risks, market risks, operational risks, liquidity risks, FX position risks and interest rate risks.

The risk policies and procedures set in place are designed to identify and quantify all types of risks that the Company may encounter based on its current and forecasted business activities, set appropriate limits in line with defined risk appetite, ensuring control and monitoring adherence to the limits in order to mitigate these risks.

SaudiMed risk appetite is determined according to its actual and projected business plan, liquidity, funding and capital needs.

The risk appetite of SaudiMed is based on the below converging objectives:

- Accompany the business in its growth and support management in the implementation of the Company's strategy;
- Preserve and contribute to the enhancement of the Company's financial strength by ensuring that risks and rewards are properly balanced and by minimising the impact of undesirable events on capital and profits;
- Formulate the risk appetite which determines the risk boundaries within which management operates;
- Constantly monitor the risk profile to ensure that the Company is operating within set risk appetite and limits.

#### **Organization and Structure of Risk Management Function**

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The Risk Assessment Process of SaudiMed transactions and operations is conducted by the Company's Risk Officer in full coordination with the Risk Management Division of the Parent Company.

The Risk Function of the Company is overseen by the Risk Management Division and the Board Group Risk Committee of the Parent Company.

The Board of Directors of the Company meets regularly with the Heads of Group Internal Audit of the Parent Company, Group Compliance and Risk Management to review policies, procedures and controls.

## **Organization and Structure of Compliance Function**

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The Compliance Function assists management in verifying that the Company meets the CMA regulatory requirements in protecting and enhancing its reputation with its stakeholders to minimize and avoid financial losses. The Compliance Function ensures proper implementation of the directives issued by the Capital Market Authority in fighting money laundering and countering terrorist financing. In addition, the function follows the highest standards and best practices in implementing the proper due diligence on customer's accounts and transactions, as well as verifying compliance with relevant laws and regulations.

The Compliance Function is managed by the Compliance Officer who reports directly to the Senior Management and the Board's Audit Committee any irregularities or possible breaches disclosed by its investigations.

To the extent deemed necessary, the Compliance Function is authorized to:

- Have free access to all functions, records (hard and soft copies), property and personnel of the Company.
- Exchange all information and correspondences with due care and confidentiality.
- Obtain the necessary assistance of personnel in different departments where compliance field work is conducted.

The Compliance Function verifies compliance with all relevant laws, regulations and professional standards, assesses and identifies the compliance risks within the Company, assists Senior Management in the management and control of identified risks, monitors all measures available taken or to be taken to manage compliance risks, reports deviations – significant and serious deficiencies and material issues vis-à-vis compliance activities to the Board's Audit Committee and Senior Management, as well as informs and educates staff about all relevant laws, regulations, and compliance requirements.

## **The Scope and nature of risk reporting and measurement systems**

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SaudiMed is exposed to various types of risks in the normal course of its business. The policies and procedures 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 SaudiMed business are credit risks, market risks, operational risks and other risks.

## **A. Credit Risk**

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Credit risk is the risk of incurring losses on loans, existing or potential, due to prior commitments, resulting from the credit quality migration of the debtors, which may eventually come to default. Credit risk, measured at portfolio level, takes into account correlations between the values of the investments and the deposits with banks making up the portfolio concerned. Risk Management has been carrying out regular analyses of SaudiMed portfolio, taking into account the results of these analyses in setting the processes and the limits for credit risk management.

### **A.1 Credit Risk Strategy**

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SaudiMed credit risk strategy is coupled with its Investment Policy which is aimed at preserving and increasing its capital by allocating funds into investment opportunities in various authorized asset classes, so as to maximize returns within reasonable and prudent levels of risk.

#### **Time Horizon**

The investment strategy mainly targets investments with a short to medium-term horizon ranging between 1 month and up to 4 years.

#### **Asset Classes**

SaudiMed is authorized to invest either directly or indirectly (through units in investment funds) in a portfolio consisting of one or more of the following asset classes, collectively referred to as ("Regular Investments"):

- Placements with Banks
- Money Market securities
- Fixed Income securities

### **A.2 Credit risk Measurement**

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Credit risk is captured and measured under Pillar I as per CMA rules. Under this pillar, non- trading activities exposures (including on balance sheet plus off balance sheet items) are assigned to one of the following exposure classes: exposures to governments and/or Central banks, administrative bodies and non-profit organizations, authorized persons and banks, margin financing, venture capital and private equity/ unlisted investments, securitisation and re-securitisation, other items and all off-balance sheet commitments. Each segment has a defined risk weight based on the exposure's credit quality step.

Major mitigation actions taken by SaudiMed for managing concentration risk include:

- ⇒ Reducing limits on risk concentration.
- ⇒ Adjusting the business strategy to address excessive concentration.
- ⇒ Diversifying asset allocation.
- ⇒ Liquidating certain assets.

## **B. Market Risk**

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Market Risk is the risk that the Company's earnings or capital, or its ability to support its business strategy, will be impacted by changes in market rates or prices related to interest rates, equity prices, credit spreads, and foreign exchange rates. Brief descriptions of the risk items covered by market risk are given below:

- Interest rate is the impact on Company's earnings and market value of equity due to changes in interest rates; the risk is two-fold:
  - Specific Risk: risk of loss caused by an adverse price movement of a debt instrument or security due principally to factors related to the issuer.
  - General Market Risk: risk of loss arising from adverse changes in market conditions.
- Equity position risk is the risk that Company's investments will depreciate due to the dynamics of the equity markets.
- Foreign exchange risk is the risk arising from a change in exchange-rates on the Company's net asset / liability positions.

### **B.1 Market Risk Strategy**

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SaudiMed Market risk strategy is also coupled with SaudiMed investment policy specifically in relation to its liquidity management program and its investments against capital. This strategy aims at preserving and increasing its capital by allocating funds into investment opportunities in various authorized asset classes, so as to maximize returns within reasonable and prudent levels of risk.

SaudiMed strives to maintain its asset/liability gap always positive in order to avoid any losses due to interest rates increases.

### **B.2 Market Risk Measurement**

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SaudiMed has a very low tolerance to market risk stemming from changes in equity prices and foreign exchange rates. Its main exposure to changes in FX rates stems from its structural FX position resulting from its debt investments and deposits in Banks in Foreign Currency (FCY) against its Capital that cannot be hedged against. This leaves interest rate risk in the banking book (IRRBB) as the main contributor to market risk.

## **IRRBB - Risk Strategy**

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Interest rate risk in banking book arises out of the Company's interest-sensitive asset, liability positions. The mismatch in the re-pricing dates of these positions creates interest rate risk for the Company which is inherent in its investing and placements activities.

Interest Rate Gap Analysis utilizes the maturity or re-pricing schedules of balance sheet items and hedge accounted derivatives to determine the differences between maturing or re-pricing items within given tenor buckets.

- A negative gap means that more liabilities than assets will need to be re-priced in the future at future rates. A negative GAP creates exposure to rising interest rates.
- A positive gap means that more assets than liabilities will need to be re-priced in the future at future rates. A positive gap therefore creates exposure to falling interest rates.

SaudiMed will always try to maintain a positive gap in relation to its interest-bearing investments, current and term-deposits with Banks and also borrowings from Banks.

The levels and fluctuations of the Earnings at Risk and the Equity Value calculated above are continuously monitored and reported on a quarterly basis to the Parent Company.

## **Liquidity Risk**

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Liquidity is an important component of market risk. Liquidity risk which is different from the solvency risk is not mitigated by capital add-on but rather by adopted management techniques. Liquidity Risk monitoring for SaudiMed will be covered by the Risk Management Division at the Parent Company.

## **Liquidity Risk Strategy**

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The Market Risk Report (MRR) quantifies the daily and cumulative gap in SAR and FCY in a business-as-usual and stress environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the markets required to replace maturing liabilities or assets. The MRR is based on the actual balance sheet and includes off-balance sheet derivatives and commitments (if any and applicable) that may give rise to balance sheet positions. The MRR is produced on a quarterly basis in SAR and Foreign Currency (FCY).

## **Liquidity Risk measurement**

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Assessment of the extent to which there is a mismatch between assets and liabilities and could occur as a result of the company's assets having been pledged, inability to sell assets quickly or costs & timing constraints of reducing asset positions at different levels of market liquidation. The company's liquidity is designed to ensure that it can at all times meet its obligations as they fall due. There are a number of ways that the company uses to achieve this objective:

- Short term funding
- Liquid assets
- Diversification of liquidity sources
- Stress tests

Finally, SaudiMed is continuously upgrading its asset-liability management systems and policies in order to better quantify the potential gaps and consequently implement the necessary limits and contingency plans in order to mitigate any serious impact on its liquidity in extreme events.

## **C. Operational Risk**

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Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events. It is evident that operational risk is inherent in all the activities of the Company, in all interactions with external parties. Management of Operational Risk requires robust internal control coupled with quality supervision and management.

### **C.1 Operational Risk Strategy**

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Operational Risk Management (ORM) is an integrated umbrella with all underlying Operational Risk elements like Anti-Fraud, Business Continuity, and Policy & Procedure, forming a part of the operational risk management chain. Operational Risk is embedded in each Business area, and the Risk Mitigation techniques are applied to each activity/product/process.

All Products/Services/Processes are subject to risk assessment & analysis. The exceptions and quality deficiencies are documented and monitored for their resolution. The analysis of operational risk-related events, potential risk, and other early-warning signals are in focus when developing the processes. The exceptions/issues are highlighted and resolved at the senior levels.

The use of the Key Risk Indicators (KRI) is an essential mechanism for pro-active operational risk management. The trend of the KRIs for Human Resources, IT and Processes is used to predict changes in the company's operational risk profile, and to highlight potential risky areas.

ORM has two main objectives: the prevention of operational risk events and the timely detection of unfavorable events.

The mitigating techniques include: preventative control measures, robust Information Security framework, strong Anti-Fraud/Compliance regime, comprehensive Physical /Logical access security measures, and Business Continuity plans together with crisis management preparedness and a broad insurance coverage for handling major incidents.

Operational Risk Management develops and maintains a framework for identifying, assessing, monitoring and controlling operational risk and supports the line organization for implementing the framework. The techniques and processes for managing operational risks are structured around the risk sources as described in the definition of operational risk. This approach improves the comparability of risk profiles throughout the organization.

### **C.2 Operational Risk Measurement**

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The higher between the Basic Indicator Approach and the Expenditure-Based Approach is used for the calculation of the regulatory capital charge requirements with respect to Operational Risk, as required by the Capital Adequacy Model set by the CMA. The Basic Indicator Approach applies a fixed percentage of 15% risk charge to the average positive operating income for the preceding three financial years, whereas the Expenditure-Based Approach applies 25% of the overhead expenses for the current year. For the year ended December 31, 2018, the Basic Indicator Approach was adopted (since its calculation was the higher of the two approaches);

## D. Other Risks

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There are other risks that generally are difficult to quantify and that cannot be covered by capital. The Company tries to minimize as much as possible these types of risks by adequate management, HR training and coaching, and control procedures. Below are some of these risks:

1. **Strategic/Business Risk: Strategic Risk** results from an adverse business decisions or strategic choices, like failure of the achievement of planned investments. **Business Risk** relates to information systems acquired or developed internally and reviewed by specialized committees. Based on the risks identified, the concerned business units develop the related policies and procedures to manage these products taking into account preventive control procedures.
2. **Reputation risk:** this could arise from an adverse perception of the image of the Company on the part of customers, counterparties, employees, regulators or any other stakeholders whose trust is an essential condition for the Company to carry out its day-to-day operations. The Company considers the management of reputation risk in terms of the Company's image, services and products offered as an extremely serious matter. It is also mitigated by the Company's various policies and procedures and Code of Ethics.
3. **Compliance risk:** this could arise as a result of breaches or non-compliance with AML regulations, legislation, or ethical standards. It is also mitigated by SaudiMed various policies and procedures. The **Compliance** department has the responsibility to ensure continuous evaluation and identification of all potential risks of customers with activities that might involve among other things money laundering or terrorist financing activities.
4. **Legal risk:** this could arise as a result of a failure to comply with statutory or regulatory obligations and includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions. It should be mitigated by SaudiMed various documentation of policies and procedures. The Compliance department has the responsibility to ensure continuous evaluation and identification of all potential legal risks. SaudiMed senior management on the other hand is thoroughly engaged in the management of legal risks as well as all other risks.

There is no risk appetite (Zero tolerance) for **strategic risk, reputation risk, compliance risk and legal risk** and the Company seeks to reduce these risks as much as possible by applying adopted procedures. In addition, most of the causes of reputation risk result from the **realization of another risk mainly operational risk**.

### **Policies/ Guidelines for hedging, and mitigating risk**

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The Company's activities are mainly to generate non-interest revenues through its main core business such as corporate advisory, asset management and structured finance. However, the Company holds in its books debt and equity instruments such as funds, bonds and notes in addition to demand and term deposits with the parent Company. Moreover, the Company doesn't accept deposits from customers nor grants loans to customers.

The use of financial instruments and exposures to banks (through the bank deposits) also brings with it associated inherent risks. The Company recognizes the relationship between returns and risks associated with the use of financial instruments and the management of risks forms an integral part of its strategic objectives. The strategy is to maintain a strong risk management culture and manage the risk/reward relationship. The Company, through the Risk Management Division of the Parent Company, continuously reviews its risk management policies and practices to reflect changes in markets, products and emerging best practice.

## 4.2 Credit Risk Disclosure

Type of Disclosure	Item	Disclosure Requirement																																																
Qualitative Disclosures	(a)	<p><b>Credit Risk/Past Due Claims</b></p> <p>Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to discharge an obligation. Financial assets that are mainly exposed to credit risk are deposits with banks and investments in debt and equity securities.</p> <p>Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance affecting a particular industry or geographical location.</p> <p><b>Management of credit risk</b></p> <p>The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Company's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are continuously monitored.</p> <p><b>Netting arrangement</b></p> <p>The Company sometimes further restricts its exposure to credit losses by entering into netting arrangements with counterparties. Netting arrangements reduce credit risk associated with favourable contracts to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Company books don't include any past due claims and impaired investments.</p> <p>Throughout the year, the Company, in coordination with the Risk Division of the Parent Company, continuously monitored the credit standing of all its exposures to identify any possible drop in credit rating or credit quality in order to determine the related impairment provision.</p>																																																
	(b)	<p>SaudiMed is exposed to various exposures, banks, and fixed income investments. Below is a table showing the exposures by type, as of December 31, 2018:</p> <table border="1"> <thead> <tr> <th>Exposure Nature</th> <th>Exposure Type</th> <th>Rating</th> <th>Maturity</th> <th>Gross Exposure (SAR 000's)</th> <th>ECL Impact</th> <th>Total Exposure (SAR 000's)</th> </tr> </thead> <tbody> <tr> <td>Current and demand deposits</td> <td>Deposits with various Banks</td> <td>Rated</td> <td>Less than 1 year</td> <td>95,778</td> <td>(184)</td> <td>95,594</td> </tr> <tr> <td>Current accounts</td> <td>Deposits with various Banks</td> <td>Unrated</td> <td>Less than 1 year</td> <td>38</td> <td>-</td> <td>38</td> </tr> <tr> <td>Long term deposits</td> <td>Deposits with various Banks</td> <td>Rated</td> <td>More than 1 year</td> <td>18,881</td> <td>(35)</td> <td>18,846</td> </tr> <tr> <td>Investments</td> <td>Debt instruments</td> <td>Rated</td> <td>More than 1 year</td> <td>13,031</td> <td>(498)</td> <td>12,533</td> </tr> <tr> <td>Investments</td> <td>Debt instruments</td> <td>Unrated</td> <td>More than 1 year</td> <td>14,670</td> <td>(373)</td> <td>14,297</td> </tr> <tr> <td>Investments</td> <td>Equity instruments</td> <td>Unrated</td> <td>More than 1 year</td> <td>24,135</td> <td>-</td> <td>24,135</td> </tr> </tbody> </table>	Exposure Nature	Exposure Type	Rating	Maturity	Gross Exposure (SAR 000's)	ECL Impact	Total Exposure (SAR 000's)	Current and demand deposits	Deposits with various Banks	Rated	Less than 1 year	95,778	(184)	95,594	Current accounts	Deposits with various Banks	Unrated	Less than 1 year	38	-	38	Long term deposits	Deposits with various Banks	Rated	More than 1 year	18,881	(35)	18,846	Investments	Debt instruments	Rated	More than 1 year	13,031	(498)	12,533	Investments	Debt instruments	Unrated	More than 1 year	14,670	(373)	14,297	Investments	Equity instruments	Unrated	More than 1 year	24,135	-
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Quantitative Disclosures	(c)	Refer to Appendix IV for details about the balance sheet credit risk's rated exposures.																																																
	(d)	There are no impaired and past due exposures.																																																

Type of Disclosure	Item	Disclosure Requirement																																																						
	(e)	<p>As of December 31, 2018, the geographic distribution of credit risk exposures, broken down in significant areas by major types of net credit exposure is presented below:</p> <table border="1"> <thead> <tr> <th><i>Net Credit Exposures (SAR 000's)</i></th> <th>Lebanon</th> <th>Middle East &amp; Africa</th> <th>Europe</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Demand Deposits with Banks</td> <td>95,403</td> <td>229</td> <td>-</td> <td><b>95,632</b></td> </tr> <tr> <td>Call and Time Deposits with Banks and FI</td> <td>18,846</td> <td>-</td> <td>-</td> <td><b>18,846</b></td> </tr> <tr> <td>Held at FVTOCI - Money Market Fund</td> <td>-</td> <td>-</td> <td>14,965</td> <td><b>14,965</b></td> </tr> <tr> <td>Held at FVTOCI - Equity Securities held at fair market value</td> <td>-</td> <td>-</td> <td>9,170</td> <td><b>9,170</b></td> </tr> <tr> <td>Held at Amortised Cost - Equity Securities held at cost</td> <td>14,297</td> <td>-</td> <td>-</td> <td><b>14,297</b></td> </tr> <tr> <td>Held at Amortised Cost - Debt Securities issued by Private Sector</td> <td>-</td> <td>12,533</td> <td>-</td> <td><b>12,533</b></td> </tr> <tr> <td>Other Assets</td> <td>-</td> <td>1,136</td> <td>87</td> <td><b>1,223</b></td> </tr> <tr> <td><b>Total</b></td> <td><b>128,546</b></td> <td><b>13,898</b></td> <td><b>24,222</b></td> <td><b>166,666</b></td> </tr> </tbody> </table>	<i>Net Credit Exposures (SAR 000's)</i>	Lebanon	Middle East & Africa	Europe	Total	Demand Deposits with Banks	95,403	229	-	<b>95,632</b>	Call and Time Deposits with Banks and FI	18,846	-	-	<b>18,846</b>	Held at FVTOCI - Money Market Fund	-	-	14,965	<b>14,965</b>	Held at FVTOCI - Equity Securities held at fair market value	-	-	9,170	<b>9,170</b>	Held at Amortised Cost - Equity Securities held at cost	14,297	-	-	<b>14,297</b>	Held at Amortised Cost - Debt Securities issued by Private Sector	-	12,533	-	<b>12,533</b>	Other Assets	-	1,136	87	<b>1,223</b>	<b>Total</b>	<b>128,546</b>	<b>13,898</b>	<b>24,222</b>	<b>166,666</b>									
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	(g)	Refer to <b>Appendix III</b> for details about the Exposure amounts before and after credit risk protection associated with each credit quality step in regards to non-trading activities, as well as the exposure amounts that are deducted from capital.																																																						

### 4.3 Credit Risk Mitigation Exposure

Type of Disclosure	Item	Disclosure Requirement																																													
Qualitative Disclosures	(a)	<p>SaudiMed is not using any collateral in its normal course of business.</p> <p>The table below shows the exposures classified by Market Industry:</p> <table border="1"> <thead> <tr> <th>Net Credit Exposures (SAR 000's)</th> <th>Banks &amp; Financial Institutions</th> <th>Telecom Companies</th> <th>Others</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Demand Deposits with Banks</td> <td>95,632</td> <td>-</td> <td>-</td> <td>95,632</td> </tr> <tr> <td>Call and Time Deposits with Banks and FI</td> <td>18,846</td> <td>-</td> <td>-</td> <td>18,846</td> </tr> <tr> <td>Held at FVTOCI - Money Market Fund</td> <td>14,965</td> <td>-</td> <td>-</td> <td>14,965</td> </tr> <tr> <td>Held at FVTOCI - Equity Securities held at fair market value</td> <td>-</td> <td>-</td> <td>9,170</td> <td>9,170</td> </tr> <tr> <td>Held at Amortised Cost - Equity Securities held at cost</td> <td>14,297</td> <td>-</td> <td>-</td> <td>14,297</td> </tr> <tr> <td>Held at Amortised Cost - Debt Securities issued by Private Sector</td> <td>-</td> <td>12,533</td> <td>-</td> <td>12,533</td> </tr> <tr> <td>Other Assets</td> <td>87</td> <td>-</td> <td>1,136</td> <td>1,223</td> </tr> <tr> <td><b>Total</b></td> <td><b>143,827</b></td> <td><b>12,533</b></td> <td><b>10,306</b></td> <td><b>166,666</b></td> </tr> </tbody> </table>	Net Credit Exposures (SAR 000's)	Banks & Financial Institutions	Telecom Companies	Others	Total	Demand Deposits with Banks	95,632	-	-	95,632	Call and Time Deposits with Banks and FI	18,846	-	-	18,846	Held at FVTOCI - Money Market Fund	14,965	-	-	14,965	Held at FVTOCI - Equity Securities held at fair market value	-	-	9,170	9,170	Held at Amortised Cost - Equity Securities held at cost	14,297	-	-	14,297	Held at Amortised Cost - Debt Securities issued by Private Sector	-	12,533	-	12,533	Other Assets	87	-	1,136	1,223	<b>Total</b>	<b>143,827</b>	<b>12,533</b>	<b>10,306</b>	<b>166,666</b>
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Quantitative Disclosures	(b)	<p>Refer to <b>Appendix V</b> for details about credit risk exposure class and the total exposure</p> <ul style="list-style-type: none"> <li>That is covered by guarantees or credit derivatives; and</li> <li>That is covered by other eligible collaterals.</li> </ul>																																													

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

Type of Disclosure	Item	Disclosure Requirement
Qualitative Disclosures	(a)	The methodology used to assign internal capital and credit limits for CCR exposures is established by the Risk Division at the Parent Company. There are no policies in place for securing collateral and establishing credit reserves since they currently do not apply.
Quantitative Disclosures	(b)	There are no derivatives transactions in SaudiMed books.
	(c)	There are no off-balance sheet contracts in SaudiMed books.

## 4.5 Market Risk Disclosure

Type of Disclosure	Item	Disclosure Requirement
Qualitative Disclosures	(a)	<p><b>Market Risk</b></p> <p>Market Risk is the risk that the Company’s earnings or capital, or its ability to support its business strategy, will be impacted by changes in market rates or prices related to interest rates, equity prices, credit spreads, and foreign exchange rates. Brief descriptions of the risk items covered by market risk are given below:</p> <ul style="list-style-type: none"> <li>• Interest rate risk is the impact on Company’s earnings and market value of equity due to changes in interest rates; the risk is two-fold: <ul style="list-style-type: none"> <li>- Specific Risk: risk of loss caused by an adverse price movement of a debt instrument or security due principally to factors related to the issuer.</li> <li>- General Market Risk: risk of loss arising from adverse changes in market conditions.</li> </ul> </li> <li>• Equity position risk is the risk that Company’s investments will depreciate due to the dynamics of the equity markets.</li> <li>• Foreign exchange risk is the risk arising from a change in exchange-rates on the Company’s net asset / liability positions.</li> </ul> <p><b>Market Risk Strategy</b></p> <p>SaudiMed Market risk strategy is also coupled with SaudiMed investment policy specifically in relation to its liquidity management program and its investments against capital. This strategy aims at preserving and increasing its capital by allocating funds into investment opportunities in various authorized asset classes, so as to maximize returns within reasonable and prudent levels of risk.</p> <p>SaudiMed strives to maintain its asset/liability gap always positive in order to avoid any losses due to interest rates increases.</p> <p><b>Market Risk Measurement</b></p> <p>SaudiMed has a very low tolerance to market risk stemming from changes in equity prices and foreign exchange rates. Its main exposure to changes in FX rates stems from its structural FX position resulting from its debt investments and deposits in Banks in Foreign Currency (FCY) against its Capital that cannot be hedged against. This leaves interest rate risk in the banking book (IRRBB) as the main contributor to market risk.</p>
Quantitative Disclosures	(b)	<p>Capital requirements for the following risks in respect of its business activities:</p> <ul style="list-style-type: none"> <li>• Market risk (Foreign exchange rate risk) charge: SAR 3.021 million</li> </ul>

## 4.6 Operational Risk Disclosure

Type of Disclosure	Item	Disclosure Requirement
Qualitative Disclosures	(a)	<p><b>Operational Risk</b></p> <p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events. It is evident that operational risk is inherent in all the activities of the Company and in all interactions with external parties. Management of Operational Risk requires robust internal control coupled with quality supervision and management.</p> <p><b>Operational Risk Strategy</b></p> <p>Operational Risk Management (ORM) is an integrated umbrella with all underlying Operational Risk elements like Anti-Fraud, Business Continuity, and Policy &amp; Procedure, forming a part of the operational risk management chain. Operational Risk is embedded in each Business area, and the Risk Mitigation techniques are applied to each activity/product/process.</p> <p>All Products/Services/Processes are subject to risk assessment &amp; analysis. The exceptions and quality deficiencies are documented and monitored for its resolution. The analysis of operational risk-related events, potential risk, and other early-warning signals are in focus when developing the processes. The exceptions/issues are highlighted and resolved at the senior levels.</p> <p>The Compliance Officer, in coordination with the Operations Risk Department at the Parent Company, is responsible for monitoring operational risk.</p> <p>Key Risk Indicators (KRI) as an essential mechanism for pro-active operational risk management. KRIs for Human Resources, IT and Processes to predict changes in the Company's operational risk profile. ORM has two main objectives: the prevention of operational risk events and the timely detection of unfavorable events.</p> <p>The mitigating techniques include: preventative control measures, robust Information Security framework, strong Anti-Fraud/Compliance regime, comprehensive Physical /Access security and Business Continuity plans together with crisis management preparedness and a broad insurance coverage for handling major incidents.</p> <p>Operational Risk Management develops and maintains a framework for identifying, assessing, monitoring and controlling operational risk and supports the line organization for implementing the framework. The techniques and processes for managing operational risks are structured around the risk sources as described in the definition of operational risk. This approach improves the comparability of risk profiles throughout the organization.</p>

Type of Disclosure	Item	Disclosure Requirement
	(b)	<p><b>Operational Risk Measurement</b></p> <p>The Basic Indicator Approach is used for the calculation of the regulatory capital charge requirements with respect to Operational Risk.</p>
Quantitative Disclosures	(c)	Capital requirement for operational risk is SAR 3.081 million.

#### 4.7 Liquidity Risk Disclosure

Type of Disclosure	Item	Disclosure Requirement
Qualitative Disclosures	(a)	<p><b>Liquidity Risk</b></p> <p>Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.</p> <p><b>Management of liquidity risk</b></p> <p>To mitigate this risk, management has diversified funding sources, manages assets with liquidity in mind, maintaining an adequate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Company also has committed lines of credit that it can access to meet liquidity needs.</p> <p><b>Exposure to liquidity risk</b></p> <p>The table below in section 4.7c summarizes the maturity profile of assets and liabilities. Management monitors the maturity profile to ensure that adequate liquidity is maintained.</p> <p><b>Liquidity Risk Strategy</b></p> <p>The Market Risk Report (MRR) quantifies the daily and cumulative gap in SAR and FCY in a business-as-usual and stress environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the markets required to replace maturing liabilities or assets. The MRR is based on the actual balance sheet and includes off-balance sheet derivatives and commitments (if any and applicable) that may give rise to balance sheet positions. The MRR is produced on a quarterly basis in SAR and Foreign Currency (FCY).</p> <p>The Party responsible for generating and reviewing the MRR is the Risk Division at the Parent Company.</p>

Type of Disclosure	Item	Disclosure Requirement																																																																																																																																												
		<p><b>Liquidity Risk measurement</b></p> <p>Assessment of the extent to which there is a mismatch between assets and liabilities and could occur as a result of the Company's assets having been pledged, inability to sell assets quickly or costs &amp; timing constraints of reducing asset positions at different levels of market liquidation. The Company's liquidity is designed to ensure that it can at all times meet its obligations as they fall due. There are a number of ways that the Company uses to achieve this objective:</p> <ul style="list-style-type: none"> <li>➤ Short term funding</li> <li>➤ Liquid assets</li> <li>➤ Diversification of liquidity sources</li> <li>➤ Stress tests</li> </ul> <p>Finally, SaudiMed is continuously upgrading its asset-liability management systems and policies in order to better quantify the potential gaps and consequently implement the necessary limits and contingency plans in order to mitigate any serious impact on its liquidity in extreme events.</p>																																																																																																																																												
	(b)	<p><b>Liquidity Stress Testing</b></p> <p>No Liquidity stress tests are performed since all the funding is provided by the Parent Company.</p>																																																																																																																																												
Quantitative Disclosures	(c)	<p>Below is the maturity gap of Balance Sheet. The table below summarizes the maturity profile of assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date.</p> <p>Management monitors the maturity profile to ensure that adequate liquidity is maintained.</p> <table border="1" data-bbox="421 1335 1378 1984"> <thead> <tr> <th data-bbox="421 1335 842 1417"><i>Maturity Gap of Balance Sheet (SAR 000's)</i></th> <th data-bbox="842 1335 948 1417">Accounts with No Maturity</th> <th data-bbox="948 1335 1023 1417">Up to 3 months</th> <th data-bbox="1023 1335 1114 1417">3 months to 1 Year</th> <th data-bbox="1114 1335 1204 1417">1 to 3 years</th> <th data-bbox="1204 1335 1295 1417">3 to 10 years</th> <th data-bbox="1295 1335 1378 1417">Total</th> </tr> </thead> <tbody> <tr> <td colspan="7"><b>Assets</b></td> </tr> <tr> <td>Cash</td> <td>16</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>16</td> </tr> <tr> <td>Demand Deposits with Banks</td> <td>95,632</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>95,632</td> </tr> <tr> <td>Call and Time Deposits with Banks and FI</td> <td>-</td> <td>-</td> <td>23</td> <td>-</td> <td>18,823</td> <td>18,846</td> </tr> <tr> <td>Held at FVTOCI - Money Market Fund</td> <td>14,965</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>14,965</td> </tr> <tr> <td>Held at FVTOCI - Equity Securities held at fair market value</td> <td>9,170</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>9,170</td> </tr> <tr> <td>Held at Amortised Cost - Equity Securities held at cost</td> <td>-</td> <td>233</td> <td>-</td> <td>14,064</td> <td>-</td> <td>14,297</td> </tr> <tr> <td>Held at Amortised Cost - Securities issued by Private Sector</td> <td>-</td> <td>-</td> <td>93</td> <td>12,440</td> <td>-</td> <td>12,533</td> </tr> <tr> <td>Property and Equipment</td> <td>477</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>477</td> </tr> <tr> <td>Intangible Assets</td> <td>271</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>271</td> </tr> <tr> <td>Deferred Tax Asset</td> <td>758</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>758</td> </tr> <tr> <td>Other Assets</td> <td>643</td> <td>87</td> <td>-</td> <td>-</td> <td>-</td> <td>730</td> </tr> <tr> <td><b>Total Assets</b></td> <td><b>121,932</b></td> <td><b>320</b></td> <td><b>116</b></td> <td><b>26,504</b></td> <td><b>18,823</b></td> <td><b>167,695</b></td> </tr> <tr> <td colspan="7"><b>Liabilities</b></td> </tr> <tr> <td>Deposits from Banks and Financial Institutions</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Othe Liabilities</td> <td>2,027</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>2,027</td> </tr> <tr> <td>Provisions</td> <td>1,591</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>1,591</td> </tr> <tr> <td><b>Total Liabilities</b></td> <td><b>3,618</b></td> <td><b>-</b></td> <td><b>-</b></td> <td><b>-</b></td> <td><b>-</b></td> <td><b>3,618</b></td> </tr> <tr> <td><b>Maturity Gap</b></td> <td><b>118,314</b></td> <td><b>320</b></td> <td><b>116</b></td> <td><b>26,504</b></td> <td><b>18,823</b></td> <td><b>164,077</b></td> </tr> </tbody> </table>	<i>Maturity Gap of Balance Sheet (SAR 000's)</i>	Accounts with No Maturity	Up to 3 months	3 months to 1 Year	1 to 3 years	3 to 10 years	Total	<b>Assets</b>							Cash	16	-	-	-	-	16	Demand Deposits with Banks	95,632	-	-	-	-	95,632	Call and Time Deposits with Banks and FI	-	-	23	-	18,823	18,846	Held at FVTOCI - Money Market Fund	14,965	-	-	-	-	14,965	Held at FVTOCI - Equity Securities held at fair market value	9,170	-	-	-	-	9,170	Held at Amortised Cost - Equity Securities held at cost	-	233	-	14,064	-	14,297	Held at Amortised Cost - Securities issued by Private Sector	-	-	93	12,440	-	12,533	Property and Equipment	477	-	-	-	-	477	Intangible Assets	271	-	-	-	-	271	Deferred Tax Asset	758	-	-	-	-	758	Other Assets	643	87	-	-	-	730	<b>Total Assets</b>	<b>121,932</b>	<b>320</b>	<b>116</b>	<b>26,504</b>	<b>18,823</b>	<b>167,695</b>	<b>Liabilities</b>							Deposits from Banks and Financial Institutions	-	-	-	-	-	-	Othe Liabilities	2,027	-	-	-	-	2,027	Provisions	1,591	-	-	-	-	1,591	<b>Total Liabilities</b>	<b>3,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,618</b>	<b>Maturity Gap</b>	<b>118,314</b>	<b>320</b>	<b>116</b>	<b>26,504</b>	<b>18,823</b>	<b>164,077</b>
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## APPENDICES

**Appendix I: Illustrative Disclosure on Capital Base**

**Appendix II: Illustrative Disclosure on Capital Adequacy**

**Appendix III: Illustrative Disclosure on Credit Risk's Risk Weight**

**Appendix IV: Illustrative Disclosure on Credit Risk's Rated Exposure**

**Appendix V: Illustrative Disclosure on Credit Risk Mitigation**

Website Link to the disclosures report is: [www.saudimed.com.sa](http://www.saudimed.com.sa)

**\*\*\* END OF DOCUMENT \*\*\***

## **Appendix I – Illustrative Disclosure on Capital Base**

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## App I: Illustrative Disclosure on Capital Base

Capital Base	SAR '000
<b><u>Tier-1 capital</u></b>	
Paid-up capital	100,000
Audited retained earnings	54,826
Share premium	-
Reserves (other than revaluation reserves)	7,615
Tier-1 capital contribution	-
Deductions from Tier-1 capital	(1,029)
<b>Total Tier-1 capital</b>	<b>161,412</b>
<b><u>Tier-2 capital</u></b>	-
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	1,636
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
<b>Total Tier-2 capital</b>	<b>1,636</b>
<b>TOTAL CAPITAL BASE</b>	<b>163,048</b>

**Appendix II – Illustrative Disclosure on Capital Adequacy**

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## App II: Illustrative Disclosure on Capital Adequacy

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SR '000	Capital Requirement SAR '000
<b><u>Credit Risk</u></b>				
<i>On-balance Sheet Exposures</i>				
Governments and Central Banks				
Authorised Persons and Banks	114,478	114,478	66,635	9,329
Corporates	12,533	12,533	50,132	7,018
Retail				
Investments	24,135	24,135	49,958	6,994
Securitisation	14,297	14,297	102,081	14,291
Margin Financing				
Prohibited Risks	73,461	73,461	487,781	68,289
Other Assets	1,223	1,223	5,317	746
<b>Total On-Balance sheet Exposures</b>	<b>240,127</b>	<b>240,127</b>	<b>761,904</b>	<b>106,667</b>
<i>Off-balance Sheet Exposures</i>				
OTC/Credit Derivatives				
Repurchase agreements				
Securities borrowing/lending				
Commitments				
Other off-balance sheet exposures				
<b>Total Off-Balance sheet Exposures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>240,127</b>	<b>240,127</b>	<b>761,904</b>	<b>106,667</b>
<b>Prohibited Exposure Risk Requirement</b>				
<b>Total Credit Risk Exposures</b>				<b>106,667</b>
<b><u>Market Risk</u></b>				
	Long Position	Short Position		
Interest rate risks				
Equity price risks				
Risks related to investment funds				
Securitisation/resecuritisation positions				
Excess exposure risks				
Settlement risks and counterparty risks				
Foreign exchange rate risks	151,016	-		3,021
Commodities risks.				
<b>Total Market Risk Exposures</b>				<b>3,021</b>
<b><u>Operational Risk</u></b>				<b>3,081</b>
<b>Minimum Capital Requirements</b>				<b>112,769</b>
<b>Surplus/(Deficit) in capital</b>				<b>50,279</b>
<b>Total Capital ratio (time)</b>				<b>1.45</b>

## **Appendix III – Illustrative Disclosure on Credit Risk's Risk Weight**

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**Appendix IV – Illustrative Disclosure on Credit Risk's  
Rated Exposure**

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#### App IV: Illustrative Disclosure on Credit Risk's Rated Exposure

Exposure Class	Long term Ratings of counterparties							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated	
<b>On and Off-balance-sheet Exposures</b>								
Governments and Central Banks								
Authorised Persons and Banks		217				114,223		38
Corporates						12,533		
Retail								
Investments								24,135
Securitisation								14,297
Margin Financing								
Other Assets								1,223
<b>Total</b>	-	<b>217</b>	-	-	-	<b>126,756</b>	-	<b>39,693</b>

**Appendix V – Illustrative Disclosure on Credit Risk  
Mitigation (CRM)**

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**App V: Illustrative Disclosure on Credit Risk Mitigation (CRM)**

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
<b><i>Credit Risk</i></b>						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	-	-	-	-	-	-
Authorised Persons and Banks	114,478	-	-	-	-	114,478
Corporates	12,533	-	-	-	-	12,533
Retail	-	-	-	-	-	-
Investments	24,135	-	-	-	-	24,135
Securitisation	14,297	-	-	-	-	14,297
Margin Financing	-	-	-	-	-	-
Prohibited Risks	73,461	-	-	-	-	73,461
Other Assets	1,223	-	-	-	-	1,223
<b>Total On-Balance sheet Exposures</b>	<b>240,127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,127</b>
<i>Off-balance Sheet Exposures</i>						
OTC/Credit Derivatives	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-
Exposure in the form of commitments	-	-	-	-	-	-
*Other Off-Balance sheet Exposures	-	-	-	-	-	-
<b>Total Off-Balance sheet Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>240,127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,127</b>

\* Refer to Chapter 2 of Annex 3.