

أصول وخبثيت

OSOOL & BAKHEET

الاستثمارية | INVESTMENT

PILLAR 3 ANNUAL DISCLOSURES

31 DECEMBER 2020

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شركة مساهمة برأس مال ٦ مليون ريال مدفوعة بالكامل، ومقرها الرئيسي بالرياض، ترخيص هيئة السوق المالية رقم: (٧-٨١٦٠)،
سجل تجاري رقم ١٠١٠١٩٨٠، رقم العضوية في الغرفة التجارية: ١٦٧٣٦٦

Saudi Joint Stock Company, Paid up Capital SAR 60 Million, based in Riyadh, CMA License: 08126-07, CR: 1010219805, RCC :167366

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1 EXECUTIVE SUMMARY

Osool & Bakheet Investment Company (OBIC) is a Saudi closed joint stock company (Company resulting from the merger of Osool capital company and Bakheet Investment Group) with paid-up capital of SAR 60 million operates under the commercial registration number 1010219805 issued in Riyadh on 02/05/1427H. The company is licensed by the Capital Market Authority (CMA) of Saudi Arabia (License No.: 08126-07). The main activities of Osool & Bakheet Investment Company is Dealing as principal and agent, Asset Management and Custody.

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

OBIC maintains a capital base sufficient to cover the risks inherent in the business and monitoring and controlling the adequacy of the company's capital in addition to other measures using the rules and ratios established by the Capital Market Authority, according to the framework of capital adequacy.

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.

- OBIC uses the Standardized Approach in the calculation of the capital requirements for Credit risk.
- The capital charge for market risk is assessed for Investment portfolio and related items.
- The capital charge for operational risk is assessed using the Basic Indicator & Expenditure based approach. Basic Indicator applies 15% Risk Capital charge to an average of the last three financial year's average gross operating income. Meanwhile Expenditure based approach used 25% of the overhead expense for the last financial year. The highest amount from these two approaches is used as the Capital requirement for the operational risk.

1.2 Pillar II – Internal Capital Adequacy Assessment Process (ICAAP):

The Internal Capital Adequacy Assessment Process (ICAAP) is introduced under Pillar II of the CMA's Prudential Rules, which is contained in Part 6 (Article 66) and Annex 9 of the Prudential Rules. Pillar II requires Authorize Persons 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 division / individuals that are critical to the implementation of framework. OBIC 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 Authorized Person by others, including investors, analysts, customers, and rating agencies, which leads to an improved corporate governance.

The information provided here has been reviewed and approved by the Management, Audit Committee and the Board which is in accordance with the rules in force at the time of publication, covering both the qualitative and quantitative items. OBIC shall publish the Pillar III disclosures at its website www.obic.com.sa.

1.4 Material or Legal Impediments between OBIC & its subsidiaries:

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

2 CAPITAL STRUCTURE

Osool & Bakheet Investment Company is having SAR 60 million paid up capital (6 million shares of SAR 10 each distributed to 46 Saudi Shareholders. For regulatory purposes, capital is categorized into two main classes. These are Tier 1 and Tier 2, which are described as below.

2.1 Tier 1 Capital:

Tier-1 capital of the Firm consists of paid-up capital, Audited retained earnings, Statutory Reserves and has deductions in the form of dividend expense and others from retained earnings & negative equity items.

Tier-1 capital	31-12-2019 (SAR '000)	31-12-2020 (SAR '000)
Paid-up capital	60,000	60,000
Audited retained earnings	2,495	5,801
Statutory Reserves	3,303	3,673
Deductions from Tier-1 Capital	(1,777)	(1,843)
Total Tier-1 capital	64,021	67,631

2.2 Tier 2 Capital:

Tier-2 capital mainly consists of Subordinated loans, Cumulative preference shares, etc... OBIC does not have any items representing Tier-2 Capital.

Tier-2 capital	31-12-2019 (SAR '000)	31-12-2020 (SAR '000)
Total Tier-2 capital	0	0

2.3 Total Capital Base:

Total Capital base is the sum of Tier-1 capital & Tier-2 capital.

Total Capital Base	31-12-2019 (SAR '000)	31-12-2020 (SAR '000)
Tier-1 capital	64,021	67,631
Tier-2 capital	0	0
Total Capital Base	64,021	67,631

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

3 CAPITAL ADEQUACY

OBIC maintains a capital base sufficient to cover the risks inherent in the business and monitoring and controlling the adequacy of the company's capital in addition to other measures using the rules and ratios established by the Capital Market Authority, according to the framework of capital adequacy. As of 31 December 2020, OBIC maintains capital adequacy ratio of 1.81 (times) against the minimum required capital adequacy ratio of 1.00 (times). The surplus capital is SAR 30,182,000 OBIC is committed to the requirements of the prudential rule issued by the Capital Market Authority through ongoing internal monitoring. OBIC's approach in assessing adequacy of its capital to support current and future activities envisages around the following principles:

- It has a process for assessing its overall capital adequacy in relation to its risk profile and a strategy for maintaining capital levels
- A review of OBIC's Internal Capital Adequacy Assessment Process (ICAAP) and capital strategies are undertaken by its management, as well as monitoring and ensuring compliance to CMA regulations, with appropriate actions being taken when required
- It is operating above the minimum regulatory capital ratios, with the ability to hold capital in excess of the minimum.
- The ability to intervene at an early stage to prevent capital from falling below the minimum levels as required according to its risk profile

3.1 Capital Adequacy Ratio

The following table reflects the comparative analysis of Capital Ratios in 2019 & 2020

Capital Adequacy Ratio			
Description	31-12-2019	31-12-2020	% change
Tier-1 Capital Ratio	2.04x	1.81x	11.2%
Total Capital Ratio	2.04x	1.81x	11.2%

3.2 Minimum Capital Requirements

The following table reflects the comparative analysis of Minimum Capital Requirements in 2019 & 2020

Description	31-12-2019 (SAR '000)	31-12-2020 (SAR '000)	% Change
Tier-1 capital	64,021	67,631	5.64%
Tier-2 capital	0	0	-
Total Capital Base (A)	64,021	67,631	5.64%
Minimum Capital Requirements			
Credit Risk	25,201	30,525	21.13%
Market Risk	2,103	2,951	40.32%
Operational Risk	4,066	3,973	-2.29%
Total Minimum Capital Requirements (B)	31,370	37,449	19.38%
Surplus/(Deficit) in Capital Base (A-B)	32,651	30,182	-7.56%

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

4 RISK MANAGEMENT

Within the company, an extensive system of limits and controls has been put in place to manage risk. The primary objective of risk management is to protect OBIC's reputation and financial soundness. The following risk category is described in details in the following sections:

- Credit Risk.
- Market Risk.
- Operational Risk.
- Liquidity Risk.
- Concentration risk.
- Reputation risk.
- Strategic risk.
- Settlement risk.
- Interest rate risk.
- Regulatory and legal risk.
- The risk of human resources.
- Business Risk.

4.1 Risk management cycle:

The company identifies and manages the risks it incurs in an on-going basis. This has led to a comprehensive risk management model, which starts from a risk management cycle consisting of several steps: determining the risk appetite, stress-testing different scenarios, preparing full-scope risk assessments for each entity and for the company as a whole, and measuring and monitoring risks. As part of this, the company follows a risk strategy that is designed to ensure its continuity as a going concern and is aimed at protecting profits and profit growth, maintaining sound balance sheet ratios and protecting its identity and reputation. By building on this strong foundation for risk management, OBIC is in a position to make the right strategic choices and organize its processes to further improve its client services.

Board of Directors, Audit Committee, and executive management are responsible for developing and monitoring risk management policies.

4.2 Credit risk

4.2.1 Strategies and process of risk management

Credit risk is the risk of financial loss faced by the company in the event of failure of the customer or counterparty to a financial instrument to meet its contractual obligations, and arises principally from the various financial dues. Credit risk arises principally in margin lending to clients, Fees Receivables from clients. Other Credit risk also arises from prepaid expenses and long term investments as well as from Off balance sheet Facility guarantees.

4.2.2 The Structure and Organisation of the risk management and compliance

A strong culture of prudent and responsible margin lending is the cornerstone of OBIC's risk management philosophy. This is attained through effective control and management of risk, seeking to minimize credit losses. Policies and Procedure manuals provide clear and consistent margin lending guidelines, policies, and procedures to manage the risk. These policy manuals are reviewed annually and approved by the Executive Management Committee. All new client application for Margin lending is processed through client Relation, Compliance & Back office and approved by CEO. During this process, Client suitability & credit worthiness were measured intensively prior to provide any margin lending. The teams are responsible for credit approval decisions including selection, implementation, performance, and oversight. Any major credit amount which exceeds certain limit needs approval from the management committee as well.

4.2.3 The Scope and nature of risk reporting and measurement systems

On a daily basis, Back office division monitor the margin client position, coverage ratio and reports to Compliance Division, Finance Division & CEO with various automated analysis reports.

4.2.4 Policies for mitigating risk

- Detailed application process – all terms related to margin financing clearly described and agreed upon in the Terms of Agreement
- Set specific margin limits on a case by case basis after complete due diligence
- Set alert levels against margin accounts based on margin utilization on a case by case: (1) Warning (2) Stop buy order (3) Force sell
- Internal monitoring and reporting of all account's liquidity positions
- Immediate actions (report to senior management and making calls to clients etc.) in case the accounts reaches threshold limits
- Liquidate positions in margin accounts if margin calls are not met.

4.2.5 Past due Items:

Client fees receivables are considered past due if it is not paid within 90 days of the payment due date.

4.2.6 Individual Impairment Provisions:

OBIC reviews its margin lending and receivables at each reporting date to assess whether a specific provision for credit losses should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the specific provision.

4.2.7 Credit Risk Exposure Classes:

OBIC does not use any Credit rating agency for the Exposures in the Balance Sheet. All Credit Exposures are unrated except the local Bank Deposit.

Amount of Impaired Exposure: N/A

Amount of Past Due Exposures: 3,905,409

Amount of impairment and specific provisions: N/A

Charges for impairments and specific provisions during the period: N/A

Geographic distribution of credit risk exposures: N/A

Residual contractual maturity: N/A

Reconciliation report for changes in impairment and specific provision for impaired exposures: N/A

Please refer to Appendix 3 & Appendix 4 for Illustrative Disclosure on Credit Risk's Risk Weight and Rated Exposure.

4.3 Credit Risk Mitigation Exposure

OBIC provide Margin lending to clients based on client's suitability and credit worthiness with supporting collateral in the form highly liquid listed stock in Saudi Market & Mutual Funds managed by OBIC. The summary of the process as follows

- Detailed application process – all terms related to margin financing clearly described and agreed upon in the Terms of Agreement
- Set specific margin limits on a case by case basis after complete due diligence
- Set alert levels against margin accounts based on margin utilization on a case by case: (1) Warning (2) Stop buy order (3) Force sell
- Internal monitoring and reporting of all account's liquidity positions
- Immediate actions (report to senior management and making calls to clients etc.) in case the accounts reaches threshold limits
- Liquidate positions in margin accounts if margin calls are not met.

Most important type of collateral taken by OBIC is in the form of highly liquid stock from the Saudi Stock market & Mutual Funds managed by OBIC with client agreed terms of agreement. The granting of facilities and taking of collateral is governed by defined policies and procedures, as well as the use of standard documentation that cater for the offset of credit balances against facilities granted, the control over the integrity and valuation of collateral, and the rights required to enforce and realize security. OBIC monitors the concentration of risk mitigation and does not have any material concentrations in the risk currently held.

Please refer Appendix 5 for Illustrative disclosure on Credit Risk Mitigation (CRM)

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

Counterparty credit risk is the risk that a counterparty to a transaction may default before completing the satisfactory settlement of the transaction. OBIC calculates its counterparty credit risk by assigning risk weights to exposure types:

- Securities financing transactions
- IPO Bidding

The capital requirement is determined on above exposures based on same methodology as credit risk.

The calculation of the additional capital requirement (self-assessment) for credit risk is 10% of Margin amount + 10% of DPM fees.

4.5 Market risk

Market risk is the risk that the movements of market risk factors, including foreign exchange rates and stock prices and profit rates and credit spreads that lead to a reduction in revenue of the Company or the value of the investment portfolio, and the purpose of market risk management is to manage and control market risk exposures within acceptable limits, and work to achieve maximum returns.

OBIC Board set Strategic Asset allocation for Investment. Management committee set tactical asset allocation. Management committee also reviews the investment performance and risk on a daily basis through daily report from back office.

All investment actions are reviewed by Compliance division prior to execution for any conflict of interest with other client investments

On a daily basis, Back office division prepares various analytical report and send to the management for review.

The company is proactively measure and monitor market risk related to the investment portfolio by using suitable methods of measuring the investment opportunity associated to the risk related through the developed policy for managing the company investment portfolio/funds. As part of the policy is to focus on investment and study the feasibility of the invested company.

The calculation of the additional capital requirements (self-assessment) for Market Risk is the aggregate summation of 20% of the value of Operating Income.

Capital Requirement for Market Risk is explained in the following table.

As of 31-12-2020		
	Exposure (SAR '000)	Minimum Capital Requirement (SAR '000)
<i>Market Risk</i>		
Interest rate risks	0	0
Equity price risks	6,514	1,172
Risks related to investment funds	3,122	500
Securitization/resecuritization positions	0	0
Excess exposure risks	0	0
Settlement risks and counterparty risks	0	0
Foreign exchange rate risks	9,134	1,279
Commodities risks.	0	0
Total	18,770	2,951

4.6 Operational risk

Operational risk is the risk of loss caused by the failure of systems and control, fraud and human errors that may lead to loss of money and reputation, and to the legal consequences related to regulatory matters.

Although there is the possibility of eliminating entirely on operational risk, but the company is working to reduce this risk by strengthening the internal environment controls, and continuous efforts to identify risks/evaluation, risk measurement and monitoring.

The most important operational risks within the company is Losses resulting from the negligence of staff or fraudulent transactions committed by employees or agents.

The company manages operational risks through appropriate controls such as: segregation of duties, internal checks & balances, controls to protect assets, monitor the various risk limits, account reconciliations on a regular basis, financial management, internal audit and regulatory compliance.

Capital requirements are assessed using the Basic Indicator & Expenditure based approach. Basic Indicator applies 15% Risk Capital charge to an average of the last three financial year's average gross operating income. Meanwhile Expenditure based approach used 25% of the overhead expense for the last financial year. The highest amount from these two approaches is used as the Capital requirement for the operational risk.

The calculation of the additional capital requirements (self-assessment) for Operation Risk is the aggregate summation of 15% of the value of Overhead expenses.

OPERATIONAL RISK							
1	BASIC INDICATOR APPROACH	Gross Operating Income (SAR '000)			Average Gross Operating Income (SAR '000)	Risk Charge (%)	Capital Requirement (SAR '000)
		2018	2019	2020			
		11,472	12,475	16,607	13,518	15%	2,028
2	EXPENDITURE BASED APPROACH	Overhead Expenses (2020)					
		15,891					
CAPITAL REQUIREMENT FOR OPERATIONAL RISK							3,973

4.7 Liquidity risk:

Liquidity risk is the risk that the company faces difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash and other financial assets, this risk arises when funding cannot get the necessary liquidity to supply the needed investments/assets and/or the expected expenses when necessary.

The company management is reviewing and monitoring the daily cash flows to determine the availability of liquidity for the payment of dues. Meanwhile, company is collecting the brokerage commission on daily, and margin lending fees on monthly. Asset Management Fees are collected on quarterly basis. Moreover, OBIC Investments are in very liquid assets. Therefore, liquidity risk is very minimal. The most common liquidity ratio, the current ratio is 9.35 as of 31/12/2020.

The calculation of the additional capital requirements (self-assessment) for Liquidity Risk is 2.5% of annual expenses.

4.8 Other Risks:

4.8.1 Concentration risk

Concentration risk is Probability of loss arising from heavily lopsided exposure to a particular group of counterparties (Investment, Client, etc.). i.e.: excessive exposure to one customer or one sector. The company desire to avoid the risk of high concentration, by including company policies and procedures rules focusing on maintaining diversified counterparties.

The calculation of the additional capital requirements (self-assessment) for Concentration Risk is the aggregate summation of 5% of the value for any concentration counterparty.

4.8.2 Reputation risk:

Reputation Risk: Reputation is an invaluable asset to any organization. The impact of Reputation Risk for an institution is vital to the prosperity of the long-term and can lead to the deterioration of this reputation effect very negatively on the growth of the business, profits and capital increase and daily management of the institution. This presents the danger of this risk which can often lead to litigation and financial losses.

Reputation is present in all units and sections of the institution and requires responsibility and to exercise the utmost caution in dealing with customers and the community as a whole.

The company aspires to practice and apply the highest standards as well as taking into account the highest ethical standards in all dealings in order to maintain its reputation. The company recognizes that the responsibility for reputational risk must prevail at all levels of the company.

The executive management committee in the company works to ensure that disclosure reporting will have an impact on the confidence of customers, regulators and the public in general .The Company has adopted a framework for itself according to the highest standards of corporate governance and assigned to the executive management committee to assume responsibility for measuring, monitoring and continuous improvement of the company's image to the public. The calculation of the additional capital requirements (self-assessment) for Reputation Risk is 20% of the operation risk.

4.8.3 Strategic risk:

The risk that the medium and long term profitability of the company could be adversely impacted by the failure to identify and implement correct strategy, and to react appropriately to changes in the business environment.

These include:

- A long-term downturn in the fundamental and technical dynamics of Middle East Markets.
- Reputational damage to OBIC, impacting marketing and distribution capabilities.
- Potential market capacity issues and increased competition.

The company believes that, it can mitigate those kinds of risks with: The Board and company management with their long experience in management and investment will be able to define

the company strategy and diversification of investment capabilities to reduce single event/product exposure.

The calculation of the additional capital requirements (self-assessment) for Strategic Risk is a combination of 50% of Market risk + 25% Interest rate risk + 25% of regulatory and legal risk.

4.8.4 Settlement Risk:

Not applicable on company activities

4.8.5 Interest rate risk:

Interest rate risk is the risk that the company financial result and/or economic value may decline due to unfavorable developments in interest rates. This risk may arise due to an interest rate mismatch between assets and liabilities, due to interest-related options embedded in products that could affect cash flows, due to possible changes in the yield curve and due to changes in the relationship between various yield curves.

Accepting a certain level of interest rate risk is inherent in the business of banking and can be a major source of results and value creation. Each year, the Executive Board, determines the risk appetite and corresponding limits.

The company's balance sheet is not levered and cash balances are held on overnight or short term deposit. Given this, and the historically low level of interest rates at present, we expect that the interest rate may increase, therefore, the additional capital requirements for interest rate is the 100% of Finance charges related to any potential loan from local bank.

4.8.6 Regulatory and legal risk:

Risks include regulatory and legal non-compliance by the company with the laws and regulations in force, and change the legislation or not to activate the other party's obligations under contracts and extra inadvertent exposure or liability arising from negligence in the structuring of transactions or contracts properly, also all contracts and documents are subject to attorney review.

It is well known that the brokerage firms affiliated with the Capital Market Authority as a regulatory and oversight, so any change or modification of the systems by the body may have an impact on the company's performance or expenses due to mandatory application of the resolutions and regulations of the Authority.

The company strives to comply with these regulations and apply them to all their work.

The calculation of the additional capital requirements (self-assessment) for Regulation Risk is 10% of the annual operation Risk.

4.8.7 Employees Risk:

HR risk is the risk that might be exposed to every employer, and include the lack of manpower and the failure to appropriate performance management and rewards and lack of training and continuing non-compliance with labor laws and other legislation. The calculation of the additional capital requirements (self-assessment) for Employees Risk is 10% of annual employee's charges.

4.8.8 Business risk:

The company's main revenue depends on Asset Management (Portfolio and Mutual Funds) & Brokerage.

The calculation of the additional capital requirements (self-assessment) for Business Risk is 5% of the annual revenue of the main business activity.

5 CAPITAL PLANNING AND STRESS TESTS

The strong position of capital is a necessary factor for the company's business strategy and competitive position. Strategy focuses the company's own capital on the long-term stability, which aims to build financial activities and investment.

The company seeks to maintain adequate levels of capital to achieve the following objectives:

- Risk-taking essential to the company's business.
- Improved growth.
- Meet the capital requirements that arise due to market shocks and pressure conditions.

The company developed action plans and strategic plans and internal assessment of capital on an annual basis and cover the period of three years, at least, those plans included a risk assessment based on the company's policy of portability to take risks and to maintain adequate levels of capital to support the company's strategy and take into consideration the following points:

- a. Main activities of the finance and investment based on the business plans of the various business units.

- b. The structure and sources of funding, liabilities and shareholders' equity to support the growth of assets, taking into account the need to maintain a strong liquidity.
- c. To maintain the requirements of the regulatory capital and capital adequacy ratios.

It defines general framework for the process of internal assessment of capital required to meet the risk to the company and the required level of capital to support current and prospective activities on the capital under normal circumstances and stress conditions and issuing the report on the process of internal assessment of capital required to meet the risks to the company on an annual basis and are approved by the Executive Management and Board of Directors.

In order to identify and measure the following types of risk, according to the method of internal assessment of capital required to meet the risks to the company:

- The risks that are being used under the pillar 1 (credit risk, market risk, operational risk)
- The risks that are not taken fully drawn under the pillar 1 (reputational risk and liquidity risk and strategic risk and concentration risk)
- External factors include changes in the economic environment and regulations.

The company is aware that in the case of their inability to meet the minimum capital required by the Capital Market Authority, it has to find alternative ways to solve the problem by injecting more capital.

5.1 Risk assessment of the first Pillar and the second Pillar:

The company is to identify and measure risk by using the methods that have been tested properly and considered acceptable in the financial industry. Focus internal evaluation process for the capital needed to cope with the risks to the company then the quality controls in the management of those risks core and non-identifying and measuring the governance established by the company.

These include measurements of quality include:

- Appropriate methods of governance through the Audit Committee and the Executive Management Committee.
- Systems, procedures and internal controls are appropriate.
- Effective strategies to mitigate risks.
- Continuous monitoring and reporting through the various committees and Divisions.

5.2 Stress Test:

Crystallized the concept of the company for the Stress test, which is embedded in the risk management procedures and capital, and the most important principles to understand and absorb the risk capital that may be exposed to the company in difficult circumstances somewhat, which may arise due to economic factors and the strategic, political and other related to the work environment.

According to the concept of the company's own stress test, the modeling of the effects of stress tests on the company's profitability, asset quality, liquidity and capital adequacy.

The concept of stress test has been designed to achieve the following objectives:

- Shed light on the dynamics of the events related stress and the potential effects on the Company's exposure to risk and liquidity position and reputation of the company.

- Identify key strategies to mitigate the effects of the events and relevant tests.
- Put stress results as inputs in the process of internal assessment of capital required to determine the adequacy of capital and sufficient capital to cope with risks.

The company is conducting stress tests on an annual basis to assess potential losses by assessing the size of the unexpected losses and absorb information about the risks and potential exposure to unusual events using multiple tests and take appropriate measures, update those tests on an ongoing basis to reflect the current situation in the market, and informing senior management the results of the pressure test to facilitate risk management more transparent.

5.3 **Viability of the company policy to take risks:**

Develop policy on viability of the company to take risks and what the financial position is required to build on the company's policy and the requirements of supervisory authorities and the strength of core earnings and the company's reputation and brand name, specify that policy is also key measures of risk related to the company and that is to inform the competent authorities periodically to measure the risks to review and take actions.

6 DOCUMENT CONTROL

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Document Approval

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7 GLOSSARY

OBIC	Osool & Bakheet Investment Company
Board	Board of Directors of Osool & Bakheet Investment Company
CMA	Capital Market Authority of Saudi Arabia
CEO	Chief Executive Officer
ICAAP	Internal Capital Adequacy Assessment Process
CCR	Counterparty Credit Risk
CRM	Credit Risk Mitigation
SAR	Saudi Arabian Riyal
N/A	Not Applicable

8 APPENDICES

8.1 Appendix 1: Illustrative Disclosure on Capital Base

	31-12-2019 (SAR '000)	31-12-2020 (SAR '000)
Tier-1 capital		
Paid-up capital	60,000	60,000
Audited retained earnings without Proposed Dividend	2,495	5,801
Proposed Dividend	-	-
Statutory Reserves	3,303	3,673
Dividend Expense from Retained Earnings (Deduction)	-	-
Unrealized Capital loss and intangible assets(Deduction)	(1,777)	(1,843)
Total Tier-1 capital	64,021	67,631
Tier-2 capital		
Subordinated loans	-	-
Cumulative preference shares	-	-
Revaluation reserves	-	-
Other deductions from Tier-2 (-)	-	-
Deduction to meet Tier-2 capital limit (-)	-	-
Total Tier-2 capital	0	0
Total Capital Base (Tier-1 Capital + Tier-2 Capital)	64,021	67,631

8.2 Appendix 2: Illustrative Disclosure on Capital Adequacy

As of 31-12-2020 (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	0	0	0	0
Authorized Persons and Banks	17,278	17,278	3,456	485
Corporates	528	528	3,773	528
Retail	767	767	2,301	322
Investment Funds	2,559	2,559	5,189	726
Past due Items	3,905	3,905	27,882	3,905
Investments (Listed Shares)	104	104	156	22
Margin Financing	1,001	1,001	1,501	210
High risk investments	36,144	36,144	153,708	21,519
Other Assets	4,517	4,517	20,067	2,808
Total On-Balance sheet Exposures	66,803	66,803	218,033	30,525
Off-Balance sheet Exposures				
Other off-balance sheet exposures	0	0	0	0
Total Off-Balance sheet Exposures	0	0	0	0
Total On and Off-Balance sheet Exposures	66,803	66,803	218,033	30,525
Prohibited Exposure Risk Requirement	0	0	0	0
Total Credit Risk Exposures	66,803	66,803	218,033	30,525
Market Risk				
	Long Position	Short Position		
Interest rate risks	0	0		0
Equity price risks	6,514	0		1,172
Risks related to investment funds	3,122	0		500
Securitization/resecuritisation positions	0	0		0
Excess exposure risks	0	0		0
Settlement risks and counterparty risks	0	0		0
Foreign exchange rate risks	9134	0		0
Commodities risks.	0	0		1,279
Total Market Risk Exposures	18,770	0		2,951
Total Operational Risk				
				3,973
Minimum Capital Requirements				37,449
Surplus/(Deficit) in capital				30,182
Total Capital ratio (times)				1.81

8.3 Appendix 3: Illustrative Disclosure on Credit Risk's Risk Weight

Risk Weights	Exposures after netting and credit risk mitigation (As of 31/12/2020) – SAR'000													Total Risk Weighted Assets	
	Governments and central banks	Administrative bodies and NPO	Authorized persons and banks	Margin Financing	Corporates	Retail	Past due items	Investment Funds	Investments	Securitization	High risk investments	Other assets	Off-balance sheet commitments		Total Exposure after netting and Credit Risk Mitigation
0%	0	0	0	0	0	0	0	0	0	0	0	5	0	5	5
20%	0	0	17,278	0	0	0	0	0	0	0	0	0	0	17,278	3,456
50%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
150%	0	0	0	1,001	0	0	0	1,658	104	0	0	0	0	2,763	4,145
200%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
300%	0	0	0	0	0	767	901	0	0	0	0	2,935	0	4,603	13,806
400%	0	0	0	0	0	0	0	0	0	0	27,010	0	0	27,010	108,040
500%	0	0	0	0	0	0	0	0	0	0	9,134	0	0	9,134	45,670
714%	0	0	0	0	528	0	3,905	0	0	0	0	1,577	0	6,010	42,911
Total Risk Weight	0	0	17,278	1,001	528	767	3,905	2,559	104	0	36,144	4,517	0	66,803	218,033
Deduction from Capital Base	0	0	485	210	528	322	3,905	726	22	0	21,519	2,808	0	30,525	

8.4 Appendix 4: Illustrative Disclosure on Credit Risk's Rated Exposure

Exposure Class	As of 31-12-2020 (SAR '000)										Unrated
	Credit quality step	Long term Ratings of counterparties									
		1	2	3	4	5	6	Unrated			
	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated				
	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated				
	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated				
	AAA	AA TO A	BBB	BB	B	C and below	Unrated				
On and Off-balance-sheet Exposures											
Governments and Central Banks		0	0	0	0	0	0	0	0	0	0
Authorized Persons and Banks		0	0	0	0	0	0	0	0	0	0
Corporates		0	0	0	0	0	0	0	0	0	0
Retail		0	0	0	0	0	0	0	0	0	0
Investment Funds		0	0	0	0	0	0	0	0	0	0
Past due Items		0	0	0	0	0	0	0	0	0	0
Investments		0	0	0	0	0	0	0	0	0	104
Securitization		0	0	0	0	0	0	0	0	0	0
Margin Financing		0	0	0	0	0	0	0	0	0	0
High risk investments		0	0	0	0	0	0	0	0	0	9,144
Other Assets		0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0	9,248

8.6 Appendix 6: Illustrative Disclosure on Credit Risk Mitigation (CRM)

Exposure Class	As of 31-12-2020 (SAR '000)						Exposures after CRM
	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		
<i>Credit Risk</i>							
<i>On-balance Sheet Exposures</i>							
Governments and Central Banks	0	0	0	0	0	0	0
Authorized Persons and Banks	17,278	0	0	0	0	17,278	17,278
Corporates	528	0	0	0	0	528	528
Retail	767	0	0	0	0	767	767
Investment Funds	2,559	0	0	0	0	2,559	2,559
Past due Items	3,905	0	0	0	0	3,905	3,905
Investments	104	0	0	0	0	104	104
Securitization	0	0	0	0	0	0	0
Margin Financing	1,001	0	0	0	1,001	0	0
High risk investments	36,144	0	0	0	0	36,144	36,144
Other Assets	4,517	0	0	0	0	4,517	4,517
Total On-Balance sheet Exposures	66,803	0	0	0	1,001	65,802	65,802
<i>Off-balance Sheet Exposures</i>							
OTC/Credit Derivatives	0	0	0	0	0	0	0
Exposure in the form of repurchase agreements	0	0	0	0	0	0	0
Exposure in the form of securities lending	0	0	0	0	0	0	0
Exposure in the form of commitments	0	0	0	0	0	0	0
*Other Off-Balance sheet Exposures	0	0	0	0	0	0	0
Total Off-Balance sheet Exposures	0	0	0	0	0	0	0
Total On and Off-Balance sheet Exposures	66,803	0	0	0	1,001	65,802	65,802

