



PILLAR III DISCLOSURE 31 December 2021



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Introduction

This document fulfils the requirements for the annual market disclosure of information related to Pillar III as stipulated in the Prudential Rules issued by the Capital Market Authority (CMA), Saudi Arabia.

The purpose of Pillar III Disclosure is for the market participants to assess the key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of Riyadh Capital (RC).

Scope of Application

Single shareholder closed joint stock company, wholly-owned subsidiary of Riyadh Bank. It is registered and based in Riyadh, Saudi Arabia and has SR 500 million paid-up capital.

RC (license number 07070-37), commenced business activities in February 2008, utilizing the full range of Investment services that are licensed by CMA and consist of Dealing, Arranging, Advising, Managing investments, operating funds and Custody (safekeeping of financial securities). RC carries out the following services:

Public Equity

A wide range of Public Equity Funds that conveniently suit the client's investment needs. The public equities team provides a large selection of Equity Funds that provide clients with a simple and easy way to achieve investment goals.

Real Estate

Real Estate Investment Traded Funds, or REITs, are financial instruments that allow all types of investors to obtain investment exposure to the Real Estate Market locally, regionally and globally. This is achieved through collective ownership of real estate qualified to generate periodic rental income. REITs adhere to the rules and regulations issued by the CMA. REITs also abide by the high standards of transparency and disclosure that are applied to listed equities.

Fixed Income

Riyad Capital offers Fixed Income Funds which are professionally managed and highly adjusted towards the client's investment goals.

The year 2021 witnessed an expansion in the products offered through private offerings that provides diversification and fixed income in terms of assets and returns.

Money Market

The Money Market Funds are classified as a type of fixed income Mutual Fund that invest in debt securities or Murabaha transactions which are characterized by short maturities and minimal credit risk.

Private equities

Riyad TAQNIA Fund (RTF), a close-ended Venture Capital fund, is one of the largest and most active venture capital funds in the Middle East and North Africa. It invests in venture capital and aims to achieve high returns to investors.

Riyad FinTech Fund (RFF), a leading institutional fund is focused on investing in scalable global startups in the FinTech sector in general and in the most promising areas such as Open banking, Robo-advisors, Smart contracts, and Cybersecurity.

Corporate Investment Banking

Corporate Investment Banking offers innovative and comprehensive Investment Banking services, including public and private offerings of debt and equities, mergers and acquisitions and structured finance.

Brokerage & Alternative Channels

Brokerage & alternative channels dep. provides trading services of stocks, sukuk and bonds in the local, regional and international markets through different trading channels which include Online service, Investment Centres, IVR and ATMs which contributed to improving the quality of the service provided.

To enhance Riyad Capital's digital channels, an updated Riyad Capital Application is expected to be launched to customers by the end of the first quarter of 2022.

Wealth Management

Wealth Management provides investment advisory services and looks after high net worth clients to help them to define their investment options.

Securities Services

Securities Services, which is an independent business line of Riyad Capital, has continued its growth trajectory during 2021 in all aspects including assets and clients serviced as well as revenue contribution.

Securities Services continued to be engaged in strategic expansion of its products and services in 2021.

Research Sell-Side

Research Sell-Side provides comprehensive studies of the most distinct stocks in different effective market divisions, and updates clients with market reports.

Support Functions

The existing business support functions of RC are organized into the following units:

1. Business Technology
2. Operations
3. Finance
4. Human Capital
5. Information Security & Governance
6. Monitoring & Control
7. Strategy and Business development
8. Risk Management

Governance and Risk Management and Audit:

Riyad Capital performs its activities in compliance with laws and regulations and international standards. Hence the governance functions are organized as follows:

- Risk Management
- Compliance & Surveillance

Capital Structure

Partners' Equity consists of the following:

- 1- **Paid-up share capital:** consisting of share capital of 50 million shares of SAR 10 each.
- 2- **Audited Retained earnings:** comprises of the net profit of previous year(s) which are to be distributed to the shareholders or retained.
- 3- **Reserves:** consist of Statutory Reserve, which represents the accumulated appropriations of profit.

Please refer to Appendix I for more information on the capital base (Tier-1 and Tier-2).

Capital Adequacy

RC provides the CMA with a monthly report, which details its capital adequacy position, in addition to an annual forward-looking Internal Capital Adequacy Assessment Process (ICAAP) Report. The ICAAP details the current and projected capital positions, significant capital plans for the future and stress tests of the capital positions under severe yet plausible scenarios. RC maintains a reasonably adequate capital position under these scenarios. In accordance with CMA's minimum capital requirements, RC provides capital for the core financial services risks (Credit, Market and Operational Risk) in accordance with Pillar 1 of the Prudential Rules. As depicted below RC has consistently maintained a solid Capital Adequacy Ratio (CAR):

	2020	2021
Capital Adequacy Ratio	4.19	3.02

Appendix II represents the quantitative disclosure of capital requirements for credit risks, market risks, operational risks and foreign exchange risks in addition to the capital ratio in accordance with the Prudential Rules.

RC also provides additional capital for risks not directly covered in Pillar I, under the Pillar II requirements of the Prudential Rules. These include regulatory risk, strategic risk, reputation risk, concentration risk and liquidity risk. RC's capital position is the total of Pillar I and Pillar II Capital requirements, plus any additional capital requirements determined by the Regulator.

Risk Management

General Qualitative Disclosure

The Risk Management framework is comprised of the Risk Management Committee Charter, Credit Risk Policy, Market Risk Policy, Operational Risk Policy, Liquidity Risk Policy, ICAAP Policy and Risk Appetite Statement. The Risk Management Department implements and monitors all aspects of the Risk Management framework as approved by the Board of Directors.

The Risk Management Committee, chaired by a Board member, oversees operational, credit, market, liquidity and strategic business risks assumed by the company in the course of carrying out its business. The Committee is also responsible for regular reporting to The Board of Directors on the development (when required), implementation and periodic review and approval of an effective ICAAP / Capital Management operating policy and process.

The Risk Management Department reports directly to the CEO, and has diverse responsibilities that include oversight and management of all aspects of RC's risk monitoring, risk planning, risk modelling, risk measurement and risk methodology development, and implementation; Risk Management covers credit, financial and operational risks. In addition, it oversees and coordinates preparation of Internal Capital Adequacy Assessment Process (ICAAP) Report.

The Audit Committee (AC) oversees the Internal Audit, Compliance, and Anti-Money Laundering functions. The AC supervises the establishment and implementation of the frameworks for the above functions to ensure effective identification, management and mitigation of risks resulting from non-compliance with regulatory requirements.

Compliance and Surveillance works with all RC areas to ensure RC compliance with regulatory requirements through performing the functions of compliance advisory, compliance assessment and monitoring, and reporting. Compliance and Surveillance reports directly to the AC and meets at least annually with the Board of Directors.

Credit Risk Disclosure

At present, the most common source of credit risk for RC is exposure through its proprietary investments in funds, sukuk, and time deposits, in addition to margin lending facilities provided to clients.

RC's Credit Risk Policy aims to identify the sources of Credit Risk and establishes the standards for defining, monitoring, reporting and measuring such risk. In addition, the policy also defines the roles and responsibilities of the Board of Directors, Risk Management Committee and Risk Management Department.

RC complies with Pillar I capital requirements of CMA and uses the Standardized Approach to arrive at the credit risk capital charge. RC also might use External Credit Assessments, where required. Credit risk capital assessment is calculated by extracting all credit risk exposures and risk categories and mapping these to appropriate credit quality steps and asset classes. The Credit Risk capital charge as at 31st December 2021 is approximately SAR 311,960 million. The Credit Risk capital charge computation is shown in Appendix III.

Credit Risk Mitigation Exposure

RC offers margin-lending facilities (collateralized share trading) to its customers, where the shares serve as collateral. Required coverage ratios, including call and sell points, are set in the Margin Lending Policy, and are monitored by Risk Management. All margin lending facilities are at least fully collateralized.

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

This is not applicable since RC does not have exposures to OTC derivatives, repos and reverse repos and securities borrowing/lending.

Market Risk Disclosure

RC is mainly exposed to market risk through its trading book investments in both RC and third-party managed funds. RC is also exposed to market risk as a result of Foreign Exchange risk where it has long open positions in USD, GCC and other currencies. RC calculates capital requirements for such exposures in line with Prudential Rules requirements as set out by the CMA.

RC's Market Risk Policy aims to ensure that there is a clear assignment of roles and responsibilities for managing the Market Risk and enable the Business / Support areas to control and mitigate Market Risk. In addition to risk management policies, RC also has a Principal Investment Policy which broadly lays down the philosophy and approaches that govern how RC's investments are managed. The policy seeks to establish a clear understanding of its investment goals and objectives with respect to investable assets.

In addition, RC typically enters into underwriting commitments during the year where the capital charges of these transactions are considered under market risk.

RC complies with the requirements of CMA and uses the Standardized Approach to calculate the Market Risk capital charge under Pillar I. The Market Risk capital charge computation as at 31st December 2021 is SAR 177,550million.

Operational Risk Disclosure

RC has established comprehensive processes for the detection, reporting and tracking of operational risk by conducting periodic Risk and Control Self-Assessments, defining Key Risk Indicators and analysing and recording loss events. RC's Operational Risk Policy outlines the principles that facilitate this operational risk oversight and ensures that there is clear assignment of roles and responsibilities for management of operational risk.

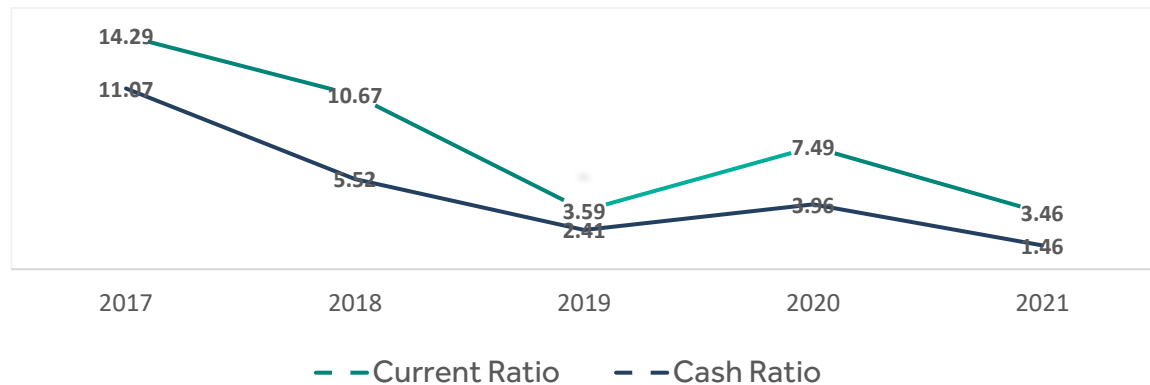
RC has adopted the Basic Indicator Approach for operational risk capital adequacy assessment. In this approach, RC computes the capital requirements at 15% of average operating income of the last three years subject to minimum of 25% of overhead expenses. The Operational Risk capital charge computation as at 31st December 2021 is approximately SAR 91,044million.

Liquidity Risk Disclosure

The goal of Liquidity Management is to ensure that RC is able to meet all its contractual obligations and operational liquidity needs as they arise. RC's Liquidity Risk Policy sets out the core principles and objectives for managing liquidity risk. The policy outlines the roles and responsibilities of Finance (responsible for computation of liquidity ratios and cash flow analysis across time intervals as well as designing the Liquidity Contingency Plan); the CEO (monitors and regularly reports on the liquidity risk management and liquidity developments to the Risk Management Committee) and Risk Management (monitors and reports on liquidity under normal and stressed scenarios).

Risk Management Department regularly reviews the management of liquidity risk and reports the results of such reviews to all relevant stakeholders.

LIQUIDITY RATIOS



RC's liquidity position, as measured through current and cash ratios and depicted above, is adequate as it has maintained reasonable current and cash ratio over the last five years. Ratios decreased, but remained healthy in 2021, as a result of the temporary transactions in addition to the continuous growth in short-term loan to finance marginal lending.

In addition to tracking the aforementioned ratios, RC also monitors its liquidity on a cash flow basis using different time intervals (maturity buckets) as prescribed by the CMA Prudential Rules. The cumulative position between assets and liabilities remains positive signalling a healthy level of liquidity.

Moreover, RC also periodically performs liquidity stress tests that measure the vulnerability of RC's liquidity position to exceptional but plausible stress events. The objective of this is to ensure that RC can maintain reasonably robust liquidity levels during stress periods; and to facilitate the Chief Executive Officer (CEO) and senior management of RC in making well-informed and timely decisions.

Appendix I: Illustrative Disclosure on Capital Base

(Figures in '000 SAR)

Capital Base	2021	2020
	SAR '000	SAR '000
Tier-1 capital		
Paid-up capital	500,000	500,000
Audited retained earnings	1,131,898	933,750
Share premium		
Reserves (other than revaluation reserves)	150,000	136,069
Tier-1 capital contribution		
Deductions from Tier-1 capital	(18,903)	(20,414)
Total Tier-1 capital	1,762,996	1,549,405
Tier-2 capital		
Subordinated loans		
Cumulative preference shares		
Revaluation reserves	5,690	
Other deductions from Tier-2 (-)		
Deduction to meet Tier-2 capital limit (-)		
Total Tier-2 capital	5,690	0
TOTAL CAPITAL BASE	1,768,686	1,549,405

Appendix II: Illustrative Disclosure on Capital Adequacy 2021

(Figures in '000 SAR)

Exposure Class 2020	Exposures before CRM	Net Exposures after	Risk Weighted	Capital Requirement
Credit Risk				
On-balance Sheet Exposures				
Governments and Central Banks	767		153	21
Capital market institution	323,287		92,718	12,981
Corporates	26,910		21,275	2,979
High risk investments	4,090		16,361	2,291
Retail	10,392		31,176	4,365
Investments	338,885		662,528	92,754
Securitization				
Margin Financing	386,966		580,448	81,263
Other Assets	270,401		823,626	115,308
Total on-Balance sheet Exposures	1,361,698	1,361,698	2,228,286	311,960
Off-balance Sheet Exposures				
OTC/Credit Derivatives				
Repurchase agreements				
Securities borrowing/lending				
Commitments				
Other off-balance sheet exposures				
Total Off-Balance sheet Exposures	-	-	-	-
Total on and Off-Balance sheet Exposures	1,361,698	1,361,698	2,228,286	311,960
Prohibited Exposure Risk Requirement	-	-	-	-
Total Credit Risk Exposures	1,361,698	1,361,698	2,228,286	311,960
Market Risk	Long Position	Short Position		
Interest rate risks				
Equity price risks				
Risks related to investment funds	1,109,685			177,550
Securitization/re-securitization positions				
Excess exposure risks				
Settlement risks and counterparty risks				
Foreign exchange rate risks	269,259			5,545
Commodities risks.				
Total Market Risk Exposures	1,357,943			183,094
Operational Risk				91,044
Minimum Capital Requirements				586,098
Surplus/(Deficit) in capital				1,182,588
Total Capital ratio (time)				3.02

Appendix II: Illustrative Disclosure on Capital Adequacy 2020

(Figures in '000 SAR)

Exposure Class 2019	Exposures before CRM	Net Exposures after	Risk Weighted	Capital Requirement
Credit Risk				
On-balance Sheet Exposures				
Governments and Central Banks	750		0	0
Capital market institution	340,407		71,433	10,001
Corporates	1,437		10,259	1,436
Retail	2,249		6,747	945
Investments	317,986		607,217	85,010
Securitization				
Margin Financing	56,347		84,521	11,833
Other Assets	42,822		135,057	18,908
Total On-Balance sheet Exposures	761,998		761,998	915,233
Off-balance Sheet Exposures				
OTC/Credit Derivatives				
Repurchase agreements				
Securities borrowing/lending				
Commitments				
Other off-balance sheet exposures				
Total Off-Balance sheet Exposures	-	-	-	-
Total on and Off-Balance sheet Exposures	761,998	761,998	915,233	128,133
Prohibited Exposure Risk Requirement				
Total Credit Risk Exposures	761,998	761,998	915,233	128,133
Market Risk	Long Position	Short Position		
Interest rate risks				
Equity price risks				
Risks related to investment funds	1,056,126			168,980
Securitization/re-securitization positions				
Excess exposure risks				
Settlement risks and counterparty risks				
Foreign exchange rate risks	301,817			6,508
Commodities risks				
Total Market Risk Exposures	1,357,943			175,488
Operational Risk				65,867
Minimum Capital Requirements				369,358
Surplus/(Deficit) in capital				1,180,047
Total Capital ratio (time)				4.19

Appendix III: Illustrative Disclosure on Credit Risk's Risk Weight 2021

(Figures in '000 SAR)

Exposures after netting and credit risk mitigation 2021														
Risk Weights	Governments and central banks	Administrative bodies and NPO	Capital market institution	Margin Financing	Corporates	High risk investments	Retail	Past due items	Investments	Securitization	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%											100		100	0
20%	767		281,317										282,084	56,417
50%			14,000		25,733								39,733	19,866
100%			25,000										25,000	25,000
150%			2,970	386,966					236,085				626,020	939,030
200%													0	0
300%							10,392		102,800		267,228		380,420	1,141,261
400%						4,090							4,090	16,361
500%													0	0
714%					1,178						3,073		4,251	30,351
Average Risk Weight	20%	0%	29%	150%	79%	400%	300%	0%	196%	0%	305%	0%		163.64%
Deduction from Capital Base														311,960

Appendix III: Illustrative Disclosure on Credit Risk's Risk Weight 2020

(Figures in '000 SAR)

Exposures after netting and credit risk mitigation 2020													
Risk Weights	Governments and central banks	Administrative bodies and NPO	Capital market institution	Margin Financing	Corporates	Retail	Past due items	Investments	Securitization	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	750									80		830	0
20%			337,060									337,060	67,412
50%												0	0
100%			2,000									2,000	2,000
150%			1,347	56,347				231,160				288,855	433,282
200%												0	0
300%						2,249		86,825		41,091		130,166	390,497
400%												0	0
500%												0	0
714%					1,437					1,650		3,087	22,042
Average Risk Weight	0%	0%	21%	150%	714%	300%	0%	191%	0%	315%	0%		120.11%
Deduction from Capital Base													128,113

Appendix IV: Illustrative Disclosure on Credit Risk's Rated Exposure 2021

Exposure Class	Long term Ratings of counterparties 2021							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated	
On and Off-balance-sheet Exposures								
Governments and Central Banks		767						
Capital market institution		56	25,072	23,079				2,970
Corporates		25,733					1,178	
High risk investments								4,090
Retail								10,392
Investments								338,885
Securitization								0
Margin Financing								386,966
Other Assets								270,401
Total	0	26,556	25,072	23,079	0	0	1,178	1,013,704

Exposure Class	Short term Ratings of counterparties 2021					
	Credit quality step	1	2	3	4	Unrated
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
Capital Intelligence	A1	A2	A3	Below A3	Unrated	
On and Off-balance-sheet Exposures						
Governments and Central Banks						
Capital market institution	272,110					
Corporates						
Retail						
Investments						
Securitization						
Margin Financing						
Other Assets						
Total	272,110			-	-	-

Appendix IV: Illustrative Disclosure on Credit Risk's Rated Exposure 2020

(Figures in '000 SAR)

Exposure Class	Long term Ratings of counterparties 2020							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated	
On and Off-balance-sheet Exposures								
Governments and Central Banks		750						
Capital market institution				2,000				1,347
Corporates								1,437
Retail								2,249
Investments								317,986
Securitization								0
Margin Financing								56,347
Other Assets								42,822
Total	-	750	-	2,000	-	-	-	422,187

Exposure Class	Short term Ratings of counterparties 2020					
	Credit quality step	1	2	3	4	Unrated
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
Capital Intelligence	A1	A2	A3	Below A3	Unrated	
On and Off-balance-sheet Exposures						
Governments and Central Banks						
Capital market institution		49,274	287,786			
Corporates						
Retail						
Investments						
Securitization						
Margin Financing						
Other Assets						
Total	-	49,274	287,786	-	-	-

Appendix V: Illustrative Disclosure on Credit Risk Mitigation 2021

(Figures in '000 SAR)

Exposure Class 2021	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	767					767
Capital market institution	323,287					323,287
Corporates	26,910					26,910
High risk investments	4,090					4,090
Retail	10,392					10,392
Investments	338,885					338,885
Securitization	0					0
Margin Financing	386,966		386,966			0
Other Assets	270,401					270,401
Total on-Balance sheet Exposures	1,361,698	0	386,966	0	0	974,732
<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						
Total Off-Balance sheet Exposures	-	-	-	-	-	-
Total Balance sheet Exposures	1,361,698	0	386,966	0	0	974,732

Appendix V: Illustrative Disclosure on Credit Risk Mitigation 2020

(Figures in '000 SAR)

Exposure Class 2020	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	750					750
Capital market institution	340,407					340,407
Corporates	1,437					1,437
Retail	2,249					2,249
Investments	317,986					317,986
Securitization	0					0
Margin Financing	56,347		56,347			0
Other Assets	42,822					42,822
Total on-Balance sheet Exposures	761,998	0	56,347	0	0	705,650
<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						
Total Off-Balance sheet Exposures	-	-	-	-	-	-
Total Balance sheet Exposures	761,998	-	56,347	-	-	705,650