MARCH 2017

PILLAR III DISCLOSURE

J.P. Morgan Saudi Arabia limited

License Number: 12164-37

PILLAR III DISCLOSURE

J.P.Morgan

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1. Scope of application

This report is prepared and issued by J.P. Morgan Saudi Arabia Limited (hereinafter referred to as “JPMSA” or the “Company”) in accordance with the requirements of Article 68 of the Prudential Regulations issued by the Capital Markets Authority (hereinafter referred to as “CMA”).

These rules include guidelines for the annual market disclosure of the Company’s capital and risk management information required to be published on JPMSA website (http://www.jpmorgansaudiarabialtd.com).

JPMSA is a subsidiary of a foreign bank and does not hold any subsidiary investment in or outside of Saudi Arabia. As at 31 December 2016, the Company has share capital of SAR 93.75mm.

The ultimate parent of the entity in scope of the disclosure is JPMorgan Chase & Co. (“JPMorgan Chase”), a financial holding company incorporated under Delaware law in 1968.

This document refers to JPMorgan Chase or the ”Firm” when referring to frameworks, methodologies, systems and controls that are adopted throughout JPMorgan Chase & Co. and its subsidiaries. JPMSA or the “Company” is used to refer to documents, financial resources and other tangible concepts relevant only to J.P. Morgan Saudi Arabia Limited.

2. Capital structure

The capital injected by the parent companies of JPMSA is unconditional in nature and does not have to be repaid unless the company is liquidated. Since its incorporation, the Company's capital base increased from an initial share capital of SAR 60mm in 2008 to SAR 93.75mm. JPMSA also plans to retain its accumulated profits for the foreseeable future to strengthen its capital position and support planned expansionary activities. JPMSA's total capital base is SAR 139.7mm as at 31 Dec 2016.

Further information on capital structure is set out in Exhibit A.1

3. Capital adequacy

The Company is continuously strengthening its risk management framework to support the growing business requirements. The current risk management process in JPMSA is considered adequate in terms of its size and operations. JPMSA has developed an ICAAP Policy to measure, monitor, report all material risks and adopt an efficient capital planning process to ensure sufficient capital is available to meet the usual business activities and any unforeseen contingencies.

JPMSA is considered adequately capitalized over the capital planning horizon. The Company also plans to retain its accumulated profits for the foreseeable future as part of its capital planning and management.

Under the CMA Prudential Rules, JPMSA's minimum capital requirement is SAR 15.79mm. As at 31 December 2016, JPMSA has total shareholders' equity of SAR 139.75mm which results in a coverage ratio of 8.85. The table below is a summary of the capital adequacy disclosure as set out full in Exhibits A.1 and A.2.

Exhibit 3.1

Capital base–31 December 2016	
	SAR 000s
Paid up capital	93,750
Audited retained earnings	39,963
Reserves (other than revaluation reserves)	6,045
Total capital base	**139,758**
Minimum capital requirement	15,799
Total capital ratio (times)	**8.85**

4. Risk management

4.1 Risk management framework

Risk is an inherent part of JPMorgan Chase's business activities. The Firm's overall objective is to manage its business, and the associated risks, in a manner that balances serving the interest of its clients, customers and investors and protects the safety and soundness of the firm. Firmwide Risk Management is overseen and managed on an enterprise-wide basis. The Firm's approach to risk management covers a broad spectrum of risk areas with controls and governance established for each area, as appropriate. The Firm believes that effective risk management requires:

- Acceptance of responsibility, including identification and escalation of risk issues, by all individuals within the Firm;
- Ownership of risk identification, assessment, data and management within each line of business ("LOB") and corporate functions; and
- Firmwide structures for risk governance.

The Firm's Operating Committee, which consists of the Chief Executive Officer ("CEO"), Chief Risk Officer ("CRO"), Chief Operating Officer ("COO"), Chief Financial Officer ("CFO") and other senior executives, is the ultimate management escalation point in the Firm, and may refer matters to the Firm's Board of Directors. The Operating Committee is responsible and accountable to the Firm's Board of Directors.

The Firm strives for continual improvement through efforts to enhance controls, ongoing employee training and development, talent retention, and other measures. The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent Board oversight. The impact of risk and control issues are carefully considered in the Firm's performance evaluation and incentive compensation processes.

4.2 Risk governance & oversight

The Firm's CRO is the head of the Independent Risk Management ("IRM") function and reports to the CEO and the Directors' Risk Policy Committee of the Board ("DRPC"). The CEO appoints the CRO to create the Risk Management Framework subject to approval by the DRPC in the form of the Primary Risk Policies. The Chief Compliance Officer ("CCO"), who reports to the CRO, is also responsible for reporting to the Audit Committee for the Global Compliance Program. The Firm's Global Compliance Program focuses on overseeing compliance with laws, rules and regulations applicable to the Firm's products and services to clients and counterparties.

The IRM function, comprised of Risk Management and Compliance Organizations, is independent of the businesses. The IRM function sets various standards for the risk management governance framework, including risk policy, identification, measurement, assessment, testing, limit setting (e.g., risk appetite, thresholds, etc.), monitoring and reporting. Various groups within the IRM function are aligned to the LOBs and to corporate functions, regions and core areas of risk such as credit, market, country and liquidity risks, as well as operational, model and reputational risk governance.

The Firm places key reliance on each of its LOBs and other functional areas giving rise to risk. Each LOB or other functional area giving rise to risk is expected to operate its activities within the parameters identified by the IRM function, and within their own management-identified risk and control standards. Because these LOBs and functional areas are accountable for identifying and addressing the risks in their respective businesses and for operating within a sound control environment, they are considered the "first line of defense" within the Firm's risk governance framework.

The firmwide Oversight and Control Group consists of dedicated control officers within each of the lines of business and corporate functions, as well as having a central oversight function. The group is charged with enhancing the Firm's control environment by looking within and across the lines of business and corporate functions to help identify and remediate control issues. The group enables the Firm to detect control problems more quickly, escalate issues promptly and engage other stakeholders to understand common themes and interdependencies among the various parts of the Firm.

As the "second line of defense", the IRM function provides oversight and independent challenge, consistent with its policies and framework, to the risk-creating LOBs and functional areas.

Internal Audit, a function independent of the businesses and the IRM function, tests and evaluates the Firm's risk governance and management, as well as its internal control processes. This function, the "third line of defense" in the risk governance framework, brings a systematic and disciplined approach to evaluating and improving the effectiveness of the Firm's governance, risk management and internal control processes. The Internal Audit Function is headed by the General Auditor, who reports to the Audit Committee.

The independent status of the IRM function is supported by a governance structure that provides for escalation of risk issues to senior management, the Firmwide Risk Committee, or the Board of Directors.

The Board of Directors provides oversight of risk principally through the DRPC, Audit Committee and, with respect to compensation and other management-related matters, the Compensation & Management Development Committee. Each committee of the Board oversees reputation risk issues within its scope of responsibility.

Within the Europe, Middle East and Africa ("EMEA") region, a governance framework has been developed in alignment with the firmwide policies and procedures and provides an additional layer of control on a regional and legal entity basis. Each regulated legal entity has its own Board of Directors which is accountable for overall oversight of the entity.

The JPMSA Board has delegated to the JPMSA Local Management Committee ('LMC'), composed of senior management, to ensure that any significant decisions are aligned to the Firm's strategy in light of any relevant KSA regulatory requirements, to consider the material risks and issues that are escalated to the LMC, and to provide the necessary oversight and challenge for any proposed mitigation/remediation activities.

The JPMSA legal entity risk manager is a member of the EMEA Legal Entity Risk Committee (LERC), which provides governance and oversight of legal entity risk management for the region. The LERC is accountable to the EMEA Risk Committee ("ERC"), which provides oversight and challenge of risks for any business conducted in EMEA or booked into EMEA entities, and is chaired by the EMEA CRO. The ERC in turn reports to the Firmwide Risk Committee ("FRC"), the Firm's highest management-level risk committee.

4.3 Risk appetite and strategy

JPMC Risk Appetite is a high level statement of the firm's appetite for risk. The Risk Appetite framework integrates risk controls, earnings, capital management, liquidity management and return targets to set the firm's risk appetite in the context of its objectives for key stakeholders, including but not limited to shareholders, depositors, regulators and clients.

The Firm's Risk Appetite framework is reviewed on an ongoing basis, and is reviewed with the FRC and DRPC at least annually. Key figures and ratios regarding the interaction between the risk profile and the risk tolerance are deemed to be proprietary information as it relates to competitively significant operational conditions and business circumstances, as defined within EBA guidelines EBA/GL/2014/14.

JPMSA leverages the firmwide Risk Appetite statement.

4.4 Identification and measurement of key risks

The entity in scope completes the Internal Capital Adequacy Assessment Process ("ICAAP") periodically, which forms part of management and decision-making processes such as the Firm's risk appetite, strategy, capital and risk management frameworks, and stress testing. The ICAAP is used to assess the key risks to which the Firm is exposed; how these risks are measured, managed, monitored and mitigated; and how much capital the Firm should hold to reflect these risks now, in the future and under stressed conditions.

4.4.1 Credit risk

Credit risk is the risk of loss arising from the default of a customer, client or counterparty. The Firm is exposed to credit risk through its underwriting, lending and trading activities with and for clients and counterparties, as well as through its operating services activities, such as cash management, settlement and clearing activities.

Credit Risk is an independent risk management function that identifies and monitors credit risks throughout the Firm and defines credit risk policies and procedures. The Credit Risk function reports to the Firm's Chief Risk Officer. The Firm's credit risk management governance consists of the following activities:

- Establishing a comprehensive credit risk policy framework
- Monitoring and managing credit exposure across all portfolio segments, including transaction
- and line approval
- Assigning credit authorities in connection with the approval of all credit exposure
- Intensive management of criticized exposures and delinquent position
- Determining the allowance for credit losses and ensuring appropriate credit risk-based capital management

Risk identification and measurement

The Credit Risk function identifies, measures, limits, manages and monitors credit risk across the Firm's businesses. To measure credit risk, the Firm employs several methodologies for estimating the likelihood of obligor or counterparty default. Methodologies for measuring credit risk vary depending on several factors, including type of asset, volatility in trading markets, risk measurement parameters and risk assessment processes. Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default.

Based on these factors and related market-based inputs the Firm estimates credit losses for its exposures. Expected credit losses inherent in the wholesale loan portfolios are reflected in the provision for loan losses and probable credit losses inherent in lending-related commitments are reflected in the provision for lending related commitments. These losses are estimated using empirical statistical analyses and other factors. In addition, potential and unexpected credit losses are reflected in the allocation of credit risk capital and represent the potential volatility of actual losses relative to the established allowances for loan losses and lending related commitments. The analyses for these losses include stress testing (considering alternative economic scenarios) are described in the stress testing section below. The methodologies used to estimate credit losses depend on the characteristics of the credit exposure, are described below.

Risk-rated exposure

For the risk rated portfolio, credit loss estimates are based on estimates of the probability of default (PD) and loss severity given a default. The estimation process begins with risk ratings

that are assigned to each facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by Credit Risk Management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral.

The probability of default is the likelihood that a loan will default and not be fully repaid by the borrower. The loss given default (LGD) is the estimated loss on the exposure that would be realized upon the default of the borrower and takes into consideration collateral and structural support for each credit facility. The probability of default is estimated for each borrower, and a loss given default is estimated for each credit facility. The calculations and assumptions are based on historic experience, financial and economic analysis and management judgment and are reviewed regularly.

Stress testing

Stress testing is important in measuring and managing credit risk in the Firm's credit portfolio. The Firm uses stress testing to inform decisions on setting risk appetite. Stress testing results across a range of scenarios and products are regularly reported to relevant management committees providing additional insight into credit portfolio's sensitivities under stress and measurement against risk appetite. This additional insight supports timely management notification and action, when required.

Risk monitoring and management

The Firm has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process of extending credit to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposures. In addition, certain models, assumptions and inputs used in evaluating and monitoring credit risk are independently validated by groups that are separate from the line of businesses. Wholesale credit risk is monitored regularly at an aggregate portfolio, industry and individual client and counterparty level with established concentration limits that are reviewed and revised as deemed appropriate by management, typically on an annual basis.

Management of the Firm's credit risk exposure is accomplished through a number of means, including:

- Loan underwriting and credit approval process
- Loan syndications and participations
- Loan sales and securitizations
- Master netting agreements
- Collateral and other risk-reduction techniques

In addition to Risk Management, Internal Audit performs periodic exams, as well as continuous review, where appropriate, of the Firm's wholesale portfolios. For risk-rated portfolios, a credit review group within Internal Audit is responsible for:

- Independently assessing and validating the changing risk grades assigned to exposures; and
- Evaluating the effectiveness of business units' risk ratings, including the accuracy and consistency of risk grades, the timeliness of risk grade changes and the justification of risk grades in credit memoranda

Risk reporting

To enable monitoring of credit risk and effective decision-making, aggregate credit exposure, concentration levels and risk profile changes are reported regularly to senior Credit Risk Management.

Detailed portfolio reporting of industry, product and geographic concentrations occurs monthly, and the appropriateness of the allowance for credit losses is reviewed by senior management at least on a quarterly basis.

Through the risk reporting and governance structure, credit risk trends and limits are discussed with, senior management and the Board of Directors as appropriate.

Further information on credit risk is set out in Exhibits A.2, A.3, A.4 and A.5.

JPMSA

JPMSA credit risk arises as a result of the funds held as operational accounts with local banks rated no less than “BBB+” (or equivalent) by major rating agencies with a ‘stable’ outlook from S&P and Moody’s and JPMorgan Chase Bank, N.A. rated Aa2, P-1 by Moody’s, A+, A-1 by S&P and AA-, F1+ by Fitch with a ‘Stable’ outlook across all three rating agencies. Other assets mainly comprise of fee accruals due from related parties and prepaid expenses. Due to the nature of the business conducted in JPMSA, there is limited credit risk arising from its activities. There are no past due claims or provisions on the JPMSA balance sheet. No collateral or netting has been taken in support of any transaction to date.

Credit risk oversight responsibility for JPMSA sits with the Local Management Committee, made up of senior management, which in turn reports to the Board of JPMSA. Currently JPMSA uses the prescribed methodology under Pillar I requirements of the CMA Prudential Rules to calculate regulatory capital for credit risk.

Exhibit 4.4.1

Credit risk–31 December 2016

	Gross exposures SAR 000s	Net exposures SAR 000s	Risk weighted assets SAR 000s	Capital requirement SAR 000s
Authorised persons and banks	145,044	145,044	29,009	4,061
Other assets	4,506	4,506	13,518	1,893
Total on-balance sheet exposures	**149,550**	**149,550**	**42,527**	**5,954**

4.4.2 Market risk

Market risk is the potential for adverse changes in the value of the Bank’s assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, implied volatilities or credit spreads.

Within JPM, Market Risk management, part of the independent risk management function, is responsible for identifying and monitoring market risks throughout the Firm and defines market risk policies and procedures. The Market Risk function reports to the Firm’s CRO.

Market Risk seeks to control risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm’s market risk profile for senior management, the Board of Directors and regulators.

Market Risk is responsible for the following functions:

- Establishment of a market risk policy framework
- Independent measurement, monitoring and control of line of business and firm wide market risk
- Definition, approval and monitoring of limits
- Performance of stress testing and qualitative risk assessments

Each line of business is responsible for the management of the market risks within its units. The independent risk management group responsible for overseeing each line of business is charged with ensuring that all material market risks are appropriately identified, measured, monitored and managed in accordance with the risk policy framework set out by Market Risk.

JPMSA does not undertake any activities that generate market risk and therefore is restricted to foreign exchange risk which is calculated as 2% of the Net Open Foreign Currency Position (other than SAR) under the CMA Prudential Rules for Currency Risk. The majority of company assets and liabilities are denominated in SAR and USD. The demand deposits are the main source of JPMSA Pillar I foreign exchange risk. Please see Exhibit A.2 for further details.

Market risk oversight responsibility sits with the LMC which in turn reports to the Board of JPMSA.

Exhibit 4.4.2

Market risk–31 December 2016

	Long position SAR 000s	Capital requirement SAR 000s
Foreign exchange	78,912	1,578
Total market risk	**78,912**	**1,578**

4.4.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, systems or external events that are neither market nor credit-related. Operational risk is inherent in JPMSA's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate behavior of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with the contractual arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to JPMSA. The goal is to keep operational risk at appropriate levels in the light of JPMSA's financial strength, characteristics of its businesses, markets in which it operates, and the competitive and regulatory environment to which it is subject to.

Operational risk exposure is set out in Exhibit A.2.

JPMC firmwide operational risk management framework

To monitor and control operational risk, the Firm maintains an Operational Risk Management Framework ("ORMF") designed to enable the Firm to maintain a sound and well-controlled operational environment. The four main components of the ORMF include: governance, risk identification and assessment, monitoring and reporting, and measurement.

Risk Management is responsible for prescribing the framework to the lines of business and corporate functions and for providing independent oversight of its implementation. The lines of business and corporate functions are responsible for implementing it. The firmwide Oversight and Control Group ("O&C"), which consists of dedicated control officers, is responsible for day to day execution of the ORMF.

The components of the Operational Risk Management Framework are:

Governance

LOB, region and function control committees (CCs) provide a forum for senior management to discuss existing and emerging operational risks and oversee the control environment of the respective lines of business, functions and regions. As part of that mandate, Control Committee members are responsible for providing and reviewing data which indicates the quality and stability of the processes we rely upon in a business or function, focusing on areas with shortcomings and overseeing issue remediation. Operational Risk and Control issues may be escalated by Local Control Committees to the firmwide Committees, as applicable.

Firmwide Control Committee (FCC) provides a forum for senior management to review and discuss firm wide operational risks including existing and emerging issues, operational risk metrics and management, and to review operational risk management execution in the context of the ORMF. The FCC is co-chaired by the FRE Operational Risk Governance and the Chief Control Officer.

Risk identification and assessment

In order to evaluate and monitor operational risk, the lines of business and functions utilize the Firm's global standard risk and control self-assessment ("RCSA") process and supporting architecture. The RCSA process requires management to identify material inherent operational risks, assess the design and operating effectiveness of relevant controls in place to mitigate such risks, and evaluate residual risk. Action plans are developed for control issues that are identified, and businesses are held accountable for tracking and resolving issues on a timely basis. On an ongoing basis, JPMSA operational risk events are analyzed by the responsible businesses and corporate functions and included in the RCSA if necessary. This process facilitates the identification of the root causes of operational risk events and evaluation of the associated controls.

Reporting

Operational risk management and control reports provide information, including actual operational loss levels, self assessment results and the status of issue resolution to the lines of business and senior management. The purpose of these reports is to enable management to assess operational risk levels, to maintain risk at appropriate levels within each line of business, and to escalate issues.

Measurement

The Firm's operational risk capital is measured primarily using a statistical model based on the Loss Distribution Approach ("LDA"). This methodology incorporates the four required elements of the Advanced Measurement Approach ("AMA") under the Basel III framework: internal losses, external losses, scenario analysis and business environment and internal control factors.

The Firm may further supplement such analysis to incorporate management judgment and feedback from its bank regulators.

JPMSA

JPMSA maintains a governance structure that has oversight of the operations being undertaken within the entity. Existing operations are measured against the ORMF. New products and processes are subject to a rigorous internal examination process requiring the approval of senior management of JPMSA and the associated lines of business.

In addition, JPMSA is subject to regular JPMorgan internal, external and regulatory audits. JPMorgan internal audit utilizes a risk-based program of audit coverage to provide independent assessment of the design and effectiveness of key controls over the Firm's operations, regulatory compliance and reporting. This includes reviewing the operational risk framework, the

effectiveness of the Risk and Control Self Assessment ('RCSA') process, and the loss data-collection and reporting activities.

Currently JPMSA uses the prescribed methodology under Pillar I requirements of the CMA Prudential Rules to calculate regulatory capital for operational risk. The month on month development of the JPMSA balance sheet has been measured against the CMA Prudential guidelines to ensure adequate capital and liquidity is in place to support its business activities.

Exhibit 4.4.3

Operational risk–31 December 2016	
	Capital requirement SAR 000s
Total operational risk	**8,267**

4.4.4 Liquidity risk

Liquidity risk is the risk that the entities will be unable to meet its contractual and contingent obligations or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets and liabilities.

JPMSA does not have material liabilities and the majority of its assets are held with local banks and an affiliate in the form of operational accounts with no fixed maturity. In addition, JPMSA monitors its cash flow movements for day to day management.

Liquidity risk oversight

The Firm has a liquidity risk oversight function whose primary objective is to provide assessment, measurement, monitoring, and control of liquidity risk across the Firm. Liquidity risk oversight is managed through a dedicated firmwide Liquidity Risk Oversight group. The CIO, Treasury and Corporate ("CTC") CRO, who reports to the CRO, as part of the independent risk management function, has responsibility for firmwide Liquidity Risk Oversight. Liquidity Risk Oversight's responsibilities include but are not limited to:

- Establishing and monitoring limits, indicators, and thresholds, including liquidity appetite tolerances
- Defining, monitoring and reporting internal firmwide and legal entity stress tests, and monitoring and reporting regulatory defined stress testing
- Monitoring and reporting liquidity positions, balance sheet variances and funding activities
- Conducting ad hoc analysis to identify potential emerging liquidity risks

Risk governance and measurement

Specific committees responsible for liquidity governance include firm wide Asset & Liability Committee ("ALCO") as well as line of business and regional ALCOs, and the CTC Risk Committee. In addition, the DRPC reviews and recommends to the Board of Directors, for formal approval, the Firm's liquidity risk tolerances, liquidity strategy, and liquidity policy at least annually.

Liquidity management

Treasury and CIO are responsible for liquidity management. The primary objectives of effective liquidity management are to ensure that the Firm's core businesses and material legal entities are able to operate in support of client needs, meet contractual and contingent obligations through normal economic cycles as well as during stress events, and to manage an optimal funding mix, and availability of liquidity sources. The Firm manages liquidity and funding using a centralized, global approach across its entities, taking into consideration both their current

liquidity profile and any potential changes over time, in order to optimize liquidity sources and uses. In the context of the Firm's liquidity management, Treasury and CIO are responsible for:

- Analyzing and understanding the liquidity characteristics of the Firm, lines of business and legal entities' assets and liabilities, taking into account legal, regulatory, and operational restrictions;
- Defining and monitoring firmwide and legal entity specific liquidity strategies, policies, guidelines, and contingency funding plans;
- Managing liquidity within approved liquidity risk appetite tolerances and limits;
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

Contingency funding plan

The Firm's contingency funding plan ("CFP"), which is reviewed by ALCO and approved by the DRPC, is a compilation of procedures and action plans for managing liquidity through stress events. The CFP incorporates the limits and indicators set by the Liquidity Risk Oversight group. These limits and indicators are reviewed regularly to identify the emergence of risks or vulnerabilities in the Firm's liquidity position. The CFP identifies the alternative contingent liquidity resources available to the Firm in a stress event.

JPMSA is fully integrated into the firmwide CFP framework, and is subject to the firmwide procedures and action plans for managing liquidity through actual stress events. In the event of a liquidity crisis, the firm does not anticipate any inability for JPMSA to receive short-term funding, if necessary.

A. Appendices

Exhibit A.1

Disclosure on capital base–31 December 2016	
Capital base	SAR 000s
Tier-1 capital	
Paid-up capital	93,750
Audited retained earnings	39,963
Share premium	0
Reserves (other than revaluation reserves)	6,045
Tier-1 capital contribution	0
Deductions from Tier-1 capital	0
Total Tier-1 capital	**139,758**
Tier-2 capital	
Subordinated loans	0
Cumulative preference shares	0
Revaluation reserves	0
Other deductions from Tier-2 (-)	0
Deduction to meet Tier-2 capital limit (-)	0
Total Tier-2 capital	**0**
Total capital base	**139,758**

Exhibit A.2

Disclosure on capital adequacy–31 December 2016				
Exposure class	Exposures before CRM SAR 000s	Net exposures after CRM SAR 000s	Risk weighted assets SAR 000s	Capital requiremen t SAR 000s
Credit risk				
On–balance sheet exposures				
Governments and central banks	–	–	–	–
Authorised persons and banks	145,044	145,044	29,009	4,061
Corporates				
Retail	–	–	–	–
Investments	–	–	–	–
Securitisation	–	–	–	–
Margin financing	–	–	–	–
Other assets	4,506	4,506	13,518	1,893
Total on–balance sheet exposures	**149,550**	**149,550**	**42,527**	**5,954**
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	**149,550**	**149,550**	**42,527**	**5,954**
Prohibited exposure risk requirement	–	–	–	–
Total credit risk exposures	**149,550**	**149,550**	**42,527**	**5,954**

Market risk	**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	78,912	–	1,578
Commodities risks	–	–	–
Total market risk exposures	**78,912**	**–**	**1,578**
Operational risk			**8,267**
Minimum capital requirements			15,799
Surplus/(deficit) in capital			123,959
Total capital ratio (times)			**8.85**

Exhibit A.3

Disclosure on credit risk's risk weight (SAR 000s)–31 December 2016

Risk Weights	Exposures after netting and credit risk mitigation												
	Govern-ments and central banks	Adminis-trative bodies and NPO	Authorised persons and banks	Margin Financing	Corporates	Retail	Past due items	Invest-ments	Securitisation	Other assets	Off-balance sheet commit-ments	Total exposure after netting and credit risk mitigation	Total Risk weighted assets
0%	–	–	–	–	–	–	–	–	–	–	–	–	–
20%	–	–	145,044	–	–	–	–	–	–	–	–	145,044	29,009
50%	–	–	–	–	–	–	–	–	–	–	–	–	–
100%	–	–	–	–	–	–	–	–	–	–	–	–	–
150%	–	–	–	–	–	–	–	–	–	–	–	–	–
200%	–	–	–	–	–	–	–	–	–	–	–	–	–
300%	–	–	–	–	–	–	–	–	–	4,506	–	4,506	13,518
400%	–	–	–	–	–	–	–	–	–	–	–	–	–
500%	–	–	–	–	–	–	–	–	–	–	–	–	–
714% (include prohibited exposure)	–	–	–	–	–	–	–	–	–	–	–	–	–
Average Risk Weight	0%	0%	20%	0%	714%	0%	0%	0%	0%	300%	0%	28.44%	28.44%
Deduction from capital base	–	–	4,061	–	-	–	–	–	–	1,893	–	5,954	5,954

Exhibit A.4

Disclosure on credit risk's rated exposure (SAR 000s)–31 December 2016

Exposure class		Long term ratings of counterparties						
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
	Capital intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
On and Off-balance-sheet exposures								
Governments and central banks		–	–	–	–	–	–	–
Authorised persons and banks		–	79,954	65,090	–	–	–	–
Corporates		–	–	–	–	–	–	–
Retail		–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–
Securitisation		–	–	–	–	–	–	–
Margin financing		–	–	–	–	–	–	–
Other assets		–	2,507	–	–	–	–	1,999
Total		**–**	**82,461**	**65,090**	**–**	**–**	**–**	**1,999**

Exposure class		Short term ratings of counterparties				
	Credit quality step	1	2	3	4	Unrated
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
	Capital intelligence	A1	A2	A3	Below A3	Unrated
On and Off-balance-sheet exposures						
Governments and central banks		–	–	–	–	–
Authorised persons and banks		79,954	65,090	–	–	–
Corporates		–	–	–	–	–
Retail		–	–	–	–	–
Investments		–	–	–	–	–
Securitisation		–	–	–	–	–
Margin financing		–	–	–	–	–
Other Assets		2,507	–	–	–	1,999
Total		**82,461**	**65,090**	**–**	**–**	**1,999**

Exhibit A.5

Disclosure on CREDIT RISK MITIGATION (CRM) (SAR 000s)–31 December 2016

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
Credit risk						
On-balance sheet exposures						
Governments and central banks	–	–	–	–	–	–
Authorised persons and banks	145,044	–	–	–	–	145,044
Corporates	–	–	–	–	–	–
Retail	–	–	–	–	–	–
Investments	–	–	–	–	–	–
Securitisation	–	–	–	–	–	–
Margin financing	–	–	–	–	–	–
Other assets	4,506	–	–	–	–	4,506
Total on-balance sheet exposures	**149,550**	–	–	–	–	**149,550**
Off-balance sheet exposures						
OTC/credit derivatives	–	–	–	–	–	–
Exposure in the form of repurchase agreements	–	–	–	–	–	–
Exposure in the form of securities lending	–	–	–	–	–	–
Exposure in the form of commitments	–	–	–	–	–	–
Other[1] off-balance Sheet exposures	–	–	–	–	–	–
Total off-balance sheet exposures	–	–	–	–	–	–
Total on and off-balance sheet exposures	**149,550**	**–**	**–**	**–**	**–**	**149,550**