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REASONABLE ASSURANCE REPORT ON THE SCHEDULE OF CAPITAL ADEQUACY TO THE BOARD OF DIRECTORS OF AUDI CAPITAL COMPANY

We have carried out a reasonable assurance engagement to express our opinion whether the information in subject matter detailed below ("Subject Matter"), has been reported and presented, in all material respects, in accordance with the applicable criteria mentioned below.

Subject Matter:

The subject of the reasonable assurance engagement is the accompanying schedule of Capital Adequacy (the "Schedule") setting out the calculation of minimum capital required and capital adequacy ratios of Audi Capital Company (the "Company") as at 31 December 2017 prepared by management in accordance with the Prudential Rules issued by the Capital Market Authority ("CMA") on capital adequacy (the "Rules").

Applicable Criteria:

Prudential Rules issued by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G (the "Rules").

Management Responsibility:

The management of the Company is responsible for the preparation and presentation of the information in Subject Matter above in accordance with the Applicable Criteria, and is also responsible for the selection of methods used in the Applicable Criteria. Further, the Company's management is responsible for establishing internal controls relevant to the preparation and presentation of the Subject Matter above that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

Our Responsibility:

Our responsibility is to express a reasonable assurance conclusion on the Subject Matter above based on our assurance engagement conducted in accordance with International Standard on Assurance Engagements (3000) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" endorsed in the Kingdom of Saudi Arabia, and the terms and conditions for this engagement as agreed with the Company's management.

Our procedures were designed to obtain a reasonable level of assurance on which to base our conclusion, and, as such, do not provide all of the evidence that would be required to constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements that are endorsed in the Kingdom of Saudi Arabia. The procedures performed depend on our judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of internal controls when determining the nature and extent of our procedures, our engagement was not designed to provide assurance on effectiveness of those controls.

Independence and quality controls:

We are independent of the Company in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our assurance engagement and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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REASONABLE ASSURANCE REPORT ON THE SCHEDULE OF CAPITAL ADEQUACY
TO THE BOARD OF DIRECTORS OF AUDI CAPITAL COMPANY (continued)

Independence and Quality Controls: (continued)

Our firm applies International Standard on Quality Control (1) standard and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of Procedures:

The procedures performed in a reasonable assurance engagement vary in nature and timing from, and are less in extent than for, an audit or a review engagement made in accordance with International Standards on Auditing or International Standards on Review Engagements that are endorsed in the Kingdom of Saudi Arabia. Consequently, the level of assurance obtained in a reasonable assurance engagement is substantially lower than the assurance that would have been obtained had an audit or a review engagement been performed.

Our procedures included, but were not limited to:

- We obtained the Schedule and management's computation supporting the amounts in the Schedule;
- Made enquiries with relevant members of Company's management and staff to understand Company's overall compliance framework, related policies and established processes, systems and controls for ensuring and monitoring compliance with the Rules;
- Reviewed the relevant clauses of the Rules and ensured that these Rules were appropriately considered by management in the preparation of the Schedule;
- Compared information presented in the Schedule to the management's computation supporting the amount in the Schedule and the amounts in such computation to the Company's underlying books and records; and
- Ensured the clerical accuracy of the Schedule.

Reasonable Assurance Conclusion:

In our opinion, based on our reasonable assurance procedures performed and evidence obtained, we believe that the information in the Subject Matter above as stated in the attached Schedule, has been reported and presented, in all material aspects, in accordance with the Applicable Criteria.

Other Matters:

1. The attached Schedule has been stamped by us for identification purposes.
2. Our report is issued solely for the Company's compliance with the requirements of the Rules issued by the CMA, and is not intended to be, and should not be used for any other purposes or to be distributed to any other parties.

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. (427)

Riyadh: 10 Rajab 1439H
(27 March 2018)



Audi Capital Company
(A Saudi Closed Joint Stock Company)

Schedule of Capital Regulatory Requirements and Capital Adequacy Ratio
For the year ended 31 December 2017

	2017 SR '000	2016 SR '000
Capital Base:		
Tier 1 Capital	106,688	144,339
Tier 2 Capital	-	1
Total Capital Base	106,688	144,340
Minimum Capital Requirement:		
Market Risk	1,962	6,590
Credit Risk	82,399	67,315
Operational Risk	8,849	7,910
Total Minimum Capital Required	93,210	81,815
Capital Adequacy Ratio:		
Total Capital Ratio (times)	1.14	1.76
Tier 1 Capital Ratio (times)	1.14	1.76
Surplus in the capital	13,478	62,525

- a) The capital base consists of Tier 1 capital (which includes share capital, statutory reserve, audited retained earnings less intangible assets) and Tier 2 capital (included unrealized gain on available for sale investments) as per article 4 and 5 of the Prudential Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.
- b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules - the capital base should not be less than the minimum capital requirement.
- c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

