PILLAR III

PILLAR III DISCLOSURES

2020

Audi Capital

Figures as at December 31st, 2020
Prepared on March 2021 &
Amended on June 2021

Private & Confidential

TABLE OF CONTENTS

1. OVERVIEW

1.1 Background

The purpose of the Pillar 3 is to complement the minimum capital requirements (Pillar I) and the supervisory review process (Pillar II). The Capital Market Authority ("CMA"), as per article sixty eight (68) of the Prudential Rules (the "Rules"), supports the enhanced market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of capital, risk exposure, risk assessment process and hence the capital adequacy of the institution. The Pillar III disclosures are an effective means of informing the market about the risks faced by a company, and provide a consistent disclosure framework that enhances transparency and comparability.

In implementation of Pillar III, Audi Capital (the "Company') has conducted the market disclosures based on the audited financial statements as at December 31st, 2020.

1.2 Verification of disclosures

The disclosures have been set based on the audited financial statements of the Company. The mandated external auditors have reviewed and approved the financial statements as of end of year 2020.

1.3 Frequency of disclosures

In accordance with CMA circular number 06367/6 dated 10/01/1435H, that states that in regards to the Pillar III of the Rules, the frequency of disclosure should be yearly within 90 calendar days after the financial year end.

1.4 Location of disclosure

As per article sixty nine (69) of the Rules, the Company will publish the Pillar III disclosures on its website (www.audicapital.com) by the end of Q1 2021.

2. COMPANY STRUCTURE

The Company is a Saudi closed joint stock company incorporated under the laws of Kingdom of Saudi Arabia, commercial registration, number 1010226747, dated 18/12/1427H, issued in Riyadh, the Saudi Arabian General Investment Authority ("SAGIA") license number 102031016006, dated 01/05/1427H and Saudi Capital Market Authority ("CMA") under license number 06017-37, dated 15/05/2006G, with a paid up capital amounted to SAR 100,000,000, owned by BAPB Holding Ltd (96.99%).

The Company is a full-fledged financial institution (including Dealing, Arranging, Managing, Advisory and Custody), licensed by the CMA to provide investment advisory, wealth management, asset management and brokerage services to its clients in line with Capital Market Law and its implementing regulations and best international practices. The Company had received its first commencement letter from CMA on 26/05/2007.

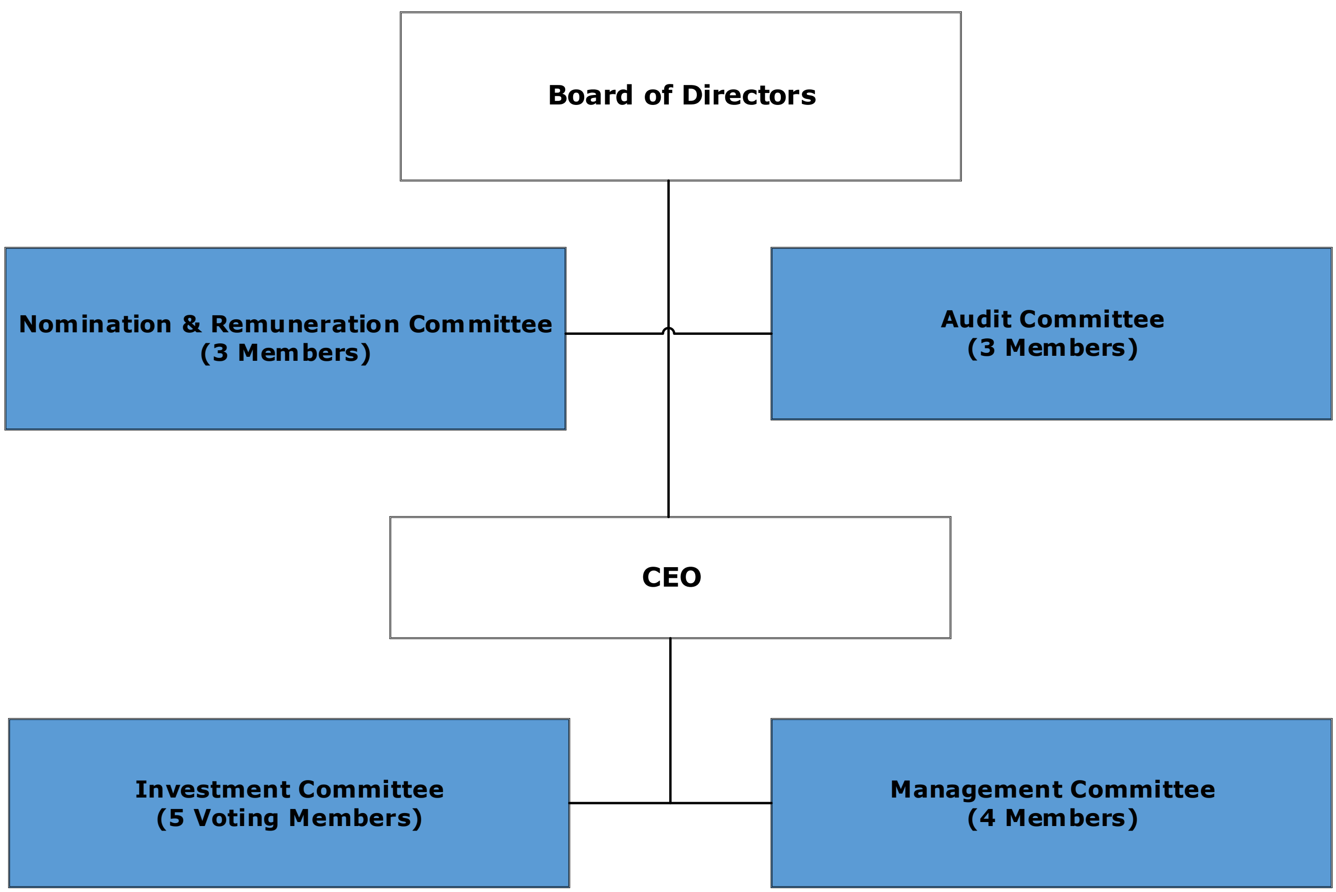
3. SUPERVISORY STRUCTURE

The Company is governed by a Board of Directors consisting of 6 members elected by the General Assembly of shareholders for a term of 3 years. The main role of the Board is to set strategic plans and objectives, define roles and responsibilities, set adequate internal controls and monitoring, set policies and procedures to ensure compliance with the regulation in place, with the ultimate goal of increasing the long term value of the Company.

The Company Governance framework encompasses a number of policies, charters, and terms of reference that shape the Company's Governance framework over a wide range of issues including risk supervision, compliance, audit, remuneration, evaluation, succession planning, ethics and conduct, budgeting, and capital management. Clear lines of responsibility and accountability are in place including effective channels of communication of the Company's Board of Directors and core strategy. Strategic objectives setting corporate values and promoting high standards of conduct have been established and widely communicated throughout the Company, providing appropriate incentives to ensure professional behavior.

The Committee has 4 committees:

- The "Audit" and the "Nomination & Remuneration" Committees that report to the Board;
- The "Investment" and "Management" committees appointed by the Board that are chaired by the CEO/MD.



3.1 Risk Appetite

Risk appetite is the risk capacity of the Company and details the maximum exposure that the Board approves the Company to take in achievement of its strategy.

Risk appetite details the amount and types of risk that the Company is willing to accept in its business to attain its objectives and strategic goals. The Company's shareholder's equity forms the basis of the risk appetite and limits.

This risk framework is approved by the Board of Directors and defines the appetite of the Company. This framework monitors the Treasury and Capital Markets as well as other risk indicators most notably the FX, interest rate, operational and liquidity risk.

3.2 Internal Control oversight

The Board of Directors has overall responsibility for the Company's internal controls and for reviewing their effectiveness. The internal control is designed to address the risks that might impact the Company's business including all systems and departments. The internal controls are designed to mitigate, rather than eliminate, material misstatements and losses.

4. CAPITAL ADEQUACY & CAPITAL STRUCTURE

4.1 Core Capital positions

The Company's regulatory capital is comprised of the following:

- **Tier 1 Capital** which is considered as the core measure of the Company's financial strength and includes share capital, reserves, and retained earnings;
- **Tier 2 Capital** which consists of qualified subordinated instruments, certain loan loss provisions and revaluation reserves.

The Company's resources as at December 31st, 2020 are summarized in the table below:

Disclosure on Capital Base

	2020	2019
Capital Base	**SAR'000**	**SAR'000**
Tier-1 Capital		
Paid-up capital	100,000	100,000
Share premium	-	-
Reserves	11,573	11,398
Audited retained earnings	-48,440	-12,785
Tier-1 Capital contribution	-	-
Deductions from Tier-1 Capital	-5,088	-5,698
Total Tier-1 capital	**58,045**	**92,915**
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	**-**	**-**
CAPITAL BASE	**58,045**	**92,915**

4.2 Capital Adequacy Ratio and Minimum Capital Requirements

Disclosure on Capital Adequacy Ratio

Description	2020 SAR '000	2019 SAR '000
Capital Base	-	-
Total Tier-1 capital	58,045	92,915
Total Tier-2 capital	0	0
Total Capital Base	**58,045**	**92,915**
Minimum Capital Requirements	-	-
Credit Risk	13,953	43,290
Market Risk	1,930	2,609
Operational Risk	5,351	6,492
Total Minimum Capital Requirements	**21,234**	**52,391**
Total Capital Ratio (time)	2.73	1.77
Surplus / (Deficit) in the capital	36,810	40,524

The Company has a Capital Adequacy ratio of 2.73x at year end 2020, which is above CMA's minimum regulatory requirement of 1.00x and above the Company's internal limit of 1.10x.

5. ICAAP

5.1 ICAAP framework

The Company prepares an annual internal assessment of its capital adequacy (ICAAP) as per CMA requirements. The first assessment was performed in 2014 and submitted since then annually to the CMA.

The annual ICAAP exercise is to assess if the Company is adequately capitalized in relation to its risk exposure, and it includes most notably:

- Summary of current situation as well as the financial and capital forecasts for the next three years. These are financial projections in line with the Company's strategic objectives.
- A series of stress tests and scenario analysis that are frequently updated to take into account market conditions variations. These are financial scenarios to assess whether the Company is adequately capitalized to face a range of unlikely but plausible adverse circumstances. The Company stresses the relevant parameters at three different levels of assumptions: Mild / Medium / Severe.

The ICAAP is a vital part of the Company's decision making process and risk management framework.

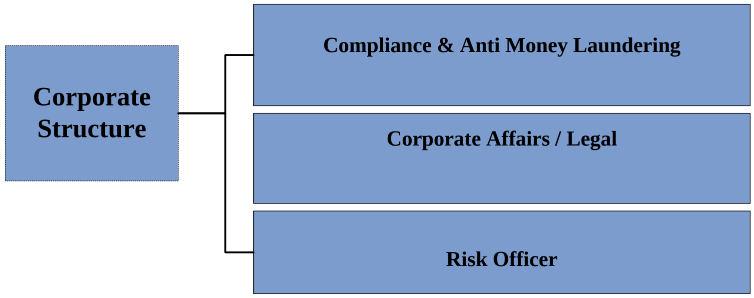
5.2 Oversight responsibilities

The Board of Directors performs the final review and approval of the ICAAP, including assessing and approving the capital adequacy. The Board provides its input and approval after the review by the Management Committee, Group Audi Risk Department and Group Audi Internal Audit.

6. RISK MANAGEMENT

6.1 Department overview

The Company's governance framework falls under an internal department called "Governance Structure" which includes the Compliance/AML Function, the Risk function and Corporate Affairs.



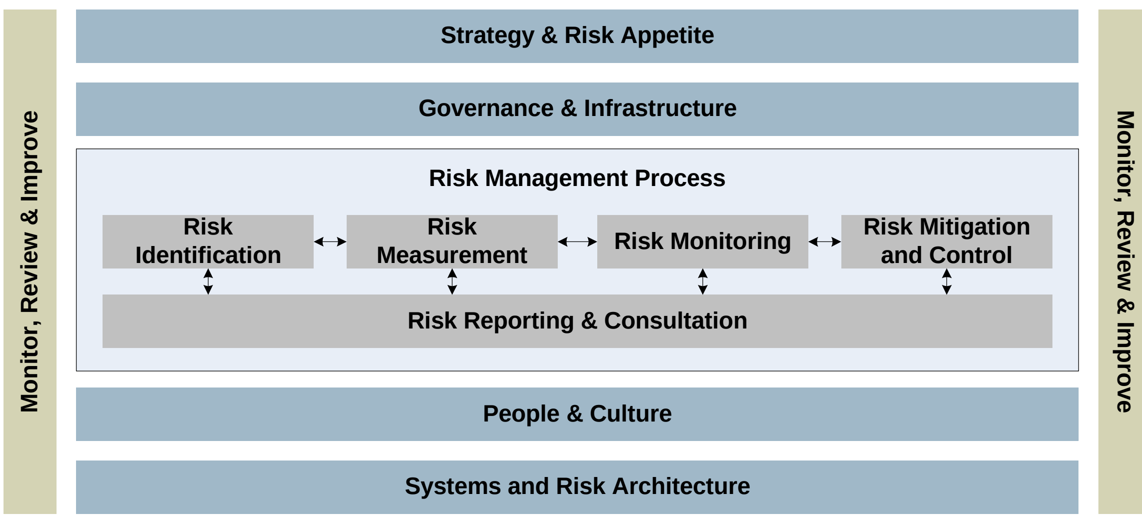
"Governance Structure" reports directly to the CEO/MD with a dotted line to the Board of Directors and its respective Committees.

Risk Management function is independent from Business lines and has the responsibility of ensuring that risks across the Company are properly identified, measured, monitored, mitigated and reported to various stakeholders including the heads of business lines, Management, Investment Committee and the Board of Directors.

The Company has a risk framework whose purpose is to assist in managing risk effectively through the application and the embedment of the Risk Management Process (i.e. Risk identification, Risk Measurement, Risk Monitoring, Risk Mitigation & Control and Risk Reporting & Consultation) at all levels of the Company, including strategy, governance, people, culture, systems and risk architecture.

6.2 Risk Management Framework

The following depicts the key components of the Company's Risk Management Framework:



Component	Criteria for appropriate implementation
Strategy & Risk Appetite	➢ The Board of Directors approves the strategic objectives and the risk appetite of the Company. ➢ The Risk Management Process is designed and implemented in alignment with the strategic objectives and the risk appetite approved by the Board of Directors. ➢ Risk is embedded within the overall strategic planning process. ➢ The Risk function provides a risk assessment on new products, significant changes to new products, new lines of business and entry into new markets. ➢ Risks that are material and relevant to the Company are identified and covered.
Governance & Infrastructure	➢ The Risk function is independent from the business lines and decision makers, however it is imbedded in the various decision making processes. ➢ There is a clear accountability in the oversight and ownership of risks across the Company. ➢ The governance structure that is put in place facilitates the free flow of information across the Company and allows the escalation of relevant information to the appropriate authority on a timely basis. ➢ Policies and procedures are properly disseminated to adequately mitigate risks.

Risk Management Process	Criteria for appropriate implementation
Risk Identification	➢ Risk identification represents the first step into risk assessment. ➢ The process involves the identification of risk sources, events, causes and their potential consequences. ➢ Risk identification encompasses internal and external factors and events that could affect the intended strategy and the risk profile.
Risk Measurement	➢ Risk Measurement includes assessing the magnitude of risk by producing metrics and other quantitative / qualitative measures. Magnitude is expressed in terms of the combination of consequences and their likelihood. ➢ Models that support risk measurements are used in combination with expert judgments. ➢ Stress testing is performed to identify areas of major concerns and to measure their severities and impacts.
Risk Monitoring	➢ Risk monitoring encompasses continual checking, supervising and critically observing in order to ensure adherence with limits and policies, and ensuring that the risk profile stays within the risk appetite approved by the Board of Directors. ➢ Monitoring role is assigned to people with appropriate authorities and capabilities.

	➢ Processes to escalate risk issues are well communicated throughout the Company.
Risk Control & Mitigation	➢ Mitigating actions are designed and recommended actions / opinions are proposed to transfer, control and balance risk & rewards. ➢ Risk mitigation includes avoiding the risk, removing the risk source, changing the likelihood, changing the consequences, sharing the risk with another party. ➢ Risk provides an objective check on risk-taking activities.
Risk Reporting & Consultation	➢ The identified, measured, monitored, mitigated risks are reported to the appropriate authority including Management and Board of Directors when needed for timely action and follow-up. ➢ A two-way process of communication is established between the Risk function and the different stakeholders to provide, share, obtain information and engage in a dialogue regarding risk issues. The Risk function provides an input to the decision making process and is not by its own a decision maker on any transaction involving risk taking. ➢ Standard definitions and requirements of reporting are set to enable a central risk aggregation.

6.3 Risk Reporting

The Company is exposed to a diversified set of risks in common with its peers. Some of the risks are an inherent part of the business model and the day-to-day activities of the Company. Its risk management capabilities are focused on managing and addressing these types of risks.

In addition to the constant reporting to the Company's Management, the Risk function provides on a quarterly basis a Risk Management Report to the Audit Committee and the Board of Directors. This report describes any changes in the regulatory field, the events achieved and projects under-way. It also emphasizes on the proprietary portfolio, in addition to detailing the different types of risks (operational, market, liquidity, etc.).

6.4 Credit Risk

The credit risk is defined as the negative consequences associated with the default or deterioration in credit quality of counterparties in lending operations to which the Company is exposed to.

Credit Risk can also include transactions and products that involves counterparty exposure.

The Company is mainly exposed to credit risk when providing leverage (margin financing) for clients and/or placing with counterparties Money Market placements and/or fixed income investments.

The Company faces the risk that counterparties (including clients) fail to fulfill their obligations or have their credit standing deteriorates.

The Company calculates capital required against the following credit exposures:

- Governments and central banks;
- Administrative bodies and NPO;

- Authorized persons and banks;
- Margin Financing;
- Corporates;
- Investment Funds;
- Other assets;
- Prohibited exposure.

The Company has controls and limits in place to ensure sound risk exposure as follow:

-Margin Lending

The Risk Management is in charge of monitoring the Margin Lending and to ensure adherence to the Margin Lending guidelines (approved stock exchanges, types of securities, ratings, etc.). Collaterals (securities) are offered to secure a facility and they are subject to seizure and liquidation in case of breach.

-Proprietary Investments

The Company's proprietary investments in equity or in fixed income is subject to rigorous analysis and limits and are outlined in the risk appetite and limits. The exposure and risk appetite is monitored by the Risk Management department.

-Exposures to Financial Institutions

The Company places deposits with top tier banks and are subject to the following:

- Obtain approval from Group Financial Institutions before opening any new relationship
- Obtain limits from Group Financial Institutions (ceilings)
- Constant monitoring from the Company's Risk Management, as for consolidated to all Group Audi (overall) is done by Group Financial Institutions.

6.5 Market Risk

The Company's revenues are mainly earned from fees which are calculated as a percentage of the value of portfolios or transactions which are mainly performed in Saudi Arabian Riyals.

Total Market Risk is the Sum of FX & Investment Fund Risk amounting at end of 2020 to SAR 1.930M.

6.5.1 Foreign Exchange Rate Risk

The Company has a conservative policy towards foreign exchange risk and has set limits on positions. These set policies are dictated by the Board of Directors and are monitored by the Company.

At 31 December 2020, Audi Capital held Long positions on different currencies inducing a required capital of SAR 1.145 M as per the table below:

Foreign Exchange Risk as at 31/12/2020	Position SAR'000		Risk Capital Charge (%)	Capital Requirement
Total Position in Foreign Currencies	**Net Long**	**Net Short**		
USD and GCC currencies	54,996	0	2%	1,100
All other currencies	325	0	14%	46
SUM	**55,321**			**1,145**

Audi Capital does not have any position in Gold or currencies covered by legally binding exchange rate agreements at end of 2020.

6.5.2 Investment Fund Risk

At 31 December 2020, Audi Capital held long position on Public Open-ended Investment fund requiring a capital of SAR 785 K as per the table below:

Investment Fund Risk	Net Long	Net Short		
Investment Funds	4,903	0	16%	785
SUM	4,903			**785**

6.6 Operational Risk

The Company defines Operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company uses a web-based software to report, address and follow-up on operational risk incidents. This software is common and consolidated to all Group Audi, hence it is monitored by the Risk Management at Audi Capital as well as Group Operational Risk Management Department.

Operational Risk as at 31/12/2020	Overhead Expenses 2020 SAR '000	Risk Capital Charge (%)	Capital Requirement
Expenditure-based approach	21,404	25%	5,351

The Company used the expenditure based approach to assess operational risk. This is performed by multiplying the risk charge (25%) with the yearly overhead expenses to obtain the amount of SAR 5,351 M as per article 39 of the Rules. This amount will be computed to derive the capital adequacy ratio of the company.

6.7 Liquidity Risk

The Company seeks to ensure that it will always have sufficient available cash resources to meet its short-term financial liabilities. Liquidity risk management is a key function and integral part of the asset and liabilities management process.

The Company holds its liquidity mainly in the form of cash or cash equivalent (Money Market placements). Given that the Company is fully funded via shareholders' equity, there is no exposure to funding liquidity risk.

The Company also monitors its liquidity by producing a Liquidity Gap Analysis that provides the necessary indicators to manage the Treasury. The goal is to always maintain a positive short-term Liquidity Gap (assets minus liabilities) to cover business operations as well as un-foreseen or un-expected events.

in SR'000	Up to 1 year	2 to 3 Years	> 4 years	No fixed maturity	Total
Cash and cash equivalents	10,322				10,322
Accounts receivables	13,594				13,594
Loans	2,058				2,058
Investments		31,064	12,298		43,361
Property and equipment				388	388
Intangible assets				761	761
Other Assets				61	61
Deferred tax assets				4,327	4,327
Total Assets	**25,973**	**31,064**	**12,298**	**5,538**	**74,872**
Deferred tax liability				293	293
Deferred Income				688	688
Zakat and income tax payable	43				43
Employees' terminal benefits				4,831	4,831
Current Liabilities	5,885				5,885
Total liabilities	**5,928**	**-**	**-**	**5,812**	**11,740**
Liquidity Gap	**20,045**	**31,064**	**12,298**	**274**	
Cumulative Gap	**20,045**	**51,109**	**63,407**	**63,681**	

In addition to Monitoring the Liquidity Gap and Cumulative Gap, Audi Capital also monitors the ratio "Available Liquidity / Monthly Operating Expenses" and this figure is communicated to the Board of Directors. The BoD has set an internal risk appetite limit for this ratio to be greater than 3x.

6.8 Contingency Funding Plan

The Finance department and Risk Management department updates on an annual basis the Liquidity and Contingency Funding Plan to address any potential adverse liquidity crisis. The plan, which is ratified by the Board of Directors, assesses the diverse options and action plans.

7. Appendices

7.1 Appendix 1 – Disclosure on Capital Base

Capital Base	SAR'000
Tier-1 Capital	
Paid-up capital	100,000
Share premium	-
Reserves	11,573
Audited retained earnings	-48,440
Tier-1 Capital contribution	-
Deductions from Tier-1 Capital	-5,088
Total Tier-1 capital	**58,045**
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	**-**
CAPITAL BASE	**58,045**

7.2 Appendix 2 – Disclosure on Capital Adequacy

Disclosure on Capital Adequacy

Exposure Class	Exposure before CRM SAR '000	Net Exposure after CRM SAR '000	Risk Weighted Assets SAR '000	Capital Requirement SAR '000
Credit Risk				
On-Balance Sheet Exposures	-	-	-	-
Government and central banks	7,394	7,394	11,091	1,553
Adminatrative bodies and NPO	6,374	6,374	6,374	892
Authorised Persons and banks	42,565	42,565	53,546	7,496
Corporates	1,082	1,082	7,725	1,081
Retail	-	-	-	-
Investment Funds	28	28	43	6
Securitisation	-	-	-	-
Margin Financing	2,058	2,058	3,086	432
Other Assets	4,929	4,929	17,800	2,492
Total On-Balance Sheet Exposures	64,430	64,430	99,665	13,953
Off-balance Sheet Exposures	-	-	-	-
OT/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	64,430	64,430	99,665	13,953
Prohibited Exposure Risk Requirement			-	-
Total Credit Risk Exposures			99,665	13,953
Market Risk	Long Position	Short Position		
Interest Rate Risk				
Equity Price Risk				
Risks related to investment funds	4,903			785
Securitisation/resecuritisation positions				
Excess Exposure Risk				
Settlement Risk and Counterpart Risk				
Foreign Exchange Rate Risk	55,321			1,145
Commodities Risk				
Total Market Risk Exposures	60,224			**1,930**
Operational Risk				5,351
5,351				
Minimum Capital Requirements				21,234
21,234				
Surplus / (Deficit) in capital				36,810
36,810				
Ratio				2.73

7.3 Appendix 3 – Disclosure on Credit Risk Weight

Disclosure on Credit Risk's Risk Weight as at 31/12/2020

	Exposure after netting and Credit Risk Mitigation												
Risk Weights	Governments and central banks	Administrative bodies and NPO	Authorised persons and banks	Margin Financing	Corporates	Retail	Past due items	Investment	Securitisation	Other assets	Off-balance sheets commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%										28		28	-
20%			7,132									7,132	1,426
50%			1,030									1,030	515
100%		6,374	-									6,374	6,374
150%	7,394		34,403	2,058				28				43,885	65,827
200%												-	-
300%										4,929		4,929	14,787
400%												-	-
500%												-	-
714% (exclude prohibited exposure)					1,082					422		1,504	10,739
Average Risk Weights	11,091	6,374	53,546	3,086	7,725	-	-	43	-	17,800	-		99,668
Deduction from capital base													

7.4 Appendix 4 – Disclosure on Credit Risk Exposure

Disclosure on Credit Risk's rated Exposure as at 31/12/2020

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								
Government and central banks								
Adminatrative bodies and NPO								6,329
Authorised Persons and banks								-
Corporates								75
Retail								28
Investments								
Margin Financing								
Other Assets								
Past Due								
Off-Balance Sheet								
Total								6,432

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						
Government and Central Banks		-	-	-	-	-
Adminatrative bodies and NPO		-	-	-	-	45
Authorised Persons and Banks		7,029	103	-	1,030	1,452
Corporates		-	-	-	-	1,082
Retail		-	-	-	-	-
Investments		-	-	-	-	28
Margin Financing		-	-	-	-	-
Other Assets		-	-	-	-	-
Total		7,029	103	-	-	2,607

7.5 Appendix 5 – Disclosure on Credit Risk Mitigation

Exposure Class	Exposure before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposure after CRM
Credit Risk						
On-Balance Sheet Exposures	-	-	-	-	-	-
Government and central banks	7,394	-	-	-	-	7,394
Adminatrative bodies and NPO	6,374	-	-	-	-	6,374
Authorised Persons and banks	42,565	-	-	-	-	42,565
Corporates	1,082	-	-	-	-	1,082
Investment Funds	28	-	-	-	-	28
Securitisation	-	-	-	-	-	-
Margin Financing	2,058	-	-	-	-	2,058
Other Assets	5,379	-	-	-	-	5,379
Total On-Balance Sheet Exposures	64,880					64,880
Off-balance Sheet Exposures	-	-	-	-	-	-
OT/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 On and Off-Balance Sheet Exposures	64,880					64,880