



بلوم إنفست
BLOMINVEST

BLOMINVEST SAUDI ARABIA

PILLAR III - DISCLOSURES

Report for FY 2021

March, 2022

Blominvest Saudi Arabia (Blominvest).

Blominvest is a Joint Stock company with a capital of SAR 245 million paid in full under CR 1010254040 date 24/07/1429 H issued from Riyadh, Saudi Arabia. BSA is licensed by the Saudi Capital Market Authority under number 37-08094 to offer the services of Dealing as Principle, Agent, Underwriting, Managing Investment Funds, Managing Client Portfolios, Arranging, Advising and Custody in Securities Business.

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1. Scope of Application

1.1 Overview

In July 27 2008, BLOMINVEST Saudi Arabia (Blominvest) was granted by the Saudi Capital Market Authority (CMA) a license (no 37/08094) to open and operate an investment Company in Saudi Arabia. In 19 October 2017, the license was amended to be Dealing as Principle, Agent, Underwriting, Managing Investment Funds, Managing Clients' Portfolios, Arranging, Advising and Custody in Securities Business.

The Pillar III disclosures contained herein relate to the audited financials of Blominvest for the period ended December 31, 2021.

All figures presented in this report are in Saudi Riyal Thousands, unless otherwise stated.

The document has been prepared in accordance with the "Prudential Rules" issued by the Saudi Arabian Capital Market Authority "CMA."

The Pillar III Disclosure is introduced under Article 68 of the said rules, and explained through Annex 10 of the same rules.

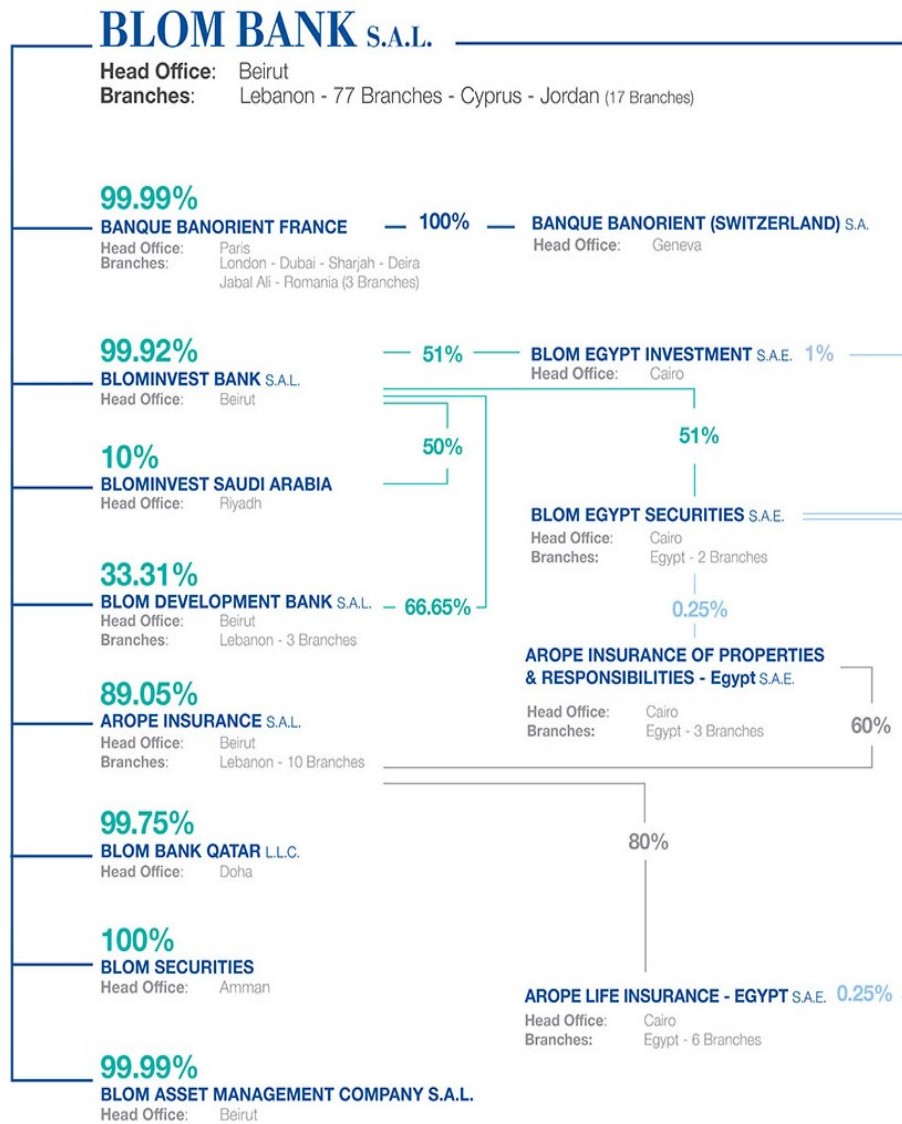
In accordance to the CMA circular number 06367/6 dated 10/01/1435 H which states that Pillar III frequency of disclosure should be on a yearly basis within ninety (90) calendar days after the financial year end, Pillar III disclosure should be published on Blominvest website by end of Q1 of each financial year (as per Article 69 of the Prudential Rules).

1.2 Group Structure

BLOM Bank (Group) is a Lebanese Bank with an international branch network. Its business model is based on a universal banking that includes: Commercial Banking, Corporate Banking, Private Banking, Investment Banking, Retail Banking, Islamic Banking, Asset and Wealth Management, Capital Market Services, and Insurance Products and Services.

BLOM BANK has one of the widest foreign presence among Lebanese Banks, and is currently present in 11 countries: Lebanon, Jordan, UAE, France, UK, Switzerland, Romania, Cyprus, Egypt, Qatar, and Saudi Arabia. It conducts its worldwide operations either directly or through its subsidiaries, which include: BLOM Bank France, BLOM Bank (Switzerland), BLOM Egypt Securities, BLOM Bank Qatar, BLOMINVEST Saudi Arabia, BLOMINVEST Bank (Lebanon), BLOM Development Bank (Islamic Bank) Arope Insurance, Arope Insurance of Properties and Responsibilities - Egypt, Arope Life Insurance – Egypt, BLOM Securities – Jordan and BLOM Asset Management Company. In this respect, the Bank serves the niche market of Lebanese and Arab expatriates and business people in Europe.

BLOM Bank Group Chart – as at end of December 2021:



1.3 Company Structure

BLOMINVEST Saudi Arabia is 60% owned by BLOM Bank Group (50% by BLOMINVEST Bank s.a.l., an investment bank licensed in Lebanon – www.blominvestbank.com, and 10% of BLOM Bank s.a.l. a bank licensed under the Lebanese law – www.blombank.com) and by 40% of Saudi Arabia partners (Al-Fozan Holding 15%, Al-Muhaidib Holding 15%, Abdulaziz Al-Saghyir Commercial Investment Co. 5% and Mr. Abdul Salam A. Al-Agil 5%)

1.4 Pillar I- Minimum Capital Requirements

Pillar I sets minimum capital requirements to meet credit, market, and operational risk as contained in chapter 4 to 16 of the Prudential Rules. Blominvest uses the base case approach in the calculation of the capital requirement for Credit Risk, Market Risk, and Operational Risk.

1.5 Pillar II – ICAAP

The Internal Capital Adequacy Assessment Process is introduced under Pillar II of the prudential Rules, which is contained in Part 6 (Article 66) and Annex 9 of the Prudential Rules.

Pillar II requires Capital Market Institutions (“CMI”) to perform a thorough review of all materials risks, extensive stress testing, strategic capital planning, the internal control framework and the roles and responsibilities of departments that are critical to the implementation of framework.

The purpose and objective of the ICAAP is to ensure that the methodology to calculate the internal capital requirements takes into account all the material risks faced by Blominvest and is reflective of the actual risk profile of Blominvest.

1.6 Pillar III –Market Discipline

Pillar III aims to provide a detailed and transparent reporting framework that enhances market discipline to operate as sharing of information facilitates assessment of the CMI by others, including investors, analysts, customers, and rating agencies, which leads to an improved corporate governance.

The information provided here has been reviewed and validated by the Management and is in accordance with the rules in force at the time of publication, covering both the qualitative and quantitative items.

Blominvest shall publish the Pillar III disclosures at its website www.blominvest.sa

2. Capital Structure

Capital base is formed of Tier I and Tier II .

Tier I includes: share capital, reserves, audited retained earnings as well as other deductions such as intangibles, deferred Zakat and other deductions .

Tier II includes: subordinated loan, revaluation reserves and any deductions needed to meet tier II capital limit .

Tier II should be at a maximum of 50% of Tier I.

As of December 2021, Tier I constitutes 96.00% of capital base and Tier II 4.00% as the IFRS standards which were applied in 2018, as such all Held to Maturity Bonds are classified as Amortised Cost (AC) and Held for Trading Debt Securities as Fair Value through Profit and Loss (FVTPL) and were translated into retained earnings and are included in Tier I Capital. Further, all Available for Sale Listed Equity Investments were classified as Fair Value through Other Comprehensive Income (FVTOCI).

All amounts in '000		
Tier 1- Capital	Dec-21	Dec-20
Paid-up capital	245,000	245,000
Reserves (other than revaluation reserves)	14,642	11,705
Audited retained earnings	94,697	75,560
Goodwill, intangible assets, Zakat & other deductions (-)	-583	-1389
Total Tier 1 capital	353,756	330,876
Tier-2 capital	Dec 21	Dec-20
Subordinated loans	0	0
Cumulative preference shares	0	0
Revaluation reserves	14,748	5,096
Other deductions from tier 2 (-)	0	0
Deduction to meet Tier-2 capital limit (-)	0	0
Total Tier-2 capital	14,748	5,096
Total capital base	368,504	335,972

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

3. Capital Adequacy

Blominvest defines "Minimum Capital" as the resource necessary to cover unexpected losses and thus Blominvest, at all time, maintains adequate level of capital to cover risks inherent in its business operations and to support current & future activities.

3.1 Capital Adequacy Ratio and Minimum Capital Requirements

The below capital ratios convey that Blominvest is adequately capitalized with a Tier I capital ratio of 1.77 and a total capital ratio of 1.85 as of December 2021, which is above CMA's minimum regulatory requirement of 1 time.

The following table provides Blominvest's capital adequacy ratio in December 2021 compared to December 2020:

Particulars	Dec-21	Dec-20
Tier-1 Capital Ratio	1.77	1.98
Tier-2 Capital Ratio	0.07	0.03
Total Capital Ratio	1.85	2.01

The following table reflects the comparative analysis of capital numbers in 2021 & 2020.

Particulars (SAR'000)	Dec-21	Dec-20
Tier 1- Capital	353,756	330,876
Tier-2 capital	14,748	5,096
Total capital base	368,504	335,972
Minimum Capital Requirement		
Credit Risk	182,362	155,672
Market Risk	9,962	5,646
Operational Risk	7,004	5,527
Total	199,328	166,844
Capital Adequacy Ratio	1.85	2.01
Surplus (Deficit) in Capital Base	169,176	169,128

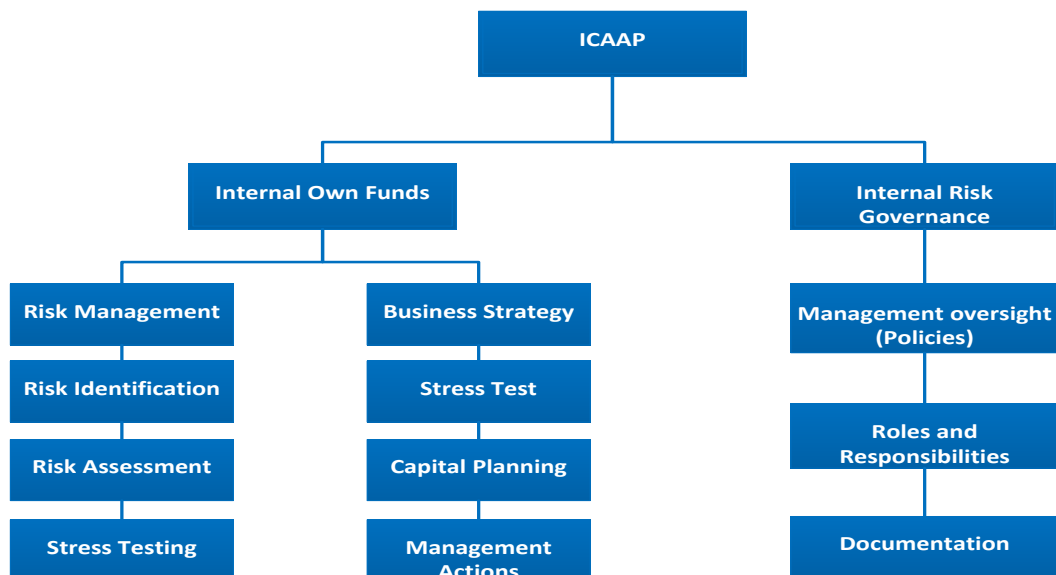
Please Refer to Appendix 2 for the detailed disclosure on capital Adequacy.

3.2 ICAAP

Blominvest capital management philosophy is aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum regulatory capital and sufficient liquidity requirements.

Blominvest has established an ICAAP framework (as illustrated in the Figure below). The framework entails:

- The formulation of business plan over a 3 year horizon (2022-2024) in line with Blominvest 's strategy;
- The assessment and measurement of the material risks in Blominvest's exposures;
- The assessment of Blominvest governance, organization, policies and procedures and documentation;
- Stress testing of Blominvest's risks to assess its impact on capital requirements and the set financial targets in cases of stress events and scenarios; and
- Regular reporting of the ICAAP results to Executive Committee, BOD and CMA.



Blominvest ICAAP framework consists of the following building blocks:

1. **Internal own funds adequacy:** calculating Blominvest's capital adequacy by taking into consideration Pillar I risks (market, credit and operational) and Pillar II risks (concentration, interest rate risk, other risks...) through the application of internal methods of risk assessment and buffer calculations.

To be able to reach this stage, Blominvest shall:

- a) Follow sound risk management practices;
- b) Identify the risks it is exposed to or might be exposed to in the future;
- c) Assess those risks;
- d) Apply stress test scenarios in order to assess the ability of Blominvest to weather such scenarios.

This would be reflected in the ICAAP by:

- a) Orienting Blominvest's business plan into a risk-forward looking perspective;
- b) Setting risk appetite limits in accordance with the Blominvest strategy and its risk-taking capacity;
- c) Developing a capital plan under normal business conditions and stressful situations;

Elaborating contingency plans entailing management actions to be undertaken under severe business conditions to ensure alignment and restoration within Blominvest acceptable levels and regulatory limits.

2. **Internal risk governance** which consists of:

- a) BOD and Senior Management oversight;
- b) Assess risk governance organization and all related policies and procedures; and
- c) Documentation of the ICAAP throughout its phases.

Blominvest Senior Management will be responsible for monitoring the ICAAP framework through:

- a) Overseeing the capital requirements (both regulatory and internal) of Blominvest,
- b) Monitoring the capital adequacy level on a periodic basis and escalate through the CEO to the Executive Committee and BOD, if necessary;
- c) Evaluating the level and trend of material risks and their effect on capital levels;
- d) Evaluating the key assumptions used in the capital assessment measurement process; and
- e) Assessing the future capital requirements based on Blominvest reported risk profile and recommending the necessary adjustments to Blominvest's strategic plan, if required.

4. Risk Management

Blominvest is exposed to different risks stemming from normal business activities. The Risk Management Department is responsible for overseeing risk-taking activities across the Company. Blominvest has an independent risk management function which has the authority to oversee the company's risk

management activities and to report to Board Risk Management Committee and/or directly to the Board of Directors if needed.

Blominvest has been applying a risk management framework which is a composite of policies, procedures, guidelines, risk limits and effective risk governance structure. It has its own policies and procedures concerning risk management (Risk Management Manual, ICAAP Policy Manual, Pillar 3 Procedures Manual and KRI Policies & Procedures Manual).

These policies and procedures outline the risk management control framework that allows Blominvest to identify, assess, monitor, manage, mitigate and control exposure to all major risks inherent in its business activities. The purpose of the policies and procedures is to establish and communicate risk policy guidelines and control parameters related to risk and to direct activities conducted on behalf of Blominvest.

The risk management policies and procedures were formulated to assist Blominvest's Senior Management in the overall monitoring and control of the major risks arising from Blominvest's business activities. Blominvest risk management framework is based upon the premise that business managers understand the risks inherent in their activities, each department implements its own risk management controls. The risk management policies and procedures have provided the basis for the creation of a risk management infrastructure, thus facilitating the optimisation of stakeholder value, as well as meeting the emerging regulatory compliance and industry best practice standards.

4.1 Risk Management practice at BLOMINVEST Saudi Arabia

4.1.1 Risk Management Strategies and processes:

Blominvest has maintained the following minimum risk management standards in its risk management policies and procedures:

- Risks are well defined;
- Adequate and appropriate assessment of risks are done where relevant and feasible;
- Controls are effective and active throughout the relevant business periods;
- Measures are accurate; and
- Management of risks is proactive and integrated.

4.1.2 Structure and Organization of Risk Management

Blominvest's Board of Directors is the governing body that sets the strategic direction of the company. Blominvest has an independent Risk Management Department which report directly to the CEO, Risk Management Committee and Board of Directors.

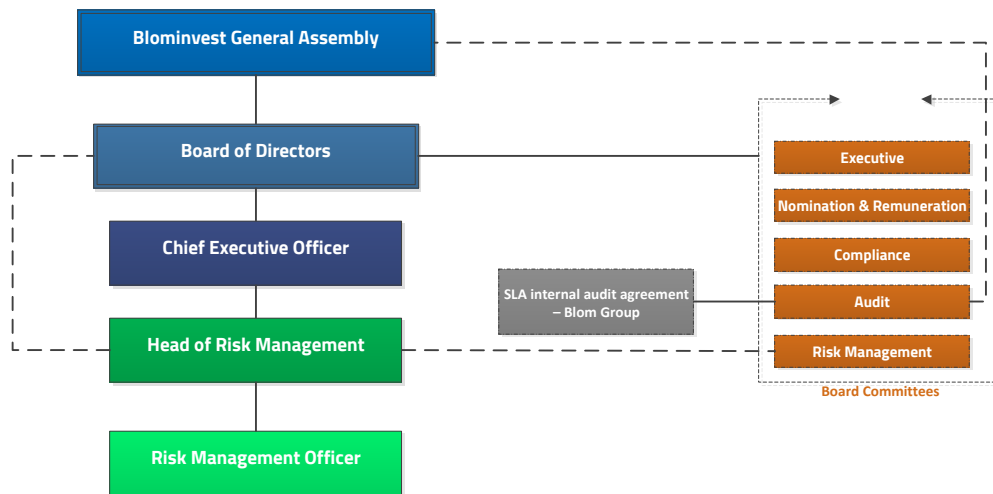
Risk Management Department shall prepare periodic reports to Blominvest General Management and send copies to BLOM Group Chief Risk Officer. Risk Management Department will report annually or as the need

arises to the Board and the Risk Management Committee on risk profile of Blominvest and on major risks affecting the Company.

Risk Management Department shall conduct general risk assessments to Blominvest’s different departments and report its findings to Risk Management Committee, copies of the report should be forwarded to BLOM Group Chief Risk Officer as well as BLOM Group Head of Audit.

Business line managers at Blominvest will be responsible for the day to day operational risk management at their departments and informing Risk Management Department of significant and/or emerging risks in their business activities.

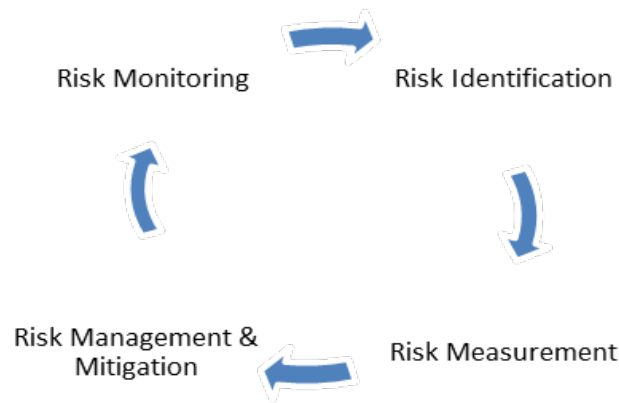
The Internal Audit shall periodically review the Risk Management Function at Blominvest and report to the Audit Committee its observations.



4.1.3 Scope and nature of risk reporting and measurement Systems

Risk management seeks to monitor the business risks and to keep risks within acceptable limits. Effective risk management will allow Blominvest greater control in achieving an appropriate balance between risks Blominvest wishes to accept (at a price that is appropriate to that risk) and risks Blominvest wishes to mitigate. When risks are properly managed, the benefits to be gained from those risks can be maximized, by accepting, reducing, eliminating, mitigating, or transferring the risk associated with any activity.

The primary goal of risk management is to ensure that Blominvest’s asset and liability profile, its trading positions, its credit and operational activities do not expose it to losses that could threaten its viability. Risk management helps ensure that risk exposures do not become excessive relative to Blominvest’s capital position and financial position.



In all circumstances, all activities giving rise to risk must be identified, measured, managed and monitored. Thus, risk management may be viewed as a “continuous cycle” which includes the following four steps:

Risk Identification	Risk Measurement	Risk Management & Mitigation	Risk Monitoring
Risks and sources of risks to which Blominvest is exposed should be identified & defined.	Measurement process should be comprehensive enough to cover all significant sources of risk exposure.	Risk limits should be consistent with Blominvest policies and authorized exposures.	Reports should provide relevant, accurate and timely information about risk exposures to management.
Blominvest’s appetite for risk should be described based on Blominvest business objectives.	Measurement process should be responsive to the needs of the users of the information.	Risk management should ensure that operational activities do not expose Blominvest to losses that could threaten its viability.	Individuals monitoring risks should be independent of those taking positions (incurring risks).
		Risk management should ensure that risks are mitigated to Blominvest’s risk tolerance levels.	

Blominvest’s risk management is focused along 4 core steps, these are defined as follows:

Effective **risk identification** considers both internal factors (such as Blominvest nature of activities, and quality of human resources, organizational changes and employee’s turnover) and external factors (such as changes in the industry and technological advances) that could adversely affect the achievement of Blominvest’s objectives.

The risk identification falls under the responsibility of the line managers, e.g. Human Resources Manager, who is responsible for the Human Resource function, is responsible for identifying human resource risks, the Directors of relevant business units for competitive risk in their area and so on.

Effective **risk measurement** will allow Blominvest to better understand its risk profile and most effectively target risk management resources.

Regular **risk management and mitigation** activities will offer Blominvest the advantages of quickly detecting and correcting deficiencies in the policies, processes and procedures for managing and mitigating risks. The frequency of monitoring must reflect the risks involved and the frequency and nature of changes in the operating environment.

Blominvest's **risk monitoring** will contain internal financial, operational, and compliance data, as well as external market information about events and conditions that are relevant for decision making. Blominvest's reports will be distributed to appropriate levels of management and to all areas of Blominvest on which areas of concern may have an impact. The reports will fully reflect any identified problem area and will motivate timely corrective action on outstanding issues. The reports will be analysed with a view to improve existing risk management performance as well as to develop new risk management policies and practices.

4.1.4 Policies and guidelines for monitoring and mitigating risks

The Risk Management function will be responsible for the implementation of risk management within Blominvest, and for responding to any significant risks that may emerge and is responsible for all risk management activities within Blominvest. The Risk Management function has the mandate to:

- Define Blominvest's risk appetite in a manner that is consistent with its overall business strategies;
- Draft risk policies, procedures and methodologies that are consistent with the Company's risk appetite;
- Manage the portfolio of risks throughout the organization;
- Ensure that the business conducted within Blominvest is consistent with the risk appetite of the Company;
- Propose credit risk, market risk and operational risk limits to the Executive Committee for approval;
- Develop and implement risk management infrastructures and systems.
- Ensure that control and support functions operate independently from the business generating functions.

Blominvest risk appetite statement constitutes both quantitative and qualitative parameters. Defined metrics were set to monitor capital, employee turnover and ethical behaviour, internal controls and risk governance, regulatory compliance and reputational impact. Blominvest strives to keep its risk exposure within its risk appetite thresholds.

The below table represents Blominvest risk appetite metrics for the year 2021:

Risk Metrics	Description	Targets / KRIs
Capital	Capital to be maintained in line with regulatory requirements (Min Reg. Capital ratio is 1 against target regulatory ratio set and accepted internally is of 1.4)	<ul style="list-style-type: none"> • Capital Ratio: Min 1.4 • Internal Capital Ratio: Min 1.2
Employee turnover	Blominvest aims to retain the best human resources and to ensure that turnover is kept at the lowest possible level	<ul style="list-style-type: none"> • Employee turnover equal to or less than 20%
Internal controls and risk governance	Blominvest will ensure that adequate/sufficient controls are in place to detect errors/discrepancies in day-to-day operations, and that policies and procedures are developed. This in return will ensure that risk governance is well maintained within Blominvest.	<ul style="list-style-type: none"> • Low tolerance
Employee ethical behavior	Blominvest aims to maintain the highest ethical and professional standard for its employees.	<ul style="list-style-type: none"> • Zero tolerance
Regulatory compliance	No regulatory compliance breaches	<ul style="list-style-type: none"> • Zero tolerance
Reputational impact	Blominvest will strive to maintain/enhance its reputation in the marketplace	<ul style="list-style-type: none"> • Low tolerance

4.2 Credit Risks

Credit risk is the risk that counterparties and clients fail to fulfil their obligations towards Blominvest. It arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or borrower (which we refer to collectively as "counterparties").

Blominvest will mainly be exposed to credit risk when providing leverage (margin trading) for clients (at present time, no margin lending is given to any client) and/or investing with counterparties in form of placements or fixed income investments. These investments will expose Blominvest to the following credit risks:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk that counterparties are unable to fulfil their payment obligations as a result of government measures or country-specific economic factors.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

In order to mitigate credit risks, the use of investments in unregulated markets and OTC shall be limited and limits of such transactions shall be approved by the BOD. An Investment Policy has been drafted and approved by the BOD in November 2018. The policy aims to guide the investment decisions and monitoring of proprietary account investments of Blominvest. Risk Management Department performs quarterly risk review on the Proprietary Investment limits and monitors the portfolios by summarizing the key risk issues which in turn are presented to Ex-Com and Senior Management.

Prior to setting counterparty limits, the risk management function shall conduct a pre-trade risk assessment and due diligence on proposed counterparties.

The risk management function shall continuously monitor the counterparty risk ratings and changes in market condition in order to detect potential changes in counterparty credit worthiness. This early detection of adverse changes in counterparties is used to mitigate credit risk exposures. Material changes to counterparty credit exposures shall be presented to the Executive Committee in order to approve or take corrective action.

The credit risk is defined as the risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which authorized persons are exposed.

By the time of writing this report, there is no policy to lend any client and to give margin to his portfolio.

Blominvest calculates the capital requirement for credit risk as stipulated by the regulatory body Capital Market Authority "CMA".

Blominvest calculated capital required against the following credit exposures:

- CMLs and banks - deposits/receivable;
- Central Banks & Governments;
- Private equity investments/unlisted shares;
- Holdings of listed shares;
- Investment funds;
- Past Dues
- Retail exposures (receivables)
- Other assets;
- Deferred expenditure / accrued income.
- CMLs and banks – bonds;
- Real estate investments;
- High risk investment funds;
- Tangible assets;
- Prohibited exposure;

4.2.1 External Ratings

Blominvest uses ratings from Credit ratings agencies (CRA) mentioned in the Prudential Rules.

4.2.2 Credit Quality Steps

Credit risk forms the prominent part of the Company's risk exposures. It arises due to the exposures in listed equity kept under available for sale investments, and investments in mutual funds. The deposits placed with banks also have some credit risk, though minimal.

4.2.3 Credit risk Exposure

Blominvest has complied with CMA regulations and used the Standardized Approach in the calculation of the capital required for Credit risk. The 31-Dec-2021 numbers represents the risk positions of Blominvest during the period.

The major types of credit exposures are detailed in Appendix 3.

4.2.4 Impairment, past due and provisions

An impaired exposure is an outstanding sum of money owed to Blominvest that has not been paid, despite repeated efforts to collect.

An assessment is made to determine whether there is objective evidence that a specific asset may be impaired. If there is any evidence, the impairment loss is recognized in the income statement.

As the new IFRS standards were effectively applied in 2018/ 2019, Blominvest has not recognized an impairment loss as of 31st of December 2021.

The table below illustrates the movement in the provision during the year 2021:

Impairment Reconciliation (SAR'000)		
Exposure Class	As of 31 st of December 2021	As of 31 st of December 2020
Opening Balance	0.00	0.00
Provision	0.00	0.00
Reversal Provision	0.00	0.00
Closing Balance	0.00	0.00

4.2.5 Risk Concentrations

Blominvest internally calculates a capital charge for concentration risk based on:

- Geographic concentration, and
- Real estate investments concentration.

Regional Concentration (SAR'000)						
Region	Investment	Limit as a % of total assets	Excess in %	Excess in amount	RW for excess funding	Additional RWAs
Local	99.61%	100%	0.00%	0.00		
GCC	0.36%	20%	0.00%	0.00		
Non-GCC	0.03%	5%	0.00%	0.00		
Total	100%		0.00%	0.00	400%	0.00

Real Estate Concentration (SAR'000)	
Percentage of Total Assets	31.64%
Limit on Real Estate concentration	20.00%
Excess over Limit	11.64%
Excess Amount	47,631
RWA for Excess Real Estate Exp.	414.00%
Additional RWAs	197,192

4.2.6 Credit Risk Exposures by Credit Quality

Please refer to Appendix 4 for the details.

4.3 Credit Risk Mitigation

Collaterals are securities, cash or assets that are offered to secure a financing or a credit sales transaction. Collateral becomes subject to seizure on default. It is a form of security to the financier/seller in case the purchaser fails to pay back the finance amount. Blominvest does not deal in margin lending and as such has no eligible or non-eligible financial collaterals user for credit risk mitigation purposes.

Credit risk mitigations are managed by each of the relevant business as follows:

Open ended funds:

A detailed study is undertaken to verify new product feasibility and risks are assessed through a due diligence exercise. New product ideas are presented to the CEO, Executive committee and the Board of Directors (in some case), and further to the risk and compliance before being introduced to the market. The risk limits of all equity based funds are monitored against approved benchmarks on a regular basis.

Holdings in Listed Stock:

Blominvest’s proprietary investments in stock involve meticulous fundamental analysis of stock prices and are spread across fundamentally sound, highly liquid stocks as outlined in the proprietary charter.

Exposures to Capital Market Institutions and Banks:

Blominvest places deposits with highly rated banks limiting the Company’s credit risk in deposits and current account balances considerably. In order to mitigate credit risk, Blominvest employs the following broad principles:

- The limits for exposures in each of the asset class are pre-established.
- Every exposure to any counterparty requires approvals at the appropriate (pre-established) seniority level.
- Credit ratings of the Banks where Blominvest places its deposits are constantly monitored.

4.4 Market Risk

Market risk is the risk of losses in on-and off-balance sheet trading book positions arising from movements in market rates or prices such as profits rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital.

4.4.1 Market Risk Management

Blominvest calculates the capital requirement for market risk as stipulated by the regulatory body “CMA”. Blominvest is not exposed to equity price risk since it is not holding shares classified at fair value through P&L.

Blominvest has a net position in USD resulting from having a current USD account amounted to the equivalent of SAR 1.66 Million.

In addition, Blominvest is exposed to Investment Fund risk (FVTPL) amounted to the equivalent of SAR 62.054 Million.

4.4.2 Market Risk – Capital

Market Risk Capital requirement is as indicated below

Risk	Capital Required
Equity	-
Investment funds (FVTPL excluding fund underlying)	9,929
Settlement risks and counterparty risks	-
Foreign exchange rate risks	33
Commodities risks	-
Total Market Risk Exposures	9,962

4.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, this will include legal risks covering, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

4.5.1 Operational Risk Management and mitigation

Blominvest risk management Policy & Procedures establish the principles which ensure that operational risks are identified, assessed, monitored and mitigated.

The Company maintains a risk register which follows a structured method to identify and mitigate risk. The high level steps involved in the creation of the risk register are identification, quantification and mapping of risks.

Blominvest monitors and identifies events which could materially impact its assets, operations and reputation.

Blominvest has taken a Professional Indemnity Insurance policy (PII) from a reputed insurance company, which insures the Company for a reasonable sum.

Blominvest has in place a documented Business Continuity Planning (BCP), which comes under the oversight of the Risk Management Department and serves to ensure that the Company has in place resources to manage unexpected crises and ensure continued effective operations.

4.5.2 Operational Risk Capital Charge

Blominvest calculates the capital requirement for operational risk as stipulated by the regulatory body "CMA".

Operational risk charge is based on the highest capital charge of the two following approaches: 1) Basic Indicator Approach as per Basel II and 2) Expenditure Based approach

SAR' 000

Approach 1	YEAR	Operating Income	Average Income	Risk Capital Charge (%)	Capital Requirement
Basic Indicator Approach (BIA)	2019	45,171	46,693	15%	7,004
	2020	30,072			
	2021	64,835			
Approach2	YEAR	Overhead Expenses	Risk Capital Charge (%)		Capital Requirement
Expenditure Based Approach	2021	27,911	25%		6,978
Capital requirement For Operational Risk (Max)					7,004

4.6 Liquidity Risk

Liquidity risk is the volatility in the economic value of, or in the income derived from, Blominvest's positions due to inability to meet obligations out of readily available liquid resources or to execute a transaction in the market at the prevailing prices. Such an inability may force Blominvest to borrow at unattractive conditions or to liquidate assets at unattractive prices when it would be better to avoid such liquidations. It is the risk to the earnings and capital arising from potential inability to meet obligations when they are due without incurring unacceptable losses.

The main objective of liquidity risk management is to ensure that Blominvest can always meet its payment obligations punctually and in full.

4.6.1 Liquidity Risk Management

The risk management function shall ensure that limits compliance is continuously monitored and that Blominvest maintains adequate liquidity in order to meet on and off balance sheet obligations.

Liquidity risk management is a key function and an integral part of the assets and liabilities management process. Liquidity refers to the condition where the financial institution has the ability to fund on an on-going basis, any decreases in its liabilities or increases in its assets by either obtaining new liabilities or selling or leveraging on existing assets.

Additional capital allocation for liquidity risks do not serve as a cushion in times of liquidity crises.

Blominvest pursues a policy of high levels of liquidity through active and prudent management of assets and liabilities.

Blominvest monitors the following for a better management of liquidity risk:

- Cash inflows and outflows (cash management)
- Expected liabilities from Blominvest contracts and agreements
- Maturity date for any of Blominvest's loans, in case they existed
- Placement of excess cash is placed with money market funds, and local banks, with a view of gaining income and preserving capital. In case Blominvest's Executive Committee decided to enter into an investment opportunity, the units' redemption of open-ended funds takes four business days indicating the liquidity and security of such investments.

4.6.2 Liquidity Contingency Plan

In reference to Sections 18 & 19 of Annex 8 of CMA Prudential Rules and as part of the Risk Management Policies and Procedures as well as ICAAP Policy, Blominvest has put in place a liquidity contingency plan that addresses alternative funding if initial projections of funding sources and uses did not meet expectations or if a liquidity crisis arises, such as trouble meeting its near obligations etc. Such an inability may force Blominvest to borrow at unattractive conditions or to liquidate assets at unattractive prices. It is

the risk to the earnings and capital arising from potential inability to meet obligations when they are due without incurring unacceptable losses .

A Liquidity Contingency Plan helps ensure that Blominvest can prudently and efficiently manage routine and extraordinary fluctuations in liquidity. Such a plan also helps management monitor liquidity risk, ensure that an appropriate amount of liquid assets is maintained, measure and estimate future funding requirements under various scenarios, and manage access to funding sources.

4.6.3 Risk Measures

Blominvest prepares a statement of expected cash flow arising at the time of settlement of its assets and liabilities and allocates them into different time intervals in which they are expected to occur. The times and intervals are defined as per the prudential rules of CMA. For more details please check Appendix 6: Illustrative Disclosure on Liquidity Risk.

The assets with no maturity are placed in a separate category "No Maturity". The net cash flows across all time intervals were accumulated to observe the quantum of cumulative net cash flow in each category. Blominvest always maintains adequate liquidity to meet its day to day obligations and cash outflows.

4.6.4 Stress Testing and Capital Planning

Stress testing is an integral part of Blominvest's risk management systems and is used to evaluate the potential vulnerability to some unlikely but plausible events or movements in financial variables.

Blominvest will stress relevant parameters at three levels of increasing adversity –mild, medium, and severe – with reference to the normal situation and estimate the financial resources needed under each of the circumstances to:

- Meet the risk as it arises and for mitigating the impact of manifestation of that risk;
- Meet the liabilities as they fall due; and
- Meet the regulatory and risk appetite limits.

Blominvest has built-in two types of stress testing in its ICAAP model, namely Individual and Overall.

Under individual stress testing, Blominvest assesses the effect of a particular stress event in isolation (without taking other stress events into consideration).

Under overall stress testing, Blominvest assumes an economic downturn situation which impacts several factors at the same time.

Under both, individual and overall, three levels of severity are assumed (mild, medium and severe).

Blominvest has assumed that all the relevant stress events take place as of 31 December 2021.

Any breaches resulting from the stress test are rectified through appropriate and feasible remedial management actions.

Appendix 1: Disclosure on Capital Base

Capital Base December 2021	SAR'000
<u>Tier-1 capital</u>	
Paid-up capital	245,000
Audited retained earnings	94,697
Share premium	-
Reserves (other than revaluation reserves)	14,642
Tier-1 capital contribution	-
Deductions from Tier-1 capital	(583)
Total Tier-1 capital	353,756
<u>Tier-2 capital</u>	
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	14,748
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
Total Tier-2 capital	14,748
TOTAL CAPITAL BASE	368,504

Appendix 2: Disclosure on Capital Adequacy

Exposure Class (SAR'000)	Exposures before CRM	Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
<i>Credit Risk</i>				
<i>On-balance Sheet Exposures</i>	-	-	-	-
Governments and Central Banks	14,187	14,187	0	0
CMLs and Banks	4,166	4,166	2,171	304
Corporates	-	-	-	-
Retail	-	-	-	-
Investments	219,990	219,990	549,805	76,973
Securitisation	-	-	-	-
Margin Financing	-	-	-	-
Other Exposures	108,689	108,689	750,612	105,086
Total On-Balance sheet Exposures	347,032	347,032	1,302,587	182,362
<i>Off-balance Sheet Exposures</i>	-	-	-	-
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	-	-	-	-
Total Off-Balance sheet Exposures	0	0	0	0
Total On and Off-Balance sheet Exposures	347,032	347,032	1,302,587	182,362
Prohibited Exposure Risk Requirement	0	0	0	0
Total Credit Risk Exposures	347,032	347,032	1,302,587	182,362

<i>Market Risk</i>	Long Position	Short Position	
Interest rate risks	-	-	-
Equity price risks	-	-	-
Risks related to investment funds	62,054	-	9,929
Securitisation/re-securitisation positions	-	-	-
Excess exposure risks	-	-	-
Settlement risks and counterparty risks	-	-	-
Foreign exchange rate risks	1,660	-	33
Commodities risks	-	-	-
Total Market Risk Exposures	63,714	0	9,962
<i>Operational Risk</i>			7,004
Minimum Capital Requirements			199,328
Surplus/(Deficit) in capital			169,176
Total Capital ratio (time)			1.85

Appendix 3: Disclosure on Credit Risk's Risk Weights

Risk Weights	Exposures after netting and credit risk mitigation (All amounts in SAR '000)										
	Gov. and Central Banks	Admin. Bodies and NPO	CMIs and Banks	Margin Financing	Corporates	Retail	Investments	Other assets	Off-balance sheet commitments	Exposure after netting and Credit Risk Mitigation	Risk Weighted Assets
0%	14,187	-	-	-	-	-	-	-	-	14,187	-
20%	-	-	2,570	-	-	-	-	-	-	2,570	514
50%	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	1,475	-	-	-	-	-	-	1,475	1,475
150%	-	-	121	-	-	-	91,559	-	-	91,680	137,521
200%	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	101,255	6,142	-	107,397	322,192
400%	-	-	-	-	-	-	27,175	-	-	27,175	108,700
500%	-	-	-	-	-	-	-	-	-	-	-
714% (1)	-	-	-	-	-	-	-	102,547	-	102,547	732,186
ARW	0.00	0.00	0.52	0.00	0.00	0.00	2.50	6.91	0.00	-	-
CR	-	-	304	-	-	-	76,973	105,086	-	-	-

714% (include prohibited exposure)

ARW: Average Risk Weight - **CR:** Capital Requirements

Appendix 4: Disclosure on Credit Risk's Rated Exposure

Exposure Class SAR'000	Credit quality step S&P Fitch Moody's Capital Intelligence	Long Term Rating of Counterparties						Unrated
		1	2	3	4	5	6	
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	
Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 and below			
AAA	AA to A	BBB	BB	B	C and below			
On and Off-balance-sheet Exposures								
Governments and Central Banks		14,187	-	-	-	-	-	-
CMLs and Banks		-	-	1,475	-	-	-	-
Corporates		-	-	-	-	-	-	-
Retail		-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	129,121
Securitisation		-	-	-	-	-	-	-
Margin Financing		-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	2,875
Total		14,187	-	1,475	-	-	-	131,996

Exposure Class SAR'000	Credit Quality Step S&P Fitch Moody's Capital Intelligence	Short Term Rating of Counterparties							Unrated
		1	2	3	4	5	6		
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below		
		AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below		
		Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 and below		
		AAA	AA to A	BBB	BB	B	C and below		
<u>On and Off-balance-sheet Exposures</u>									
Governments and Central Banks		-	-	-	-	-	-	-	
CMLs and Banks		2,570	-	-	-	-	-	121	
Corporates		-	-	-	-	-	-	-	
Retail		-	-	-	-	-	-	-	
Investments		-	-	-	-	-	-	90,869	
Securitisation		-	-	-	-	-	-	-	
Margin Financing		-	-	-	-	-	-	-	
Other Assets		-	-	-	-	-	-	105,814	
Total		2,570	-	-	-	-	-	196,804	

Appendix 5: Disclosure on Credit Risk Mitigation (CRM) – SAR'000

Exposure Class	Before CRM	Exposure covered by:				After CRM
		Guarantees/ Credit	Financial Collateral	Netting Agreement	Eligible Collateral	
<i>Credit Risk</i>						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	-	-	-	-	-	-
	14,187	-	-	-	-	14,187
CMLs and Banks	-	-	-	-	-	-
	4,166	-	-	-	-	4,166
Corporates	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Investments	-	-	-	-	-	-
	219,990	-	-	-	-	219,990
Securitisation	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
	108,689	-	-	-	-	108,689
Total Credit Risk On-Balance sheet Exposures	347,032	-	-	-	-	347,032
<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 Credit Risk On and Off-Balance sheet Exposures	347,032	-	-	-	-	347,032

Appendix 6: Disclosure on Liquidity Risk (SAR'000) – as of December 2021

Description	Up to 1 Year	1 to 5 Years	>5 Years	No fixed Maturity	Total
Cash and Cash Equivalents	2,691	0	0	0	2,691
Accounts receivable, prepayments and other current assets	117,770	0	0	0	117,770
Loans	0	0	0	0	0
Investments	140,967	70,802	3,018	70,962	285,750
Property and equipment	0	0	0	0	0
Tangible / Goodwill & Intangible assets	0	0	0	2,976	2,976
Deferred Zakat/ Tax Asset	0	0	0	0	0
Total assets	261,428.00	70,802.02	3,018.17	73,938.41	409,186.60
Accounts payable and accruals	15,401	0	0	0	15,401
Dividend payable	0	0	0	0	0
Accrued expenses and deferred income	4,108	0	0	0	4,108
Zakat and Income tax payable	14,195	0	0	0	14,195
Employees' terminal benefits	0	0	0	4,101	4,101
Other Liabilities	1,157	0	0	1,620	2,777
Total Liabilities	34,861	0	0	5,721	40,582
Shareholders' Equity	0	0	0	368,605	368,605
Total Liabilities and Shareholders' Equity	34,861	0	0	374,326	409,187
Liquidity Gap	226,567.00	70,802.02	3,018.17	68,217.41	0.00
Cumulative Gap	226,567.00	297,369.02	300,387.19	368,604.60	0.00

**BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)**

**INDEPENDENT LIMITED ASSURANCE REPORT ON
THE SCHEDULE OF CAPITAL ADEQUACY
FOR THE YEAR ENDED DECEMBER 31, 2021**



Independent limited assurance report on the schedule of capital adequacy

To the Management of Blominvest Saudi Arabia

Report on Schedule of Capital Adequacy

We have undertaken a limited assurance engagement in respect of the accompanying schedule of Capital Adequacy setting out the calculation of minimum capital requirement and capital adequacy ratios (the "Schedule") of Blominvest Saudi Arabia (the "Company") as at December 31, 2021 prepared in accordance with the applicable criteria mentioned below.

Subject matter

The Subject Matter for our limited assurance engagement is the Schedule prepared by the management of the Company as attached to this report and submitted to us.

Criteria

The criteria is the applicable requirements of Article 74(b) of the Prudential Rules (the "Rules") issued by the Capital Market Authority ("CMA").

Management's responsibility

The Company's management is responsible for:

- the preparation of the Schedule in accordance with the Criteria;
- the design, implementation and maintenance of internal control relevant to the preparation of the Schedule that is free from material misstatement, whether due to fraud or error; and
- reflecting the information in the Schedule from the audited financial statements and the Capital Adequacy Model ("CAM").

Our Independence and Quality Control

We have complied with the independence requirements of the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, and the ethical requirements that are relevant to our limited assurance engagement in the Kingdom of Saudi Arabia.

The firm applies International Standard on Quality Control 1, as endorsed in the Kingdom of Saudi Arabia, 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.

Independent limited assurance report on the schedule of capital adequacy (continued)

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Schedule, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information', as endorsed in the Kingdom of Saudi Arabia. This standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Company has not complied with the applicable requirements of the Rules issued by the CMA in the preparation of the Schedule as at December 31, 2021.

The procedures selected depend on our judgment, including the assessment of risks such as failure of systems and controls, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's compliance with the requirements of the Rules issued by the CMA in the preparation of the Schedule. Our procedures included examining, on a test basis, evidence supporting systems and controls in respect of the preparation of the Schedule and the CAM in accordance with the requirements of the Rules issued by the CMA.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Summary of work performed

We planned and performed the following procedures to obtain limited assurance over the Company's compliance with the requirements of the Rules issued by the CMA in the preparation of the Schedule.

- Obtained and reviewed the Schedule which sets out the calculation of minimum capital required and capital adequacy ratios and the CAM as at December 31, 2021.
- Checked the consistency between the Schedule and the audited consolidated financial statements of the Company as at December 31, 2021;
- Checked the mathematical accuracy and ensured the relevant computations in the CAM are in accordance with the Rules; and
- Checked that the information in the Schedule was properly extracted from the Company's CAM as at December 31, 2021.

Inherent limitations

Our procedures regarding systems and controls relating to the preparation of the Schedule in accordance with the requirements of the Rules issued by the CMA are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of the systems and controls against fraudulent collusion, especially on the part of those holding positions of authority or trust.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 as endorsed in the Kingdom of Saudi Arabia. Consequently, the nature, timing and extent of the procedures outlined above for gathering sufficient appropriate evidence were deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our procedures did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements as endorsed in the Kingdom of Saudi Arabia and accordingly we do not express an audit or a review opinion in relation to the adequacy of systems and controls.

This conclusion relates only to the Schedule as at December 31, 2021 and should not be seen as providing assurance as to any future dates or periods, as changes to systems or controls may alter the validity of our conclusion.

Independent limited assurance report on the schedule of capital adequacy (continued)

Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that caused us to believe that the Company has not complied, in all material respects, with the applicable requirements of the Rules issued by the CMA relating to the preparation of the Schedule reflecting the minimum capital and capital ratios as at December 31, 2021.

Restriction of use

This report, including our conclusions, has been prepared for the management of the Company, to assist the Company in fulfilling its reporting obligations in accordance with the Rules. The report should not be used for any other purpose or to be distributed to or otherwise quoted or referred to, without our prior consent to any other party except as permitted under the terms of our agreement.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471



Riyadh, Saudi Arabia
Date: March 13, 2022 (corresponding to 10 Sha'ban 1443H)

Blominvest Saudi Arabia
Schedule of Capital Adequacy
As of and for the year ended December 31, 2021
(All amounts in Saudi Riyal thousand)

Minimum capital and the total capital ratio

In accordance with Article 74(b) of the Prudential Rules issued by the CMA (the Rules), given below are the capital base, minimum capital requirement and total capital ratio as at December 31, 2021:

	2021	2020
Capital base		
Tier-I Capital	353,756	330,876
Tier-II Capital	14,748	5,096
Total capital base	368,504	335,972
Minimum capital requirement		
Credit Risk	182,362	155,672
Market Risk	9,962	5,646
Operational Risk	7,004	5,526
Total minimum capital requirement	199,328	166,844
Total capital ratio	1.85	2.01
Surplus in capital	169,176	169,128

- a) The above information has been extracted from the audited Capital Adequacy Model for December 31, 2020 and December 31, 2021 respectively, as submitted to CMA.
- b) The Capital Base of the Company comprises of
- Tier-1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves, intangibles and deferred tax asset.
 - Tier-2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves.
- c) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules.
- d) The Company is required to maintain adequate capital as specified in the Rules.
- e) The Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company website.

