



Pillar III Disclosure

26th March, 2015

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1. Purpose of the report

The purpose of this Document is to disclose the required information under Pillar III – Disclosure and Reporting of the Prudential Rules (**PR**) issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (**CMA**).

This report is intended to meet the specific qualitative and quantitative disclosure requirements of the PR's, under Chapter 21 and Chapter 22 as well as the suggested format for the Pillar III Disclosure issued by the CMA.

This Disclosure is based on the audited and approved financial statements of the Company for the year ending 31 December 2014. This Disclosure has been reviewed and approved by the Board of Directors of the Company.

2. Specific Disclosure Requirements

2.1 Scope of Application

Global Investment House – Saudi (**Authorized Person** or **AP** or **Company** or **Global Saudi**), is a Saudi Joint Stock Company registered with the CMA under license number 37-07068 dated 2 Jumada Al Thani 1428H (corresponding to 17 June 2007). The objectives of the Company are to act as principal and/or to provide underwriting, portfolio management, investment fund management, arranging, advisory, and custodial services.

Global Saudi is a fiduciary company of Global Investment House, Kuwait (**Parent Company** or **Global Kuwait**). Global Saudi is fully supported by its Parent Company. The Department Heads of Global Saudi liaise closely with their counterparts in the Parent Company.

Global Saudi itself does not have any subsidiaries in the Kingdom of Saudi Arabia or outside and such as, the issue of current or unforeseen material/legal impediments regarding the transfer of capital/liabilities among the AP and its subsidiaries is not applicable.

2.2 Capital Structure

a. Qualitative Disclosures

Global Saudi maintains its capital in line with the applicable laws, regulations and guidelines issued by the various Regulatory Authorities of the Kingdom of Saudi Arabia. The limitations applicable for Global Saudi's capital base are only those required by law. There are no additional internally imposed terms, conditions, limitations or requirements on the capital base.

b. Quantitative Disclosures

Capital Base	SAR
Tier-1 capital	
Paid-up capital	50,000,000
Audited retained earnings	4,476,466
Share premium	-
Reserves (other than revaluation reserves)	495,278
Tier-1 capital contribution	-
Deductions from Tier-1 capital	-
Total Tier-1 capital	54,971,744
Tier-2 capital	
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	915,767
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
Total Tier-2 capital	915,767
Total Capital Base	55,887,511

Table 1 - Capital Base

3. Capital Adequacy**a. Qualitative Disclosures**

Global Saudi's total capital base as of 31 December 2014 is SAR 55,887,511.

Based on the requirements set out in the PR's, Global Saudi has calculated SAR 8,858,845 as its Minimum Capital Requirement for Credit Risk, Market Risk and Operational Risk. This implies surplus capital of SAR 47,028,666. Based on this assessment, Global Saudi has more than the required level of capital to manage its risks. This assessment has been undertaken in purview of the PR's issued by the CMA. The results have been collated to enable review and challenge by Group Risk Management department (**GRM**) – the Risk Management Department of the Parent Company.

In addition to this report, the Company also prepares a Capital Adequacy Model Report on a monthly basis as per CMA requirements, which helps the Company be aware of any stress in the Company's capital position and assess any potential need to increase capital. Given the nature of the Company's business, the following are the Minimum Capital Requirements for:

- i. Credit Risk (Risks in non-trading activities) – SAR 4,709,559
- ii. Market Risk (Foreign Exchange Risk only) – SAR 26
- iii. Operational Risk – SAR 4,149,261

As of 31 December 2014, there is no exposure arising from commodities or the trading book and hence, capital has not been allocated for the same.

b. Quantitative Disclosures

Exposure Class	Exposures before CRM SAR	Net Exposures after CRM SAR	Risk Weighted Assets SAR	Capital Requirement SAR
Credit Risk				
<i>On-balance Sheet Exposures</i>	-	-	-	-
Governments and Central Banks	-	-	-	-
Authorized Persons and Banks (Incl. Portfolio Management)	57,676,733	-	18,426,771	2,579,748
Corporates	369,591	-	2,638,880	369,443
Retail	-	-	-	-
Investments (AFS incl. Listed Equities and Funds)	3,044,458	-	4,566,688	639,336
Securitization	-	-	-	-
Margin Financing	-	-	-	-
Other Assets (Incl. Tangible Assets, Deferred Expenditure and Accrued Income, Cash in Hand and other exposures)	2,668,964	-	8,007,367	1,121,031
Total On-Balance sheet Exposures	63,759,746		33,639,706	4,709,558
<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	-	-	-	-
Total On and Off-Balance sheet Exposures	63,759,746	-	33,639,706	4,709,558
Prohibited Exposure Risk Requirement	-	-	-	-
Total Credit Risk Exposures (a)	63,759,746	-	33,639,706	4,709,558
Market Risk	Long Position	Short Position		
Interest Rate risks	-	-		-
Equity Price risks	-	-		-
Risks related to investment funds	-	-		-
Securitization /Re-securitization positions	-	-		-
Excess Exposure Risks	-	-		-
Settlement risks and Counterparty Risk	-	-		-
Foreign Exchange Rate Risk	1,281	-		26
Commodities Risk	-	-		-
Total Market Risk Exposures (b)	1,281	-		26
Operational Risk (c)				4,149,261
Minimum Capital Requirements (a)+(b)+(c)				8,858,845
Surplus/(Deficit) in capital				47,028,667
Total Capital ratio (times)				6.31

Table 2 – Capital Adequacy

4. Risk Management

4.1 General Qualitative Disclosure for Risks

- a. Global Saudi's risk management activities are undertaken by the Group Risk Management Department (GRM or Risk Management Department of the Parent Company – Global Kuwait).
- b. GRM focuses on measuring, identifying and tracking risks that Global Saudi may face.
- c. The Risk Management process implemented by GRM comprises the following:
 - i. Risk Identification
 - ii. Risk Measurement
 - iii. Risk Mitigation
 - iv. Risk Monitoring and Reporting
- d. GRM reports to the CEO of the Company and has unrestricted access to the Board of Directors of the Company and Board Risk Committee of the Parent Company to ensure that key risk concerns identified during its processes are escalated to the highest levels.
- e. Given the scale and size of the Company, the risk related processes undertaken by GRM for the Company are facilitated by a local Risk Coordinator.
- f. The Company has an in-house Compliance Department that reports directly to the Compliance Committee of the Company.
- g. In undertaking its responsibilities, the Compliance Department has unrestricted access to the CEO and the Board of the Company.
- h. The Company's Compliance Committee is responsible for implementation of compliance programs, policies and procedures that are designed to respond to the various compliance and regulatory risks facing the Company.

4.2 Credit Risk Disclosure

a. Qualitative Disclosures

Given the nature of the business and the financial position of the Company, Credit Risk for Global Saudi arises primarily out of the deposits placed with banks, corporates and other authorized persons (Portfolio Managers). Since the Company does not undertake any lending activities, default risk is not applicable to the Company. Additionally, the nature of the Company's business also does not lead to matters pertaining to past due claims, impaired liabilities and provisions.

Apart from the deposits with banks, a significant source of credit risk arises from the Available for Sale (**AFS**) investments held by the Company. These AFS investments

include investments in the Company's own funds and Tadawul listed equities. This aspect of the Company's Credit Risk is subject to monthly review and monitoring by GRM. GRM reports its analysis, along with key risk concerns with the Management of the Company, on a monthly basis. Additionally, exposures to other Authorized Persons, Corporates, Cash and all other forms are monitored by the Company.

The following is an overview of the Company's Credit Risk Exposure classes along with the Credit Rating Agencies (**CRA**) used and the credit quality steps:

Exposure Class	Nature of Exposure	CRA	Credit Quality Step	Risk Weight
Authorized Persons, Banks and Foreign Equivalents	Cash Deposited with local banks	Unrated	1*	20%
Other Authorized Persons	Deposit with Portfolio Manager	Unrated	Not Applicable	150%
Corporates	Deposit with Real Estate Company	Unrated	Not Applicable	714%
Investment in Funds	Exposures to unrated investment funds	Unrated	Not Applicable	150%
Tangible Assets	Fixed assets of the Company	Unrated	Not Applicable	300%
Deferred Expenditure and Accrued Income	Accrued Income and Prepayments	Unrated	Not Applicable	300%
Holdings of Listed Equity	Investments in Tadawul listed equities	Unrated	Not Applicable	150%
Cash in Hand and Equivalent	Cash in Hand	Unrated	Not Applicable	0%
Exposure in other forms	Employee receivables	Unrated	Not Applicable	714%

Table 3 – Credit Risk Exposure Mapping

*NB: In line with Annexure 3 (Section 7) of the PR's

During 2013, S&P had issued rating for one out of two investment funds to which the Company had exposure. However, subsequently, S&P has not issued any rating for the funds and given the absence of alternative ratings by other CRA's, the Company has considered its exposure to the fund in question as unrated, as of 31 December 2014. Also, given that none of the other exposures are rated, the Company has referred to the individual requirements under the PR's for unrated exposures, to assign the risk weights.

b. Quantitative Disclosures

The Company has also calculated its gross average credit exposures through the year. The exposures have been calculated on the basis of the Capital Adequacy Models submitted to the CMA on a regular basis. The average exposures disclosed in **Table 5** below are the average of the Company's Credit Risk positions at the end of each financial quarter. The Company believes that the exposures at the end of each financial quarter are a reasonable representation of the Company's operations.

The exposures of the Company are not contract bound and hence, residual contractual maturity is not applicable for any of the exposures.

In terms of geographic distribution, it should be noted that the Company has no exposures outside the Kingdom of Saudi Arabia. Also, given the nature of these exposures, credit protection arrangements such as netting and collateral and issues pertaining to impairment and exposure specific provisions are not applicable to either gross or average exposures as shown in **Table 4** and **Table 5** respectively.

PILLAR III DISCLOSURE - GLOBAL INVESTMENT HOUSE, SAUDI

Risk Weights	Exposures after netting and credit risk mitigation												Total Risk Weighted Assets SAR
	Governments and central banks SAR	Administrative bodies and NPO SAR	Authorized persons and banks SAR	Margin Financing SAR	Corporates SAR	Retail SAR	Past due items SAR	Investments (AFS Investments) SAR	Securitization SAR	Other assets SAR	Off-balance sheet commitments SAR	Total Exposure after netting and Credit Risk Mitigation SAR	
0%	-	-	-	-	-	-	-	-	-	10,000	-	-	-
20%	-	-	52,375,637	-	-	-	-	-	-	-	-	-	10,475,127
50%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	5,301,096	-	-	-	-	3,044,458	-	-	-	-	12,518,331
200%	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	-	-	2,651,601	-	-	7,954,803
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
500%	-	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	-	369,591	-	-	-	-	7,362	-	-	2,691,444
Average Risk Weight	-	-	32%	-	714%	-	-	150%	-	300%	-	-	190%
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 4 – Credit Risk Positions as of 31 December 2014

PILLAR III DISCLOSURE - GLOBAL INVESTMENT HOUSE, SAUDI

Risk Weights	Exposures after netting and credit risk mitigation												Total Exposure after netting and Credit Risk Mitigation SAR	Total Risk Weighted Assets SAR
	Governments and central banks SAR	Administrative bodies and NPO SAR	Authorized persons and banks SAR	Margin Financing SAR	Corporates SAR	Retail SAR	Past due items SAR	Investments (AFS Investments) SAR	Securitization SAR	Other assets SAR	Off-balance sheet commitments SAR			
0%	-	-	-	-	-	-	-	-	-	10,000	-	-	-	
20%	-	-	49,234,215	-	-	-	-	-	-	-	-	-	9,846,843	
50%	-	-	-	-	-	-	-	-	-	-	-	-	-	
100%	-	-	-	-	-	-	-	-	-	-	-	-	-	
150%	-	-	2,392,403	-	-	-	-	5,543,205	-	-	-	-	11,903,412	
200%	-	-	-	-	-	-	-	-	-	-	-	-	-	
300%	-	-	-	-	-	-	-	-	-	4,576,148	-	-	13,728,444	
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	
500%	-	-	-	-	-	-	-	-	-	-	-	-	-	
714% (include prohibited exposure)	-	-	-	-	439,092	-	-	-	-	16,797	-	-	3,255,048	
Average Risk Weight	-	-	26%	-	714%	-	-	150%	-	301%	-	-	218%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

Table 5 – Credit Risk Average Positions for 2014

It should be noted that none of the above exposures were assigned either Long Term or Short Term ratings by CRA's.

Additionally, since credit risk protection is not applicable for these exposures, they should be considered as gross exposures as of 31 December 2014.

Exposure Class	Exposures by Short Term/Long Term Ratings by CRA's		
	Credit quality step	Unrated	
	S&P	Unrated	
	Fitch	Unrated	
	Moody's	Unrated	
	Capital Intelligence	Unrated	
On and Off-balance-sheet Exposures*			
Governments and Central Banks		-	
Authorized Persons and Banks		57,676,733	
Corporates		369,591	
Retail	None of the Counterparties of the Company were assigned either Long Term or Short Term Ratings by any CRA's. Hence, all exposures have been considered unrated	-	
Investments		3,044,458	
Securitization		-	
Margin Financing		-	
Other Assets		2,668,963**	
Total		-	63,759,745

*NB: There were no Off-Balance-Sheet exposures

**Includes - Tangible Assets, Deferred Expenditure and Accrued Income, Cash in Hand and other exposure

Table 6 – Credit Risk's Rated Exposure

4.3 Credit Risk Mitigation Exposure

Given the Company's overall business activities and nature of Credit Risk exposure, Credit Risk Mitigation techniques are not applicable for the management of Credit Risk. Consequently, as of 31 December 2014, there was no additional impact of Credit Risk Mitigation on the Credit Risk of the Company. Additionally, the Company does not have any Off-Balance Sheet exposures as of 31 December 2014.

Exposure Class	Exposures before CRM SAR	Exposures covered by Guarantees/ Credit derivatives SAR	Exposures covered by Financial Collateral SAR	Exposures covered by Netting Agreement SAR	Exposures covered by other eligible collaterals SAR	Exposures after CRM SAR
Credit Risk						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	-	-	-	-	-	-
Authorized Persons and Banks	57,676,733	-	-	-	-	57,676,733
Corporates	369,591	-	-	-	-	369,591
Retail	-	-	-	-	-	-
Investments	3,044,458	-	-	-	-	3,044,458
Securitization	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets	2,668,963	-	-	-	-	2,668,963
Total On-Balance sheet Exposures	63,759,745	-	-	-	-	63,759,745
<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 On and Off-Balance sheet Exposures	63,759,745	-	-	-	-	63,759,745

Table 6 – Credit Risk's Mitigation

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

As of 31 December 2014, Global Saudi did not have exposure to Counterparties via OTC derivatives, repos and reverse repos and securities borrowing / lending. Additionally, the Company also did not have any exposure to FX contracts, interest rate contracts, equity contracts, commodity contracts or derivative products such as credit default swaps, total return swaps, credit options etc.

Hence, the Company has not undertaken any assessment of its Minimum Capital Requirements under Counterparty Credit Risk and Off Balance Sheet items.

4.5 Market Risk Disclosure

a. Qualitative Disclosures

Global Saudi's overall approach towards Market Risk comprises the following steps:

- i. Risk Identification
- ii. Risk Measurement
- iii. Risk Mitigation
- iv. Risk Monitoring and Reporting

Since the Company does not have an active trading book, Market Risk is not one of the key risks that the Company faces. However, adequate Market Risk Management infrastructure, such as Policies, Procedures, VaR models etc. exist at a Group Level, such that they can be readily implemented to measure and monitor Market Risk, should the Company be exposed to such risks in the future.

b. Quantitative Disclosures

Since the investments as of 31 December 2014 are Available for Sale, there are no assets in the trading book of Global Saudi that would be included in the assessment of Market Risk. However, there is a small portion of cash balance denominated in USD and KWD, which exposes the Company to Foreign Exchange Rate Risk. Therefore the Market Risk assessment for the Company only includes Foreign Exchange Rate Risk.

As of 31 December 2014, the Company's Market Risk Exposure was not material and amounted to only SAR 1,281.

Foreign currency	Total of Asset items (including off balance sheet items) SAR	Total of Liability items (including provisions) SAR	Net position SAR	Position (long or short)	Total of Net long position SAR	Total of Net short position SAR	Capital Requirement factor	Capital Requirement SAR
USD	388	-	388	Net Long	1,281	-	2%	26
KWD	892	-	892	Net Long				
Other GCC Currencies	-	-	-	-				
Minimum Capital Requirement for Foreign Exchange Risk								26

Table 7 – Market Risk Disclosure

On the basis of the above assessment, the Minimum Capital Requirement for Market Risk has been arrived at SAR 26.

4.6 Operational Risk Disclosure

a. Qualitative Disclosures

Global Saudi's overall approach towards Operational Risk comprises the following steps:

- i. Risk Identification
- ii. Risk Measurement
- iii. Risk Mitigation
- iv. Risk Monitoring and Reporting

During 2014, GRM rolled out the Operational Risk Assessment Process for Global Saudi. As part of this process, discussion workshops were held with each Department to identify the operational risk events inherent to their areas, assess the impacts and probabilities of these identified events and evaluate the available controls to mitigate these risks. Subsequent to the completion of the Operational Risk Assessment process, GRM is currently in process of reporting the findings of this process to individual Departments and the CEO of the Company. The Operational Risk Assessment Process is subject to at least an annual update process by GRM.

Key Risk Indicators (KRI's) were also identified for each Department during this process. The Company is currently rolling out a reporting mechanism wherein the KRI's will be reported on a monthly basis to GRM.

Given the size and scale of the Company, there is no in-house Operational Risk Management Department. However, GRM liaises directly with each Department Head regarding Operational Risk issues. Additionally, GRM has full and unrestricted access to the CEO and the Board of Directors of the Company, as well the Board Risk Committee of the Parent Company to escalate any key Operational Risk related concerns to the highest levels.

The Operational Risk Assessment Process for Global Saudi is governed by the Operational Risk Policies and Procedures of GRM. These Operational Risk Policies

and Procedures ensure a consistent, standardized and Group Wide common approach towards Operational Risk Assessment.

b. Quantitative Disclosures

Global Saudi assesses its capital requirements for Operational Risk under requirements of the PR's using the

- i. Basic Indicator Approach; and
- ii. Expenditure Based Approach

Based on the requirements assessed under the two approaches, the Company identifies its capital requirements as the higher of the two, as required by the PR's.

The capital requirements under the two approaches are given below.

1. Capital Requirement based on Basic Indicator approach (SAR)				
Items	Year 1	Year 2	Year 3	
	2014	2013	2012	
Interest Receivable income	76,506	1,270,552	1,821,516	
Dividends received	-	-	-	
Fees and commissions receivable	16,854,981	9,989,621	8,938,858	
Net income on financial transactions	-	-	-	
Other operating income	-	-	-	
Total Operating Income	16,931,487	11,260,173	10,760,374	
Income Indicator				12,984,011
Capital required under Basic Indicator Approach				1,947,602

Table 8 – Operational Risk Disclosure (Basic Indicator Approach)

2. Capital requirements for Expenditure Based Approach Items 2014 (SAR)	
Overall overhead Expenses including extraordinary expenses	16,597,044
Less: Extraordinary Expense	-
Overhead expenses for calculating capital requirement	16,597,044
Capital required under Expenditure Based Approach	4,149,261
Minimum Capital Required for Operational Risk (Higher of 1 or 2)	4,149,261

Table 9 – Operational Risk Disclosure (Expenditure Based Approach)

Consequently, the Company has identified SAR 4,149,261 as its Minimum Capital Requirement for Operational Risk.

4.7 Liquidity Risk Disclosure

a. Qualitative Disclosures

Global Saudi relies on the Parent Company, for fulfilling any shortages in liquidity. In the event of a crisis, the Company can reach out to the Parent Company for a liquidity infusion.

The Company undertakes regular monthly MIS reporting to the Parent Company for the regular monitoring of its overall performance, as well as liquidity. The MIS reports contain details on the financial performance of the Company, including but not limited to, monthly financial reports (P&L, Balance Sheet and Cash Flow), as well as business performance of the Company.

The Company also reports liquidity metrics such as Cash at Hand and Cash at Bank as part of its monthly Capital Adequacy Model report, to the CMA. Additionally, the liquidity position of the Company is regularly monitored by the Financial Manager and CEO of the Company.

b. Quantitative Disclosures

The Company's Cash and Cash Equivalents amount to SAR 57,642,972 as of 31 December 2014. This amount is sufficient to manage the Company's overall liquidity requirements. It should be noted that approximately 90% of all the Company's assets are denominated in Cash and Cash Equivalents.

The following are some additional ratios that measure the adequacy of the Company's liquidity reserves to its liabilities:

Metric	SAR
Cash and Cash Equivalents (a)+(b)+(c)	57,642,972
Cash at Hand (a)	10,000
Cash at Bank (b)	52,375,637
Cash Balance with Portfolio Manager (c)	5,275,335
Total Assets	63,759,745
Current Liabilities	7,314,376
Total Liabilities	7,872,234
Ratios	Percentage
Cash and Cash Equivalents to Total Assets	90%
Quick Ratio (Cash and Cash Equivalents to Current Liabilities)	788%
Cash and Cash Equivalents to Total Liabilities	732%

Table 10 – Liquidity Disclosures

Consequent to the above, capital has not been allocated to Liquidity Risk.