SWICORP

License No. 12161-37

Pillar III Disclosure

March 30, 2016

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1. SCOPE OF APPLICATION

This Pillar III Disclosure Report was prepared for **Swicorp Company ("Swicorp" or the "Company")**, holder of Capital Market Authority ("CMA") license number 12161-37, in accordance with the requirements of Article 68 of the Prudential Regulations issued by the CMA and the circular number 06367/6 dated 13/11/2013.

Swicorp is a closed joint-stock company with a paid-up share capital of SAR 500 million, registered in Riyadh, Kingdom of Saudi Arabia, under Commercial Registration Certificate numbered 1010233360 dated May 23, 2007. As of December 31, 2015, the Company had staffed operations in the Kingdom of Saudi Arabia (Riyadh head office and Jeddah branch), as well as Tunisia (Tunis), Switzerland (Geneva) and United Arab Emirates (Dubai). The financial statements of the following subsidiaries are consolidated in Swicorp's consolidated financial statements (collectively Swicorp and its subsidiaries are considered a Financial Group as per the definition of the CMA's Prudential Rules).

Name of direct and indirect subsidiaries	Country of incorporation	Ownership
Swicorp Financial Advisory Services	Switzerland	100%
Swicorp Invest Limited	British Virgin Island	100%
Swicorp Invest Holding Company	British Virgin Island	100%
Swicorp UAE Limited	United Arab Emirates	100%
Swicorp Management Company	Tunisia	99.99%
Swicorp S.A.	Tunisia	99.99%
Swicorp Intaj S.A.	Tunisia	99.94%
Swicorp Advisory Company	Tunisia	99.93%
Swicorp Commercial Investment Company	Kingdom of Saudi Arabia	95%
Intaj Capital II Ltd	Gibraltar	100%
Intaj II Founder Partner Limited	Gibraltar	100%
Tharwa Fund	Kingdom of Saudi Arabia	88%
Syaha Capital	Tunisia	70%
Numu Consulting (UAE)	UAE	85%
Numu Consulting (Tunisia)	Tunisia	85%
CGF (Tunisia)	Tunisia	67%

There are no current or foreseen material, or legal, impediment to the prompt transfer of capital or repayment of liabilities between the Company and its subsidiaries.

2. CAPITAL STRUCTURE

Tier-1 Capital consists of Paid-Up Capital, Audited Retained Earnings, Reserves (Other than Revaluation Reserves) less Deductions made in accordance with Prudential Regulations.

The share capital injected by Swicorp's shareholders is unconditional in nature. Reserves (other than revaluation reserves) represent the sum of (i) all transfers to the legal reserve (10% of the annual net income) since the inception of the Company and (ii) the foreign currency translation reserve, which are not available for distribution. Audited retained earnings are available for dividend distribution subject to shareholders' decision.

Tier-2 Capital consists of Revaluation Reserves (i.e. Unrealized Gains on Investments).

Details of Swicorp's capital base as of December 31, 2015 are attached as Appendix I and summarized below:

Capital Base	**SAR 000**
Paid-Up Capital	500,000
Audited Retained Earnings	(1,976)
Reserves (other than Revaluation Reserves)	29,512
Deductions from Tier-1 Capital	(23,354)
Total Tier-1 Capital	**504,182**
Revaluation Reserves	8,593
Total Tier-2 Capital	**8,593**
Total Capital Base as of December 31, 2015	**512,775**

3. CAPITAL ADEQUACY

Swicorp fully meets the minimum capital requirements in accordance with the Prudential Rules.

Swicorp aims at deploying its own balance sheet in the most effective way to position itself in order to return an attractive performance to its shareholders over an extended period of time. Capital adequacy is therefore monitored on an on-going basis in conjunction with the firm's business development, investment plans as well as performance evolution.

The firm developed and internal capital adequacy assessment process (ICAAP) which serves to monitor and quantify risk factors relevant to the firm, and describes the internal controls in place to review and address capital adequacy issues. In particular, Swicorp's Board of Directors approves the scope, methodology and objectives of the ICAAP, as well as all major capital allocation or investment decisions. The CEO is responsible for integrating capital planning and management into the company's overall risk management culture and approach, with the support of the Compliance and Risk functions.

Details of Swicorp's capital requirements for credit risks, market risks and operational risks, as well as total capital ratio can be found attached as Appendix II, and are summarized as follows:.

Capital Requirement	**SAR 000**
Market Risks	24,286
Credit Risks	315,080
Operational Risks	25,008
Total Minimum Capital Requirement	**364,374**

Capital Ratio	**SAR 000**
Total Capital Base	512,775
Minimum Capital Requirement	364,373
Surplus / (Deficit) in Capital	148,402
Total Capital Ratio as of December 31, 2015	**1.41**

4. RISK MANAGEMENT

4.1 Strategies and Processes for Risk Management

Risk-taking is an integral part of an investment bank's purpose. Swicorp has developed a Corporate Risk Register listing the main material risks it may face, ranked from marginal to serious impact risks with an assessment of the likelihood of such risk to materialize. This Corporate Risk Register and the list of Serious Business Threats are updated at least annually and reviewed by the Board of Directors.

The Corporate Risk Register is completed and maintained using the following guidelines:

(i) Identify the risk elements. The test of a satisfactorily defined statement of a risk element is that it should be clear how failure to achieve the objective will impact on the Firm, whether resulting in financial loss, disruption to operations, reputational harm or other material negative impact.

(ii) Identify the controls that are in place or planned. Having identified the risk element, it is necessary to consider the controls which would mitigate the impact and likelihood of the risk being realized. It is essential to distinguish the controls that are already in place from the actions which are planned to put into place. The assessment of residual risk in step must only be based upon the controls that are already in place.

(iii) Assess the residual severity and likelihood of risk: Having regard for the controls which are already in place assess the residual severity of the risk and the likelihood that the risk will happen.

(iv) Assess the Residual Risk: Use the Residual Risk Matrix to identify the residual risk for this risk element. This is the rating which should be reported to the Risk Officer. Having assessed the residual risk it is advisable to check risk elements against the Risk Appetite Matrix. If the risk element plots as unacceptable or borderline unacceptable, senior managers should give consideration as to whether the initiative, investment or activity should continue.

(v) Risk management and ownership: Identify the executive who will have responsibility for managing the risk. Risks are normally managed and owned by one department. However, if the risk is regarded as a corporate risk, the risk may be owned by the Executive Committee but managed by a specified department or individual.

4.2 Structure and Organisation of Risk Management and Compliance Function

Swicorp’s Risk Management organization consists of five levels:

<table>
<tr><td>Level 1</td><td>Board of Directors</td><td rowspan="5">Internal Audit</td></tr>
<tr><td>Level 2</td><td>Risk Committee (including independent board members and legal counsel)</td></tr>
<tr><td>Level 3</td><td>Executive Management Committee</td></tr>
<tr><td>Level 4</td><td>Risk Officer</td></tr>
<tr><td>Level 5</td><td>Systems and controls incorporated in day-to-day business</td></tr>
</table>

Swicorp’s Compliance function is organized as follows:

<table>
<tr><td>Level 1</td><td>Board of Directors</td><td rowspan="4">Internal Audit</td></tr>
<tr><td>Level 2</td><td>Compliance Committee (including CEO, legal counsel and Compliance officer)</td></tr>
<tr><td>Level 3</td><td>Compliance Officer</td></tr>
<tr><td>Level 4</td><td>Systems and controls incorporated in day-to-day business</td></tr>
</table>

4.3 Scope and Nature of Risk Reporting / Risk Mitigation

The scope of Swicorps Risk Reporting consists of strategic, business, financial and operational risks, as described below.

Strategic Risks

The identification, assessment, monitoring, management and reporting of strategic and business risks play an important part in ensuring that planned objectives are more likely to be achieved, and reduce the chances of surprises adversely affecting group performance. At the same time, effective assessment of strategic risks increases confidence on the part of the internal and external stakeholders. Factors which could negatively impact Swicorp’s ability to realise its objectives include:

- Ill-thought out or unrealistic goals and objectives
- Failure to establish and communicate a clearly-defined strategic road-map and business plans aligned with corporate objectives
- Inadequate capital, human or other resources to implement strategy
- Changes to the political or economic environment
- Changes to industry dynamics
- Changes to the competitive landscape
- Regulatory changes

The strategic direction of the firm is established by Swicorp’s Executive Committee and presented to the Board of Directors for comments and approval. Swicorp has established an agreed strategy map setting out key financial objectives and the key strategic drivers on which achievement of such objectives depends. These objectives are then broken down into detailed action plans and milestones, with clear responsibilities assigned to specific Swicorp executives. The Executive Committee meets on a monthly basis to monitor the implementation of the agreed strategy and ensure that the goals and objectives remain valid in the light of any changes to the prevailing environment. Action plans to mitigate certain strategic risks can be developed and agreed upon by the Executive Committee.

Business Risks

In addition to the corporate strategy map, each of Swicorp's core business divisions produces an annual business plan and budget, setting out divisional financial and other objectives, including key underlying assumptions and initiatives. Actual financial performance of each division is reviewed against budget on a quarterly basis. As part of this exercise, divisional heads are required to identify the main perceived risks which could threaten achievement of both short-term and long-term goals, and to assess their potential impact. Such identified risks are incorporated into the Corporate Risk Register, and divisional heads are required to implement actions and initiatives to mitigate such risks. Responsibilities are assigned for each action item and checks carried out at agreed intervals to ensure successful implementation. Business division heads are therefore accountable for embedding the firm's risk management framework and sound risk management practices into standard divisional operating procedures and for the effectiveness of risk management within such division's activities.

Operational Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is an inherent part of normal business operations. Whilst operational risk cannot be eliminated entirely, the firm endeavors to minimize it by ensuring that a strong control infrastructure is in place throughout the organization. Operational risks can be categorized into the following event types including: internal or external fraud, employment practices and workplace safety, clients, products, and business practices, damage to physical assets, business disruption and system failures, execution, delivery, and process management

To ensure that effective risk management is firmly embedded into all activities, operation manuals have been established for all key functions setting out clear policies, procedures, and control mechanisms to be followed by all employees in addition to a Business Continuity manual that is reviewed on an annual basis.

Financial Risks

Swicorp is exposed to a number of financial risks which comprise: credit risk, market risk, foreign exchange, liquidity risk, etc, as described further below.

4.4 Credit Risk Disclosure

Credit Risk is the risk of loss arising from an obligor or counterparty defaulting on its obligations. Swicorp applies the methodology prescribed by Pillar I of the CMA Prudential Rules to calculate regulatory capital for credit risk, which can be summarized as follows (additional details are state in Appendices III to V):

Exposure Class	Gross Exposure (SAR 000)	Net Exposure (SAR 000)	Risk Weighted Assets	Capital Requirement (SAR 000)
Authorised Persons and Banks	159,802	159,802	75,130	10,518
Corporates	26,656	26,656	190,324	26,645
Investments	199,954	199,954	799,816	111,974
Investment Funds	16,184	16,184	48,552	6,797
Other Assets	150,124	150,124	966,416	135,298
Total On-Balance Sheet	**552,720**	**552,720**	**2,250,570**	**291,234**
Commitments	23,856	23,856	170,332	23,846
Total Off-Balance Sheet	**23,856**	**23,856**	**170,332**	**23,846**
Total Credit Risk Exposure	**576,576**	**576,576**	**2,420,902**	**315,080**

Exposure to Authorized Persons and Banks: a total of SAR 126.6 M is held with local banks (credit rating of 1), therefore subject to a risk weight of 20%. An additional amount of SAR 33.2 M is held with foreign banks (unrated) and subject to a risk weight of 150%.

Exposure to Corporates: receivables from corporate clients (< 1 year) totaling SAR 26.7 M, are subject to a 714% risk weight.

Exposure to Investments: investments in associates and unlisted equity for SAR 200.0 M are subject to a risk weight of 400%.

Exposure to Investment Funds: investments in Investment Funds (real estate) for SAR 16.2 M are subject to a risk weight of 300%.

Exposure to Other Assets: other assets comprising tangible fixed assets and prepaid expenses for a total of SAR 25.3 M are subject to a risk-weight of 300%, while other assets comprising past due items (i.e. receivables) of SAR 96.0 M and other current and non-current assets of SAR 28.7 M are subject to a risk-weight of 714%. Petty cash of SAR 0.08 M is not subject to any risk-weight.

Exposure to Other Commitments: the outstanding investment commitment of SAR 23.9 M (off-balance sheet) related to a private equity fund is subject to a risk-weight of 714%.

Credit Rating Agencies (CRA)

Ratings from Credit Rating Agencies are only used for Swicorp's exposure to local banks, as data is not available for Swicorp's other credit risk exposures (see Appendix IV)

Credit Risk Mitigation Exposure

The scope and structure of Swicorp's activities do not offer the possibility for the firm to secure guarantees, collaterals or other offsetting measures and instruments. Accordingly, Swicorp's gross exposures represent also its net exposures to risk factors and no collateral or netting has taken place in support of any transaction to date.

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

Counterparty risk relates to transactions in OTC derivates, repos and reverse repos and securities borrowing / lending. Swicorp is not involved in any such activities or positions and such risk is therefore not applicable.

4.5 Market Risk Disclosure

Market risk is the risk of loss resulting from adverse fluctuations in market prices and parameters that may affect a firm's assets and liabilities. Swicorp applies the methodology prescribed by Pillar I of the CMA Prudential Rules to calculate regulatory capital for market risk, which may be summarized as follows:

Risk Factors related to Trading Book	**Capital Requirement (SAR 000)**
Interest Rate	0
Equity Price	17,824
Investment Fund	0
Securitization	0
Excess Exposure	0
Settlement	0

Risk Factors related to Business Activities	**Capital Requirement (SAR 000)**
Foreign Exchange	6,461
Commodity price	0

Total Market Risk Capital Requirement	**SAR 24,286**

Swicorp's exposure to market risk is essentially related to the size of its portfolio of listed securities and the exposure to currencies other than SAR/GCC/USD.

4.6 Operational Risk Disclosure

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Swicorp applies the methodology prescribed by Pillar I of the CMA Prudential Rules to calculate regulatory capital for operational risk, more specifically the expenditure-based approach, which consists in applying a 25% risk charge to the prior year level of operating expenses.

	Capital Requirement (SAR 000)
Operational Risk	25,008

4.7 Liquidity Risk Disclosure

Liquidity risk is the risk that the firm is unable to meet its current or future obligations due to unforeseen requirements or loss of funding sources.

Swicorp's liquidity management policy is to maintain a group central treasury at the parent company level, with the consequence that subsidiaries do only hold cash for the purpose of meeting very short-term requirements. In addition, asset allocation decisions specifically consider the maturity, redemption and liquidity considerations to ensure that funds can be withdrawn from Swicorp's own investment portfolio, if necessary, on relatively short notice. Additionally, borrowing facilities are renegotiated on a yearly basis to allow the firm to access external funding sources, if necessary. Central treasury and investment portfolio composition is monitored by the Finance department and the CEO on a daily basis, with revised cash flow forecasts produced on a weekly basis.

As of December 31, 2015, cash and cash equivalent held by the firm amounted to SAR 159.8 M, corresponding to well in excess of one-year worth of operating expenses.

Furthermore, the firm's current ratio (i.e. current assets / current liabilities) amounted to 2.7 times, confirming that the firm maintains a comfortable level of liquid assets to meet its current obligations.

APPENDICES

Appendix I: Disclosure on Capital Base

App 1: Disclosure on Capital Base

Capital Base	SAR '000
Tier-1 capital	
Paid-up capital	500,000
Audited retained earnings	(1,976)
Share premium	-
Reserves (other than revaluation reserves)	29,512
Tier-1 capital contribution	-
Deductions from Tier-1 capital	(23,354)
Total Tier-1 capital	**504,182**
Tier-2 capital	
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserves	8,593
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
Total Tier-2 capital	**8,593**
TOTAL CAPITAL BASE	512,775

Appendix II: Disclosure on Capital Adequacy

App II: Disclosure on Capital Adequacy

Exposure Class	Exposures before CRM SAR '000		Net Exposures after CRM SAR '000	Risk Weighted Assets SR '000	Capital Requirement SAR '000
Credit Risk					
On-balance Sheet Exposures					
Governments and Central Banks	-		-	-	-
Authorised Persons and Banks	159,802		159,802	75,130	10,518
Corporates	26,656		26,656	190,324	26,645
Retail	-		-	-	-
Investments	216,138		216,138	848,368	118,772
Securitisation	-		-	-	-
Margin Financing	-		-	-	-
Other Assets	150,124		150,124	966,416	135,298
Total On-Balance sheet Exposures	552,720		552,720	2,080,237	291,233
Off-balance Sheet Exposures					
OTC/Credit Derivatives	-		-	-	-
Repurchase agreements	-		-	-	-
Securities borrowing/lending	-		-	-	-
Commitments	23,856		23,856	170,332	23,846
Other off-balance sheet exposures	-		-	-	-
Total Off-Balance sheet Exposures	23,856		23,856	170,332	23,846
Total On and Off-Balance sheet Exposures	576,576		576,576	2,250,569	315,080
Prohibited Exposure Risk Requirement	-		-	-	-
Total Credit Risk Exposures	576,576		576,576	2,250,569	315,080
Market Risk	Long Position	Short Position			
Interest rate risks	-	-			-
Equity price risks	99,024	-			17,824
Risks related to investment funds	-	-			-
Securitisation/resecuritisation positions	-	-			-
Excess exposure risks	-	-			-
Settlement risks and counterparty risks	-	-			-
Foreign exchange rate risks	201,035	(6)			6,461
Commodities risks.	-	-			-
Total Market Risk Exposures	300,059	(6)			24,286
Operational Risk					25,008
Minimum Capital Requirements					364,373
Surplus/(Deficit) in capital					148,402
Total Capital ratio (time)					1.41

Appendix III: Disclosure on Credit Risk's Risk Weight

App III: Disclosure on Credit Risk's Risk Weight

Risk Weights	Exposures after netting and credit risk mitigation												
	Governments and central banks	**Administrative bodies and NPO**	**Authorised persons and banks**	**Margin Financing**	**Corporates**	**Retail**	**Past due items**	**Investments**	**Securitisation**	**Other assets**	**Off-balance sheet commitments**	**Total Exposure after netting and Credit Risk Mitigation**	**Total Risk Weighted Assets**
0%										81		81	-
20%			126,595									126,595	25,319
50%												-	-
100%												-	-
150%			33,207									33,207	49,811
200%												-	-
300%								16,184		25,336		41,520	124,560
400%								199,954				199,954	799,816
500%												-	-
714% (include prohibited exposure)					26,656		96,029			28,678	23,856	175,219	1,251,064
Average Risk Weight			47%		714%		714%	393%		519%	714%	390%	
Deduction from Capital Base			10,518		26,645		95,991	118,871		39,307	23,846	315,180	

Appendix IV: Disclosure on Credit Risk's Rated Exposure

App IV: Disclosure on Credit Risk's Rated Exposure

Exposure Class	Long term Ratings of counterparties							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
On and Off-balance-sheet Exposures								
Governments and Central Banks								
Authorised Persons and Banks								
Corporates								96,029
Retail								
Investments								216,138
Securitisation								
Margin Financing								
Other Assets								77,951
Total	0	0	0	0	0	0	0	390,118

Exposure Class	Short term Ratings of counterparties					
	Credit quality step	1	2	3	4	Unrated
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
	Capital Intelligence	A1	A2	A3	Below A3	Unrated
On and Off-balance-sheet Exposures						
Governments and Central Banks						
Authorised Persons and Banks		126,595				33,207
Corporates						26,656
Retail						
Investments						
Securitisation						
Margin Financing						
Other Assets						
Total	-	126,595	-	-	-	59,863

Appendix V: Disclosure on Credit Risk Mitigation

App V: Disclosure on Credit Risk Mitigation (CRM)

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks	-	-	-	-	-	-
Authorised Persons and Banks	159,802	-	-	-	-	159,802
Corporates	26,656	-	-	-	-	26,656
Retail	-	-	-	-	-	-
Investments	216,138	-	-	-	-	216,138
Securitisation	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets	150,124	-	-	-	-	150,124
Total On-Balance sheet Exposures	552,720	-	-	-	-	552,720
Off-balance Sheet Exposures						
OTC/Credit Derivatives	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-
Exposure in the form of commitments	23,856	-	-	-	-	23,856
*Other Off-Balance sheet Exposures	-	-	-	-	-	-
Total Off-Balance sheet Exposures	23,856	-	-	-	-	23,856
Total On and Off-Balance sheet Exposures	576,576	-	-	-	-	576,576

* Refer to Chapter 2 of Annex 3.