Gulf Investors Asset Management Company

Pillar III Disclosure
As on Dec. 31, 2022

Contents

1. EXECUTIVE SUMMARY

Gulf Investors Asset Management Co. hereby referred to as "GIAMCO", is a Saudi closed joint stock company, incorporated on Shabaan 16, 1432H (corresponding to July 17, 2011) under ministerial resolution number G/287 and License No. 10146-37 dated Jumad-ul-Thani 24, 1431H (corresponding to June 12, 2010) issued by the Capital Market Authority ("CMA"), Saudi Arabia. Capital Market Authority ("CMA") has granted license to the Company to operate as an Islamic investment company and authorized it to commence business with effect from 23 June 2012, for dealing as underwriting, managing, arranging, advisory, and custody,

Based on GIAMCO's request, CMA agreed on 17/1/2019 to cancel all unutilized licenses and to maintain only Investment Fund Management (IMF) license. Furthermore, CMA approved to reduce GIAMCO's paid-up capital from SAR 125 million to SAR 50 million.

GIAMCO does not have any subsidiaries; the company headquarter located in Jeddah-KSA

The Capital Market Authority (hereinafter referred to as "CMA") issued its Prudential Rules in December 2012. As per the Chapter 21 of the Prudential Rules, all Authorized Persons (hereinafter referred as "APs") licensed for the Dealing, Managing and/or Custody activities are required to annually publish market disclosure as referred by the Article 68 of the Prudential Rules (hereinafter referred to as "Pillar III Disclosure") pursuant to Annex 10 of the Rules.

The purpose of Pillar III Disclosure is for the market participants to assess the key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of the APs. It requires APs to publish information to encourage market discipline by enabling market participants to assess key information about the AP's capital, risk exposure and risk assessment process. Pillar III Disclosure comprises both the qualitative and quantitative disclosures. The disclosures are made public for the benefit of the market.

The Pillar III contained herein related to the Audited Financial of GIAMCO for the ended December 31, 2022. These are compiled in accordance with CMA's the minimum requirements of for the annual market disclosure of the information as referred to by the part 7 "Pillar III-Disclosure and Reporting of the Prudential Rules.

GIAMCO shall publish the Pillar III disclosures at its website www.giamco.com.sa

2. CAPITAL STRUCTURE

GIAMCO maintains sufficient capital to meet its regulatory capital requirements and takes a prudent approach to the management of its capital base. The amount and type of capital resources of the Company as at 31 December 2022 are set out in the table below:

Capital Base	SAR '000
Tier-1 capital	
Paid-up capital	50,000
Audited retained(loss) earnings	(12,552)
Loss offsetting against capital reduction	Nil
Share premium	Nil
Reserves (other than revaluation reserves)	Nil
Tier-1 capital contribution	37,448
Deductions from Tier-1 capital	Nil
Total Tier-1 capital	37,448
Tier-2 capital	Nil
TOTAL CAPITAL BASE	37,448

The adequacy of the capital held by the Company is assessed regularly, and at least annually, as part of the ICAAP framework and is subject to approval by the Board. The entire paid up capital is composed of ordinary shares and no special terms and conditions are attached thereto.

3. CAPITAL ADEQUACY

GIAMCO maintains sufficient capital to meet its regulatory capital requirements and takes a prudent approach to the management of its capital base.

GIAMCO determines its capital adequacy using the following process:

- Risk identification;
- Risk assessment (in particular to determine high impact risks);
- Pillar 2 risk assessment and stress testing quantification of high impact risks;
- Scenario stress testing analysis of material macro-economic and external risks;
- Comparison of Pillar 2 capital requirement against Pillar 1 minimum requirement and wind-down analysis to determine the overall capital requirement of the Company; and
- Risk validation and challenge from the Board.

The company has a capital plan to ensure that the Capital requirements of Pillar 1 and Pillar II required under the relevant CMA regulations are met for the foreseeable future.

Below are the disclosures on GIAMCO’s 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				
Authorized Persons and Banks	28,467	28,467	5,693	797
Investment Fund (Closed private placement)	9,573	9,573	28,719	4,021
Other Assets	2,020	2,020	6,060	848
Prohibited exposure				
Total On-Balance sheet Exposures	40,140	40,140	40,472	5,666
Total Off-Balance sheet Exposures				
Total On and Off-Balance sheet Exposures	40,140	40,140	40,472	5,666
Market Risk	Long Position	Short Position		
Risks related to investment funds(Public Fund)	0			0
Foreign exchange rate risks	0			0
Total Market Risk Exposures	0			0
Operational Risk				803
Minimum Capital Requirements				6,469
Surplus/(Deficit) in capital				30,979
Total Capital ratio (time)				5.79

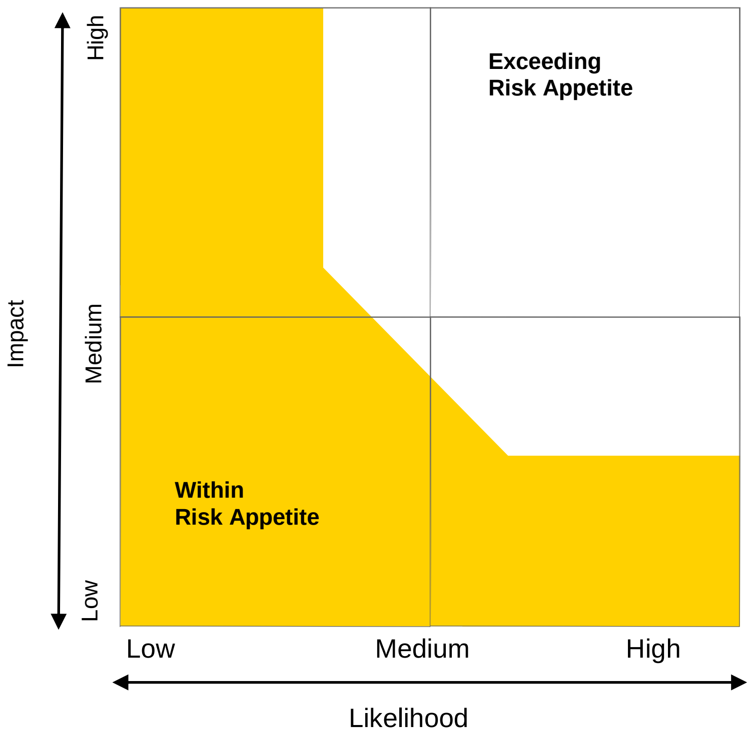
4. RISK MANAGEMENT

Risk Appetite

The Company expresses its risk appetite as the acceptable balance of growth, risk, and return, or as risk-adjusted shareholder value-added measures. The company’s risk appetite is reflected in its strategy, which in turn guides resource allocation. Management allocates resources across business units, with consideration of the entity's risk appetite and individual business units' strategic plans, to generate a desired return on invested resources. Management looks to align the organization, people, processes, and infrastructure to facilitate successful strategy implementation and enable the entity to stay within its risk appetite.

Risk appetite can be expressed in qualitative or quantitative terms.

The company expresses risk appetite in terms of a "risk map," as illustrated in the following figure. In this figure, any significant residual risk outside the dark area exceeds the company’s risk appetite, calling for management to take action to reduce the likelihood and/or impact of the risk to bring it within the company's risk appetite.



The thresholds qualifying as low, medium and high will vary from situation to situation and shall always be clearly established. For instance, in terms of impact, the risk of a 5% negative variance may be considered “low” when assessing a certain category, but may be considered “high” when assessing a different category.

The current threshold for the company for Market, Credit and Operational Risk is considered to be the same as outlined in the medium level stress tests for ICAAP purposes. It is noteworthy that the Management of the Company to mitigate losses much earlier than when these thresholds are reached. The thresholds for other Pillar II risks such as reputational and strategic risk are not quantitatively outlined, as the Company has zero tolerance for any actions that may jeopardize its reputation and consequently its strategy. With respect to the Company minimum target for Capital Adequacy, the aim is to keep the same well above the minimum levels outlined.

Risk Management Framework

The Risk Management Framework at GIAMCO assists in managing risk effectively through the application and the embedment of the Risk Management Process (i.e. Risk identification, Risk Measurement, Risk Management and Risk Monitoring) at all levels, including strategy, governance, people, culture, systems and risk architecture.

The Company aims to reinforce a strong Risk Management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor and control risk exposures. Each risk type (i.e. Credit, Market, Operational, Liquidity etc.) has its own risk management framework including its corresponding risk management process that will help ensure a coherent, effective and efficient risk management practice across the Company.

The Board of Directors is involved through the Risk and Compliance Committee in the establishment of material risk processes and the periodic oversight and guidance of the Risk Management Function.

Governance

GIAMCO is committed to implementing a good practice of firm-wide governance and risk management framework appropriate to the size, nature and complexity of the business.

Under the Risk Management Framework, the Board of Directors has the ultimate responsibility for managing and controlling risk within that entity and within the risk appetite of GIAMCO as a whole.

To assist GIAMCO in fulfilling its responsibilities, an organizational structure has been set up which reflects the nature of the risks across the business.

Responsibilities for managing risks are allocated according to the “three lines of defense” model as follows:

- Primary responsibility for managing risks rests with the business functions;
- Risk management and control functions (Legal & Compliance, Finance, and Risk Management Group); and
- The current organizational structure of the entity requires a compliance officer / risk officer who has a reporting line to the CEO and the Board Level Risk and Compliance Committee.However, it should be noted that, currently, the Head of Compliance and ALM

Manager is performing the duties of Head Compliance & Risk Department since GIAMCO has only three RE private placement funds.

Risk Objectives

GIAMCO's risk management objective is to safeguard client assets and those of GIAMCO. GIAMCO is committed to maintaining a strong risk management, control and compliance environment and an appropriate framework is in place to deliver this.

Risk in GIAMCO is managed according to common principles and policies approved by the Board of Directors. The following key principles are central to GIAMCO's risk management strategy:

- Align business strategy, critical objectives, capital management and risk management;
- Help GIAMCO achieve its corporate mission and fulfil its pledge to clients; and
- Help secure GIAMCO's reputation as a reliable and trustworthy organization.

GIAMCO uses risk management tools and techniques to help employees identify situations where risks need to be managed. By employing the appropriate level of controls, GIAMCO believes it can minimize the possibilities of the risk occurring in the first place.

Regular reports are made to the Board of GIAMCO so that the risk assessments continue to reflect the business undertaken by that entity on an on-going basis.

Key Control Monitoring

GIAMCO believes that an effective system of internal control is an essential element of good management and it has put in place procedures to control key risks appropriately within each entity's risk appetite and the risk appetite of GIAMCO as a whole. Independent and objective assessment and monitoring of key controls is an enterprise approach supported by areas by Compliance and Risk Management.

Risk Reporting

Regular risk reporting is presented through various different regular individual and consolidated reports to the Board of Directors each calendar year so that the risk assessments continue to reflect the business undertaken by GIAMCO accurately. However, in addition to the regular risk reporting, a continuous risk reporting to the board is presented as and when business or situation arises.

Policy

GIAMCO has a Risk Framework with respect to key areas of risk to the Company. It also has a Code of Ethics ('Code') which has been approved and adopted by the Board of Directors. The Code applies to all personnel of GIAMCO.

GIAMCO's risk appetite and risk management framework covers each of the following risk categories:

1. Credit Risk

Credit risk is defined as the potential that counterparty will fail to meet its obligations in accordance with agreed terms.

The goal of credit risk management is to maximize risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Credit risk is inherent in the entire portfolio as well as in individual transactions. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of the company.

GIAMCO's Board, in conjunction with the CEO, Executive Committee and Risk and Compliance Committee (RCC) are responsible for approving, monitoring and establishing all clients with whom GIAMCO transacts business. GIAMCO's Board and the Compliance Officer are responsible for being informed of market developments that would warrant changes or updates to contracts.

RCC (a Board Committee) reviews the performance of management and suggests corrective strategies in risk management.

2. Market Risk

Market risk is the risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors. The standard market risk factors are stock prices, profit rates and foreign exchange rates. The associated market risks are:

- Equity risk, the risk that stock prices and/or the implied volatility will change.
- Profit rate risk, the risk that profit rates and/or the implied volatility will change.
- Currency risk, the risk that foreign exchange rates and/or the implied volatility will change.

GIAMCO manages its market risk through setting various risk limits. We have established limits using a variety of risk measurement tools, including position sensitivity, value-at-risk and stress test methodologies tolerance.

3. Operational Risk

It is a risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk, but excludes strategic and reputational risks.

Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. It arises out of the legal implications of failed systems, people, processes or external events.

Information Technology Risk, an integral part of Operational Risk stems out of failure in systems or non-adherence to laid-down processes or misuse by staff apart from external events.

The Risk Manager, together with the operational units, review operational losses event periodically and report on whether any trigger has been activated, and what progress is being made on the control actions identified as part of the internal control and risk management process. In addition to monitoring operational loss events, the GIAMCO's Risk Manager should identify appropriate indicators that provide early warning of an increased risk of future losses.

Operational risks are reviewed annually, to delete expired risks, add newly emerging risks, and assess whether control actions need to be stepped up or relaxed. New risks will be identified by way of examining recurrences in operational risk identification, and by discussing the item with the various business units.

4. Credit Concentration Risk

Credit Concentration Risk refers to the risk arising from an uneven distribution of counterparties in credit or any other business relationship or from concentration in business sectors. Accordingly, Concentration Risk in the credit portfolios comes into being through a skewed distribution of loans to individual borrowers (name concentration) or in industry / service sector (sector concentration). Currently the Company is not exposed to credit concentration risk, as the company is not involved in issuing credit to individual counterparties.

5. Profit Rate Risk in Banking Book

Profit Rate Risk in Banking Book (PRRBB) refers to the risk of loss in earnings or economic value of the company's Banking Book because of movement in profit rates. Profit rate risk tolerance is a component of the Company's overall risk appetite that should be clearly articulated in such a way that all levels of management clearly understand the trade-off between profit rate risk and profits.

Profit rate risk tolerance is mainly expressed using the following two approaches, noting that a trade-off may exist between the two:

- Economic Value
- Earnings

6. Reputation Risk

Reputation risk is the current and prospective impact on earnings and capital arising from failure to meet client expectations. Unsatisfied customer may file lawsuits on the company which could result in financial penalties or inform the public about their negative experience with GIAMCO. The major areas for this type of risk are real estate, mutual fund, discretionary asset management.

Effective incident response mechanisms are also critical to minimize operational, legal and reputation risks arising from unexpected events, including internal and external attacks that may affect the provision of companying systems and services. Company should also develop appropriate incident response plans, including communication strategies that ensure business continuity, control reputation risk and limit liability associated with disruptions in their companying services. In order to avoid potential conflict with customer, the Company follows the Anti-Money Laundering and Know Your Customer rules. Moreover, a written engagement letter for arranging engagements need to be set-up detailing the services provided, fees charged and the rights and responsibility of all parties involved.

7. Business / Strategic Risk

Business/Strategic risk refers to the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It arises from formulation and implementation of strategic plan, business plan, which is inappropriate and inconsistent with internal factors and external environment that may affect earnings, capital fund or viability of the business.

The Company has a defined its vision and mission statement which is in line with its business strategy.

8. Liquidity Risk

The analysis of liquidity requires to measure the liquidity position of the company and also to examine how funding sources are likely to evolve under various scenarios.

Currently the company has no third party loans or other such liabilities that makes the liquidity risk relevant to the company.

9. Regulatory Risk

It is the risk resulting from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations.

Compliance department identifies, address and comply with relevant and prevailing legal and regulatory issues.

4.1. Credit Risk Disclosure

Credit risk is defined as the potential that counterparty will fail to meet its obligations in accordance with agreed terms.

Past due item shall refer to an exposure where, interest or principal are more than 90 days past due, calculated from the original agreed payment date.

Financial assets, property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For this purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Currently, the all of the Company's investment are in the Kingdom of Saudi Arabia.

Below is a breakdown of the Company's credit risk exposures:

	'000
Credit Risk	**5,666**
Authorized persons and banks - deposits/receivable	797
Investment Funds	4,021
Deferred expenditure / accrued income	848

The company has four exposures for which it can potentially utilize credit ratings, which are its deposits with the two Saudi Banks, in addition of investments with two its own RE private placement funds. Currently, the Capital Adequacy Template utilized by GIAMCO is provided by CMA, in which exposures to local banks have been mapped to category 1. For internal risk management purposes GIAMCO uses the same mapping as provided in the CMA Prudential Regulations whilst assessing credit risk.

Credit ratings, where available influence investment decisions in the non-trading portfolio. Currently the company utilizes Fitch ratings and there is no plan to change the same

Total Average Gross Exposure as an approximation (computed as month end average for the relevant period in which investments were made) for Major categories of Non-Trading Credit Exposure is as follows:

	'000
Major Categories of Non-Trading Credit Exposure	
Banks - deposits	23,916
Authorized persons- investments in RE private placement GIAMCO's funds	10,582

Disclosure on Credit Risk's Risk Weight

Risk Weights	Exposures after netting and credit risk mitigation ('000)												
	Governments and central banks	Administrative bodies and NPO	Authorized persons and banks	Margin Financing	Corporates	Retail	Past due items	Investments	Securitization	Other assets	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%												5	0
20%			28,467									28,467	5,693
50%													
100%													
150%													
200%													
300%			9,573 see note(2)							2,020 see note (1)		11,593	34,779
400%													
500%													
714% (include prohibited exposure)										0			
Average Risk Weight													40,472
Capital Charge													5,666

As stated earlier, the bank with respect to non-traded exposures has financial assets with two counterparties. Below are the relevant disclosures on Credit Risk's Rated Exposures:

Exposure Class	Long term Ratings of counterparties ('000)							
	Credit quality step	1	2	3	4	5	6	Unrated
	Fitch	**AAA TO AA-**	**A+ TO A-**	**BBB+ TO BBB-**	**BB+ TO BB-**	**B+ TO B-**	**CCC+ and below**	**Unrated**
On and Off-balance-sheet Exposures								
N/A								
Total								

Exposure Class	Short term Ratings of counterparties ('000)						Residual Contractual Maturity
	Credit quality step	1	2	3	4	Unrated	
	Fitch	**F1+, F1**	**F2**	**F3**	**Below F3**	**Unrated**	
On and Off-balance-sheet Exposures							
National saudi Bank (Saudi Arabia)		242					None – Immediately realizable
Alinma Bank (Saudi Arabia)			13,965				1 to 3 months
Arab National bank			14,259				None – Immediately realizable
Total		242	**28,224**	-	-		

Note 1: Other Assets of amount **SAR 2,020**(000) include:
SAR1,669(000) cash held by NCB vs bank guarantee issued to DZIT
SAR 110 (000) of profit accrued of which is due from Alinma Bank , **SAR 24** (000) is due from ANB in lieu of the deposits placed with them and can be received upon the maturity of the deposits place with the respective organizations.
SAR 217(000) include prepayments receivables by **SAR 211**(000) and fixed assets SAR **6**(000)
Note 2: authorized persons amount **SAR 9,573**(000) investments in RE private placements in Two closed funds of the company (GIAMCO).

4.2. Credit Risk Mitigation Exposure

The Company is required to include all CRM techniques used to reduce capital requirements and disclose all secured exposures, irrespective of whether the SA or IRB approach is used for risk-weighted assets calculation. Currently the Company does not have any collateral and hence these disclosures are not applicable to the Company at the moment.

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

The Company currently does not have any OTC derivative exposures or off balance sheet items in its books hence this category of financial risks are not directly pertinent to its operations

4.4. Market Risk Disclosure

Market risk is the risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors. The standard market risk factors are stock prices, interest rates and foreign exchange rates. The associated market risks are:

- Equity risk, the risk that stock prices and/or the implied volatility will change.
- Interest rate risk, the risk that interest rates and/or the implied volatility will change.
- Currency risk, the risk that foreign exchange rates and/or the implied volatility will change.

GIAMCO currently does not have any investment portfolio or trading portfolio and there is no commodity exposure to the Company.

4.5. Operational Risk Disclosure

It is a risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk, but excludes strategic and reputational risks.

Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. It arises out of the legal implications of failed systems, people, processes or external events.

Information Technology Risk, an integral part of Operational Risk stems out of failure in systems or non-adherence to laid-down processes or misuse by staff apart from external events.

The Compliance/Risk Officer, together with the operational units, review operational losses event periodically and report on whether any trigger has been activated, and what progress is being made on the control actions identified as part of the internal control and risk management process.

In addition to monitoring operational loss events, the GIAMCO's The Compliance/Risk Officer should identify appropriate indicators that provide early warning of an increased risk of future losses.

Operational risks are reviewed annually, to delete expired risks, add newly emerging risks, and assess whether control actions need to be stepped up or relaxed. New risks will be identified by way of examining recurrences in operational risk identification, and by discussing the item with the various business units.

The Company has calculated its operational risk capital requirements in accordance with the CMA's prudential requirements. Following are the results for 2022:

SAR '000

Operational Risk	Gross Operating Income			Average Gross Operating Income	Risk Capital Charge (%)	Capital Requirement
	2020	2021	2022			
Basic Indicator Approach	2,427	3,041	1,597	2,355	15%	**353**
	Overhead Expenses (Year -2020)				Risk Capital Charge (%)	Capital Requirement
Expenditure Based Approach	3,211				25	**803**
Capital Requirement for Operational Risk						**803**

Since the Pillar III Disclosures are being issued after the audited report for the year ending 2022 has been issued, we have taken the relevant expenses amount for computing the Expenditure based Approach – Operational Risk from the financial statement of the Year Ending 2022.

4.6. Liquidity Risk Disclosure

The analysis of liquidity requires to measure the liquidity position of the company and also to examine how funding sources are likely to evolve under various scenarios. Liquidity risk usually arises from short-term liabilities that have a short contractual maturity such as non-interest bearing accounts and generally dealt by keeping a cash buffer to serve the liquidity needs.

Currently the company has no third party loans or other such liabilities that makes the liquidity risk relevant to the company.

Prepared	**Review**	**Approval**
CFO	**CEO**	**Board**
	RCC Approval	Resolution No. 7/50/1/2023
	Resolution No. 5/26/1/2023	