

# **The Northern Trust Company of Saudi Arabia**

## **Pillar 3 Regulatory Disclosures**

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*As of and for the year ended December 31, 2021*

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## **1 Overview**

The Prudential Rules issued by the Capital Market Authority of Saudi Arabia (CMA) came into effect in December 2012, establishing an enhanced framework of capital adequacy regulation for authorised persons incorporating three distinct pillars. Pillar I prescribes the minimum capital requirement. Pillar 2 addresses the Internal Capital Adequacy Assessment Process (ICAAP). Pillar 3 promotes market discipline through further public disclosure requirements, aimed at providing market participants with key information on the firm's capital adequacy, risk exposures and risk management processes.

The adoption of the Pillar 3 requirements was made effective for the financial year ended December 2014. The Pillar 3 disclosure requirements are set forth in Chapters 21 & 22 and Annex 10 of the Prudential Rules.

The disclosures are reported in Saudi Riyals (SAR), the functional and reporting currency of The Northern Trust Company of Saudi Arabia (TNTCoSA). The disclosures provided herein are unaudited and do not constitute any form of financial statements and should not be relied upon in making investment decisions in relation to Northern Trust Corporation (NTC).

## **2 Location and frequency of disclosure**

The disclosure is updated at least annually as at TNTCoSA's accounting year end date of 31 December and published in the Investor Relations section of NTC's website ([www.northerntrust.com](http://www.northerntrust.com)).

## **3 Scope of application**

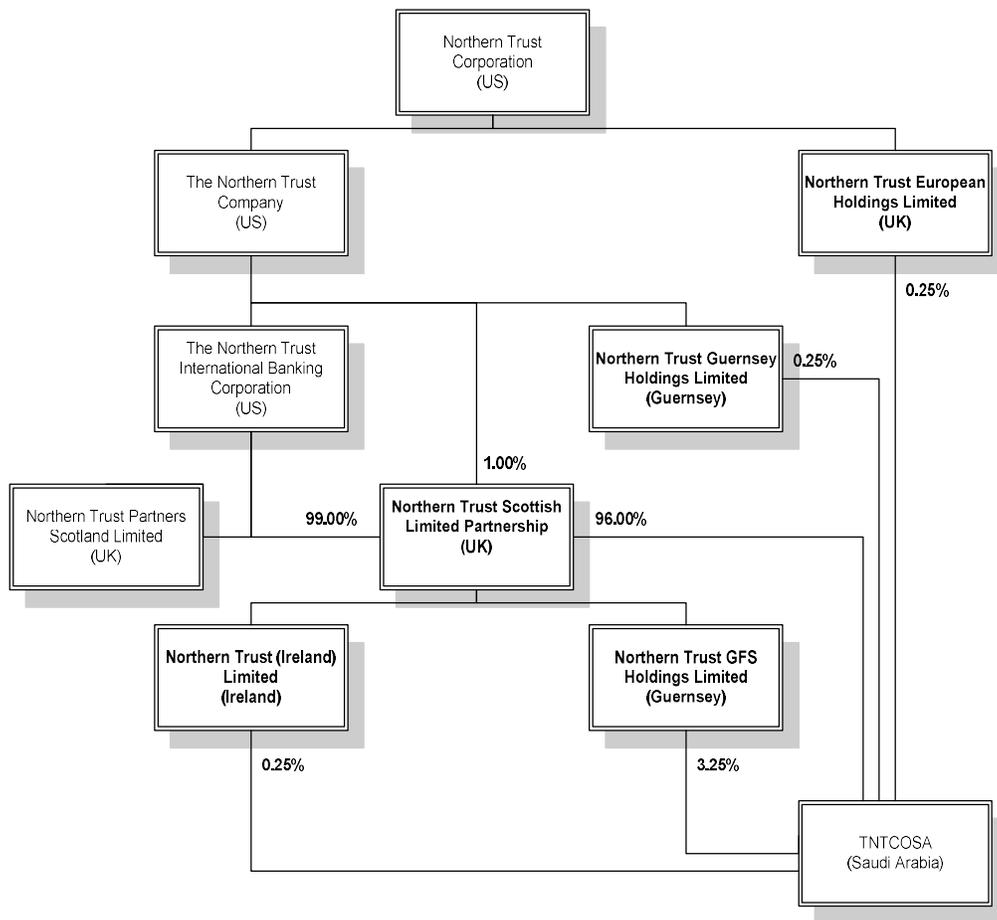
TNTCoSA is a Saudi closed joint stock company and is authorised and regulated by the CMA under licence number 26-12163 to provide securities services. TNTCoSA offers global custody, asset management and advisory services to Saudi Clients.

TNTCoSA is 96% owned by The Northern Trust Scottish Limited Partnership (UK), a subsidiary of The Northern Trust International Banking Corporation (TNTIBC), a US incorporated bank. The Northern Trust Partners Limited (UK) is the general partner of The Northern Trust Scottish Limited Partnership (UK). NTC, a financial holding company based in Chicago, is the ultimate parent of TNTIBC and its subsidiaries. NTC affiliates also hold the remaining 4% of TNTCoSA.

TNTCoSA prepares financial statements in accordance with the International Financial Reporting Standards (IFRS) and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA") which are submitted annually to the CMA.

TNTCoSA does not have any subsidiaries so the Pillar III disclosure has been produced on stand-alone basis.

Figure 1 - TNTCoSA ownership structure



TNTCoSA has undertaken the following to comply with the Prudential Rules.

- Pillar 1: Minimum Capital Requirements. TNTCoSA calculates its minimum capital requirement using the Capital Adequacy Model provided by the CMA. TNTCoSA's capital position is calculated and reported on a monthly basis to the CMA.
- Pillar 2: The Supervisory Review Process. TNTCoSA completes an Internal Capital Adequacy Assessment Process (ICAAP) at least annually. The results are reviewed and approved by its Board of Directors and the relevant ICAAP documentation is submitted to the CMA; and
- Pillar 3: Market Discipline. This Pillar 3 disclosure document provides information on TNTCoSA's risk management objectives and policies, its financial position, capital position, approach to assessing adequacy of its capital and exposure to key risks. The Pillar 3 disclosure is approved by the Board of TNTCoSA before submission to the CMA and publication on the NTC website.

Other than restrictions due to regulatory capital requirements and corporate law restrictions on the reduction, redemption and purchase of share capital, there are no current or foreseen material, practical or legal impediments to the prompt transfer of capital resource between Northern Trust affiliates.

## 4 Risk management

### 4.1 Overview

Risk management is the responsibility of the TNTCoSA Board. In order to discharge this responsibility, the Board leverages the global and regional risk management governance framework detailed in the chart below. Policies and practices are validated and locally approved and the local risk organisation is structured to provide the Board with the necessary risk reporting and oversight to satisfy its responsibilities.

TNTCoSA has established a Saudi Arabia Risk Management & Compliance Committee (SARMCC) to provide oversight of risks on behalf of the Board. The Committee provides a quarterly update to the Board and escalates matters as appropriate.

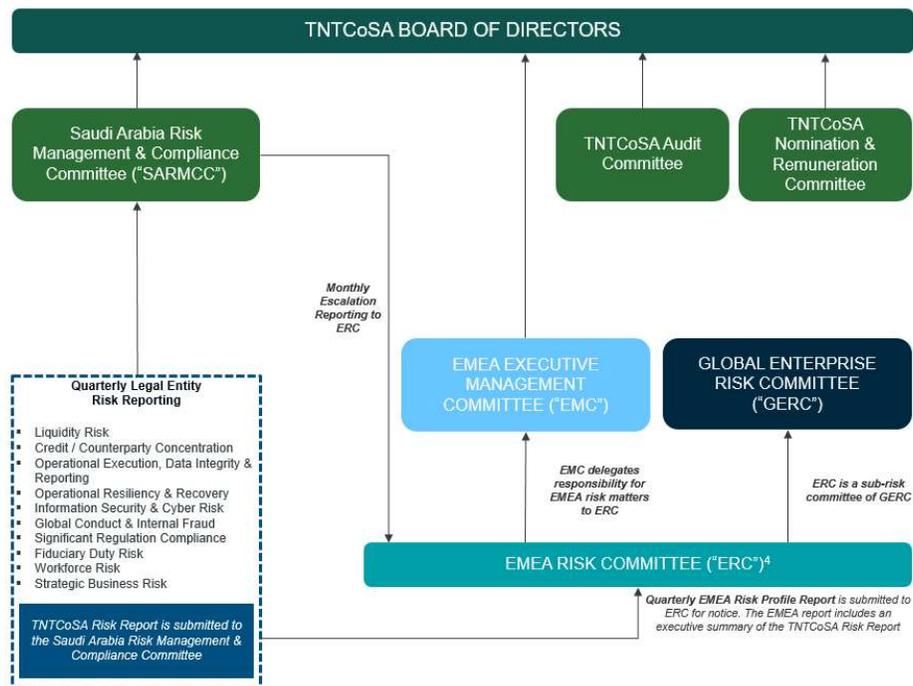
The EMEA Executive Management Committee ('EMC') has responsibility for risk oversight across all entities within the EMEA region, including TNTCoSA. The EMC oversees the daily management of Northern Trust's business in EMEA and its agreed strategy.

The EMC has appointed the EMEA Risk Committee ('ERC') to assist it in managing all risks. Supporting local governance, the EMEA Risk Committee (ERC) covers all activities conducted within the EMEA region to which the SARMCC provides updates.

In addition, there are six corporate risk committees that possess a detailed understanding of the risks within their specific areas of responsibility: Market and Liquidity, Credit Risk, Fiduciary Risk, Operational Risk, Compliance and Ethics Oversight and Model Risk Oversight. Collectively these committees provide risk appetite principles and detailed policies which are reviewed regularly to reflect changes in market conditions, products and services offered. These committees also monitor risk performance, and the effectiveness of the risk management processes.

The following graphic illustrates the regional risk governance structure supporting TNTCoSA.

Figure 2 – TNTCoSA Risk Governance Structure



As part of the ongoing operation of the Risk Management Framework (RMF), TNTCoSA employs a “three lines of defence” model. The responsibilities across the three lines of defence are fundamental

to the design and implementation of the Framework, and taken together establish an appropriate operating model to control risk taking.

The first line of defence is accountable and responsible for identifying, measuring, controlling and monitoring risks associated with its activities either individually or with the assistance of the second line of defence. The first line of defence is typically engaged in activities designed to generate revenue, reduce expense, provide operational support for delivery of products or services to clients, and provide technology services.

The second line of defence is accountable and responsible for identifying, measuring, monitoring, and controlling risk in aggregate. The risk and compliance practices, as independent functions separate and distinct from the business units, form TNTCoSA's second line of defence.

The third line of defence is accountable and responsible for independently assessing the design and ongoing effectiveness of governance, risk management, and internal controls. Audit Services is an independent control function that assesses and validates controls within Northern Trust's Enterprise Risk Management framework.

Northern Trust's approach to Risk Appetite is based on three inter-related elements, designed to support consistent enterprise risk identification, management and reporting: a comprehensive risk inventory, a static taxonomy of risk categories and a dynamic taxonomy of risk themes. The Risk Inventory is a detailed register of the risks inherently faced by Northern Trust.

For capital purposes, Northern Trust considers risk categories (credit, market, liquidity, operational, strategic, fiduciary and compliance).

## **4.2 Credit Risk**

Northern Trust defines credit risk as the risk to interest income or principal from the failure of a borrower or counterparty to perform on an obligation.

For TNTCoSA, counterparty risk is the primary existential credit risk arising from the placement of capital and reserves with local banks. Single-name counterparty limits are in place and reviewed at least annually with utilisation of these limits being tracked on a daily basis. TNTCoSA has no appetite to engage in business activities which give rise to further credit risk exposures in excess of those outlined above.

The counterparties used by TNTCoSA for investment of surplus cash are highly credit worthy financial institutions. TNTCoSA's Board has approved a Liquidity and Investment Policy that limits placement of capital in the interbank market to a maximum tenor of 3 months. Placement is with Saudi banks and may only be invested outside of Saudi Arabia with prior approval of at least one director of the TNTCoSA Board; such external investment is also subject to the CMA's large exposure rules.

TNTCoSA has robust processes and controls in place to mitigate risk of loss including pre-approved counterparty limits (set by the Northern Trust Co (NTC) Capital Markets Credit Committee), periodic monitoring and reporting of exposure and maintaining short duration for placements. None of TNTCoSA's credit exposures were reported impaired in the 2021 financial statements. All receivables are repayable on demand or within three months.

## **4.3 Market and Liquidity Risk**

### **4.3.1 Market Risk – Trading**

Northern Trust defines trading risk as the potential for movements in market variables such as foreign exchange and commission rates to cause changes in the value of trading positions.

TNTCoSA does not hold or manage trading positions and therefore is not subject to trading book market risk.

In terms of foreign exchange, TNTCoSA's capital and reserve funds are invested in local base currency and therefore do not present market risk. The Company's transactions are principally in Saudi Riyals and USD; other transactions in foreign currencies are not material.

### **4.3.2 Interest Rate Risk in the Banking Book**

Northern Trust defines interest rate risk in the banking book as the potential for movements in interest rates to cause changes in net interest income and the market value of equity

TNTCoSA does not take client deposits or service any debt so it is not exposed to any losses as a direct result of changes to interest rates only to potential variability in interest rate received on its short term investments of capital, which is limited to a maximum tenor of three months. Investment risk monitoring is performed on behalf of TNTCoSA by the Financial and Treasury departments, with oversight performed by the EMEA Market and Liquidity Risk team.

### **4.3.3 Liquidity Risk**

Northern Trust defines liquidity risk as the risk of not being able to raise sufficient funds or collateral to meet balance sheet and contingent liability cash flow obligations when they are due and payable because of firm-specific or market-wide events.

TNTCoSA's 'business-as-usual' liquidity risk is minimal as it does not take on customer deposits or trade as principal; so liquidity related activity is limited to the management of day to day operating expenses. Operational stresses may give rise to unexpected liquidity outflows but such outflows are assessed as part of TNTCoSA's overall stress-testing.

Under Northern Trust's risk framework, liquidity risk is governed by 1st and 2nd line of defence committees, namely the Asset and Liability Management Policy Committee (ALCO) and Market and Liquidity Risk Committee respectively. TNTCoSA's liquidity risk is minimal as it does not take on customer deposits or trade as principal; liquidity risk is limited to the management of day to day operating expenses.

TNTCoSA's Board approved Liquidity and Investment Policy delegates responsibility for the management of working capital requirements to the finance department, which ensures funds are available to meet current and future expenses in a timely manner.

In addition, TNTCoSA senior management, in conjunction with the Treasury, Legal and Finance departments, ensure that cash and securities may be freely transferred between Northern Trust and TNTCoSA where necessary to manage liquidity. Annual liquidity stress testing and contingency funding planning for TNTCoSA are currently included in the wider Northern Trust liquidity risk framework.

Liquidity risk monitoring is performed by the Finance and EMEA treasury departments, with oversight performed by the EMEA Market and Liquidity Risk team.

#### **4.4 Strategic Risk**

Strategic risk is the risk of loss from the adverse effects of business decisions, or the improper implementation of those decisions, and the risk that internal or external forces impede the long-term plans of the business for growth, profitability and stability.

For TNTCoSA, strategic risk is managed by TNTCoSA's Board of Directors. The TNTCoSA Board greatly benefits from the experience and oversight provided by its non-executive directors who are able to provide guidance and challenge on strategic issues. The Board is also able to draw on TNTCoSA legal entity risk reporting, the EMEA and Corporate risk governance structure, as well as risk management programmes to oversee strategic risk. TNTCoSA risk reporting incorporates a blend of legal entity, group and regional metrics. For strategic risk, TNTCoSA specific metrics such as key financial ratios, new business and revenues and clients at risk are included and monitored.

From a Northern Trust Group perspective, which TNTCoSA is part of, group strategic risk is managed by NTC's Board of Directors. NTC's CEO and senior management, including the Global Enterprise Risk Committee support the TNTCoSA Board in the performance of its functions.

#### **4.5 Operational Risk**

Northern Trust defines operational risk as the risk of loss from inadequate or failed internal processes, human factors and systems or from external events. The objective is to manage operational risk so as to balance the avoidance of financial losses and reputational damage with overall cost effectiveness.

TNTCoSA's operating model leverages internal affiliates as well as local Capital Market Institutions and Saudi banks to support provision of custody, fund administration and investment management services. TNTCoSA operations perform limited execution activity and primarily focus on the oversight of inter-company arrangements and outsourcing agreements.

For TNTCoSA, business disruption (technology risk and business continuity) impacting local personnel and facilities and internal/external fraud (primarily as a result of cyber activity) are considered to represent the most significant inherent operational risks.

The Corporate Information Security and Technology Risk Management function identifies and analyses both day to day technology risks and longer term strategic risks as well as devoting considerable time to the potential risks posed by the threat of cyber-attack, covering system security, availability and performance and system development and implementation.

Business Continuity and Recovery Services group (GBCRS) establishes the standards and monitors the testing of incident response organization, disaster recovery and business continuity plans. A business continuity plan for TNTCoSA has been established by management that covers the loss of building, applications, people and service providers.

Internal and External fraud threats primarily arise from cyber risks and can lead to financial and information loss. Mitigants include a comprehensive IT risk programme and associated controls.

Management is of the view that TNTCoSA's inherent operational risk is significantly mitigated by Northern Trust Corporation's operational risk framework.

For capital purposes, Northern Trust considers operational risk to include compliance and fiduciary risk, although they are governed and managed separately under Northern Trust's risk management framework. TNTCoSA is not exposed to fiduciary risk.

## 4.6 Compliance Risk

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities. Regulatory and financial crime risk are the two sub-components of compliance risk: Compliance Risk covers Regulatory risk and Financial Crime risk.

- Regulatory risk arises from the failure to comply with either prudential or business conduct regulatory requirements. Prudential requirements are intended to ensure financial safety and soundness, as well as maintain the stability of the financial system. Conduct requirements seek to protect the interests of customers and the integrity of the market.
- Financial Crime Risk is the risk of Northern Trust being used as a conduit to launder funds derived or intended for a criminal purpose including the funding of terrorism; the risk of fraud, internal and external to the firm; the risk of sanctions violations; and risk associated with bribery and corruption. Risk factors include client base, geographic exposure, and products and services. Economic sanctions risk arises from the failure of systems and controls to detect and prevent an economic sanctions violation.

Compliance reports are provided to the SARMCC and TNTCoSA Board by the MLRO and Compliance Officer. In addition, there is an annual assessment of applicable regulations by way of the completion of a Compliance Risk Assessment. The output of this assessment supports the ongoing assessment of compliance risk and what is covered in the Compliance Testing and Monitoring Plans. The results of Compliance Tests and Monitoring are reported to the SARMCC and TNTCoSA Board.

## 4.7 Adequacy of Risk Management Arrangements

TNTCoSA's Risk Appetite Statement reflects the expectation that risk is consciously considered as part of day-to-day activities and strategic decisions. Risk Appetite is defined as the aggregate level and types of risk the TNTCoSA Board and senior management are willing to assume to achieve the entity's strategic objectives and business plan, consistent with prudent management of risk and applicable capital, liquidity and regulatory requirements.

The nature of the business operating model employed by TNTCoSA results in residual exposure to credit, market, liquidity, strategic risk and operational risk.

Capital is set against these risks and allocated to each risk according to regulatory requirements (Pillar 1) and the Internal Capital Adequacy Assessment Process (ICAAP – Pillar 2).

The Board of TNTCoSA is satisfied with the existing risk management arrangements and that the thresholds in place are considered adequate with regard to the profile and strategy of TNTCoSA. The Board also confirms that the disclosures contained within this document accurately reflect the risk profile of TNTCoSA based on the activities it undertakes.

## 5 Capital resources

The capital structure and capital resources of TNTCoSA as at 31 December are presented below:

All figures in SAR thousands	Dec 2021	Dec 2020
<b>Capital Base</b>		
<b>Tier-1 capital</b>		
Paid-up capital	52,000	52,000
Audited retained earnings	100,913	79,832
Share premium	-	-
Statutory reserves	14,624	12,281
Tier-1 capital contribution	167,537	144,113
Deductions from Tier-1 capital	(440)	(382)
<b>Total Tier-1 capital</b>	<u>167,097</u>	<u>143,731</u>
<b>Tier-2 capital</b>		
Subordinated loans	-	-
Cumulative preference shares	-	-
Revaluation reserves	-	-
Other deductions from Tier-2 (-)	-	-
Deduction to meet Tier-2 capital limit (-)	-	-
<b>Total Tier-2 capital</b>	<u>-</u>	<u>-</u>
<b>TOTAL CAPITAL BASE</b>	<u>167,097</u>	<u>143,731</u>

As at 31 December 2021 TNTCoSA's capital base stood at SAR 167.1 million comprising of SAR 52.0 million paid up capital, SAR 14.6 million in statutory reserves and SAR 100.9 million in audited retained earnings & other reserves, less SAR 0.4 million of capital deductions.

In accordance with Saudi company law, TNTCoSA must transfer 10% of audited net profits after tax to a statutory reserve until this reserve equals 30% of paid up capital. The reserve is not available for distribution.

Audited retained earnings represents cumulative total of annual net profits minus transfers to statutory reserves and shareholder dividend payments. Under the Company's Articles of Association the Board of Directors may set aside net profits to build up additional reserves for a specific purpose. Any remaining profits may be paid as a dividend.

TNTCoSA does not have any Tier 2 Capital.

## 6 Capital Adequacy

### 6.1 Overview

The Board of Directors of TNTCoSA is updated on the capital position on a quarterly basis to ensure that it is sufficient to meet strategic goals and commensurate with its risk profile. TNTCoSA calculates its Pillar 1 capital requirement in accordance with the CMA prudential rules as the sum of credit risk, market risk and operational risk capital requirements. The Pillar 1 Capital requirement is reported to the CMA on a monthly basis and as outlined below, the ongoing ICAAP process provides further assessment for any further risk capital under Pillar 2.

Based on the last ICAAP submitted to the CMA, TNTCoSA is sufficiently capitalised to meet its regulatory capital requirements under Pillar 1 and Pillar 2.

### 6.2 Pillar 1 Capital Requirement

TNTCoSA calculates its Pillar 1 capital requirements in accordance with the Prudential Rules as the sum of the following:

1. Credit risk requirement
2. Market risk requirement
3. Operational risk requirement

A summary of TNTCoSA's Pillar 1 capital requirements as at 31 December is provided in the table below. A more detailed breakdown is provided in Appendix I.

All figures in SAR thousands	Dec 2021	Dec 2020
Total Exposure	183,725	165,102
Total Risk Weighted Assets	63,461	75,051
Credit Risk	8,885	10,509
Market Risk	-	-
Operational Risk	13,062	8,884
<b>Total Minimum Capital Requirements</b>	<b>21,947</b>	<b>19,395</b>
Capital Base	167,097	143,731
Surplus / (deficits) in Capital	145,150	124,336
<b>Capital Ratio (Times) *</b>	<b>7.61</b>	<b>7.41</b>

\* Defined by CMA to be the capital base as a multiple of minimum capital requirements.

### 6.3 Credit Risk Capital Requirement

TNTCoSA calculates its credit risk capital requirement using the approach as laid out in the Prudential Rules. The Minimum credit risk capital requirement is calculated by applying a risk weight for each class of exposures and is expressed as 14% of risk weighted exposures. Where available, issuer ratings from the External Credit Assessment Institutions (ECAIs) Standard & Poor's, Fitch Ratings, Capital Intelligence and Moody's are used in the determination of the relevant risk weighting across all exposure classes. Where ECAI ratings differ, the lower issuer rating is applied.

A breakdown of TNTCoSA's credit risk exposures as at 31 December by asset class and by credit quality step are provided in Appendix II and III. These exposures are representative of TNTCoSA's positions during the year hence average exposure balances have not been disclosed.

Breakdown of exposures by geographical segment as at 31 December is provided in the following table:

All figures in SAR thousands Credit Risk Exposure by Geographical Segment	Dec 2021				Dec 2020			
	Total	Europe	North America	Saudi Arabia	Total	Europe	North America	Saudi Arabia
Government and Central Banks	28,379	-	-	28,379	37,329	-	-	37,329
Administrative bodies and NPOs	6,421	-	-	6,421	-	-	-	-
Authorised Person and Banks	143,923	9,124	627	134,171	117,367	66	56	117,245
Corporates	258	258	-	-	4,173	-	-	4,173
Other assets	4,744	-	-	4,744	6,233	-	-	6,233
<b>Total</b>	<b>183,725</b>	<b>9,382</b>	<b>627</b>	<b>173,715</b>	<b>165,102</b>	<b>66</b>	<b>56</b>	<b>164,980</b>

The breakdown of exposures by contractual maturity as at 31 December is provided in the following table:

All figures in SAR thousands Credit Risk Exposure by Contractual Maturity	Total	December 2021				
		Less than 1 month	Less than 3 months	Less than 6 months	Less than 12 months	undated
<b>December 2021</b>						
Governments and Central Banks	30,374	-	30,374	-	-	-
Administrative bodies and NPOs	-	-	-	-	-	-
Authorised Persons and Banks	148,278	134,743	13,535	-	-	-
Corporates	258	258	-	-	-	-
Other Assets	4,815	-	-	-	1,046	3,769
<b>Total</b>	<b>183,725</b>	<b>135,001</b>	<b>43,909</b>	<b>-</b>	<b>1,046</b>	<b>3,769</b>
<b>December 2020</b>						
Governments and Central Banks	37,329	-	37,329	-	-	-
Administrative bodies and NPOs	-	-	-	-	-	-
Authorised Persons and Banks	117,367	117,245	122	-	-	-
Corporates	4,173	4,173	-	-	-	-
Other Assets	6,233	-	-	-	940	5,293
<b>Total</b>	<b>165,102</b>	<b>121,418</b>	<b>37,451</b>	<b>-</b>	<b>940</b>	<b>5,293</b>

### 6.4 Market Risk Capital Requirement

TNTCoSA does not hold or manage trading positions and is not subject to trading book market risks. TNTCoSA's market risk mainly arises from assets and liabilities denominated in foreign currency, calculated as maximum 14% of the higher of net short and long positions.

## **6.5 Operational Risk Capital Requirement**

TNTCoSA calculates its Pillar 1 operational risk capital requirement as the higher of 15% of the revenue based requirement calculated under the Basic Indicator Approach or 25% of annual overhead expenses. As at 31 December 2021 the operational risk capital requirement was based on revenue figures.

## **6.6 The ICAAP**

TNTCoSA conducts an ICAAP as required by the Prudential Rules. The ICAAP considers the adequacy of the capital resources to cover Pillar 1 risks as well as considering other risks not captured within this Pillar 1 assessment. These assessments are supported by scenario analysis and stress testing. The ICAAP also provides detail on the risk management framework and a risk assessment of all risk categories.

The ICAAP takes key input from NTC's risk professionals, business management and the finance group. For each risk category the inherent risk profile has been documented, along with the risk mitigation practices in place to derive an overall residual risk profile.

For the key risks, scenario and stress testing is used to evaluate the potential capital demands on TNTCoSA. Business management and the Board provide input to the scenarios and stress testing process to ensure all appropriate information and experience is brought to this evaluation exercise.

The recent ICAAP concluded that there is no need for TNTCoSA to hold capital in addition to its Pillar 1 capital requirement.

The ICAAP is an ongoing process with scenario and stress testing revisited annually and more frequently should material events (external and/or internal) warrant a re-assessment. The ICAAP document is formally reviewed by the TNTCoSA Board on an annual basis.

The ICAAP is prepared in accordance with Prudential Rules and relevant guidance issued by the CMA and is submitted to the CMA on an annual basis.

## **7      Contacts**

Should you have any queries please contact:

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## APPENDIX I – DETAILED CAPITAL REQUIREMENTS CALCULATION

All figures in SAR thousands	December 2021				December 2020				
	Exposure Class	Exposures before CRM	Net Exposures after CRM	Risk Weighted Assets	Capital Requirement	Exposures before CRM	Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
<b>Credit Risk</b>									
<i>On-balance Sheet Exposures</i>									
Governments and Central Banks	24,438	24,438	4,888	684	37,329	37,329	5,354	750	
Administrative bodies & NPOs	5,956	5,956	5,956	834	-	-	-	-	
Authorised Persons and Banks	147,874	147,874	33,932	4,751	117,367	117,367	23,473	3,286	
Corporates	103	103	735	103	4,173	4,173	27,525	3,856	
Retail	-	-	-	-	-	-	-	-	
Investments	-	-	-	-	-	-	-	-	
Securitisation	-	-	-	-	-	-	-	-	
Margin Financing	-	-	-	-	-	-	-	-	
Other Assets	5,354	5,354	17,950	2,513	6,233	6,233	18,699	2,617	
<b>Total on-balance sheet exposures</b>	<b>183,725</b>	<b>183,725</b>	<b>63,461</b>	<b>8,885</b>	<b>165,102</b>	<b>165,102</b>	<b>75,051</b>	<b>10,509</b>	
<i>Off-balance Sheet Exposures</i>									
OTC/Credit Derivatives	-	-	-	-	-	-	-	-	
Repurchase agreements	-	-	-	-	-	-	-	-	
Securities borrowing/lending	-	-	-	-	-	-	-	-	
Commitments	-	-	-	-	-	-	-	-	
Other off-balance sheet exposures	-	-	-	-	-	-	-	-	
<b>Total Off-Balance sheet Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Total on and off-balance sheet exposures	183,725	183,725	63,461	8,885	165,102	165,102	75,051	10,509	
Prohibited Exposure Risk Requirement	-	-	-	-	-	-	-	-	
<b>Total Credit Risk Exposures</b>	<b>183,725</b>	<b>183,725</b>	<b>63,461</b>	<b>8,885</b>	<b>165,102</b>	<b>165,102</b>	<b>75,051</b>	<b>10,509</b>	
<b>Market Risk</b>									
	<b>Long position</b>	<b>Short position</b>			<b>Long position</b>	<b>Short position</b>			
Interest rate risks	-	-	-	-	-	-	-	-	
Equity price risks	-	-	-	-	-	-	-	-	
Risks related to investment funds	-	-	-	-	-	-	-	-	
Securitisation/resecuritisation positions	-	-	-	-	-	-	-	-	
Settlement risks and counterparty risks	-	-	-	-	-	-	-	-	
Foreign exchange rate risks	-	-	-	-	124	-	-	2	
Commodities risks	-	-	-	-	-	-	-	-	
<b>Total Market Risk Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,586</b>	<b>(19)</b>	<b>-</b>	<b>-</b>	
<b>Operational Risk</b>				<b>13,062</b>				<b>8,884</b>	
<b>Minimum Capital Requirements</b>				<b>21,947</b>				<b>19,395</b>	
<b>Capital Base</b>				<b>167,097</b>				<b>143,731</b>	
<b>Total Capital ratio (time)</b>				<b>7.61</b>				<b>8.62</b>	



## APPENDIX III – CREDIT EXPOSURES BY CREDIT QUALITY STEP

All figures in SAR thousands  
December 2021

Exposure Class	Long term ratings of counterparties							
	Credit quality step S&P Fitch Moody's Capital Intelligence	1 AAA TO AA- AAA TO AA- Aaa TO Aa3 AAA	2 A+ TO A- A+ TO A- A1 TO A3 AA TO A	3 BBB+ TO BBB- BBB+ TO BBB- Baa1 TO Baa3 BBB	4 BB+ TO BB- BB+ TO BB- Ba1 TO Ba3 BB	5 B+ TO B- B+ TO B- B1 TO B3 B	6 CCC+ and below CCC+ and below Caa1 and below C and below	Unrated Unrated Unrated Unrated
<b>On and off-balance-sheet exposures</b>								
Governments and Central Banks		-	24,438	-	-	-	-	-
Administrative bodies & NPOs		-	-	-	-	-	-	5,956
Authorised Persons and Banks		* 140,350	4,094	78	-	-	-	3,352
Corporates		-	-	-	-	-	-	103
Retail		-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-
Securitisation		-	-	-	-	-	-	-
Margin Financing		-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	5,354
<b>Total</b>		140,350	28,532	78	-	-	-	14,765

December 2020

Exposure Class	Long term ratings of counterparties							
	Credit quality step S&P Fitch Moody's Capital Intelligence	1 AAA TO AA- AAA TO AA- Aaa TO Aa3 AAA	2 A+ TO A- A+ TO A- A1 TO A3 AA TO A	3 BBB+ TO BBB- BBB+ TO BBB- Baa1 TO Baa3 BBB	4 BB+ TO BB- BB+ TO BB- Ba1 TO Ba3 BB	5 B+ TO B- B+ TO B- B1 TO B3 B	6 CCC+ and below CCC+ and below Caa1 and below C and below	Unrated Unrated Unrated Unrated
<b>On and off-balance-sheet exposures</b>								
Governments and Central Banks		-	37,329	-	-	-	-	-
Administrative bodies & NPOs		-	-	-	-	-	-	-
Authorised Persons and Banks		-	117,367	-	-	-	-	-
Corporates		-	-	-	-	-	-	4,173
Retail		-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-
Securitisation		-	-	-	-	-	-	-
Margin Financing		-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	6,233
<b>Total</b>		-	154,696	-	-	-	-	10,406

Short term ratings of counterparties are not disclosed given that TNTCoSA does not apply these.

\* It represents an exposure to a local Saudi bank with credit rating of BBB+, however categorised under step 1 as per Pillar I capital calculation requirements.