PILLAR III DISCLOSURES

NCB CAPITAL GROUP

March 2016

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1 Scope of Application

NCB Capital Company (hereinafter referred as "NCBC" or "the Firm") is a subsidiary of The National Commercial Bank (NCB), Saudi Arabia. The Firm is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia with a license number 37 -06046 to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities. Formed in accordance with the Capital Market Authority's Resolution No. 2-83-2005 dated 21 Jumad Al-Awal 1426H (28 June 2005), NCBC was the first investment Firm to obtain a CMA license.

The Pillar III disclosures contained herein relate to the NCBC Company including the following subsidiaries (ownership percentage indicated in brackets), as of the year ending December 31, 2015.

1. Oryx Regional Private Equity Fund (50%)
2. Eastgate Capital Holdings Inc. (100%)
3. The Capital Partnership Holdings Limited (100%)
4. Baco W.L.L. (100%)
5. NCBC Investment Management Umbrella Company Plc (100%)
6. NCB Capital Real Estate Investment Company (100%)

This report is compiled in accordance with CMA's Prudential Rules and the format of the report is in line with the CMA's recommended format for Pillar 3 qualitative and quantitative risk disclosures.

1.1 Pillar I – Minimum capital requirements

Pillar I sets minimum capital requirements to meet Credit, Market and Operational risks.

NCBC used the Standardized Approach in the calculation of the capital required for Credit risk.

The Firm's Market risk capital charge covers CMA defined categories such as Equity & Fund risk, FX risk and Excess Exposure risk. The capital charge for Market risk is assessed for each risk category separately in accordance with the rules prescribed by CMA.

Regarding Operational risk, the Firm has adopted the Basic Indicator Approach (BIA) in compliance with CMA requirements as this is a more conservative approach as it leads to a higher capital charge than the Expenditure Based Approach (EBA).

1.2 Pillar II – Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP is introduced under Pillar II of the Prudential Rules set by CMA, which is contained in Part 6 (Article 66) and Annex 9. Pillar II requires authorized persons (AP) to perform a thorough review of its material risks, stress testing, strategic capital plans, corporate governance, the internal control framework as well as the roles and responsibilities of departments / individuals that are critical to the implementation of ICAAP framework.

The Firm has taken various initiatives to implement ICAAP and assess capital requirements in accordance with its risk profile, size and complexity of operations.

1.3 Pillar III – Market discipline

Pillar III provides a detailed reporting framework that enhances market discipline. The disclosures are intended to enhance transparency and facilitate an objective assessment of the AP by others, including investors, analysts, customers, and other AP's and rating agencies. This is an effective means of informing the market about the Firm's exposure to risks and enhances comparability so that market participants can adequately differentiate between those APs that manage their risks prudently and those that do not.

The information provided here has been reviewed and validated by the Board of the Directors and is in accordance with the rules in force at the time of publication, covering both the qualitative and quantitative items. NCBC intends to publish the Pillar III disclosures on its website annually.

1.4 Material or Legal Impediments between AP and its Subsidiaries

NCBC does not have any material or legal impediments affecting the prompt transfer of capital or repayment of liabilities with any of its subsidiaries.

2 Capital Structure

For regulatory purposes, capital is categorized into two main classes. These are Tier 1 and Tier 2, which are as described below.

2.1 Tier 1 Capital

Tier-1 capital of the Firm consists of paid-up capital, reserves (other than revaluation reserves), and audited retained earnings and has deductions in the form of dividend expense from retained earnings & negative equity items. As of 31st Dec 2015, the total Tier I capital of the Firm is SAR 999 million (31 Dec 2014: SAR 1,222 million).

Tier-1 capital	2015	2014
	SAR '000	
Paid-up capital	1,000,000	1,000,000
Audited retained earnings	165,293	292,384
Share premium		
Reserves (other than revaluation reserves)	80,248	47,748
Tier-1 capital contribution		
Deductions from Tier-1 capital	(246,444)	(118,027)
Total Tier-1 capital	**999,097**	**1,222,105**

Table 1 – Tier 1 Capital

2.2 Tier 2 Capital

Tier-2 capital of the Firm consists of revaluation reserves, which resulted from the change in fair value of Available For Sale (AFS) equity investments. As of 31st Dec 2015, the total Tier 2 capital of the Firm is SAR 12 million (As at 31 Dec 2014: SAR 8.8 million).

Tier-2 capital	2015	2014
	SAR '000	
Subordinated loans	-	-
Cumulative preference shares	-	-
Revaluation reserves	11,953	8,765
Other deductions from Tier-2 (-)	-	-
Deduction to meet Tier-2 capital limit (-)	-	-
Total Tier-2 capital	**11,953**	**8,765**
TOTAL CAPITAL BASE (Tier-1 & 2)	**1,011,050**	**1,230,870**

Table 2 – Tier-2 Capital and Total capital Base

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

3 Capital Adequacy

NCBC views "Capital Adequacy" as paramount to cover unexpected losses and hence maintains adequate levels of capital to cover risks inherent in its business operations and to support current & future activities.

3.1 Capital Adequacy Ratio and Minimum Capital Requirements

For the year ending 31st December, 2015, the Firm is adequately capitalized with a Tier I capital ratio of 2.38x (2014: 2.40x) and a total capital ratio of 2.41x (2014: 2.41x). This is well above CMA's minimum requirement of 1.00x.

The following table reflects the comparative analysis of capital adequacy numbers in 2015 and 2014.

(All amounts in '000 SAR)

Particulars	As of 31st Dec, 2015	As of 31st Dec, 2014	% Change
Tier I Capital	**999,097**	1,222,105	-18.25%
Tier II Capital	**11,953**	8,765	36.36%
Total	**1,011,050**	1,230,870	-17.86%
Minimum capital required			
Market Risk	162,919	241,268	-32.47%
Credit Risk	160,437	152,367	5.3%
Operational Risk	97,037	116,460	-16.68%
Total	**420,393**	**510,095**	**-17.58%**
Tier-1 Capital Ratio	2.38x	2.40x	-0.83%
Total Capital Ratio	2.41x	2.41x	-
Surplus (Deficit) in Capital Base	590,656	720,775	-18.05%

Table 3 – Comparison of Capital adequacy and capital numbers – 2015 vs. 2014

Please refer to Appendix 2 for more detailed disclosures on capital adequacy.

3.2 ICAAP

NCBC has an Internal Capital Adequacy Assessment Process (ICAAP) in which it examines its risk profile from primarily a capital adequacy point of view. The ICAAP at the Firm evaluates the Firm's business strategy, its forecasts for risk weighted assets for the next three years, its risk appetite and the assessment of specific risk exposures, their mitigation and the capital allocated to these risks. In effect, the ICAAP is a crucial part of the Firm's strategic decision making process and risk management framework. This framework and the results are up dated and reviewed by the board on an annual basis.

3.3 Scenario Analysis and Stress Testing

Scenario analysis and stress testing refer to various techniques (quantitative and/or qualitative) used by the Firm to assess their susceptibility to exceptional but probable events. It is a risk management technique used to evaluate the potential effects of specific events and/or movement in a set of financial variables on the Firm's financial condition. NCBC has in place a robust stress testing process that ensures that sufficiently adverse scenarios are considered while testing the resilience and the ability of the Firm to absorb such shocks. Senior Management is regularly informed of the stress test outcomes to ensure that any unacceptable risks are mitigated.

4 Risk Management

Risk management is an integral function within NCBC encompassing all risk groups. The mission of Risk Management Department at NCBC is to develop and maintain programs that protect the Firm from unanticipated losses. This involves establishing and strengthening the risk management practices at NCBC as well as to create robust risk infrastructure at the Firm for various stakeholders.

4.1 Scope of Risk Management

4.1.1 Risk Management Strategies and processes

NCBC's risk management framework encompasses all of the activities at the Firm that affect its risk profile. Risk management is the process by which Firm identifies, measures, controls and monitors its risk exposures. These include decisions and actions to avoid, mitigate, transfer, insure against, put limits on or explicitly assume risk. Thus, risk management may be viewed as a "life cycle" which includes the following four stages:

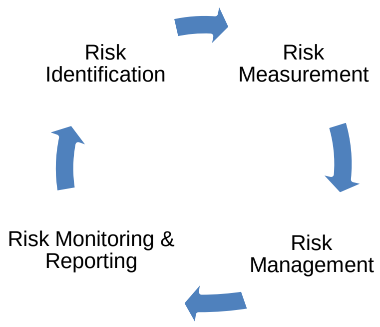

Figure 1 - Risk Management lifecycle

The Firm's strategic objective is to optimize the risk / return trade-off by either maximizing return for a given level of risk or minimizing the risk for a desired level of return.

4.1.2 Structure and organization of Risk Management and Compliance function

The Head of Risk is responsible for the overall risk management function at department as well as organization level. Risk Management department acts as the coordinator and main driver with respect to the ICAAP and their roles and some of its responsibilities in that regard are as follows:

- Management of Market, Credit and Operational risks across business lines (Brokerage, Asset Management & Investment Banking);
- Ensuring NCBC's adherence to the capital adequacy guidelines mandated by CMA;
- Monitoring liquidity risk at organizational level as well as business unit levels; and
- Developing and implementing the ICAAP framework at the Firm.

NCBC's Risk Management Structure is described in the diagram below.

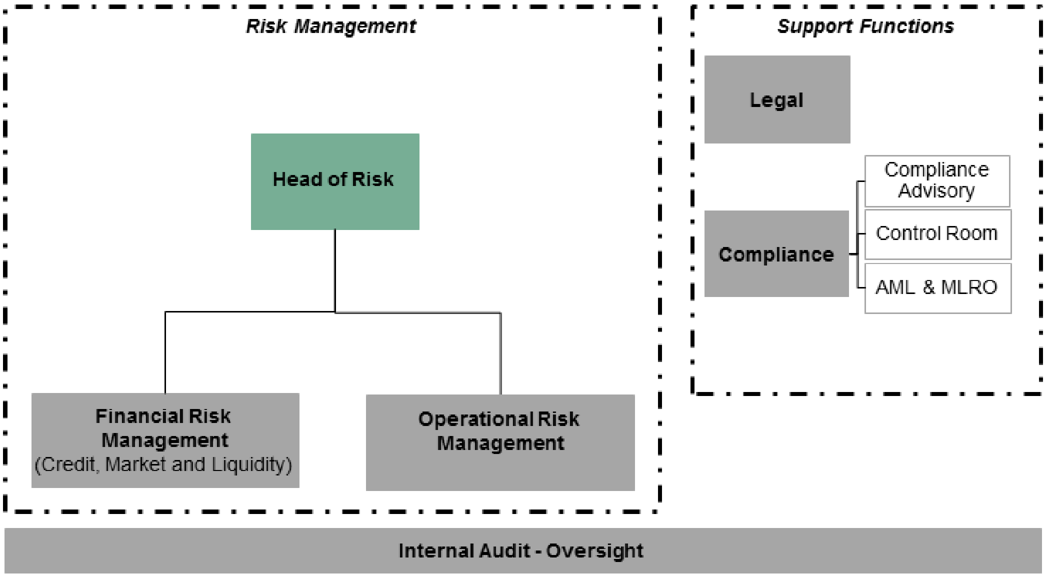

Figure 2 - Risk Management structure at NCBC

In 2015, the firm reconstituted the former Internal Controls Committee and Operations Excellence (ICC) to a Risk Committee with risk oversight responsibilities and to provide support to the CEO to manage NCBC's risk exposure and ensure implementation of procedures and policies to meet regulatory requirements. As an outcome, it may recommend specific actions to address specific risk and capital results. The Committee is chaired by the Head of Risk Management and its membership is appointed by the CEO and include Head of Compliance, Head of Legal, Head of Finance, Head of Planning (Wealth Management) and Head of Operations and Technology and invitees from business.

4.1.3 Scope and nature of risk reporting and measurement systems

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

NCBC's risk monitoring therefore contains internal financial, operational, and compliance data, as well as external market information about events and conditions that are relevant for decision-making. The reports are distributed at appropriate levels of management. The reports reflect any identified problem area and motivate timely corrective action on outstanding issues. The reports are analysed with a view to improve existing risk management performance as well as to develop new risk management policies and procedures.

NCBC periodically reviews its risk limitation and control strategies and adjusts the Firm's risk profile accordingly using appropriate strategies in light of the overall risk appetite. Risk identification, evaluation, and management in respect of particular activities are carried out in accordance with internal processes. Risks are assessed with reference to the Firm's strategic priorities, taking into account the likelihood of the risk occurring, potential impact and the range of implications.

4.1.4 Policies and guidelines for monitoring and mitigating risks

NCBC has established risk policies and limits to monitor risks across various businesses and at the Firm level as a whole. Risk limits are thresholds to monitor that actual risk exposure does not deviate from the Firm's Risk Appetite. Exceeding risk limits typically acts as a trigger for management action. This requires a firm to consider at a more granular level how much risk individual units/heads should be allowed to take. Changes in the regulatory requirements (e.g. new capital or liquidity requirements) can fundamentally lead to a revision of the Risk Appetite.

4.2 Credit risks

The Credit risk is defined as the risk of loss resulting from a drop in credit worthiness of issuers of securities, counterparties and any debtors to which authorized persons are exposed. It is the potential risk of a counterparty failing to meet its obligations in accordance with agreed terms. Counterparty credit risk is managed through an established and approved counterparty risk framework including approved counterparty limits and monitoring by the Risk Management Department.

4.2.1 Credit risk exposures

NCBC has complied with CMA regulations and used the Standardized Approach in the calculation of the capital required for Credit risk

The major types of credit exposures are detailed in Appendix 3

4.2.2 External ratings

For exposures, the relevant counterparties' rating bands are also considered as per the rating of external agencies. In the use of external ratings, NCBC recognizes four Credit Rating Agencies ("CRAs") which are Standard and Poor's, Fitch, Moody's and Capital Intelligence. Compared to 2014, there have been no changes in the list of CRAs in 2015 and this is the same list of CRAs listed and referred to in the CMA Prudential Rules. The Risk Management policy also maintains an external conversion and ratings sheet for parity amongst the rating agencies approved by the CMA.

4.2.3 Credit quality steps

In compliance with CMA prudential requirements, NCBC uses credit quality steps to determine appropriate risk weights for credit risk exposures for capital charge calculations. To identify the credit quality step the Firm uses the following correspondence table between the credit rating agency's credit ratings and the steps in the credit quality scales as prescribed by CMA.

Credit Quality Step -->	1	2	3	4	5	6
Standards & Poor's	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below
Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below
Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below
Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below

Table 4 – Credit Quality Steps and CRA's Rating Mapping

Please refer to Appendix 4 for the details. Note that NCBC considers only long-term ratings for Capital Charge calculation.

4.2.4 Past Due

NCBC defines a financial asset as 'Past Due' when counterparty has failed to make a payment that is contractually due. As of 31st Dec 2015 (December 31, 2014: Past Due Nil), the Firm does not have any past due credit exposures..

4.2.5 Impairments and Specific Provisions

The Firm exercises judgment to consider impairment on the available for sale equity investments. This includes determination of a significant or prolonged decline in the fair value below cost. The determination of what is 'significant' or 'prolonged' is done in accordance with approved internal guidelines. In addition, the Firm considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Firm has recognized an impairment loss of SAR 0.69 million as of Dec 31st 2015 (December 31, 2014: SAR 25.05million) on available-for-sale investments in the consolidated statement of income. The table below illustrates the movement in the provision for available-for-sale investments during the year:

(All amounts in '000 SAR)

Exposure Class	As of Dec 31st 2015	As of Dec 31st 2014
Opening Balance	109,934	93,663
Provision for Impairment	686	25,046
Reversal of provision for impairment	--	(8,775)
Closing Balance	**110,620**	**109,934**

Table 5 - Impairment Reconciliation

4.2.6 Geographic Distribution of Exposures

NCBC has about 4/5th of its assets in Kingdom of Saudi Arabia. Outside KSA they spread across, Bahrain, UAE, Egypt, USA as well as few other regions in Europe and North Americas. The following table below shows the geographic distribution of the Firm's balance sheet across various regions.

(All amounts in '000 SAR as of 31st Dec 2015)

Exposure Class	Totals	KSA	Bahrain	UAE	Egypt	North America	Other Regions
Balances with banks	516,754	449,612	1,113	18,997	--	47,001	31
Amount due from NCB	5,707	5,707	--	--	--	--	--
Investments	911,420	737,083	-	--	--	174,337	--
Prepayments and other assets	99,505	82,203	9,032	8,270	--	--	--
Investment in an associate	25,221	--	--	--	25,221	--	--
Property and equipment	171,966	171,966	--	--	--	--	--
Total Assets	**1,730,573**	**1,446,571**	**10,145**	**27,267**	**25,221**	**221,338**	**31**
Dividend payable	372,405	372,405	--	--	--	--	--
Deferred income	909	909	--	--	--	--	--
Amount due to The NCB	6,195	6,195	--	--	--	--	--
Account payable and accruals	190,853	182,721	446	7,686	--	--	--
Employee benefits	60,987	--	--	--	--	--	--
Total Liabilities	**631,349**	**623,217**	**446**	**7,686**	--	**--**	**--**

(All amounts in '000 SAR as of 31st Dec 2014)

Exposure Class	Totals	KSA	Bahrain	UAE	Egypt	North America	Other Regions
Balances with banks	200,551	129,550	9,569	22,273	--	39,119	40
Amount due from NCB	6,886	6,886	--	--	--	--	--
Investments	1,205,426	999,905	--	11,905	--	193,616	--
Prepayments and other assets	56,066	46,302	3,690	6,074	--	--	--
Investment in an associate	28,260	--	--	--	28,260	--	--
Property and equipment	150,838	150,085	--	753	--	--	--
Total Assets	1,648,027	1,332,728	13,259	41,005	28,260	232,735	40
Dividend payable	2,729	2,729	--	--	--	--	--
Deferred income	3,284	3,284	--	--	--	--	--
Amount due to The NCB	13,497	13,497	--	--	--	--	--
Account payable and accruals	228,145	214,446	2,882	10,817	--	--	--
Employee benefits	68,023	60,941	7,082	--	--	--	--
Total Liabilities	315,678	294,897	9,964	10,817	--	--	--

Table 6 – Distribution of exposures by Geography

4.2.7 Residual Contractual Maturity Breakdown

An analysis of the residual maturity profile of NCBC's assets has been conducted segregating them in different maturity buckets. The below table illustrates the results.

(All amounts in '000 SAR as of 31st Dec 2015)

Particulars	Up to 3 months	>3 to 12 months	>1 to 5 years	> 5 years	Non Maturity	Total
Inflows / Assets						
Current Assets						**1,461,841**
Cash in hand					117	117
Deposits with other banks	516,637					516,637
HFT Investments					847,209	847,209
Amount due from The NCB	5,707					5,707
Prepayments and other assets	92,171					92,171
Non-Current Assets						**268,732**
Investments			64,211			64,211
Investment in an associate					25,221	25,221
Property and equipment					171,966	171,966
Prepayments and other assets			7,334			7,334
Total Assets	**614,515**		**71,545**		**1,044,513**	**1,730,573**
Off-balance sheet Items					**11,908**	

(All amounts in '000 SAR as of 31st Dec 2014)

Particulars	Up to 3 months	>3 to 12 months	>1 to 5 years	> 5 years	Non Maturity	Total
Inflows / Assets						
Current Assets						**1,387,199**
Cash in hand	127	--	--	--	--	127
Deposits with other banks	200,424	--	--	--	--	200,424
HFT Investments	--	--	--	--	1,135,140	1,135,140
Amount due from The NCB	6,886	--	--	--	--	6,886
Prepayments and other assets	42,958	1,791	--	--	--	44,749
Non-Current Assets						**260,701**
Investments	--	--	70,286	--	--	70,286
Investment in an associate	--	--	--	--	28,260	28,260
Property and equipment	--	--	--	--	150,838	150,838
Prepayments and other assets	--	--	11,317	--	--	11,317
Total Assets	**250,395**	**1,791**	**81,603**	**--**	**1,314,238**	**1,648,027**
Off-balance sheet Items					**19,256**	

Table 7 – Residual Maturity Analysis

4.3 Credit Risk Mitigation

Any Credit risk mitigation related transaction comes under purview of Risk Management Department. An independent risk function performs an internal credit review before engaging in transactions with a potential counterparty. Credit guidelines at NCBC ensure that limits are approved for only those counterparties that meet the appropriate credit criteria and credit review is conducted annually. As of December 31, 2015 (December 31, 2014: Nil), NCBC does not have any exposures that are covered by financial collateral, guarantees or netting agreements.

4.3.1 Credit Risk Exposures before/ after Credit Risk mitigation

Please refer to Appendix 5 for the details.

4.4 Counterparty Credit Risk and Off Balance Sheet Exposures

NCBC does not have exposures to OTC derivatives, repos and reverse repos and securities borrowing/ lending, hence this section does not have any disclosure on counterparty credit risk. In terms of off-balance sheet items, NCBC has SAR 11.91 million of off-balance sheet assets as of 31st Dec 2015 (As at 31 Dec 2014: SR 19.3 million). These are future commitments arising from leasehold commitments, PE investments and IT contracts. For more details, please refer to Appendix 3.

4.5 Market Risk

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

4.5.1 Market Risk Management

The guidelines for managing Market risk are contained in the Risk Management policy. Market risk is monitored on a daily basis by the Risk Management Department.

NCBC's Equity and Fund risk is derived from its Held for trading investments. NCBC has a very conservative approach and most of these investments are in their own money market funds (~75%). A relatively small portion is in hedge funds for diversification purposes. The Firm has limited exposure to foreign exchange risk as its Foreign Exchange (FX) risk exposure is mostly to USD and GCC currencies which are pegged to the USD. Lastly, the firm has Excess Exposure Risk due to its investments in its own Money Market Funds because these exposures are in excess of 25% of the capital base and therefore attract additional capital charge as per the CMA guidelines. These funds are invested in well diversified and highly liquid money market instruments. The capital charge for these identified Market risks are shown in the following subsections.

The Firm manages Market Risk through the establishment of risk limits. These risk limits are established using a variety of risk measurement tools, including sensitivity analysis, value-at-risk and stress test methodologies.

4.5.2 Market Risk Capital Charge

In compliance with CMA guidelines, NCBC has used Standardized approach to determine capital requirement for the Market risk. The breakdown of the capital charge across risk types is indicated below:

(All amounts in '000 SAR)

Risk	Capital Required	
	31 Dec 2015	31 Dec 2014
Equity & Fund Risk	135,554	181,622
Interest Rate Risk	--	--
Commodities Risk	--	--
FX Risk	16,614	15,823
Underwriting Risk	--	--
Excess Exposure Risk	10,751	43,822
Settlement Risk	--	--
Total	**162,919**	**241,268**

Table 8 – Market Risk Capital

4.6 Operational Risk

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

4.6.1 Operational Risk Management

The Firm considers breakdowns in internal controls and corporate governance as the most important aspect of Operational risk as such breakdowns can lead to financial losses through error, fraud, or failure to perform in a timely manner. The Firm recognizes that good management information systems (MIS) and a strong internal control culture and contingency planning are all crucial elements of effective operational risk management and takes measures to continually develop procedures and systems to support such requirements.

Operational risks are reviewed annually to delete expired risks and identify newly emerging risks in order to ensure that internal controls are proactively realigned to mitigate these emerging risks. Individual line managers are responsible for identifying and assessing the operational risks of their area; this process is supported by the Head of Risk.

The Firm follows a structured method to identify and mitigate Operational Risk and this includes identification, quantification, and monitoring. In 2015, the firm revamped its approach to operational risk management and conducted an enterprise-wide operational risk project to refresh its risk library and reassess operational risks within the company. The operational risk project is expected to strengthen the company's risk framework and integrated risk profile for each business unit within the company; which will help business unit heads in managing their business operational risk matters pro-actively.

As part of the improvements launched in 2015, operational risk management reporting mechanisms have been strengthened to manage and mitigate operational risk related incidents, operational loss data is now linked with incident reporting, and finance control processes.

The Firm has also developed a comprehensive Business Continuity Management (BCM) program to maintain and enhance the operational resilience within NCBC. Various plans and procedures like Business Continuity, Incident Management, Emergency response procedures, Business recovery plans and strategy are in place to deal with the continuity of critical Business processes for complete line of Business and support functions and form the BCM framework. In order to ensure adoption of the framework throughout the organization, NCBC has also established the BCM Steering Committee to develop, implement, and monitor the program.

4.6.2 Operational Risk capital charge

In compliance with CMA requirements, the Firm has adopted the Basic Indicator Approach (BIA) as this is a more conservative approach as it leads to a higher capital charge than the Expenditure Based Approach (EBA). The summary is in the below table.

(All Amounts in SAR '000, as of 31st Dec, 2015)

Approach 1	Year	Gross Income	Average Gross Income	Risk Capital Charge (%)	Capital Required
Basic Indicator Approach (BIA)	2013	504,023	646,910	15%	97,037
	2014	757,145			
	2015	679,562			
Approach 2	**Year**	**Expenses**	**Risk Capital Charge (%)**		**Capital Required**
Expenditure Based Approach (EBA)	2015	370,641	25%		92,660
Maximum of (BIA or EBA)					**97,037**

(All Amounts in SAR '000, as of 31st Dec, 2014)

Approach 1	Year	Gross Income	Average Gross Income	Risk Capital Charge (%)	Capital Required
Basic Indicator Approach (BIA)	2012	624,647	628,605	15%	94,291
	2013	504,023			
	2014	757,145			
Approach 2	**Year**	**Expenses**	**Risk Capital Charge (%)**		**Capital Required**
Expenditure Based Approach (EBA)	2014	465,838	25%		116,460
Maximum of (BIA or EBA)					**116,460**

Table 9 – Operational Risk Capital

4.7 Liquidity Risk

Liquidity risk is the inability of an organization to honour payment commitments when they are due and replace funds when they are withdrawn in a timely and cost effective manner. This can be caused by market disruptions or credit downgrades. Effective liquidity risk management therefore helps to ensure the Firm's ability to meet its cash flow obligation and in maintaining diverse funding sources to the Firm. Often, liquidity risk arises due to mismatch in the maturity pattern of assets and liabilities. In the case of surplus situation, liquidity takes the form of opportunity cost in the form of loss of income due to investment of idle funds in low yield assets rather than higher yielding assets.

4.7.1 Liquidity Risk Management

NCBC's Liquidity Management Strategy is characterized by the following elements:

i. Preserving the liquidity and security of cash by investing excess liquidity in NCBC's own money market funds or, alternatively, only with approved counterparties using short-term deposits or murabahas;
ii. In 2015 the Firm did not borrow or use liabilities as a source of funds for any part of its business;
iii. For its liquidity and cash flows, the company relies on operating cash flows, capital resources and proprietary investments as the key sources of funds on a going-concern basis. Should severe liquidity stress scenarios materialize, liquidation of proprietary investments and reserves as well as intra-group facilities are available;
iv. The Head of Finance is responsible for the decisions involving liquidity management. Risk Management and Internal Audit provide independent oversight and control.

The Firm has also identified potential stress scenarios and the contingency plan recognizes liquidity resources that could be accessed under stress conditions. The plan also provides action items that define different levels of liquidity stress. For each level, the plan evaluates funding capacities; specific actions and procedures to be implemented and identifies alternative contingency funding.

4.7.2 Liquidity Reserves

NCBC holds cash required for day to day operational cash requirements in a current deposit account as this can be accessed instantly. The Firm actively manages its daily funding obligations through a number of measures including availability of surplus cash and daily monitoring of Asset Management funding requirements.

4.7.3 Funding Sources

NCBC has no significant short-term liabilities and earning assets are funded by equity. The Firm does not currently use deposits or other instruments to fund its assets.

4.7.4 Risk Measures and Ratios

NCBC prepares a statement of expected cash flows arising at the time of settlement of its assets and liabilities and allocates them in different time intervals in which they are expected to occur. The time intervals are stated below:

Particulars	Up to 3 months	>3 months to 12 months	>1 year to 5 years	> 5 years	Non Maturity

Table 10 – Liquidity Risk Bucketing

The net cash flows across all time intervals are accumulated to observe the quantum of cumulative net cash flow in each bucket. NCBC's, cumulative gap is positive through all the maturity buckets signifying that the Firm has adequate liquidity to meet its funding obligations. Apart from cash flow gap analysis, following ratio is being monitored to maintain appropriate liquidity levels.

. No.	Indicators	Dec 2015	Dec 2014	Inference
1	Current Ratio (Short term Assets / Short Term Liabilities)	2.79	6.74	This reflects the high level of cushion/comfort level in meeting its short-term liabilities and fixed cost payments.

Table 11 – Liquidity Risk – Ratio Analysis

The Current ratio has decreased from 6.74 to 2.79 in 2015 because of dividend payable which was announced on 22 December 2015. The high values of Current Ratio and the Cumulative Gap as % of Total Liabilities ensure that NCBC has ample liquidity.

5 Appendices

5.1 Appendix 1 - Disclosure on Capital Base

Capital Base	31 Dec 2015	31 Dec 2014
	SAR '000	
Tier-1 capital		
Paid-up capital	1,000,000	1,000,000
Audited retained earnings	165,293	292,384
Share premium	--	--
Reserves (other than revaluation reserves)	80,248	47,748
Tier-1 capital contribution	--	--
Deductions from Tier-1 capital	(246,444)	(118,027)
Total Tier-1 capital	**999,097**	**1,222,105**
Tier-2 capital		
Subordinated loans	--	--
Cumulative preference shares	--	--
Revaluation reserves	11,953	8,765
Other deductions from Tier-2 (-)	--	--
Deduction to meet Tier-2 capital limit (-)	--	--
Total Tier-2 capital	**11,953**	**8,765**
Total Capital Base	**1,011,050**	**1,230,870**

5.2 Appendix 2 - Disclosure on Capital Adequacy

(All Amounts in SAR '000, as of 31st Dec, 2015)

Exposure Class	Exposures before CRM		Net Exposures after CRM	Risk Weighted Assets	Capital Requirement
Credit Risk					
On-balance Sheet Exposures					
Governments and Central Banks	--		--	--	--
Authorized Persons and Banks (including cash)	522,346		522,346	104,469	14,626
Corporates	--		--	--	--
Retail	--		--	--	--
Investments	166,914		166,914	551,558	77,218
Securitization	--		--	--	--
Margin Financing	--		--	--	--
Other Assets	118,684		118,684	404,941	56,689
Total On-Balance sheet Exposures	**807,944**		**807,944**	**1,060,968**	**148,533**
Off-balance Sheet Exposures					
OTC/Credit Derivatives	--		--	--	--
Repurchase agreements	--		--	--	--
Securities borrowing/lending	--		--	--	--
Commitments	11,909		11,909	85,030	11,904
Other off-balance sheet exposures	--		--	--	--
Total Off-Balance sheet Exposures	**11,909**		**11,909**	**85,030**	**11,904**
Total On and Off-Balance sheet Exposures	**819,853**		**819,853**	**1,145,999**	**160,437**
Prohibited Exposure Risk Requirement	--		--	--	--
Total Credit Risk Exposures					**160,437**
Market Risk	**Long Position**	**Short Position**			
Interest rate risks	--	--			--
Equity price risks	--	--			--
Risks related to investment funds	847,210	--			135,554
Securitization/ re-securitization positions	--	--			--
Excess exposure risks	286,360	--			10,751
Settlement risks and counterparty risks	--	--			--
Foreign exchange rate risks	802,639	303			16,614
Commodities risks.	--	--			--
Total Market Risk Exposures					**162,919**
Operational Risk					**97,037**
Minimum Capital Requirement					**420,393**
Surplus/ (Deficit) in Capital					**590,656**
Total Capital Ratio (time)					**2.41**

5.2 Appendix 2 - Disclosure on Capital Adequacy - (Continued)

(All Amounts in SAR '000, as of 31st Dec, 2014)

All Amounts in SAR '000					
Exposure Class	**Exposures before CRM**		**Net Exposures after CRM**	**Risk Weighted Assets**	**Capital Requirement**
Credit Risk					
On-balance Sheet Exposures					
Governments and Central Banks	--		--	--	--
Authorized Persons and Banks (including cash)	207,437		207,437	41,462	5,805
Corporates	--		--	--	--
Retail	70		70	210	29
Investments	157,743		157,743	555,198	77,728
Securitization	--		--	--	--
Margin Financing	--		--	--	--
Other Assets	98,742		98,742	353,981	49,557
Total On-Balance sheet Exposures	**463,993**		**463,993**	**950,852**	**133,119**
Off-balance Sheet Exposures					
OTC/Credit Derivatives	--		--	--	--
Repurchase agreements	--		--	--	--
Securities borrowing/lending	--		--	--	--
Commitments	--		--	--	--
Other off-balance sheet exposures	19,256		19,256	137,485	19,248
Total Off-Balance sheet Exposures	**19,256**		**19,256**	**137,485**	**19,248**
Total On and Off-Balance sheet Exposures	**483,248**		**483,248**	**1,088,337**	**152,367**
Prohibited Exposure Risk Requirement	--		--	--	--
Total Credit Risk Exposures					**152,367**
Market Risk	**Long Position**	**Short Position**			
Interest rate risks	--	--			--
Equity price risks	--	--			--
Risks related to investment funds	1,135,140	--			181,622
Securitization/ re-securitization positions	--	--			--
Excess exposure risks	752,380	--			43,822
Settlement risks and counterparty risks	--	--			--
Foreign exchange rate risks	770,233	7,003			15,823
Commodities risks.	--	--			--
Total Market Risk Exposures	**2,657,753**	**7,003**			**241,268**
Operational Risk					**116,460**
Minimum Capital Requirement					**510,094**
Surplus/ (Deficit) in Capital					**720,776**
Total Capital Ratio (time)					**2.41**

5.3 Appendix 3 - Disclosure on Credit's Risk Weight

(All Amounts in SAR '000, as of 31st Dec, 2015)

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%	--	--	--	--	--	--	--	--	--	117	--	117	--
20%	--	--	522,346	--	--	--	--	--	--	--	--	522,346	104,469
50%	--	--	--	--	--	--	--	--	--	--	--	--	--
100%	--	--	--	--	--	--	--	--	--	--	--	--	--
150%	--	--	--	--	--	--	--	20,789	--	--	--	20,789	31,184-
200%	--	--	--	--	--	--	--	--	--	--	--	--	--
300%	--	--	--	--	--	--	--	64,126	--	106,672	--	170,798	512,394
400%	--	--	--	--	--	--	--	81,999	--	-	--	81,999	327,996
500%	--	--	--	--	--	--	--	--	--	-	--	--	--
714% (include prohibited exposure)	--	--	--	--	--	--	--	--	--	11,814	11,909	23,800	169,932
Average Risk Weight	0%	0%	20%	0%	0%	300%	0%	352%	0%	358%	714%	225%	
Deduction from Capital Base	--	--	14,626	--	--	--	--	77,218	--	56,689	11,904	--	160,437

5.3 Appendix 3 - Disclosure on Credit's Risk Weight - (Continued)

(All Amounts in SAR '000, as of 31st Dec, 2014)

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%	--	--	--	--	--	--	--	--	--	127	--	127	--
20%	--	--	207,310	--	--	--	--	--	--	--	--	207,310	41,462
50%	--	--	--	--	--	--	--	--	--	--	--	--	--
100%	--	--	--	--	--	--	--	--	--	--	--	--	--
150%	--	--	--	--	--	--	--	2,504	--	--	--	2,504	3,756
200%	--	--	--	--	--	--	--	--	--	--	--	--	--
300%	--	--	--	--	--	70	--	69,515	--	84,791	--	154,376	463,128
400%	--	--	--	--	--	--	--	85,725	--	-	--	85,725	342,899
500%	--	--	--	--	--	--	--	--	--	-	--	--	--
714% (include prohibited exposure)	--	--	--	--	--	--	--	--	--	13,951	19,256	33,206	237,092
Average Risk Weight	0%	0%	20%	0%	0%	300%	0%	352%	0%	358%	714%	225%	
Deduction from Capital Base	--	--	5,805	--	--	29	--	77,728	--	49,557	19,248	**152,367**	

5.4 Appendix 4 - Disclosure on Credit Risk's Rated Exposure

(All Amounts in SAR '000, as of 31st Dec, 2015)

Exposure Class (All amounts in SAR'000)	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 (including cash)		449,373	69,636	3,337	--	--	--	117
Corporates		--	--	--	--	--	--	-
Retail		--	--	--	--	--	--	-
Investments		--	--	--	--	--	--	166,914
Securitisation		--	--	--	--	--	--	-
Margin Financing		--	--	--	--	--	--	-
Other Assets (excluding Cash)		--	--	--	--	--	--	118,564
Off-balance sheet commitments								11,909
Total		**449,373**	**69,636**	**3,337**	--	--	--	**297,504**

5.4 Appendix 4 - Disclosure on Credit Risk's Rated Exposure – (Continued)

(All Amounts in SAR '000, as of 31st Dec, 2014)

Exposure Class (All amounts in SAR'000)	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 (including cash)		136,322	70,083	905	--	--	--	127
Corporates		--	--	--	--	--	--	-
Retail		--	--	--	--	--	--	70
Investments		--	--	--	--	--	--	157,743
Securitisation		--	--	--	--	--	--	-
Margin Financing		--	--	--	--	--	--	-
Other Assets (excluding Cash)		--	--	--	--	--	--	98,742
Off-balance sheet commitments								19,256
Total		**136,322**	**70,083**	**905**	--	--	--	**275,938**

5.5 Appendix 5 - Disclosure on Credit Risk Mitigation (CRM)

(All Amounts in SAR '000, as of 31st Dec, 2015)

Exposure Class (All amounts in SAR'000)	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	--	--	--	--	--	--
Authorized Persons and Banks (including cash)	522,463	--	--	--	--	522,463
Corporates	--	--	--	--	--	--
Retail	--	--	--	--	--	--
Investments	166,914	--	--	--	--	166,914
Securitization	--	--	--	--	--	--
Margin Financing*	--	--	--	--	--	--
Other Assets	118,564	--	--	--	--	118,564
Total On-Balance sheet Exposures	**807,941**	--	--	--	--	**807,941**
Off-balance Sheet Exposures						**0**
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	11,909	--	--	--	--	11,909
Total Off-Balance sheet Exposures	**11,909**	--	--	--	--	**11,909**
Total On and Off-Balance sheet Exposures	**819,850**	--	--	--	--	**819,850**

5.5 Appendix 5 - Disclosure on Credit Risk Mitigation (CRM) – (Continued)

(All Amounts in SAR '000, as of 31st Dec, 2014)

Exposure Class (All amounts in SAR'000)	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	--	--	--	--	--	--
Authorized Persons and Banks (including cash)	207,437	--	--	--	--	207,437
Corporates	--	--	--	--	--	--
Retail	70	--	--	--	--	70
Investments	157,743	--	--	--	--	157,743
Securitization	--	--	--	--	--	--
Margin Financing*	--	--	--	--	--	--
Other Assets	98,742	--	--	--	--	98,742
Total On-Balance sheet Exposures	**463,993**	--	--	--	--	**463,993**
Off-balance Sheet Exposures						**0**
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	19,256	--	--	--	--	19,256
Total Off-Balance sheet Exposures	**19,256**	--	--	--	--	**19,256**
Total On and Off-Balance sheet Exposures	**483,248**	--	--	--	--	**483,248**