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INDEPENDENT AUDITOR REASONABLE ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF SAUDI KUWAITI FINANCE HOUSE (A SAUDI CLOSED JOINT STOCK COMPANY)

Scope:

We have been engaged by Saudi Kuwaiti Finance House (the “Company”) to perform a ‘reasonable assurance engagement’ as defined by International Standards on Assurance Engagements endorsed in the Kingdom of Saudi Arabia, here after referred to as the engagement, to report on Company’s Compliance with Prudential Rules (the “Rules”) issued by the Capital Market Authority (“CMA”) (the “Subject Matter”) contained in the Company’s accompanying schedule of Capital Adequacy (the “Schedule”) setting out the calculation of the minimum capital required and capital adequacy ratios of Company as of 31 December 2021 prepared by management (the “Appendix A”).

Criteria applied by Saudi Kuwaiti Finance House:

In preparing the Subject Matter, Saudi Kuwaiti Finance House has applied the below criteria (“the Criteria”). Such Criteria were specifically designed for schedule of Capital Adequacy; As a result, the subject matter information may not be suitable for another purpose.

- Prudential Rules issued by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G (the “Rules”).

Management’s responsibilities:

Saudi Kuwaiti Finance House’s management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY’s responsibilities

Our responsibility is to express an opinion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (“ISAE 3000”) Revised as endorsed in the Kingdom of Saudi Arabia, and the terms of reference for this engagement as agreed with Company dated 17 October 2021. Those standards require that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR REASONABLE ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF SAUDI KUWAITI FINANCE HOUSE
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

EY's responsibilities (continued)

We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our Independence and Quality Control:

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants as endorsed in Kingdom of Saudi Arabia, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1 , *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed:

Our procedures included, but were not limited to:

- Obtained the Schedule and management's computation supporting the amounts in the Schedule;
- Conducted interviews with relevant members of Company's management and staff in connection to the Company's overall compliance framework, related policies and established processes, systems and controls for ensuring and monitoring compliance with the Rules;
- Inspected the relevant clauses of the Rules and ensured that these Rules were appropriately considered by management in the preparation of the Schedule;
- Checked information presented in the Schedule to the management's computation supporting the amount in the Schedule and the amounts in such computation to the Company's underlying books and records; and
- Checked the clerical accuracy of the Schedule.

We also performed such other procedures as we considered necessary in the circumstances.

Other Matter:

- The attached Schedule (Appendix A) has been stamped by us for identification purposes.

Opinion:

In our opinion, accompanying schedule (Appendix A) as of 31 December 2021 is presented, in all material respects, in accordance with Rules issued by the CMA.



INDEPENDENT AUDITOR REASONABLE ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF SAUDI KUWAITI FINANCE HOUSE
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

Restricted use:

This report is intended solely for the information and use of Saudi Kuwaiti Finance House and Capital Market Authority and is not intended to be and should not be used by anyone other than those specified parties.

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)

Riyadh: 24 Sha'ban 1443H
(27 March 2022)





APPENDIX A

REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

Capital Market Authority (CMA) has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	December 31, 2021 SR'000	December 31, 2020 SR'000
Capital base:		
Tier 1 Capital	373,186	393,632
Tier 2 Capital	27	-
Total Capital Base	373,213	393,632
Minimum Capital:		
Market Risk	3,097	2,996
Credit Risk	94,203	137,097
Operational Risk	4,157	7,478
Total	101,457	147,571
Total Capital Ratio (time)	3.68	2.67
Surplus	271,756	246,061

- a) Capital Base of the Company comprises of:
- Tier-1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves.
 - Tier-2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves.
- b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules issued by the CMA.
- c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

