

**Falcom Financial Services**  
**(A Saudi Joint Stock Company)**

**Special Purpose Report on the Schedule of Capital Adequacy**



**INDEPENDENT AUDITORS' SPECIAL PURPOSE REPORT**  
**ON THE SCHEDULE OF CAPITAL ADEQUACY**

To the Management of  
Falcom Financial Services

**Scope**

We have audited the accompanying Schedule of Capital Adequacy (the "Schedule") setting out the capital adequacy position of **Falcom Financial Services** (the "Company") as at December 31, 2015. This Schedule was prepared by the management of the Company and presented to us with all necessary information and explanations, which we required.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia and included such tests of the accounting records and other procedures as we considered necessary to obtain a reasonable degree of assurance to enable us to express an opinion on this Schedule.

**Basis of Preparation**

The amounts set out in the accompanying Schedule were computed and prepared by the management of the Company in accordance with the provisions of the Prudential Rules issued by the Capital Market Authority ("CMA").

**Unqualified Opinion**

In our opinion, the accompanying Schedule, presents fairly, in all material respects, the capital adequacy position of the Company as at December 31, 2015 and the minimum capital computations in accordance with the provisions of the Prudential Rules issued by the CMA.

**Restriction of use**

This report is issued by us solely for the Company's compliance with the requirements of the Prudential Rules issued by CMA, and is not intended to be, and should not be used for any other purposes or to be distributed to any other parties other than CMA.

**PricewaterhouseCoopers**

By: \_\_\_\_\_  
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License Number 369

Riyadh, Saudi Arabia  
Date: March 24, 2016

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**Falcom Financial Service**  
**Schedule of Capital Adequacy**  
**As of and for the year ended December 31, 2015**

**Minimum capital and the total capital ratio**

In accordance with Article 74(b) of the Prudential Rules issued by Capital Market Authority (the "CMA") (the Rules), given below are the disclosures of the capital base, minimum capital requirement and total capital ratio as at December 31, 2015 and 2014:

	2015 SR'000	2014 SR'000
<b>Capital base</b>		
Tier-I Capital	1,059,683	992,043
Tier-II Capital	-	-
<b>Total capital base</b>	1,059,683	992,043
<b>Minimum capital requirement</b>		
Credit Risk	1,002,116	821,734
Market Risk	897	1,114
Operational Risk	73,610	47,450
<b>Total minimum capital requirement</b>	1,076,623	870,298
<b>Total capital ratio:</b>		
Tier 1 capital ratio (time)	0.98	1.14
Total capital ratio (time)	0.98	1.14
(Deficit)/Surplus in capital	(16,940)	121,745

- a) The above information has been extracted from the annual Capital Adequacy Models as prescribed by the CMA for December 31, 2015 and 2014.
- b) The capital base consists of Tier 1 capital and Tier 2 capital calculated as per Article 4 and 5 of the Rules respectively. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules.
- c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.
- d) The Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company website ([www.falcom.com.sa](http://www.falcom.com.sa)), however that information is not subject to review or audit by the external auditors' of the Company.