

Pillar III Disclosures

Al Rajhi Bank



June 30, 2019



Section	#	Tables and templates	Applicable
1. Overview of Risk Management and RWA	OVA	Bank risk management approach	No
	OV1	Overview of RWA	Yes
	KM1	Key Metrics	Yes
	KM2	Key metrics – TLAC requirements (at resolution group level)	
2. Linkages Between Financial Statements and Regulatory Exposures	LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	No
	LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	
	LIA	Explanations of differences between accounting and regulatory exposure amounts	
3. Composition of Capital And TLAC	CC1	Composition of regulatory capital	Yes
	CC2	Reconciliation of regulatory capital to balance sheet	Yes
	CCA1	Main features of regulatory capital instruments and of other TLAC-eligible instruments	Yes
	TLAC1	Capital and TLAC composition for G-SIBs	No
	TLAC2	Material subgroup entity – creditor ranking at legal entity level	No
4. Macprudential Supervisory	CCyB1	Geographical distribution of credit exposures used in the countercyclical capital buffer	Yes
5. Leverage Ratio	LR1	Summary comparison of accounting assets vs leverage ratio exposure	Yes
	LR2	Leverage ratio common disclosure template	Yes
6. Liquidity	LIQA	Liquidity risk management	No
	LIQ1	Liquidity Coverage Ratio	Yes
	LIQ2	Net Stable Funding Ratio	Yes
7. Credit Risk	CRA	General information about credit risk	No
	CR1	Credit quality of assets	Yes
	CR2	Changes in stock of defaulted loans and debt securities	Yes
	CRB	Additional disclosure related to the credit quality of assets	No
	CRC	Qualitative disclosure requirements related to credit risk mitigation techniques	No
	CR3	Credit risk mitigation techniques – overview	Yes
	CRD	Qualitative disclosures on Banks' use of external credit ratings under the standardised approach for credit risk	No
	CR4	Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	Yes
	CR5	Standardised approach – exposures by asset classes and risk weights	Yes
	CRE	Qualitative disclosures related to IRB models	No
CR6	IRB - Credit risk exposures by portfolio and PD range		
CR7	IRB – Effect on RWA of credit derivatives used as CRM techniques		
CR8	RWA flow statements of credit risk exposures under IRB		
CR9	IRB – Back testing of probability of default (PD) per portfolio		
8. Counterparty Credit Risk	CR10	IRB (specialised lending and equities under the simple risk weight method)	No
	CCRA	Qualitative disclosure related to counterparty credit risk	
	CCR1	Analysis of counterparty credit risk (CCR) exposure by approach	
	CCR2	Credit valuation adjustment (CVA) capital charge	
	CCR3	Standardised approach of CCR exposures by regulatory portfolio and risk weights	
	CCR4	IRB – CCR exposures by portfolio and PD scale	
	CCR5	Composition of collateral for CCR exposure	
	CCR6	Credit derivatives exposures	
CCR7	RWA flow statements of CCR exposures under the Internal Model Method (IMM)		
9. Securitisation	CCR8	Exposures to central counterparties	No
	SECA	Qualitative disclosure requirements related to securitisation exposures	
	SEC1	Securitisation exposures in the Banking book	
	SEC2	Securitisation exposures in the trading book	
10. Market Risk	SEC3	Securitisation exposures in the Banking book and associated regulatory capital requirements – Bank acting as originator or as sponsor	No
	SEC4	Securitisation exposures in the Banking book and associated capital requirements – Bank acting as investor	
	MRA	Qualitative disclosure requirements related to market risk	
	MRB	Qualitative disclosures for Banks using the Internal Models Approach (IMA)	
	MR1	Market risk under standardised approach	
	MR2	RWA flow statements of market risk exposures under an IMA	
11. Operational Risk Qualitative Disclosure	MR3	IMA values for trading portfolios	No
	MR4	Comparison of VaR estimates with gains/losses	No
12. Profit Rate Risk in the Banking Book		Operational Risk Qualitative disclosure	No
		Quantitative /Qualitative disclosure	Yes



1. Overview of Risk Management and RWA

OV1: Overview of RWA

SAR '000s	a	b	c
	RWA		Minimum capital requirements
	Jun-19	Mar-19	Jun-19
Credit risk (excluding counterparty credit risk) (CCR)	225,327,954	226,138,708	18,026,236
Of which standardised approach (SA)	225,327,954	226,138,708	18,026,236
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	-	-	-
Of which standardised approach for counterparty credit risk (SA-CCR)	-	-	-
Of which internal model method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
Of which IRB ratings-based approach (RBA)	-	-	-
Of which IRB Supervisory Formula Approach (SFA)	-	-	-
Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	4,367,467	5,122,523	349,397
Of which standardised approach (SA)	4,367,467	5,122,523	349,397
Of which internal model approaches (IMM)	-	-	-
Operational risk	28,094,351	28,094,351	2,247,548
Of which Basic Indicator Approach	-	-	-
Of which Standardised Approach	28,094,351	28,094,351	2,247,548
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total (1+4+7+8+9+10+11+12+16+19+23+24)	257,789,772	259,355,582	20,623,182

- Credit RWAs slightly decreased due to decrease in retail non-mortgage and corporate exposures.
- The minimum capital requirements applied in column C is 8%.
- The Bank uses Standardized approach to measure capital requirements on the Equity exposure. IMM does not apply.



KM1: Key metrics (at consolidated group level): Overview of risk management, key prudential metrics and RWA categories

SAR '000s		a	b	c	d	e
		Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	50,139,702	51,260,014	48,554,020	51,975,056	52,790,511
1a	Fully loaded ECL accounting model			-	-	-
2	Tier 1	50,139,702	51,260,014	48,554,020	51,975,056	52,790,511
2a	Fully loaded accounting model Tier 1	50,139,702	51,260,014	48,554,020	51,975,056	52,790,511
3	Total capital	52,957,036	54,086,747	51,332,884	54,732,279	55,504,495
3a	Fully loaded ECL accounting model total capital	52,957,036	54,086,747	51,332,884	54,732,279	55,504,495
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	257,789,772	259,355,582	254,506,310	252,629,862	249,355,478
4a	Total risk-weighted assets (pre-floor)	257,789,772	259,355,582	254,506,310	252,629,862	249,355,478
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	19.45%	19.76%	19.08%	20.57%	21.17%
5a	Fully loaded ECL accounting model CET1 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
6	Tier 1 ratio (%)	19.45%	19.76%	19.08%	20.57%	21.17%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.45%	19.76%	19.08%	20.57%	21.17%
7	Total capital ratio (%)	20.54%	20.85%	20.17%	21.67%	22.26%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.54%	20.85%	20.17%	21.67%	22.26%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical bugger requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.50%	0.50%	0.50%	0.50%	0.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3.00%	3.00%	3.00%	3.00%	3.00%
12	CET1 available after meeting the bank's minimum capital requirements (%)	11.45%	11.76%	11.08%	12.57%	13.17%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	383,290,676	377,927,998	377,675,579	369,122,730	360,339,055
14	Basel III leverage ratio (%) (row 2/row 13)	13.08%	13.56%	12.86%	14.08%	14.65%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	13.08%	13.56%	12.86%	14.08%	14.65%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	13.08%	13.56%	12.86%	14.08%	14.65%
Liquidity Coverage Ratio¹						
15	Total HQLA	73,462,009	72,216,087	69,421,856	75,479,798	74,515,615
16	Total net cash outflow	42,794,812	39,521,810	35,335,318	39,827,024	35,828,464
17	LCR ratio (%)	172%	183%	196%	190%	208%
Net Stable Funding Ratio						
18	Total available stable funding	292,898,709	288,889,269	281,442,784	286,617,087	285,395,570
19	Total required stable funding ²	216,589,131	213,453,516	211,272,724	203,524,865	200,649,042
20	NSFR ratio (%)	135%	135%	133%	141%	142%

- Reduction in CET December 2018 is due to materialization of Zakat demand. The impact of this reduction caused reduction in both leverage ratio and capital adequacy ratio.

¹ LCR computed as Quarterly Average.

² Includes Off Balance sheet component which is added to the Required Stable Funding (RSF).



2. Composition of Capital and TLAC

CC1- Composition of regulatory capital

SAR '000s		Amounts
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	25,000,000
2	Retained earnings	6,174,238
3	Accumulated other comprehensive income (and other reserves)	18,965,464
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-
5	Common share capital issued by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory deductions	50,139,702
Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences	-
11	Cash flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitization gain on sale (as set out in paragraph 36 of Basel III securitization framework)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined benefit pension fund net assets	-
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding 15% threshold	-
23	Of which: significant investments in the common stock of financials	-
24	Of which: mortgage servicing rights	-
25	Of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common Equity Tier 1	-
29	Common Equity Tier 1 capital (CET1)	50,139,702
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	Of which: classified as equity under applicable accounting standards	-
32	Of which: classified as liabilities under applicable accounting standards	-
33	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-
35	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-
36	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments	-
38	Reciprocal cross-holdings in additional Tier 1 instruments	-
39	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
41	National specific regulatory adjustments	-
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1= CET1 + AT1)	50,139,702



Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase-out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	Of which: instruments issued by subsidiaries subject to phase-out	-
50	Provisions	2,817,334
51	Tier 2 capital before regulatory adjustments	2,817,334
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-
54	Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	-
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	2,817,334
59	Total regulatory capital (TC = T1 + T2)	52,957,036
60	Total risk-weighted assets	257,789,772
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	19.45%
62	Tier 1 (as a percentage of risk-weighted assets)	19.45%
63	Total capital (as a percentage of risk-weighted assets)	20.54%
64	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	8%
65	Of which: capital conservation buffer requirement	2.5%
66	Of which: bank-specific countercyclical buffer requirement	0%
67	Of which: G-SIB D-SIB buffer	0.5%
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	11.45%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-
71	National total capital minimum (if different from Basel III minimum)	-
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-
73	Significant investments in common stock of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	2,817,334
77	Cap on inclusion of provisions in Tier 2 under standardized approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase-out arrangements	-
83	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase-out arrangements	-
85	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-



CC2: Reconciliation of regulatory capital to balance sheet

SAR '000s	a	b
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	Jun-19	Jun-19
Assets		
Cash and balances at central banks	40,197,312	79,453,171
Items in the course of collection from other banks	28,232,074	31,226,724
Loans and advances to customers	238,496,224	248,272,853
Available for sale financial investments	45,867,772	2,578,414
investment properties	1,289,469	-
Property, plant and equipment	10,531,008	10,531,008
Other Assets	4,905,709	4,905,709
Total assets	369,519,568	376,967,879
Liabilities		
Deposits from banks	2,138,906	-
Customer accounts	300,563,170	-
Other liabilities	16,677,790	-
Total liabilities	319,379,866	-
Shareholders' equity		
Paid-in share capital	25,000,000	25,000,000
Of which: amount eligible for CET1	25,000,000	25,000,000
Of which: amount eligible for AT1	25,000,000	25,000,000
Retained earnings	2,424,238	2,424,238
Proposed Dividends	3,750,000	3,750,000
Accumulated other Reserves	(284,536)	(284,536)
Total shareholders' equity	50,139,702	50,139,702

CCA1: Main features of regulatory capital instruments and of other TLAC-eligible instruments

	Quantitative / qualitative information
1 Issuer	AlRajhi Bank
2 Unique identifier (e.g. CUSPIN, ISIN or Bloomberg identifier for private placement)	RJHI.AB
3 Governing law(s) of the instrument	The instrument is governed by the laws of the Kingdom of Saudi Arabia
3.a Means by which enforceability requirement of section 13 of the TLAC term sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	Not Applicable
4 Transitional Basel III rules	Not Applicable
5 Post-transitional Basel III rules	Not Applicable
6 Eligible at solo/group/group and solo	Not Applicable
7 Instrument type	Not Applicable
8 Amount recognized in regulatory capital (Currency in mil, as of most recent reporting)	Not Applicable
9 Par value of instrument	Not Applicable
10 Accounting classification	Not Applicable
11 Original date of issuance	Not Applicable
12 Original date of issuance	Not Applicable
13 Original maturity date	Not Applicable
14 Option call date, contingent call dates and redemption amount	Not Applicable
15 Subsequent call dates if applicable	Not Applicable
16 Fixed or Floating dividend/coupon	Not Applicable
17 Coupon rate and any related index	Not Applicable
18 Existence of a dividend stopper	Not Applicable



3. Macroprudential Supervisory

CCyB1 – Geographical distribution of credit exposures used in the countercyclical capital buffer

Geographical breakdown	Countercyclical capital buffer rate	Bank-specific countercyclical rate
KSA	0.00%	0.00%
GCC and ME	0.0% to 2.5%	0.003%
South East Asia	0.0%	0.00%
Others	0.0% to 2.5%	0.00%
Total		0.003%



4. Leverage Ratio

LR1: Summary comparison of accounting assets vs leverage ratio exposure

TABLE 1: LEVERAGE DISCLOSURE		
Summary comparison of accounting assets versus leverage ratio exposure measure		Table 1
Row #	Item	SAR '000s
1	Total consolidated assets as per published financial statements	369,519,568
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	6,322,797
7	Other adjustments ³	7,448,311
8	Leverage ratio exposure	383,290,676

LR2: Leverage ratio common disclosure template

TABLE 2: LEVERAGE DISCLOSURE		
#	Item	SAR '000s
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	376,967,879
2	(Relevant Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	376,967,879
Derivative Exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for Potential Financial Exposure (PFE) associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Credit Conversion Factor (CCR) exposure for Security Financing Transaction (SFT) assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	14,866,721
18	(Adjustments for conversion to credit equivalent amounts)	-8,543,923
19	Off-balance sheet items (sum of lines 17 and 18)	6,322,798
Capital and total exposures		
20	Tier 1 capital	50,139,702.00
21	Total exposures (sum of lines 3, 11, 16 and 19)	383,290,676.12
Leverage ratio		
22	Basel III leverage ratio	13.08%

³ Other adjustments are due to consideration of credit provisions and other provisions.



5. Liquidity

LIQ1: Liquidity Coverage Ratio (LCR)

SAR '000s		TOTAL UNWEIGHTED VALUE (Average)	TOTAL WEIGHTED VALUE (Average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		72,260,329
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customer, of which:	220,437,530	22,043,753
3	Stable deposits	-	-
4	Less stable deposits	220,437,530	22,043,753
5	Unsecured wholesale funding, of which:	70,178,228	28,322,551
6	Operational deposits (all counterparties)	-	-
7	Non-Operational deposits (all counterparties)	70,178,228	28,322,551
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	7,373,366	700,893
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	7,373,366	700,893
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	3,867,194	77,343
16	TOTAL CASH OUTFLOWS	-	51,144,541
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	16,675,074	9,216,898
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS	16,675,074	9,216,898
TOTAL ADJUSTED VALUE			
21	TOTAL HQLA	-	72,260,329
22	TOTAL NET CASH OUTFLOWS	-	41,927,643
23	LIQUIDITY COVERAGE RATIO (%)		172%



LIQ2: Net Stable Funding Ratio

SAR '000s		a	b	c	d	e
		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 Months	6 months to < 1 year	> 1 year	
ASF Item						
1	Capital:	52,957,036	-	590,754	-	53,547,790
2	Regulatory capital	52,957,036	-	-	-	52,957,036
3	Other capital instruments	-	-	590,754	-	590,754
4	Retail deposits and deposits from small business customers:	227,638,779	-	-	-	204,874,901
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	227,638,779	-	-	-	204,874,901
7	Wholesale funding:	63,497,825	-	4,082,303	1,405,155	34,492,642
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	63,497,825	-	4,082,303	1,405,155	34,492,642
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	-	-	17,879,699	-
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	-	-	17,879,699	-
14	Total ASF	344,093,640	-	4,673,057	19,284,854	292,915,333
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)	39,598,696	-	-	39,784,444	1,989,222
16	Deposits held at other financial institutions for operational purposes	712,257	-	-	-	356,128
17	Performing loans and securities:	-	14,356,245	74,587,106	164,360,751	179,153,628
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	14,356,245	6,526,849	-	5,416,861
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	68,060,257	159,146,355	169,304,530
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	5,214,396	4,432,237
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	4,529,509	-	14,830,955	30,122,543	35,090,153
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	4,529,509	-	-	30,122,543	34,652,052
32	Off-balance sheet items	-	-	14,830,955	-	438,101
33	Total RSF	44,840,462	14,356,245	89,418,061	234,267,738	216,589,131
34	Net Stable Funding Ratio (%)					135%



6. Credit Risk

CR1: Credit quality of assets

SAR '000s		a	b	c	d
		Gross carrying values of		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	2,099,910	243,811,601	7,415,287	238,496,224
2	Debt Securities	-	45,867,772	-	45,867,772
3	Off-balance sheet exposures	-	14,830,955	-	14,830,955
4	Total	2,099,910	304,510,328	7,415,287	299,194,951

Definition of default

- Accounts are considered in default after failure to meet the obligations by 90 days.

CR2: Changes in stock of defaulted loans and debt securities

SAR '000s		a
1	Defaulted loans and debt securities at end of December 2018	2,290,312
2	Loans and debt securities that have defaulted since the last reporting period	1,473,464
3	Returned to non-defaulted status	90,230
4	Amounts written off	1,387,996
5	Other changes	185,640 ⁴
6	Defaulted loans and debt securities at end of June 2019 (1+2-3-4±5)	2,099,910

- Defaulted Loans to total portfolio has marginally increased due to challenging macroeconomic climate.

⁴ Other changes include addition, deletion and re-measurement.



CR3: Credit risk mitigation techniques – overview

SAR '000s		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	222,324,894	15,698,183	11,198,974	473,146	371,074	-	-
2	Debt securities	45,867,772	-	-	-	-	-	-
3	Total	268,192,666	15,698,183	11,198,974	473,146	371,074	-	-
4	Of which defaulted	1,557,054	454,127	222,759	88,729	61,196	-	-

- No significant change over the last reporting period.

CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

SAR '000s		a	b	c		d	e	f
Asset classes		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density		
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density	
1	Sovereigns and their central Banks	70,097,012	-	70,097,012	-	-	0%	
2	Non-central government public sector entities	-	748	-	545	-	0%	
3	Multilateral development Banks	789,603	-	789,603	-	-	0%	
4	Banks	31,226,724	958,053	31,226,724	819,571	15,811,972	49%	
5	Securities firms	-	-	-	-	-	0%	
6	Corporates	68,180,293	13,616,085	67,827,266	6,340,011	66,777,448	90%	
7	Regulatory retail portfolios	132,654,663	179,198	132,409,625	131,470	99,310,312	75%	
8	Secured by residential property	40,783,606	-	40,783,606	-	20,391,803	50%	
9	Secured by commercial real estate	4,095,890	-	4,095,890	-	4,095,890	100%	
10	Equity	2,578,414	-	2,578,414	-	2,578,414	100%	
11	Past-due loans	2,099,910	76,872	1,223,192	-24,125	1,649,066	138%	
12	Higher-risk categories	-	-	-	-	-	0%	
13	Other assets	24,461,764	-	24,461,766	-	14,713,049	60%	
14	Total	376,967,879	14,830,956	375,493,096	7,267,472	225,327,954	59%	

- No significant change over the last reporting period.



CR5: Standardised approach – exposures by asset classes and risk weights

SAR '000s		a	b	c	d	e	f	g	h	i	j
	Asset classes/ Risk weight*	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central Banks	70,097,012								-	70,097,012
2	Non-central government public sector entities (PSEs)									-	-
3	Multilateral development Banks (MDBs)	789,603								-	789,603
4	Banks			1,212,309		29,781,890		160,221	72,303	-	31,226,723
5	Securities firms									-	-
6	Corporates			4,078,210		3,651,184		60,450,899		-	68,180,293
7	Regulatory retail portfolios						132,654,663			-	132,654,663
8	Secured by residential property					40,783,606	-			-	40,783,606
9	Secured by commercial real estate							4,095,890		-	4,095,890
10	Equity							2,578,414		-	2,578,414
11	Past-due loans							1,446,729	653,180	-	2,099,909
12	Higher-risk categories									-	-
13	Other assets	9,355,578		491,422				14,614,766		-	24,461,766
14	Total	80,242,193	-	5,781,941	-	74,216,680	132,654,663	83,346,919	725,483	-	376,967,879

- No significant change over the last reporting period.

Not Applicable Reports:

CRE, CR6, CR7, CR8, CR9, CR10

7. Counterparty Credit Risk

Not Applicable Reports:

CCRA, CCR1, CCR2, CCR3, CCR4, CCR5, CCR6, CCR7, CCR8

8. Securitisation

Not Applicable Reports:

SECA, SEC1, SEC2, SEC3, SEC4



9. Market Risk

MR1: Market risk under standardised approach

SAR '000s		a
		RWA
	Outright products	4,367,467
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	4,367,467
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	4,367,467

- No significant change over the last reporting period.
- The Bank continues to follow the Standardized approach to compute Market Risk capital charge.

Not Applicable Reports: MR2, MR3, MR4



10. Profit Rate Risk in the Banking Book

Profit rate risk in the Banking book (PRRBB)

Table A

Qualitative disclosures

a) A description of the Bank defines IRRBB for purposes of risk control and measurement.

Profit Rate Risk in Banking Book (PRRBB) is defined as the process of managing risks that arises due to mismatches (of cash-flow/ re-pricing) between the assets and liabilities positions of the Bank. It is a process of strategic planning which assists the Bank to mitigate or hedge, it's on and off balance sheet risks while focusing on return optimization.

The Bank currently focuses on monitoring earning variability for PRRBB management in line with the established Risk Appetite and has instituted Economic Value of Equity (EVE) and Net Interest Income (NII) related measures for PRRBB management as required by BCBS 368 guidelines, along with associated Board approved limits for active monitoring.

As at December 31, 2018, the Bank has undertaken the PRRBB analysis at Group level. As part of PRRBB enhancements, data quality changes were undertaken to ensure appropriate reflection of customer segments, maturities and benchmark fixes for the asset book. The Bank has also now automated the PRRBB reports.

b) A description of the Bank's overall IRRBB management and mitigation strategies.

There is monthly monitoring of EVE and NII through GALCO in relation with established limits: As mentioned above in the response of point (a)

Hedging practices: Currently the Bank does not have specific products to hedge the Interest rate risk on its Banking Book. Wherever possible conscious attempts are being made to create natural hedge by matching the maturities/re-pricing of rate sensitive assets and liabilities. However, the Bank is working on products to hedge its interest rate risk.

Conduct of Stress Testing: The Bank currently conducts stress tests for Net Interest Income (NII) variation, by assessing the impact of interest rate shifts on Bank's earnings. In addition, EVE Stress Tests as required by the BCBS 368 guidelines are also conducted for the six shock scenarios.

Outcomes analysis: NII related stress tests based on the Bank's current gap profile is utilized to assess impact on Net Income up to 1 year. It helps us to measure variations in NII if it remains within the stipulated approved Risk Appetite. In addition, the Bank has a similar process to ensure that the outcome of EVE related stress tests remains within the targeted Risk Appetite threshold through active Balance Sheet management. These EVE/NII thresholds are revised as part of yearly Risk Appetite review process given the forward looking business strategy of the Bank.

The role of Independent Audit: Internal Auditors play a key role in evaluating the effectiveness of Group Profit Rate Risk Management. Their role extends to evaluation of the reliability of reporting effectiveness and efficiency of operations, and ensuring that laws and regulations are complied with.



The role and practices of ALCO: The Bank's Asset and Liability Committee (ALCO):

- Ensures that policy guidelines pertaining to PRRBB and; related decisions of the Board and ALCO are enforced within the Bank.
- Regularly review the market activities and ensure that effective decisions are taken and implemented in a timely way
- Ensures that adequate stress Testing is undertaken with respect to PRRBB and that a set of key management actions that would be progressively taken in advance of such event and/or during any deterioration in economic environment on a timely basis.

The Bank's practices to ensure appropriate model validation: The Bank had formulated the PRRBB models as per the Basel and SAMA guidelines. The NMD model was developed internally and was subsequently subjected to validation by an independent consultant whose review feedback was taken in to consideration and will also be considered for any major model improvements going forward, if any.

Timely updates in response to changing market conditions: The Bank's Treasury actively monitors variations in market conditions, which may require balance sheet rebalancing. Risk Group at the Bank also supports Treasury to perform the task effectively. Additionally, ALCO being responsible for periodic monitoring of PRRBB profile of the Bank, takes requisite key management actions to implement corrective measures (if any) to ensure that the market dynamics do not cause breach of Board approved risk thresholds which are in place at the Bank.

c) The periodicity of the calculation of the Bank's IRRBB measures and a description of the specific measures that the Bank uses to gauge its sensitivity to IRRBB.

The Bank undertakes its PRRBB measurement on a monthly basis through measurement of specific parameters like EVE and NII sensitivity analysis.

d) A description of the interest rate shock and stress scenarios that the Bank uses to estimate changes in the economic value and in earnings.

The Bank uses regulatory shock scenarios as prescribed in BCBS 368 guidelines for Δ EVE (six regulatory shock scenarios) and Δ NII (two regulatory shock scenarios) computation.

e) Where significant modeling assumptions used in the Bank's IMS (i.e. the EVE metric generated by the Bank for purposes other than disclosure, e.g. for internal assessment of capital adequacy) are different from the modeling assumptions prescribed for the disclosure in Table B, the Bank should provide a description of those assumptions and of their directional implications and explain its rationale for making those assumptions (e.g. historical data, published research, management judgment and analysis).

The Bank prepares PRRBB IMS for Internal Capital Adequacy Assessment Process (ICAAP). As advised by SAMA, the Bank needs to maintain consistency in methodology between ICAAP and Pillar III PRRBB disclosures. Hence, the Bank has aligned the ICAAP and PRRBB computation as per BCBS 368 guidance.

- Assumptions considered for computation of Δ EVE and Δ NII provided in Table B.
- Current portfolio distribution (amount wise) considered to arrive at the Weighted Average Lending Rate (WALR) for each portfolio.



- Conditional Prepayment Rate (CPR) has been computed only for Retail portfolio at the product level i.e. same CPR has been applied for a product across time maturity buckets. CPR models for different Retail products (Personal Loans, Auto Loans and Real Estate Loans) are developed based on 21-month historical data. The Bank endeavors to enrich the available data to generate long term history of data for improved Conditional Prepayment Rate (CPR) numbers as we move forward.
- Credit/ Charge card are exempted from the prepayment behavioral modeling because:
 - Profit rate charged for the product is higher compared to other relevant alternatives. Accordingly, there will be no/ miniscule impact of market interest rate movements for credit/ charge cards; and
 - Overall duration for the settlement for the product is around 1-2 months with no contractual cash flow schedule for which no prepayment assessment can be made.
- Cash flow shifting to earlier time maturity buckets has been considered after application of CPR to the Retail products. Interest component for the last time maturity bucket (after shifting of cash flows) has been considered proportionally based on the outstanding notional in second last time maturity bucket and scheduled principal of last time maturity bucket.
- Term deposits out of the total deposits is only miniscule portion and also as per the past experience, the Bank does not have early redemption risk for Term Deposits; Therefore, TDRR has not been computed.

f) A high-level description of how the Bank hedges its IRRBB, as well as the associated accounting treatment.

Same as mentioned above in point (b).

g) A high-level description of key modeling and parametric assumptions used in calculating Δ EVE and Δ NII in Table B, which includes:

For EVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used:

- The Bank has used the current indicative lending rate for products in scope for the discounting purpose which comprises of commercial margin and other risk spreads as specified in BCBS 368 guidelines. The Bank Computes Weighted Average Lending Rate (WALR) for the entire portfolio based on the amount wise distribution and average/ median/ mode indicative lending rates for each tenor for respective portfolio under PRRBB purview (e.g. Corporate, Treasury, SME and Retail). Discounting factor is computed according to regulatory formula based on computed WALR for the entire portfolio.

How the average re-pricing maturity of non-maturity deposits⁵ in (1) has been determined (including any unique product characteristics that affect assessment of re-pricing behavior):

- The NMDs have been split into Retail and Wholesale deposits. The non-core portion of the Retail NMDs have been taken at 15% in overnight bucket. Correspondingly the remaining 85% has been considered as core which has been distributed on a time weighted manner till the longest maturity of 5 years

⁵ The average re-pricing maturity/longest re-pricing maturity of these NMD's would be subject to change as per model review changes, if any (refer para IV.1.2 above).



for the Retail deposits. For the Wholesale deposits, the non-core portion of the NMDs have been taken at 50% in overnight bucket. Correspondingly the remaining 50% has been considered as core which has been distributed on a time weighted manner till the longest maturity of 4 years. Thereafter, the average re-pricing has been computed on a weighted exposure basis.

The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions.

h) Interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBS since previous disclosures.

Currently, the Bank does not deal in the products with optionality that makes the timing of notional re-pricing cash flows uncertain/ non-linear in nature. Hence, no product in the existing portfolio has been mapped to Less Amenable category and consequently, no Add-on factor computation is made for ΔEVE and ΔNII . The Bank will compute Add-on factor for Less Amenable category when it will start dealing in such products.

Quantitative disclosures

i) Average re-pricing maturity assigned to NMDs

Currently, the Bank has developed a behavioral model for Non Maturing Deposit (NMD) to identify Core, Non-Core, Stable and Non-Stable amount of deposits. The Bank has followed regulatory limits (in terms of cap for core deposits and cap for average maturity) for reporting of PRRBB. As per regulatory definition, all the NMDs at the Bank can be classified under Transactional category as specifically, following approach has been considered for NMDs cash flow slotting:

- Retail Portfolio – Core deposits are at 85% of total retail NMDs with longest maturity capped at 5 years i.e. 15% non-core NMDs have been slotted in overnight time maturity bucket.
- Wholesale Portfolio (Corporate and SME) – Core deposits are at 50% of total Wholesale NMDs with longest maturity capped at 4 years i.e. 50% non-core NMDs have been slotted in overnight time maturity bucket.
- Time weighted average maturity is used for cash flow slotting for Core NMDs up to mentioned longest re-pricing maturity.

Average re-pricing maturity	
Wholesale portfolio	1.37
Retail portfolio	2.30
Overall Portfolio	2.23

j) Longest re-pricing maturity assigned to NMDs

As mentioned above i.e. 5 years for Retail NMDs and 4 years for Wholesale (corporate and SME) NMDs.



Table B

SAR '000s	EVE		NII	
	Jun-19	Dec-18	Jun-19	Dec-18
Parallel up	1,353,201	1,639,605	754,300	644,152
Parallel down	-1,863,689	-1,531,933	-754,300	-644,152
Steeper	502,071	353,412		
Flattener	-414,295	99,814		
Short rate up	293,370	799,787		
Short rate down	-542,868	-374,942		
Maximum	1,353,201	1,639,605	754,300	644,152
Period	Jun-19		Dec-18	
Tier 1 Capital	50,139,702		48,554,019	