



BASEL III

PILLAR 3 QUARTERLY DISCLOSURES

As at

30-September-2018



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Template KM1: Key metrics (at consolidated group level)

		a	a	b	c	d
		T	T-1	T-2	T-3	T-4
		Sep-18	Jun-18	Mar-18	Dec-17	Sep-17
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	14,083,209	13,827,335	13,596,524	13,599,696	13,308,616
1a	Fully loaded ECL accounting model (Without 5 year transitional impact in Tier 1)	13,714,168	13,458,294	13,227,483		
2	Tier 1	14,083,209	13,827,335	13,596,524	13,599,696	13,308,616
2a	Fully loaded ECL accounting model Tier 1 (Without 5 year transitional impact in Tier 1)	13,714,168	13,458,294	13,227,483		
3	Total Capital	17,453,641	17,203,978	16,986,501	17,067,379	17,687,522
3a	Fully loaded ECL accounting model total Capital (Without 5 year transitional impact in Tier I & II)	17,084,600	16,834,937	16,621,465		
	Risk-Weighted assets (amounts)					
4	Total Risk Weighted Assets (RWA)	76,425,995	76,814,450	78,169,600	83,900,484	89,392,306
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	18.43%	18.00%	17.39%	16.21%	14.89%
5A	Fully loaded ECL accounting model Common Equity Tier 1 (%)	17.94%	17.52%	16.92%		
6	Tier 1 ratio (%)	18.43%	18.00%	17.39%	16.21%	14.89%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.94%	17.52%	16.92%		
7	Total capital ratio (%)	22.84%	22.40%	21.73%	20.34%	19.79%
7a	Fully loaded ECL accounting model total capital ratio (%)	22.35%	21.92%	21.26%		
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	-	-	-	-	-
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	-	-	-	-	-
12	CET1 available after meeting the bank's minimum capital requirements (%)	-	-	-	-	-
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	96,310,998	97,642,118	101,842,434	113,464,221	115,196,356
14	Basel III leverage ratio (%) (row 2 / row 13)	14.62%	14.16%	13.35%	11.99%	11.55%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	14.24%	13.78%	12.99%		
	Liquidity Coverage Ratio					
15	Total HQLA	19,386,852	20,952,827	23,686,030	23,984,427	22,705,594
16	Total net cash outflow	7,156,326	7,308,208	7,818,729	6,725,138	5,723,567
17	LCR ratio (%)	270.91%	286.70%	302.94%	356.64%	396.70%
	Net Stable Funding Ratio					
18	Total available stable funding	54,611,843	57,396,656	59,205,251	62,728,056	67,265,352
19	Total required stable funding	44,359,762	43,909,311	44,791,176	47,439,796	50,279,301
20	NSFR ratio	123.11%	130.72%	132.18%	132.23%	133.78%

Variance Explanation between T and T-1

Increase in Common Equity Tier 1 ratio (%) from 18.00% to 18.43% is primarily attributed to decrease in RWA due to lower loan/exposure volumes

Increase in Leverage ratio (%) from 14.16% to 14.62% is primarily attributed to decrease in exposure volumes across On balance sheet, off balance sheet and derivatives

B.2 - Template OV1: Overview of RWA

SAR '000

		a	b	c
		RWA		Minimum capital requirements *
		T Sep-18	T June-18	T Sep-18
1	Credit risk (excluding counterparty credit risk)	68,833,755	69,308,843	5,506,700
2	Of which: standardised approach (SA)	68,833,755	69,308,843	5,506,700
3	Of which: foundation internal rating-based (F-IRB) approach	-	-	-
4	Of which: Supervisory slotting approach	-	-	-
5	Of which: advanced internal rating-based (A-IRB) approach	-	-	-
6	Counterparty credit risk (CCR)	475,011	482,676	38,001
7	Of which: standardised approach for counterparty credit risk (SA-CCR)*	475,011	482,676	38,001
8	Of which: internal model method (IMM)	-	-	-
9	Of which: Other CCR	-	-	-
10	Credit Valuation Adjustment (CVA)	325,760	339,899	26,061
11	Equity positions under the simple risk weight approach	-	-	-
12	Equity investments in funds – look-through approach	-	-	-
13	Equity investments in funds – mandate-based approach	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in banking book	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	347,800	306,313	27,824
21	Of which: standardised approach (SA)	347,800	306,313	27,824
22	Of which: internal model approaches (IMA)	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-
24	Operational risk	6,443,669	6,376,721	515,494
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
26	Floor adjustment	-	-	-
27	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	76,425,995	76,814,450	6,114,080

*Minimum Capital Requirements here and in all tables where the term is used, represents the Pillar 1 Capital Charge at 8% of RWA

Explanation of significant drivers behind differences in reporting periods T and T-1
Decrease in credit/CCR/CVA RWAs primarily attributed to lower loan/exposure volumes due to slowed market conditions

LR1: Summary comparison of accounting assets versus leverage ratio exposure measure

	Item	In SR 000's
1	Total consolidated assets as per published financial statements	84,065,914
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	Adjustments for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure.	-
4	Adjustments for derivative financial instrument.	685,699
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items(i.e. conversation to credit equivalent amounts of off-balance sheet exposures)	11,559,385
7	Other adjustments	-
8	Leverage ratio exposure	96,310,998

LR2: Leverage Ratio Common Disclosure Template

		Sep 30,2018	Jun 30,2018
Row	Item	In SR 000's	In SR 000's
On-Balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs but including collateral)	84,065,914	84,884,278
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)	84,065,914	84,884,278
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	182,947	229,588
5	added-on amount for Potential Financial Exposure (PFE) associated with all derivatives transactions	502,752	475,524
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deduction of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of clients-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions fro written credit derivatives)	-	-
11	Total derivatives exposures(sum of lines 4 to 10)	685,699	705,112
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transaction.	-	-
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	23,444,574	24,465,410
18	(Adjustments for conversion to credit equivalent amounts)	(11,885,189)	(12,412,682)
19	Off-balance sheet items (sum of lines 17 and 18)	11,559,385	12,052,728
Capital and total exposures			
20	Tier 1 Capital	14,083,209	13,827,335
21	Total exposures (sum of lines 3, 11, 16 and 19)	96,310,998	97,642,118
Leverage ratio			
22	Basel III leverage ratio*	14.62%	14.16%

* minimum requirement is 3%

Reconciliation

Row	Item	In SR 000's	In SR 000's
1	Total Assets amounts on Financial Statements	84,065,914	84,884,278
2	Total On balance sheet assets according to Row #1 on Table 2	84,065,914	84,884,278
3	Difference between 1 and 2 above	-	-

Slight increase in Leverage ratio (%) from 14.16% to 14.62% is primarily attributed to decrease in exposure volumes across On balance sheet, off balance sheet and derivatives, due to slowed market conditions

LIQA – Liquidity risk management

Qualitative disclosures

Risk definition

Liquidity Risk is the risk that the Bank is unable to meet its financial obligations in a timely manner at reasonable cost. Financial obligations include: liabilities to depositors; payments due under derivative contracts; settlement of repurchase transactions; and lending and investment commitments.

Risk appetite

The Bank's appetite for Liquidity Risk is low and it seeks to mitigate the liquidity risks inherent in any liability transformation business by maintaining an appropriate volume of liquid assets and by various other management techniques in order to maintain the confidence of depositors and counterparties, to ensure regulatory minimum ratios are met, to manage the cost of funds, and to enable the core Business Units to generate revenue.

Overview of the Bank's Liquidity Risk Management framework

The management of liquidity is a core function of any bank, being inherent in the maturity transformation process that underlies corporate and retail banking. Given its wide scope, a single measurement to identify Liquidity Risk is insufficient. The Bank therefore applies a broad range of approaches to measure and monitor Liquidity Risk, including forward looking and historical metrics. These approaches are set out in the Bank's liquidity risk management framework that contains a variety of risk management techniques that are consistent with the BCBS Principles for Sound Liquidity Risk Management and Supervision and Basel III requirements including intraday liquidity reporting.

The Bank produces an Internal Liquidity Adequacy Assessment Plan ("ILAAP"). The ILAAP is the formal process through which the Bank identifies, assesses and documents liquidity and funding risks and requirements in relation to its risk appetite. A key outcome of the ILAAP is to demonstrate to the Board of Directors ("the Board") and the Saudi Arabian Monetary Authority ("SAMA"), the sufficiency, or otherwise, of liquid assets and range of funding sources to fulfil operational, strategic and regulatory requirements, under normal and stressed conditions.

Key governance and control and aspects of the Liquidity Risk Management Framework by function:

Function:	Responsibilities:
Board	<ul style="list-style-type: none"> ▪ The Board and the Board Risk Committee are responsible for approving the liquidity risk-appetite, the Liquidity policy and the ILAAP. ▪ The Board receives regular liquidity risk-appetite reporting to observe whether the Bank remains within its approved appetite thresholds ▪ The Board has delegated authority to the Bank's Asset and Liability Committee (ALCO) for the management of the Bank's liquidity risk management framework.
ALCO	<ul style="list-style-type: none"> ▪ The Bank's ALCO is responsible for the management of the Bank's liquidity risk management framework which includes liquidity policy oversight, setting limits and monitoring performance against risk appetite ▪ ALCO undertakes the management review and approval of the ILAAP ▪ It provides strategic oversight in respect to the Bank's asset and liability management ▪ It provides direct guidance and instruction to business units with regard to asset and liability growth and composition targets and steers the balance sheet through the approval of Funds Transfer Pricing methodologies and liquidity premia ▪ ALCO can take direct balance sheet action, for instance raising long-term debt or capital.
Treasury Group function	<ul style="list-style-type: none"> ▪ Primary risk-owner – the Treasury Group function is responsible for the detailed day-to-day management of the Bank's liquidity position and adherence to internal and regulatory ratio requirements ▪ The Treasury Group function owns - and Risk Management review and recommend - the Bank's Liquidity policy, Funding Strategy and Contingency Funding Plan ("CFP") ▪ Treasury is responsible for managing liquidity across all currencies ▪ Treasury together with the Financial Institutions Group, are responsible to ensure that appropriate nostro facilities, with overdrafts if appropriate, and foreign exchange lines are in place with a range of local and international banks.
Risk Management	<ul style="list-style-type: none"> ▪ Secondary risk-owner – Risk Management provides independent oversight of all significant liquidity risks and supports the Treasury Function with liquidity risk analysis, risk measurement and reporting, and the development and performance of liquidity stress-testing.
Financial Control	<ul style="list-style-type: none"> ▪ The Financial Control department is responsible for the regulatory reporting of liquidity returns to SAMA and alongside Risk Management, are responsible for internal liquidity reporting to ALCO and the Treasury Group Function ▪ Custodian of the FTP model and responsible for ensuring that the methodologies agreed by ALCO are reflected in reporting.
Business Units	<ul style="list-style-type: none"> ▪ Business Units support Liquidity Risk management by providing information to the Treasury function of any anticipated / expected material cash-flows from customers.

Maintenance of a portfolio of High Quality Liquid Assets

The Treasury department is responsible for the management of the Bank's investment portfolio, which is dominated by High Quality Liquid Assets (HQLA's). Maintenance of the portfolio of HQLA's is core to the management of the Bank's liquidity on an operational and regulatory basis, and represents the principal liquidity buffer in the event of a stress scenario transpiring.

The Investment Policy determines the asset types that can be invested in, it is owned by Treasury and approved by ALCO and the Board, and is submitted to SAMA. When managing the investment portfolio, Treasury will have regard to the ongoing ability to monetise assets irrespective of the regulatory classification. In particular, it will consider the concentration of liquid assets by issuer, currency, tenor and means of monetisation (sale, repo, range of counterparties etc.) will be considered.

The Bank considers the assets in the investment portfolio not eligible for inclusion as HQLAs may nonetheless be useful sources of liquidity, particularly in non-stressed markets. These assets therefore have a role to play in meeting the Bank's liquidity needs, including via international repo markets. Investment in these assets, within the limitations of the Bank's investment policy, is therefore frequently desirable.

Liquidity stress testing

The Bank's liquidity stress testing scenarios are designed to demonstrate that the Bank is able to withstand a range of material liquidity stress events. A key output of liquidity stress scenarios is the LCR which is computed after applying varying stresses, for example, to the roll-off factors for deposits that mature within 30-days. A range of other regulatory and internal ratios under stressed conditions are prepared for management assessment and are communicated to the Board.

Intraday liquidity stress testing methodology is based on the stress testing guidance set out by the BCBS, internal stress scenarios from the Bank's Contingency Funding Plan and other internal liquidity stress testing approaches.

Contingency funding plan

Alawwal Bank's Contingency Funding Plan sets out the plan of action Alawwal Bank would use to fund business activity in crisis situations and periods of market stress. It consists of two main parts:

Part 1: Analysis and Identification - the risk factors, key reports and metrics that are reviewed on an ongoing basis to identify whether the Bank is entering a stressed liquidity environment that necessitates the activation of the Liquidity Crisis Action Plan. This includes a table of liquidity stress scenarios - Bank specific - that are plausible for Alawwal Bank's size and operation - and systematic – in alignment with international best practice and SAMA requirements.

Part 2: The Liquidity Crisis Action Plan (“LCAP”) - describes in detail the Bank’s responses to a liquidity crisis. This includes identification of key individuals and formulation of the decision making and communication trees. It further details specific actions and mitigants that could be applied and the individuals responsible for executing them.

The Bank is required to test its CFP in accordance within its CFP policy. As part the testing, the Bank will ensure that the test scenarios applied are current and relevant.

Liquidity Coverage Ratio monitoring

The Bank monitors its LCR in all significant currencies. A currency is considered “significant” if the aggregate liabilities denominated in that currency amount to 5 percent or more of the Bank’s total liabilities. Using this approach, only SAR and USD are material currencies for Alawwal bank and the LCR in these currencies are monitored and reported as per the Basel and SAMA requirements accordingly.

The reporting of the quarterly LCR based on daily averages became applicable from 1st Jan 2017. Alawwal bank has used 92 data points to calculate the LCR to quarter-end 30th Sep 2018, which is at 270.9 percent. The quarter end LCR to 30th June 2018 was calculated using 91 data points, which was at 286.7 percent. The movement between the two quarters was mainly due to an decrease in Total average HQLA of around SAR 1.8 billion. The intra period LCR’s were comfortably above the minimum requirements of SAMA/Basel as provided hereunder:

	1 Jan 2015	1 Jan 2016	1 Jan 2017	1 Jan 2018	1 Jan 2019
Minimum LCR	60%	70%	80%	90%	100%

LCR Common Disclosure Template As at 30th Sep 2018			
(In SR 000's)		TOTAL UNWEIGHTED VALUE (Daily Average for the Quarter)	TOTAL WEIGHTED VALUE (Daily Average for the Quarter)
HIGH QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	19,386,852	19,386,852
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customer of which	20,567,393	2,056,739
3	Stable deposits	-	-
4	Less stable deposits	20,567,393	2,056,739
5	Unsecured wholesale funding of which	24,182,246	10,123,787
6	Operational Deposits (all Counterparties)	-	-
7	Non-Operational Deposits(all counterparties)	24,182,246	10,123,787
8	Unsecured Debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements of which	47,155,254	1,520,403
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	2,106,770	384,353
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	45,048,484	1,136,051
16	TOTAL CASH OUTFLOWS	91,904,894	13,700,929
CASH INFLOWS			
17	Secured lending (eg Reverse repos)	-	-
18	Inflows from fully performing exposures	11,517,593	6,536,340
19	Other cash inflows	8,263	8,263
20	TOTAL CASH INFLOWS	11,525,856	6,544,603
		-	-
21	TOTAL HQLA	19,386,852	19,386,852
22	TOTAL NET CASH OUTFLOWS	80,379,038	7,156,326
23	LIQUIDITY COVERAGE RATIO (%)		270.91%