BASEL III

PILLAR 3 ANNUAL DISCLOSURES

As at

31-March-2019

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Template KM1: Key metrics (at consolidated group level)

SAR '000

		a	b	c	a	b
		T Mar-19	T-1 Dec-18	T-2 Sep-18	T-3 Jun-18	T-4 Mar-18
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	14,705,103	14,547,619	14,083,209	13,827,335	13,596,524
1a	Fully loaded ECL accounting model (Without 5 year transitional impact in Tier 1)	14,030,671	13,860,397	13,714,168	13,860,397	13,227,483
2	Tier 1	14,705,103	14,547,619	14,083,209	13,827,335	13,596,524
2a	Fully loaded ECL accounting model Tier 1 (Without 5 year transitional impact in Tier 1)	14,030,671	13,860,397	13,714,168	13,860,397	13,227,483
3	Total Capital	15,415,934	15,396,144	17,453,641	17,203,978	16,986,501
3a	Fully loaded ECL accounting model total Capital (Without 5 year transitional impact in Tier I & II)	14,030,671	13,860,397	15,752,867	17,208,922	16,621,465
	Risk-Weighted assets (amounts)					
4	Total Risk Weighted Assets (RWA)	72,436,865	74,709,381	76,425,996	76,814,449	78,169,600
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	20.30%	19.47%	18.43%	18.00%	17.39%
5A	Fully loaded ECL accounting model Common Equity Tier 1 (%)	19.37%	18.55%	17.94%	18.04%	16.92%
6	Tier 1 ratio (%)	20.30%	19.47%	18.43%	18.00%	17.39%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.37%	18.55%	17.94%	18.04%	16.92%
7	Total capital ratio (%)	21.28%	20.61%	22.84%	22.40%	21.73%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.37%	18.55%	20.61%	22.40%	21.26%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	1.875%	1.875%	1.875%	1.875%
9	Countercyclical buffer requirement (%)	0.007%	0.03%	0.03%	0.03%	0.03%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.51%	1.91%	1.91%	1.91%	1.91%
12	CET1 available after meeting the bank's minimum capital requirements (%)	17.79%	17.57%	16.52%	16.10%	15.49%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	95,173,601	96,130,271	96,310,998	97,642,118	101,842,434
14	Basel III leverage ratio (%) (row 2 / row 13)	15.45%	15.13%	14.62%	14.16%	13.35%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	14.74%	14.42%	14.24%	14.20%	12.99%
	Liquidity Coverage Ratio					
15	Total HQLA	18,908,285	19,186,606	19,386,852	19,386,070	20,867,460
16	Total net cash outflow	8,358,760	6,204,101	7,156,326	9,440,172	7,328,200
17	LCR ratio (%)	226.21%	309.26%	270.91%	205.36%	284.76%
	Net Stable Funding Ratio					
18	Total available stable funding	55,895,013	55,779,556	54,611,843	57,396,656	59,205,251
19	Total required stable funding	41,461,050	42,484,996	44,359,762	43,909,311	44,791,176
20	NSFR ratio	134.81%	131.29%	123.11%	130.72%	132.18%

Variance Explanation between T and T-1

Increase in Common Equity Tier 1 ratio (%) from 19.47% to 20.30% is primarily attributed to decrease in RWA due to lower loan/exposure volumes

B.2 - Template OV1: Overview of RWA

SAR '000

		a	b	c
		RWA		Minimum capital requirements *
		T Mar-19	T Dec-18	T Mar-19
1	Credit risk (excluding counterparty credit risk)	64,659,799	67,135,034	5,172,784
2	Of which: standardised approach (SA)	64,659,799	67,135,034	5,172,784
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)	470,064	425,548	37,605
7	Of which: standardised approach for counterparty credit risk (SA-CCR)*	470,064	425,548	37,605
8	Of which: internal model method (IMM)	-	-	-
9	Of which: Other CCR	-	-	-
10	Credit Valuation Adjustment (CVA)	436,849	321,392	34,948
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	485,127	423,902	38,810
21	Of which: standardised approach (SA)	485,127	423,902	38,810
22	Of which: internal model approaches (IMA)			-
23	Capital charge for switch between trading book and banking book			-
24	Operational risk	6,385,026	6,403,504	510,802
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)**	**72,436,866**	**74,709,381**	**5,794,949**

**Minimum Capital Requirements here and in all tables where the term is used, represents the Pillar 1 Capital Charge at 8% of RWA*
Decrease in credit/CCR/CVA RWAs by SAR -2.5bn primarily attributed to lower loan/exposure volumes

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	79,613,104
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.	633,917
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)	14,845,661
7	Other adjustments	80,919
8	**Leverage ratio exposure**	**95,173,601**

LR2: Leverage Ratio Common Disclosure Template

Row	Item	Mar 31,2019 In SR 000's	Dec 31,2018 In SR 000's
	On-Balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs but including collateral)	79,694,022	82,130,659
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)	79,694,022	82,130,659
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	170,258	151,864
5	added-on amount for Potential Financial Exposure (PFE) associated with all derivatives transactions	463,659	449,558
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)**	633,917	601,422
	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	45,523,939	46,230,996
18	(Adjustments for conversion to credit equivalent amounts)	(30,678,278)	(32,832,807)
19	Off-balance sheet items (sum of lines 17 and 18)	14,845,661	13,398,189
	Capital and total exposures		
20	**Tier 1 Capital**	14,705,103	14,547,619
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	95,173,601	96,130,271
	Leverage ratio		
22	**Basel III leverage ratio***	**15.45%**	**15.13%**

* minimum requirement is 3%

Reconciliation

Row	Item	In SR 000's	In SR 000's
1	Total Assets amounts on Financial Statements	79,613,104	82,028,202
2	Total On balance sheet assets according to Row #1 on LR2 Table	79,694,022	82,130,659
3	**Difference between 1 and 2 above**	**(80,919)**	**(102,457)**
	Explanation		
	Positive fair value of Derivatives	127,700	110,107
	Other adjustment represents provision	(208,619)	(212,564)
		(80,919)	**(102,457)**

LIQA – Liquidity risk management

Qualitative disclosures

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.

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 laid 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.

Overview of the Bank's Liquidity Risk Management framework

The Bank's Asset and Liability Committee ("ALCO") is responsible for providing strategic oversight in respect to asset and liability management. The Committee provides direct guidance and instruction to Business Units with regard to asset and liability growth and composition targets as well as steering the Bank's balance sheet through the approval of FTP methodologies and liquidity premia. ALCO may also take direct balance sheet action, for instance raising long-term debt or capital.

The Bank's Board has delegated authority to ALCO to maintain and develop the Bank's Liquidity Risk Management Framework including policy oversight, setting limits and monitoring performance against risk appetite. In addition to setting limits for regulatory liquidity ratios, including Basel III ratios – the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"), and intraday liquidity reporting - the Bank has set a number of internal liquidity metrics which include the monitoring of large depositors under normal and stressed conditions.

The Treasury Group function is the primary risk-owner responsible for the detailed day-to-day management of the Bank’s liquidity position and adherence to internal and regulatory ratio requirements.

Risk Management, as secondary risk-owner, provide independent oversight of all significant liquidity risks and support the Treasury Function with liquidity risk analysis, risk measurement and reporting, and the development and performance of liquidity stress-testing.

The Treasury Group function owns - and Risk Management review and recommend - the Bank’s Liquidity policy, Funding Strategy and Contingency Funding Plan (“CFP”).

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 for ALCO purposes.

- The Financial Control Department is the custodian of the FTP model and is responsible for ensuring that the methodologies agreed by ALCO are reflected in reporting.

- Business Units support Liquidity Risk management by providing information to the Treasury function of any anticipated / expected material cash-flows from customers.

- The money market desk within Treasury is responsible for managing liquidity across all currencies. In order to facilitate this, the GM Treasury together with Head of 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.

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.

The recently introduced intraday liquidity stress testing methodology is based on the guidance set out by the BCBS, stress scenarios from the Bank’s CFP and other internal liquidity stress testing approaches.

The Bank places high importance on the availability of High Quality Liquid Assets (“HQLAs”) when considering its capacity to withstand a liquidity stress event. HQLA’s are core to the management of the Bank’s liquidity on an operational and regulatory basis and represent the principal liquidity buffer in the event of a stress scenario transpiring. The majority of assets contained within the Bank's investment portfolio qualify as HQLA's. Responsibility for the maintenance of the investment portfolio lies with the Treasury Group, guided by the Investment Policy, approved by ALCO and the Board.

The Bank believes that assets 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.

Contingency funding plan

The Bank’s CFP specifies an approach for analyzing and responding to actual and potential liquidity events. The liquidity stress-testing results are a key consideration in shaping the Bank's CFP.

The Bank's CFP outlines the governance structure for the management and monitoring of liquidity events, describes processes for effective internal and external communication and identifies potential counter measures to be considered at various stages of an event.

The CFP sets out the plan of action the Bank would use to fund business activity in crisis situations and period of market stress. It consist of two principal parts:

Part 1: Analysis and Identification

Part 2: The Liquidity Crisis Action Plan ("LCAP")

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 90 data points to calculate the LCR to quarter-end 31st March 2019, which is at 226 percent. The quarter end LCR to December 31st was calculated using 92 data points, which was at 309 percent. The movement between the two quarters was mainly due to a increase in Total Average cash outflows of around SAR 3 billion this was partly offset by a decrease in the average HQLA's by SAR 0.3 billion and an increase in Total Average cash inflows of around SAR 1.6 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%

LIQ1: Liquidity Coverage Ratio (LCR)

LCR Common Disclosure Template
As at 31st March 2019

(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)**	**18,908,285**	**18,908,285**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customer of which**	**21,704,848**	**2,170,485**
3	Stable deposits	-	-
4	Less stable deposits	21,704,848	2,170,485
5	**Unsecured wholesale funding of which**	**24,522,441**	**10,367,689**
6	Operational Deposits (all Counterparties)	-	-
7	Non-Operational Deposits(all counterparties	24,495,212	10,367,689
8	Unsecured Debt	-	-
9	Secured wholesale funding	27,229	-
10	**Additional requirements of which**	**45,740,574**	**1,444,640**
11	Outflows related to derivative exposures and other collateral requirements	40	40
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	1,718,847	335,165
14	Other contractual funding oblifations	-	-
15	Other contingent funding obligations	44,021,688	1,109,436
16	**TOTAL CASH OUTFLOWS**	**91,967,864**	**13,982,815**
CASH INFLOWS			
17	Secured lending (eg Reverse repos)	-	-
18	Inflows from fully performing exposures	9,930,710	5,622,212
19	Other cash inflows	1,843	1,843
20	**TOTAL CASH INFLOWS**	**9,932,554**	**5,624,055**
		-	-
21	**TOTAL HQLA**	**18,908,285**	**18,908,285**
22	**TOTAL NET CASH OUTFLOWS**	**82,035,310**	**8,358,760**
23	**LIQUIDITY COVERAGE RATIO (%)**		**226.21%**