SABB ساب

SAUDI BRITISH BANK

Basel III Pillar 3 Disclosures

AS AT 31st MARCH 2018

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KM1: Key metrics (at consolidated group level) (Figures in SAR 000's)

		a	b	c	d	e
		Mar'18	Dec'17	Sep'17	Jun'17	Mar'17
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	33,332,802	33,344,592	32,745,535	32,749,252	31,944,914
1a	Fully loaded ECL accounting model	31,772,164				
2	Tier 1	33,332,802	33,344,592	32,745,535	32,749,252	31,944,914
2a	Fully loaded ECL accounting model Tier 1	31,772,164				
3	Total capital	37,397,153	37,476,959	37,073,355	36,505,083	35,658,119
3a	Fully loaded ECL accounting model total capital	34,544,220				
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	174,085,161	178,579,651	178,414,151	177,276,721	180,936,296
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	19.15%	18.67%	18.35%	18.47%	17.66%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	18.25%				
6	Tier 1 ratio (%)	19.15%	18.67%	18.35%	18.47%	17.66%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.25%				
7	Total capital ratio (%)	21.48%	20.99%	20.78%	20.59%	19.71%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.84%				
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 (%)	14.65%	14.17%	13.85%	13.97%	13.16%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	234,438,694	236,203,263	228,485,268	228,916,057	232,768,408
14	Basel III leverage ratio (%) (row 2 / row 13)	14.22%	14.12%	14.33%	14.31%	13.72%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	13.55%				
Liquidity Coverage Ratio						
15	Total HQLA	41,844,700	37,863,633	36,253,787	36,422,259	42,045,468
16	Total net cash outflow	23,604,627	21,327,740	17,492,065	19,361,672	22,622,154
17	LCR ratio (%)	177%	178%	207%	188%	186%
Net Stable Funding Ratio						
18	Total available stable funding	128,850,389	130,637,898	127,107,163	135,077,600	136,093,390
19	Total required stable funding	94,428,311	94,023,861	93,407,217	95,188,623	95,131,495
20	NSFR ratio	136%	139%	136%	142%	143%

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OV1: Overview of RWA (Figures in SAR 000's)

		a	b	c
		RWA		Minimum capital requirements
		Mar-18	Dec-17	Mar-18
1	Credit risk (excluding counterparty credit risk)	155,631,338	158,721,834	12,450,506
2	*Of which: standardised approach (SA)*	*155,631,338*	*158,721,834*	*12,450,506*
3	*Of which: foundation internal ratings-based (F-IRB) approach*			
4	*Of which: supervisory slotting approach*			
5	*Of which: advanced internal ratings-based (A-IRB) approach*			
6	Counterparty credit risk (CCR)	699,924	776,967	55,994
7	*Of which: standardised approach for counterparty credit risk*	*699,924*	*776,967*	*55,994*
8	*Of which: Internal Model Method (IMM)*			
9	*Of which: other CCR*			
10	Credit valuation adjustment (CVA)	162,634	197,798	13,011
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	240,288	247,438	19,223
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	2,171,163	2,278,175	173,693
21	*Of which: standardised approach (SA)*	*2,171,163*	*2,278,175*	*173,693*
22	*Of which: internal model approaches (IMA)*			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	12,543,983	13,712,152	1,003,519
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	2,635,831	2,645,289	210,866
26	Floor adjustment			
27	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)**	**174,085,161**	**178,579,652**	**13,926,812**

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LR1: Summary comparison of accounting assets vs leverage ratio exposure measure (Figures in SAR 000's)

		A
1	Total consolidated assets as per published financial statements	182,622,033
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 recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	840,778
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off balance sheet exposures)	48,542,511
7	Other adjustments	2,433,373
8	**Leverage ratio exposure**	**234,438,694**

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LR2: Leverage ratio common disclosure template (Figures in SAR 000's)

		a	b
		Mar-18	Dec-17
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	184,787,043	189,059,539
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)	**184,787,043**	**189,059,539**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash	268,363	250,499
5	Add-on amounts for Potential Financial Exposure (PFE) associated with all derivatives transactions	840,778	957,430
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the		
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)**	**1,109,141**	**1,207,929**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale 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	117,866,910	119,723,222
18	(Adjustments for conversion to credit equivalent amounts)	(69,324,399)	(73,787,427)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**48,542,511**	**45,935,795**
	Capital and total exposures		
20	**Tier 1 capital**	**33,332,802**	**33,344,592**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**234,438,694**	**236,203,263**
	Leverage ratio		
22	**Basel III leverage ratio**	**14.22%**	**14.12%**

LIQ1: Liquidity Coverage Ratio (LCR) (Figures in SAR 000's)

		a	b
		Total unweighted value (average)	**Total weighted value (average)**
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		41,844,700
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	-	-
4	Less stable deposits	50,757,813	5,075,781
5	**Unsecured wholesale funding, of which:**	**-**	**-**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	63,722,790	28,564,125
8	Unsecured debt	-	-
9	**Secured wholesale funding**	**-**	**-**
10	**Additional requirements, of which:**	**-**	**-**
11	Outflows related to derivative exposures and other collateral requirements	96,186	96,186
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	3,787,185	378,719
14	**Other contractual funding obligations**	**-**	**-**
15	**Other contingent funding obligations**	**117,891,643**	**2,836,086**
16	**TOTAL CASH OUTFLOWS**	-	36,950,897
Cash inflows			
17	**Secured lending (eg reverse repos)**		
18	**Inflows from fully performing exposures**	16,518,182	13,256,847
19	Other cash inflows	89,422	89,422
20	**TOTAL CASH INFLOWS**	16,607,604	13,346,269
			Total adjusted value
21	**TOTAL HQLA**		41,844,700
22	**TOTAL NET CASH OUTFLOWS**		23,604,627
23	**LIQUIDITY COVERAGE RATIO (%)**		177%

Commentary

Liquidity risk is the risk that Saudi British Bank (SABB) does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows. Funding risk (a particular form of liquidity risk) arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required.

The Bank has an internal Liquidity and Funding Risk Framework, using the external Liquidity Coverage Ratio (LCR) and Net Stable Funding Requirement (NSFR) SAMA regulatory framework as a foundation, but adding extra metrics/limits and overlays to address the risks that the Bank considers are not adequately reflected by the external regulatory framework.

The objective of the LCR is to limit the risks of severe cash outflows owing to an over-reliance on volatile funding sources and certain lending commitments. Under the LCR, SABB is required to hold a minimum level of unencumbered high-quality liquid assets (HQLA) to withstand an acute stress scenario lasting 30 days. The LCR is specifically designed to improve the short-term resilience of SABB against liquidity shocks.

The LCR and NSFR framework defines customer deposits as "stable", "semi- stable", and "non-stable". Stable and semi stable funds are defined as deposits that are less likely to be actively managed by customers and therefore, more likely to remain with the bank during a period of stress. Equally, non-stable funds are defined as those deposits that are more actively managed by customers and more likely to be withdrawn at the early indication of market stress forming part of the LCR calculations.

SABB has established Risk Appetite Statements covering liquidity risk that are approved by the Board Risk Committee annually, and reviewed monthly through Asset Liability Management Committee (ALCO) and Risk Management Committee (RMC) with quarterly reports provided to the Board Risk Committee (BRC).

SABB manages and monitors depositor and debt security concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix and maturity profile of deposit and debt securities.

SABB seeks to maintain a cushion of unencumbered, high quality, liquid assets mainly comprising of deposits with the central bank, cash and unencumbered sovereign debt, that can be liquidated or repoed in times of stressed liquidity. The asset tolerance limit is defined and monitored by ALCO on a monthly basis.

LCR & NSFR are used to stress the liquidity position across a range of maturity bands and through the application of bank specific and market wide scenarios.

Current accounts and savings deposits payable on demand or at short notice form a significant part of SABB’s funding and there is considerable focus on maintaining the stability of such deposits. SABB manages and monitors depositor and debt security concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix and maturity profile of deposit and debt securities.

A comprehensive Contingency Funding Plan is in place and tested on an annual basis. The plan identifies early indicators of stress conditions and describes actions to be taken in the event of difficulties arising from systemic or other crises, while minimising adverse long-term implications for the business.

SABB has at its disposal a wide range of money market and capital sources to cover the funding needs.

SABB continues to diversify its sources of funds through its debt issuances in both local and international markets in order to source longer term funding for its balance sheet.
The mark to market of the Bank’s back to back derivative exposures does not have significant impact on liquidity management.

As per SAMA guidelines, a currency is considered as "significant" if the aggregate liabilities denominated in that currency amounts to five per cent or more of the bank's total liabilities. Only SAR and USD are material currencies and are monitored accordingly.

The main contributors of the LCR of the Bank are unencumbered, high quality liquid assets (HQLAs) and net cash outflows primarily arising from customer deposits.

The 3 month average of the LCR has slightly decreased to 177% as at 31st March 2018 from 178% as at 31st December 2017, this was mainly due to a decrease in Average cash inflow by SAR 3 B partially offset by an increase in Average HQLA of around SAR 4 B and a decrease in Average cash outflows by SAR 0.7 B. The intra period changes were in line with the banks activities and were well above the minimum requirements.

APPENDIX: TABLES AND TEMPLATES ARE NOT APPLICABLE

	Tables and templates
Credit risk	CR8 - RWA flow statements of credit risk exposures under IRB
Counterparty credit risk	CCR7 - RWA flow statements of CCR exposures under the Internal Model Method (IMM)
Market risk	MR3 - IMA values for trading portfolios