



**Basel III Pillar 3 Quarterly Disclosures
31 March 2019**

Summary

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KM1: Key metrics (at consolidated group level) - March 2019		(Figures in SR 000's)				
		a	b	c	d	e
		31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	26,772,592	26,046,963	25,166,478	25,093,993	24,256,553
1a	Fully loaded ECL accounting model	26,441,819	25,605,933	24,725,449	24,652,963	23,815,523
2	Tier 1	26,772,592	26,046,963	25,166,478	25,093,993	24,256,553
2a	Fully loaded ECL accounting model Tier 1	26,441,819	25,605,933	24,725,449	24,652,963	23,815,523
3	Total Capital	29,491,695	28,566,267	27,645,867	27,623,811	26,744,315
3a	Fully loaded ECL accounting model total capital	29,160,922	28,125,237	27,204,838	27,182,781	26,303,285
	Risk-weighted assets (amount)					
4	Total risk-weighted assets (RWA)	162,123,365	158,225,256	164,722,583	163,414,311	158,760,800
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	16.51%	16.46%	15.28%	15.36%	15.28%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	16.31%	16.18%	15.01%	15.09%	15.00%
6	Tier 1 ratio (%)	16.51%	16.46%	15.28%	15.36%	15.28%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.31%	16.18%	15.01%	15.09%	15.00%
7	Total capital ratio (%)	18.19%	18.05%	16.78%	16.90%	16.85%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.99%	17.78%	16.52%	16.63%	16.57%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	1.88%	1.88%	1.88%	1.88%
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)	2.50%	1.88%	1.88%	1.88%	1.88%
12	CET1 available after meeting the bank's minimum capital requirements (%)	9.51%	10.09%	8.90%	8.98%	8.90%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	195,194,781	203,990,062	197,640,380	194,788,865	195,930,351
14	Basel III leverage ratio (%) (row 2 / row 13)	13.72%	12.77%	12.73%	12.88%	12.38%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	13.55%	12.55%	12.51%	12.66%	12.16%
	Liquidity Coverage Ratio					
15	Total HQLA	40,197,177	32,970,774	34,232,806	33,904,038	39,262,766
16	Total net cash outflow	17,835,192	18,294,788	19,288,052	18,239,261	17,110,957
17	LCR ratio (%)	225%	180%	177%	186%	229%
	Net Stable Funding Ratio					
18	Total available stable funding	110,063,016	114,259,087	107,789,816	107,921,629	107,132,637
19	Total required stable funding	96,196,856	94,632,745	95,537,623	94,309,393	89,207,785
20	NSFR ratio	114%	121%	113%	114%	120%

B.2 - OV1: Overview of RWA - March 2019

(Figures in SR 000's)

	a	b	c
	RWA		Minimum capital requirements
	31-Mar-19	30-Dec-18	31-Mar-19
1 Credit risk (excluding counterparty credit risk) (CCR)	142,122,743	138,719,929	11,369,819
2 Of which standardised approach (SA)	142,122,743	138,719,929	11,369,819
3 Of which internal rating-based (IRB) approach			-
4 Counterparty credit risk	2,523,648	3,262,736	201,892
5 Of which standardised approach for counterparty credit risk (SA-CCR)	2,523,648	3,262,736	201,892
6 Of which internal model method (IMM)			-
7 Equity positions in banking book under market-based approach			-
8 Equity investments in funds – look-through approach	1,587,424	1,497,730	126,994
9 Equity investments in funds – mandate-based approach			-
10 Equity investments in funds – fall-back approach	322,078	4,879	25,766
11 Settlement risk			-
12 Securitisation exposures in banking book			-
13 Of which IRB ratings-based approach (RBA)			-
14 Of which IRB Supervisory Formula Approach (SFA)			-
15 Of which SA/simplified supervisory formula approach (SSFA)			-
16 Market risk	1,960,557	1,174,055	156,845
17 Of which standardised approach (SA)	1,960,557	1,174,055	156,845
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	13,606,915	13,565,927	1,088,553
20 Of which Basic Indicator Approach			-
21 Of which Alternate Standardised Approach	13,606,915	13,565,927	1,088,553
22 Of which Advanced Measurement Approach			-
23 Amounts below the thresholds for deduction (subject to 250% risk weight)			-
24 Floor adjustment			-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	162,123,365	158,225,256	12,969,869

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure - March 2019 (Figures in SR 000's)

	a
1 Total consolidated assets as per published financial statements	168,616,733
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	2,069,118
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)	21,669,752
7 Other adjustments	
8 Leverage ratio exposure measure	192,355,603

LR2: Leverage ratio common disclosure- March 2019

(Figures in SR 000's)

		a	b
		31-Mar-19	31-Dec-18
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	170,268,911	166,714,298
2	(Asset amounts deducted in determining Basel III Tier 1 capital)		
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	170,268,911	166,714,298
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	293,278	586,079
5	Add-on amounts for PFE associated with all derivatives transactions	1,184,663	1,061,068
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 rows 4 to 10) *	2,069,118	2,306,007
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	1,187,000	14,312,000
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	CCR exposure for SFT assets		
15	Agent transaction exposures		
16	Total securities financing transaction exposures (sum of rows 12 to 15)	1,187,000	14,312,000
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	49,453,466	45,290,250
18	(Adjustments for conversion to credit equivalent amounts)	-27,783,714	-24,632,493
19	Off-balance sheet items (sum of rows 17 and 18)	21,669,752	20,657,757
Capital and total exposures			
20	Tier 1 Capital	26,772,592	26,046,963
21	Total exposures (sum of lines 3,11,16 and 19)	195,194,781	203,990,062
Leverage ratio			
22	Basel III leverage ratio	13.72%	12.77%

* As per SA-CCR Exposure at Default is 1.4 * (Replacement Cost + PFE)

LIQ1 - Liquidity Coverage Ratio - March 2019		(Figures in SR 000's)	
Amount in SAR '000		TOTAL UNWEIGHTED ^a VALUE (average)	TOTAL WEIGHTED ^b VALUE (average)
High Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		40,197,177
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits	47,547,400	4,754,740
5	Unsecured wholesale funding, of which:		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	48,326,354	24,086,438
8	Unsecured debt		
9	Secured wholesale funding		
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	1,140,000	1,140,000
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	3,143,862	314,386
14	Other contractual funding obligations		
15	Other contingent funding obligations	46,206,846	1,107,760
16	TOTAL CASH OUTFLOWS		31,403,324
CASH INFLOWS			
17	Secured lending (eg. reverse repos)		
18	Inflows from fully performing exposures	20,776,610	12,089,334
19	Other cash inflows	1,478,798	1,478,798
20	TOTAL CASH INFLOWS	22,255,408	13,568,132
			TOTAL ADJUSTED ^c VALUE
21	TOTAL HQLA		40,197,177
22	TOTAL NET CASH OUTFLOWS		17,835,192
23	LIQUIDITY COVERAGE RATIO (%)		225%

Liquidity Coverage Ratio – Qualitative Disclosure

Liquidity Risk Management

ANB's liquidity risk management philosophy is predicated upon a conservative business model. The primary objective of the Bank's Liquidity Risk management framework is to ensure that it has sufficient liquidity to meet its obligations in both normal and stressed conditions. The Bank should be able to satisfy its funding needs through normal sources without having to make unplanned sales of assets or borrow expensive funds under emergency conditions.

The Board of Directors (the Board) defines the Bank's liquidity risk strategy, and in particular its appetite for liquidity risk, based on recommendations made by the Asset and Liability Committee (ALCO). The Board reviews and approves the liquidity management policies and ensures that senior management manages liquidity risk effectively in the context of the Bank's business plan and long term funding strategy, as well as the prevailing economic and financial conditions. The Bank uses liquidity ratios and stressed liquidity gaps as key metrics to establish its liquidity risk tolerance levels. These metrics measure the Bank's ability to fulfill all its payment obligations stemming from ongoing business operations under various stress scenarios. The tolerance levels are defined either in the form of limits or management action triggers (MAT) and are part of the Bank's overall liquidity management framework which is approved and reviewed by the Board on an annual basis.

At least once a year the Board reviews and approves the limits that are applied to measure and control liquidity risk on a bank-wide basis. ALCO/Market Risk Policy Committee (MRPC) sets the direction for the Bank's liquidity management subject to the liquidity risk limits and tolerance levels established by the Board. The Board delegates these limits to the Treasury Group through ALCO.

Treasury Group is responsible for managing day-to-day funding activities within the established liquidity risk management policies and limits. It is responsible for establishing appropriate procedures and effective communication channels with operational and business areas to alert the funding desks of imminent funding requirements including loan drawdowns, deposit withdrawals and off-balance sheet commitments. It monitors market developments, understands their implications for the Bank's liquidity risk exposure and recommends appropriate risk management measures to ALCO.

Market Risk Department (MRD), part of the independent Risk Management Group (RMG), periodically reviews liquidity risk policies and procedures, the adequacy of the risk measurement system, including key assumptions and scenarios used and reports their findings and recommendations to ALCO. It is also responsible for monitoring adherence to the various liquidity ratios and limits, both internal and regulatory.

Funding strategy

The Bank's funding strategy is to develop a diversified funding base, while providing protection against unexpected fluctuations. It aims to align sources of funding with their use. As such, earning assets (Loans and Investments) are largely funded with customer deposits. The funding gap for these assets is met using secured funding and long term debt issuance.

The Bank maintains access to a variety of sources of wholesale funds in multiple currencies across a variety of distribution channels and geographies, including those available from money markets, repo markets and term depositors. It is an active participant in the money market and has direct access to local and international liquidity providers. As a result, wholesale funding is well diversified by product, investor, maturity, and currency.

Liquidity risk mitigation techniques

The Bank maintains excess liquidity in the form of cash and high-quality liquid unencumbered securities that together serve as the Bank's primary means of liquidity risk mitigation. It further limits the composition of high-quality, liquid, unencumbered securities to high quality sovereign bonds.

Diversification of funding is another important area to mitigate liquidity risk. The Bank remains focused on diversifying funding sources. Its most stable funding source is retail clients. Other customer deposits and borrowing from wholesale clients are additional sources of funding.

The Bank is an active participant in money markets and has direct access to local and international liquidity providers. It maintains strong relationships with a number of local and international banks through extensive trading and funding transactions over a number of years. Accesses to both local and international money markets allow the Bank to maintain liquidity in both local and foreign currencies.

Stress Testing

The Bank uses stress testing and scenario analysis to evaluate the impact of sudden and severe stress events on its liquidity position. It uses multiple scenario types to cover the Bank specific and market related events. The purpose of liquidity stress testing is to ascertain the incremental funding that may be required under the defined scenarios and whether the Bank will be able to withstand the stress.

Stress testing is fully integrated in the Bank's liquidity risk management framework. It assesses the Bank's ability to generate sufficient liquidity under extreme conditions and is a key input when defining its target liquidity risk position.

Contingency Funding Plan

The Bank's contingency funding plan sets out the action the Bank will take to fund business activity in crisis situations and periods of market stress. It outlines a list of potential risk factors, key reports and metrics that are reviewed on an ongoing basis to assist in assessing the severity of a liquidity crisis and/or market dislocation. It also describes in detail the Bank's potential responses if the assessments indicate it has entered a liquidity crisis, which include funding its potential cash and collateral needs as well as utilizing secondary sources of liquidity. Mitigates and action items to address specific risks are also described and assigned to individuals responsible for execution.

The contingency funding plan identifies key groups of individuals to ensure effective coordination, control and distribution of information that are critical in the management of a crisis or period of funding stress. It also details the responsibilities of these groups and/or individuals, which include making and disseminating key decisions, coordinating all contingency activities throughout the duration of the crisis or period of market stress, implementing liquidity maintenance activities and managing internal and external communication.

Other Qualitative Information

The Liquidity Coverage Ratio (LCR) is a Basel III metric that measures the sufficiency of High Quality Liquid Assets (HQLA) available to meet net short-term financial obligations over a thirty day period in an acute stress scenario. The SAMA regulatory minimum coverage level for LCR has increased to 100% from January 2019.

In August 2014, SAMA released the final guideline on “Liquidity Coverage Ratio Disclosure Standards”, requiring Saudi banks to disclose LCR beginning Q1 2015. LCR is disclosed using the standard Basel disclosure template and is calculated using the average of daily observations during the quarter.