SAUDI BRITISH BANK

Basel III Pillar 3 Disclosures

AS AT 31st DECEMBER 2020

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

		a	b	c	d	e
		Dec'20	**Sep'20**	**Jun'20**	**Mar'20**	**Dec'19**
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	41,774,973	40,825,023	39,614,996	39,198,115	38,450,069
1a	Fully loaded ECL accounting model	40,132,195	39,182,245	37,528,862	37,555,337	37,643,047
2	Tier 1	41,774,973	40,825,023	39,614,996	39,198,115	38,450,069
2a	Fully loaded ECL accounting model Tier 1	40,132,195	39,182,245	37,528,862	37,555,337	37,643,047
3	Total capital	48,078,026	47,011,915	40,946,345	41,909,196	41,269,282
3a	Fully loaded ECL accounting model total capital	46,435,249	45,369,138	38,860,211	40,266,419	40,462,260
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	220,321,411	219,602,675	219,311,596	227,952,054	226,214,175
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	18.96%	18.59%	18.06%	17.20%	17.00%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	18.22%	17.84%	17.11%	16.48%	16.64%
6	Tier 1 ratio (%)	18.96%	18.59%	18.06%	17.20%	17.00%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.22%	17.84%	17.11%	16.48%	16.64%
7	Total capital ratio (%)	21.82%	21.41%	18.67%	18.39%	18.24%
7a	Fully loaded ECL accounting model total capital ratio (%)	21.08%	20.66%	17.72%	17.66%	17.89%
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 buffer requirement (%)	0.04%	0.06%	0.06%	0.06%	0.08%
10	Bank G-SIB and/or 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)	3.04%	3.06%	3.06%	3.06%	3.08%
12	CET1 available after meeting the bank's minimum capital requirements (%)	15.92%	15.53%	15.00%	14.14%	13.92%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	333,198,107	318,788,141	323,484,551	326,300,512	334,622,368
14	Basel III leverage ratio (%) (row 2 / row 13)	12.54%	12.81%	12.25%	12.01%	11.49%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	12.04%	12.29%	11.60%	11.51%	11.25%
Liquidity Coverage Ratio						
15	Total HQLA	83,678,550	75,744,641	69,358,446	64,960,935	63,844,330
16	Total net cash outflow	28,654,024	31,893,583	33,319,609	30,290,927	29,088,737
17	LCR ratio (%)	299%	239%	209%	217%	223%
Net Stable Funding Ratio						
18	Total available stable funding	189,762,603	180,154,022	183,443,422	187,425,553	187,029,503
19	Total required stable funding	121,369,356	123,290,323	124,671,490	132,354,147	131,100,588
20	NSFR ratio	156.4%	146.1%	147.1%	142%	143%

OVA: Bank risk management approach

(a) Business model determination and risk profile;

Further to receipt of regulatory approvals, the shareholders of SABB and Alawwal Bank ("AAB") approved the merger of the two banks at Extraordinary General Meetings held on 15 May 2019. The main objectives of the Bank are to provide a complete range of integrated banking products and services to both retail and corporate sectors through a network of 113 branches (2019: 136 branches) in the Kingdom of Saudi Arabia and employing 4,156 staff as at 31 December 2020 (2019: 4,537). The Bank has no subsidiaries established or operating outside the Kingdom.

The Bank provides Shariah compliant products which are approved and supervised by an independent Shariah Committee. The Bank also provides to its customers a complete set of conventional banking products and services which include current accounts, savings, time deposits, corporate credit facilities, consumer and mortgage loans, trade receivable and supply chain finance solutions, cash and payments management, treasury and credit cards.

SABB maintains a valuable strategic partnership with the HSBC Group, one of the largest and most geographically diverse banking groups in the world. This strategic partnership provides SABB with a competitive advantage to provide its customers with access to the best local and international service offering in the market. HSBC owns 31% of SABB shares.

The Bank is organised into the following main business segments:

Retail Banking provides services and products to personal and private banking customers along with smaller SME corporate clients including time deposits, current and savings accounts, home finance, consumer loans, and credit cards where it maintains a market leading position in the Kingdom. Retail Banking provides a range of digital solutions so customers can access their finances anytime and anywhere, as well as access to a traditional branch network.

Customer segments include the affluent propositions "Premier" and "Preferred (upper affluent), "Advance" and "Priority" (affluent), "Ruwaad" (upper mass) and Mass market. Our dedicated Premier and Advance Service Centres and Lounges help provide benefits and priority servicing for these affluent segments, with customer needs supported through highly trained Relationship Managers, located within the branch network and virtual channels. SABB's focus on higher net worth customers is now represented by a number of dedicated Premier and Preferred Centres within the Kingdom totaling 21 (SABB 18 and AWL 3). These exclusive centres provide Premier and Preferred customers with tailored products and services besides addressing their international needs through collaboration with HSBC's global network.

Further information on Retail Banking is shown in section "Business segment performance highlights" of the Annual Report and Accounts 2020.

Corporate & Institutional Banking (CIB) is one of the largest commercial banking divisions in the Kingdom in terms of both operating income and balance sheet size. The Bank serves its corporate customers through teams of relationship managers (RMs) based in the Kingdom's main commercial hubs. Through long-term relationships the relationship managers build a detailed understanding of an individual client's financial needs to deliver tailored solutions from SABB's full suite of corporate banking products and services, both conventional and Islamic. To serve their clients the relationship managers can draw on specialist teams in treasury, liquidity and cash management, trade and receivables finance, investment banking and insurance. In addition to this comprehensive range of local products and services, SABB is also in a unique position to provide access to global financial markets and services through SABB's partnership with the HSBC Group. CIB is divided into four segments: Institutional Banking (IBB), Multinational Corporates (MNC), Large Corporate (LCB) and Middle Markets (MMK).

IBB dedicated client RMs work with Saudi Government & Ministries, as well as many other Government-Related Agencies, Saudi Global Corporates and Institutions in KSA. Additionally, this segment manages all relationships with Financial Institutions e.g. banks, securities houses, broker-dealers and insurers. Through SABB's strong ties to the HSBC Group and the joint venture, HSBC Saudi Arabia, the IBB team is in a unique position to deliver tailored solutions to its clients, both domestically and internationally. Through this unrivalled combination of expertise and resources, IBB has been able to support major infrastructure projects in the Kingdom, support and advise Saudi clients with their international expansion and to tap into liquidity through non-Saudi financial institutions by way of Export Credit Agency finance and international bonds and sukuks.

MNCs headquartered outside of Saudi Arabia and that have an extensive operation in the Kingdom are handled by the specialized RMs under the MNC segment, whereby dedicated RM teams focus on supporting the needs of customers seeking local expertise and expecting international service quality.

LCB is responsible for delivering the entire range of SABB's financial services and solutions to local 'large corporates' with annual revenues above SAR 700m. LCB clients are assigned a dedicated RM to structure solutions that meet their banking needs. As an associate of the HSBC Group, SABB can assist LCB clients with cross-border expansion plans by finding the right solutions to enable them grow regionally & globally.

MMK clients are drawn from the small and medium corporate sector in the Kingdom, with the Bank seeking to maintain and build on its long term commitment to small business customers in Saudi Arabia and actively participate in the Kafalah Programme - a government Guarantee programme that encourages banks to lend to small businesses.

Included within its range of products and services, the following product groups are also provided:

Global Liquidity & Cash Management (GLCM), which offers a wide range of integrated digital and electronic business solutions to customers to cater to their payment, receivables and liquidity management needs.

Global Trade & Receivables Finance (GTRF), which offers a comprehensive range of core trade products (Imports, Exports & Guarantees) and structured solutions such as Receivable Finance and Supply Chain Finance solutions. GTRF provides efficient and optimal financing structures (both Conventional & Islamic) to clients in support of their trade and working capital optimisation while minimising market risk.

Further information on Corporate Banking is shown in section "Business segment performance highlights" of the Annual Report and Accounts 2020.

Treasury undertakes two functions in SABB. Principally it provides corporate, institutional, retail and private banking customers with access to capital markets, foreign currency and derivative solutions through its Sales and Trading unit. In addition, it manages the liquidity and market risk of the Bank, including the deployment of the Bank's commercial surplus through its investment portfolio, managed by its Balance Sheet Management unit.

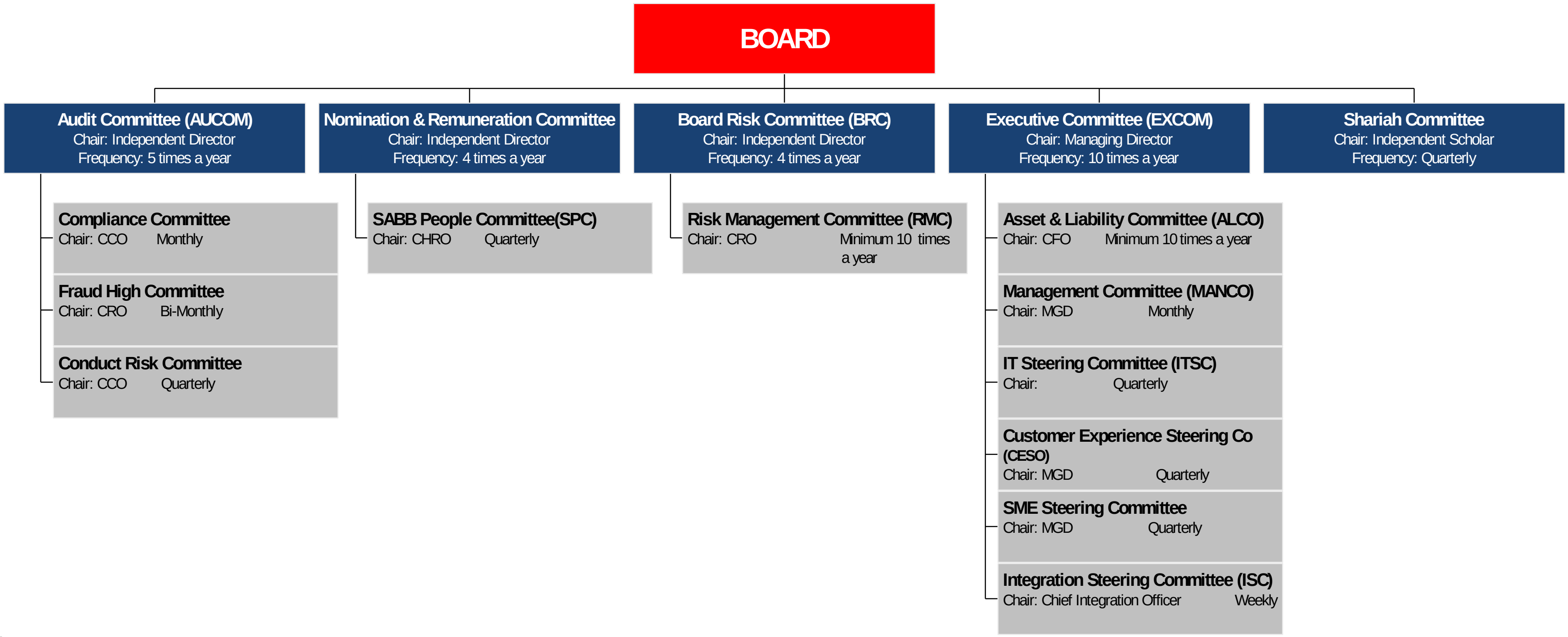
Others segment primarily includes activities of the Bank's investment in its insurance subsidiary, SABB Takaful, its investment banking joint venture, HSBC Saudi Arabia, and equity investments. HSBC Saudi Arabia (HSBC SA) is a leading investment bank in the Kingdom and consistently tops key league tables, leveraging upon the strength of the SABB franchise in the Kingdom and the international capability of HSBC globally.

(b) The risk governance structure;

Managing under a clear risk framework is a fundamental governance principle within SABB.

The Board Risk Committee continues to act as the Board designated committee for the review and approval of risk matters. The Committee meets quarterly and has 5 members, including Non-Executive Directors and Non-Board Members. The committee is assigned to oversee and advise the Board on all high-level risk related matters, and provides strategic direction on risk management across SABB, including setting the risk vision, deciding priorities and overseeing the execution of major transformational risk initiatives.

SABB has a robust risk governance framework in place with accountability embedded throughout the bank:



SABB applies a 'Three Lines of Defence' model within which business units are responsible for the risks corresponding to their respective areas and ensure that all key risks are identified, mitigated and monitored through appropriate controls. Risk and Finance form part of the second Line of Defence and are responsible for providing assurance, challenge and oversight. Internal audit is the third line and provide an independent assurance to senior management and the Board.

The Risk Management function, which manages credit, market and operational risks within SABB, is under the direct control of the CRO. The Chief Risk Officer is appointed by, appraised by, and has a reporting line directly to, the Board Risk Committee.

The core SABB governance policy manuals covering Corporate Governance, SABB Standards, Risk Management and Credit Policy 2020 are subject to periodic review by the Board or its designated committees. An annual review of the risk governance framework was completed and approved by the Board Risk Committee.

The framework of regular risk reporting to the Board included, inter alia, the Risk Appetite Statements, Risk Heatmap and Top and Emerging Risks. These are compiled and submitted to the relevant risk governance committees where the reports are challenged and action plans agreed.

(c) Channels to communicate, decline and enforce the risk culture;

Risk Management is an independent function within SABB and is headed by the Chief Risk Officer with the overall responsibility of enterprise-wide risk management.

Whilst business units have the primary responsibility for managing specific risk exposures under the oversight of the Chief Risk Officer, the Board Risk Committee (BRC), the Risk Management Committee (RMC) and Assets and Liabilities Committee (ALCO) have the primary responsibility for setting SABB's overall risk appetite.

The composition of the major committees is briefly described below:

The Board of Directors – Generally meets four times a year. It is made up of eleven members (the "Directors"), including the Chairman and the Managing Director. The Chairman is required to be a non-executive director and shall be Saudi National, and the Managing Director is selected from among the Directors appointed by HSBC Holding BV. According to SABB's by-laws eight (8) of whom shall be appointed by the Ordinary General Meeting for three year terms by way of election pursuant to the accumulative voting method (the "**Elected Directors**"), and three (3) of whom shall be appointed by the shareholder HSBC Holdings B.V. (the "Appointed Directors"), after having obtained confirmation of no objection from SAMA before any appointment. All Directors may be reappointed for new terms. The Board of Directors maintains control over SABB and monitors the executive management of SABB.

The Board Risk Committee (BRC) – The committee is assigned to oversee and advise the Board on all high-level risk related matters, and to provide strategic direction for Risk across SABB, including setting the risk vision, deciding priorities and overseeing the execution of major transformational risk initiatives. It consists of three to five members, whom should be Non-Executive Directors. The Committee meets on a quarterly basis, and is chaired by one of the non-executive directors whom will be appointed by SABB Board of Directors. The Board Risk Committee is a Board committee and reports directly to the Board.

Executive Committee (EXCOM) –According to the Bank bylaws the Executive Committee comprises of three to five members, and is chaired by the Bank's Managing Director, and shall meet at least six times a year. The Committee shall assist the Managing Director within the powers determined for it by the Board, deal with matters referred to it by him or by the Board, provided that the Executive Committee shall not have the power to alter any resolution, rules or regulations taken or laid down by the Board. This delegation includes endorsing of Annual Operating Plan, Strategic Plan, Investment Strategy, Credit facilities / Credit matters beyond its risk limits and Expenses within the expenditure limit set by the Board and noting of key issues brought to the attention of the managing director or executive management by the management Committees such as MANCOM, IT Steering Committee, etc.

Audit Committee (AUCOM) – The Committee is appointed by the Annual General Meeting, meets on a quarterly basis and consists of three to five members from SABB's non-executive or independent directors and of non-Board members who must comprise a majority of members. The Committee supervises the Internal Audit Department, monitors the Bank's internal and external audit functions, reviews control weaknesses and system deficiencies, oversees the Compliance Function, monitors its effectiveness and reviews submitted reports. It is also responsible for the review of interim and annual financial statements including compliance with accounting policies, and provides the Board with its comments and feedback. The committee reviews the audit reports and provides its recommendations thereon, and also recommends to the Board the appointment of the Bank's auditors, the fixing of their fees, the review of the audit plan, follow-up on the auditors' work and the review of the bank's auditors' comments, whilst also approving any work beyond normal audit business, and any other duties as set in the Terms of Reference of the Committee which is endorsed by the Board and approved by the AGM.

Nomination and Remuneration Committee (NRC) – The committee consist of three to five members, and meets on half yearly basis or more frequently if required. The committee recommends to the Board, nominations for Board membership in line with SABB Board membership policies and criteria as endorsed by the Board and approved by the AGM, annually reviews the skills and capabilities required of those suitable for Board membership including the time needed by a Board member for Board business, reviews the structure of the Board, evaluates the effectiveness thereof as well as of the members and committees and ensures the independence of independent members and the absence of potential conflicts of interest. It also reviews the scope and limits of SABB's governance in addition to drawing-up and approving the compensation and remuneration policies and schemes and submits necessary recommendations in that regard, any other duties as set in the Terms of Reference of the Committee which is endorsed by the Board and approved by the AGM. The committee is chaired by an independent Board member, and consists of non-Executive Board Directors and members from outside the board.

Risk Management Committee (RMC) – This is the senior management designated Committee of the Board to review risk management matters, including reviewing risk appetite, emerging risks and Risk policies. The committee meets 10 times in a year and is chaired by the Chief Risk Officer. Attending members include senior management, businesses and support functions.

Assets and Liability Committee (ALCO) – The committee is chaired by Chief Financial Officer and meets 10 times a year to discuss balance sheet and its associated risks. The committee consists of representatives from senior management, businesses and support functions.

(d) The scope and main features of risk measurement systems;

The material risks that may impact SABB's operations are identified and thoroughly assessed and stressed, both qualitatively and quantitatively. The risk review cycle is as follows:

- A monthly review of the top and emerging risks is undertaken and challenged at the RMC through a Risk Heatmap and mitigation action plans.
- The risk appetite is reviewed on an on-going basis by RMC in consultation with the business functions.
- Risk reports for each risk category are submitted to the BRC quarterly.
- The stress test scenarios and outcomes are updated half-yearly based on the revised parameters and reviewed by the RMC and BRC.
- Senior management challenges the risk appetite and risk assessment methodologies at the RMC.
- The BRC challenges and approves the risk appetite, ICAAP and ILAAP.

Credit risk is the risk of financial loss through the failure of a customer or counterparty to honour their commitments as they fall due. Credit risk arises principally in corporate and personal lending, trade finance, treasury and syndication underwriting. But credit risk also arises from off-balance-sheet products such as guarantees and derivatives or from SABB's holdings of debt securities.

A strong culture of prudent and responsible lending is a cornerstone of SABB's risk management philosophy. This is attained through effective control and management of risk, seeking to minimize credit losses while enhancing risk-adjusted returns.

Credit manuals provide clear and consistent lending guidelines, policies, and procedures to manage the corporate and personal banking asset portfolios. These policy manuals are reviewed annually by the Risk Management function and endorsed by Chief Risk Officer (CRO) / Corporate Risk Committee (CRC), Risk Management Committee (RMC) for onward approval by the Board Risk Committee in line with the requirements stipulated in the SAMA Rules on Credit Risk Management.

Credit risk assessment is undertaken by the credit approval function which reports to the Managing Director through the CRO, hence ensuring that they have an appropriate degree of independence. The teams are responsible for credit approval decisions, as well as key aspects of the risk rating systems, including selection, implementation, performance, and oversight.

The approval process is reviewed annually by the BRC with limit delegations cascaded down from the Board level. Within SABB, emphasis is placed on the individual's responsibility for making credit decisions and as such there is a series of delegated approval limits agreed by Board.

A key element in the Bank's credit culture is the proactive management of the portfolio through:

- The regular review of facilities by lending and credit officers, at least annually.
- The operation of an independent special asset management function to handle non-performing and problem exposures.

- The central monitoring of credit concentration in certain countries, specialized industries / sectors, products, customers and customer groups with monthly reports to the RMC and quarterly to BRC. Counterparty Concentration is also tabled at Asset and Liability Committee (ALCO).
- The continual development of improved techniques for measuring and evaluating risk, and for optimizing risk-adjusted return on capital.
- The development and adoption of automated application processing and assessment systems, to enable consistency of decisions and an efficient framework for application processing.
- A structured framework of credit training and accreditation to build risk awareness and credit assessment capabilities.

Personal lending decisions are based on credit scoring models and decision strategies, developed using internal data and credit bureau information from SIMAH; with behavioural scoring applied to support credit card processing, authorisation, collections and limit review decisions.
Provision for credit losses is based on IFRS9, where the Bank is required to recognize Expected Credit Losses ("ECL") , computed through a process which takes into account past events, current conditions and forecast information, and to update the ECL recognized at each reporting date to reflect changes in credit risk.

SABB operates dedicated special assets and recoveries teams to manage companies in financial distress and non-performing loans to maximise recovery rates. For high value and problematic accounts the recovery process includes the direct involvement of the Legal Division. For personal banking there is a dedicated collections function undertaking debt counselling and recovery activities at each stage of delinquency, and wherever needed the services of external and overseas recovery agencies are enlisted.

Credit risk consumes the largest proportion of SABB's minimum capital requirement. Within the established principles and parameters SABB ensures that strict capital discipline is maintained through correct pricing and management of credit risks in relation to the regulatory and economic capital requirements.

Market Risk is the risk that movements in market risk factors, including foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices will reduce SABB's income or the value of its portfolios.

Foreign exchange risk (FX) arises from an open position, either overbought (long) or oversold (short), in a foreign currency, creating exposure to a change in the relevant exchange rate.

SABB categorises foreign exchange risk as follows:

- **Trading Book FX risk -** arises from proprietary currency trading i.e. spot, forwards, futures, swaps and options. Trading exposures are controlled through assigning limits to each currency and aggregate exposure levels as well as through VAR and stress testing measures.
- **Banking Book FX risk -** arises from a currency mismatch / revaluation between assets and liabilities, including accrued interest and accrued expenses. The mismatch is transferred to Treasury and managed on daily basis through the trading book.

- **Structural FX risk -** arises from two sources: (a) net investments in subsidiaries, branches or associated capital undertakings; and (b) non-SAR denominated assets. The currencies where structural FX arises are those other than the designated reporting currency of the SABB, which is the Saudi Riyal (SAR).

SABB uses a range of control measures to manage market risk ranging from specific stop loss control limits to sensitivity analysis limits including the present value of a basis point (PVBP) movement in interest rates, in addition to VAR loss limits designed to estimate the potential loss from market movements across a specified time horizon and for a given level of confidence using a historical simulation approach. SABB recognizes the limitations of VAR and complements its analysis with scenario stress testing to evaluate the impact of more extreme but plausible events or movements in market variables.

Whilst SABB uses both VAR and standard rules to manage market risk, capital requirements are assessed for all positions using the standard rules and approaches prescribed by SAMA.

Operational risk governance framework is made up of Operational Risk Policies, Procedures, management information to various committees and oversight by the Operational Risk and Internal Control Committee. An operational risk assessment process is undertaken periodically and at least annually by each line of business and support function, with the output challenged through the Operational Risk and Internal Control Committee (ORICC).

SABB has classified risks into two main categories i.e. Financial and Non-Financial Risk. Operational Risk forms a part of Non-financial Risk, which has been further categorised into 8 broad categories of risks as follows:-

- Financial Crime
- Financial Reporting and Tax Risk
- Legal Risk
- Model Risk
- Shariah Risk
- People Risk
- Regulatory Compliance Risk
- Resilience Risk

This categorisation gives a clearer focus on key risks, and enable better risk management. Each Level 1 Risk has an overall accountable Risk Steward for the holistic assessment and oversight of the combined risk exposure. Each of these 8 Level 1 Risk categories have corresponding Level 2 Risks (which provide detailed guidance on aspects to be covered), listed as under.

- Financial Reporting Risk
- Tax Risk
- Contractual Risk
- Inappropriate Market Conduct
- Breach of Other Regulatory Requirements
- Money Laundering and Terrorist Financing
- Building Unavailability and Workplace Safety Risk
- Information and Cyber Security
- Security of People and Physical Assets

- Legislative Risk
- Non-Contractual Rights Risk
- Dispute Adjudication Risk
- Non-Contractual Obligations Risk
- Regulatory Duty to Clients & Other Counterparties
- Sanctions Breaches
- Bribery and Corruption
- Internal Fraud
- External Fraud
- People Risk
- Contingency Risk
- Systems and Data Integrity
- Operations (Transaction Processing Risk)
- Third Party Risk
- Shariah Risk

A Bank level Operational Risk dashboard is used by Senior Management to highlight the major risks and breaches. Loss trends reports are reviewed monthly by ORICC and RMC with a quarterly update provided to the BRC.

Systems established to record risks and losses by Basel business lines, risk and loss event categories enable business units to manage their action plans and request for management information reports. Duties are segregated to ensure integrity of loss and risk data in the system. Data is captured and approved in the system by the business. The central Operational Risk department coordinates the recording process, reconciles the observations to ensure only operational losses are captured and the data meets both SABB and regulatory guidelines in addition to ensuring the quality of the input data.

SABB continued the consolidation/strengthening of its Operational Risk Management and Governance processes:

- The Risk Governance Framework was reviewed by the BRC.
- Continued focus on adherence to laws and regulations, Treating Customers Fairly, Protecting Customer Information, Preventing Bribery and Corruption and Preventing Financial Crime.
- SABB continued to fully assess the dependencies and business impact analysis related to the Bank’s association with the HSBC Group.
- The Three Lines of Defence model was monitored to underpin our approach to strong risk management. The Three Lines of Defence model defines who is responsible to identify, assess, measure, manage, monitor, and mitigate operational risks, encouraging collaboration and enabling efficient coordination of risk and control activities.
- Risk and Control Assessment (RCA) is a component of the Operational Risk Management Framework (ORMF) implemented across SABB. The RCA process is designed to provide business/function with a forward looking view of operational risk to help them proactively determine whether their key operational risks are controlled within acceptable levels.
- The continuation of Second Line of Defence Reviews and establishment of an assurance programme within Operational Risk and Internal Control (ORIC) was established to ensure implementation of the Bank’s ORIC framework within the businesses.
- The ongoing implementation of findings from independent reviews are tracked using the Operational Risk Repository System (HELIOS) to verify timely closure of items with updates submitted monthly to Risk Management Committee with validation undertaken by ORIC and INA.

Capital requirements are assessed using the standardised approach, which applies one of three fixed percentages to an average of the last three financial years' gross revenues allocated across eight defined business lines.

(e) Process of risk information reporting provided to the board and senior management;

The Board is constantly informed and updated regarding the risk status of the bank through several reports. Following are the key reports which are considered comprehensive and hence provide Group wide risk assessment on periodic basis.

Monthly Risk Report is submitted to the Risk Management Committee encompassing risks related to the Bank. The report provides a concise overview of all regulatory ratios and thresholds, capital adequacy, asset quality and provision coverage, risk adjusted return, liquidity position of the Bank, market risk due to the trading activities, interest are risk in the banking book, major operational risk incidents and mitigating actions, and information security update. Also review risk management matters, including reviewing risk appetite and emerging risk and risk policy.

Quarterly Risk Report is submitted to the Board Risk Committee encompassing risks related to the Bank. The report provides a concise overview of key regulatory ratios and thresholds, capital adequacy, asset quality and provision coverage, risk adjusted return, liquidity position of the Bank, market risk due to the trading activities, interest are risk in the banking book, major operational risk incidents and mitigating actions, and information security update.

Risk appetite monitoring of the Bank is an integral part of the monthly reporting to the senior management, which it combines the Bank's business model, governance, and strategic decisions. It holistically integrates the risk limits and performance targets for the Bank and the business groups, and sets the overall risk tolerance boundaries. Additionally, it facilitates the management decisions with various risk targets in order to ensure compliance with regulatory constraints and changing economic conditions.

Stress testing is another key component of the quarterly risk reporting process to the Board and senior management that assesses the potential risk and the resulting impact due to stressed operating scenarios, both macroeconomic or/and idiosyncratic. Stress testing framework at SABB is comprehensive and is reasonably granular, which enables the management and the Board to assess the impact of different scenarios on specific portfolios and sub-portfolios in terms of credit quality, liquidity, and capital adequacy.

Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) are considered as the most comprehensive exercise that conducts the risk assessment of the Bank on forward looking basis, given the business plan and growth aspirations. This provides a complete overview of existing capital adequacy and future capital requirements to the Board and the senior management, which aids the long term capital management process in the Bank.

Moreover, senior management exercises its risk management function through various management committees which require more frequent and more granular reporting on risk exposures.

(f) Qualitative information on stress testing;

SABB undertakes a range of stress test scenarios to assess the risk and impact of different events on profitability or capital requirements, the most significant of which is the macroeconomic scenario which is undertaken annually alongside the ICAAP. In terms of governance, SABB has a Stress Testing Committee chaired by the Chief Risk Officer and comprising members from different businesses and support areas to oversee the development of stress tests within SABB across the various customer segments and risk categories.

SABB has maintained its stress testing framework in line with the Rules on Stress Testing for Banks under Circular reference 60687 BCS 38747 issued by SAMA in November 2011 and with industry best practice. Under SABB's stress methodologies, the inputs to each stress test are based on a combination of analytical inputs and expert panels to review the quantitative data and incorporate qualitative factors. As part of SABB stress testing framework, two integral reports are produced and submitted to SAMA in March (year-end data) and September (mid-year data) including details of the stress test carried out by the bank considering various customer segments and risk categories. At least three stress-testing scenarios are applied to arrive at the stressed capital ratios, with a view to ensure that the Bank remains adequately capitalized under stressed conditions during economic down-turns. Adequate stress-testing procedures are in place for Credit, Market (trading book), Interest Rate (Banking book), Liquidity and Operational Risks. Complementary risks are covered under ICAAP and ILAAP.

SABB also runs a series of reverse stress tests to consider scenarios beyond normal business settings to evaluate potential vulnerabilities and assess the mitigation required.

(g) The strategies and processes to manage, hedge and mitigate risks;

The mitigation of credit risk is an important aspect of its effective management and takes many forms.

SABB grants facilities based on the borrower's ability to repay, rather than placing its reliance on credit risk mitigation. SABB nevertheless does hold a range of security to reduce the risk of loss and maximize recovery in case of default. A number of these risk mitigants include but are not limited to shares, real estate etc. and where applicable applied under the Standardised approach in Pillar I.

International and Local Banks Guarantees are referred to Institutional Banking for counterparty and cross border country risk approval.

The granting of facilities and taking of collateral as risk mitigants is governed by defined policies and procedures, as well as the use of bank standard documentation that cater for the offset of credit balances against facilities granted, the control over the integrity and valuation of collateral, and the rights required to enforce and realize security.

A key element in the Bank's credit culture is the proactive management of the portfolio through:

- The regular review of facilities by lending and credit officers, at least annually.
- The operation of an independent special asset management function to handle non-performing and problem exposures.
- The central monitoring of credit concentration in certain countries, specialized industries / sectors, products, customers and customer groups with monthly reports to the RMC and quarterly to Board Risk Committee.
- The continual development of improved techniques for measuring and evaluating risk, and for optimizing risk-adjusted return on capital.
- The development and adoption of automated application processing and assessment systems, to enable consistency of decisions and an efficient framework for application processing.
- A structured framework of credit training and accreditation to build risk awareness and credit assessment capabilities.

Personal lending decisions are based on credit scoring models and decision strategies, developed using internal data and credit bureau information from SIMAH; with behavioural scoring applied to support credit card processing, authorisation, collections and limit review decisions.

For defaulted customers, impairment provisions (collective and discounted cash flow basis) are maintained in accordance with established IFRS accounting practices.

The Bank has implemented an interest rate hedging policy in compliance with the International Accounting Standards. Interest rate derivatives, mainly interest rate swaps and futures are used to hedge specific exposures with an aim to keep the interest rate risks within limits. The Bank also uses currency swaps to hedge specific positions in foreign currencies, when necessary. Effectiveness of all hedges is regularly monitored throughout their term.

SABB operates dedicated special assets and recoveries teams to manage companies in financial distress and non-performing loans to maximise recovery rates. For high value and problematic accounts the recovery process includes direct involvement from Legal. For personal banking there is a dedicated collections function undertaking debt counselling and recovery activities at each stage of delinquency including the use of external and overseas recovery agencies.

SABB has established a Risk Appetite Statement (RAS) for liquidity and funding risk that is approved by the BRC annually, and reviewed monthly through the Asset Liability Management Committee (ALCO) and RMC, with quarterly reports provided to the BRC.

SABB recognizes the importance of liquidity management and has in place a Liquidity Contingency Funding Plan (CFP) to provide guidance for the Liquidity Crisis Management Team (LCMT) and the Liquidity Management Committee (LMC) on how to approach any potential liquidity event, defining responsibilities and setting out a predetermined plan of action. The CFP is a crucial tool in effective liquidity and funding risk planning.

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

		a	b	c
		RWA		Minimum capital requirements
		Dec-20	Sep-20	Dec-20
1	Credit risk (excluding counterparty credit risk)	194,667,740	193,694,098	15,573,420
2	*Of which: standardised approach (SA)*	*194,667,740*	*193,694,098*	*15,573,420*
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)	1,642,065	1,831,240	131,365
7	*Of which: standardised approach for counterparty credit risk*	*1,642,065*	*1,831,240*	*131,365*
8	*Of which: Internal Model Method (IMM)*	-	-	-
9	*Of which: other CCR*	-	-	-
10	Credit valuation adjustment (CVA)	*119,763*	*129,773*	9,581
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	*146,363*	*151,888*	11,709
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	1,988,398	2,144,679	159,072
21	*Of which: standardised approach (SA)*	*1,988,398*	*2,144,679*	*159,072*
22	*Of which: internal model approaches (IMA)*	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-
24	Operational risk	19,064,614	19,064,614	1,525,169
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	2,692,469	2,586,384	215,398
26	Floor adjustment	-	-	-
27	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)**	**220,321,411**	**219,602,675**	**17,625,714**

LIA: Explanations of differences between accounting and regulatory exposure amounts

(a) Explanation of significant differences between the amounts in columns (a) and (b) in LI1;

This section sets out the main reasons why the measurement of regulatory exposures is not directly comparable with the financial information presented in the Annual Report and Accounts 2020.

The basis of consolidation for the purpose of financial accounting under IFRSs, described in Note 1 of the Annual Report and Accounts 2020, differs from that used for regulatory purposes as described below.

The Pillar 3 Disclosures 2020 are prepared in accordance with regulatory capital adequacy concepts and rules, while the Annual Report and Accounts 2020 are prepared in accordance with IFRSs. The purpose of the regulatory balance sheet is to provide a point-in-time ('PIT') value of all balance sheet assets. The regulatory exposure value includes an estimation of risk, and is expressed as the amount expected to be outstanding if and when the counterparty defaults.

Subsidiaries engaged in insurance activities are excluded from the regulatory consolidation by excluding assets, liabilities and post-acquisition reserves, leaving the investment of these insurance subsidiaries to be recorded at 250% risk weight.

The difference between total assets on the regulatory balance sheet is shown in table LI1, and the credit risk and CCR exposure values are shown in LI2. Moreover, regulatory exposure classes are based on different criteria from accounting asset types and are therefore not comparable on a line by line basis.

(b) Explanation of the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2;

On-Balance Sheet

In case of On-Balance Sheet items, currently there are some differences between carrying values and amounts considered for regulatory purposes such as certain provisions, collateral and deconsolidation of insurance entity.

Under IFRS, netting is only permitted if legal right of set-off exists and the cash flows are intended to be settled on a net basis. Under Basel regulatory rules, however, netting is applied for capital calculations if there is legal certainty and the positions are managed on a net collateralised basis. As a consequence, the bank recognises greater netting under the Basel rules, reflecting the close-out provisions that would take effect in the event of default of a counterparty rather than just those transactions that are actually settled net in the normal course of business.

Fair value is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Off-Balance Sheet & Derivatives

In case of Off-Balance sheet and Derivatives Notional values are populated as total carrying / accounting value whereas credit equivalent amounts (i.e. after applying conversion factors including Add-on adjustments in case of Derivative portfolio are populated under respective regulatory framework.

(c) Valuation methodologies;

For details refer to published Financial Statement note no. 1.1 Basis of preparation section f) ii. Fair Value Measurement.

LI1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories (Figures in SAR 000's)

		a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	Assets							
1	Cash and balances at central banks	36,449,415	36,449,415	36,449,415	-	-	-	-
2	Due from banks and other financial institutions	5,105,498	4,915,320	4,915,320	-	-	-	-
3	Positive fair value derivative	1,961,305	1,961,305	-	1,961,305		1,961,305	-
4	Investments, net	60,831,007	60,538,644	60,538,644	-	-	-	-
5	Loans and advances, net	153,243,077	153,243,077	153,243,077	-	-	-	-
6	Investment in associates	619,232	619,232	619,232	-	-	-	-
7	Property and equipment, net	3,169,427	3,169,404	3,169,404	-	-	-	-
8	Goodwill & Other Intangibles	10,982,536	-	-	-	-	-	10,982,536
9	Other assets	4,090,172	3,931,948	3,931,948	-	-	-	-
Total assets		**276,451,669**	**264,828,346**	**262,867,040**	**1,961,305**	**-**	**1,961,305**	**10,982,536**
	Liabilities							
10	Due to Banks and other financial institutions	17,620,956	-	-	-	-	-	17,620,956
11	Customer deposits	189,110,140	-	-	-	-	-	189,092,520
12	Negative fair value derivative	2,819,087	-	-	-	-	-	2,819,087
13	Debt securities in issue	5,066,610	-	-	-	-	-	5,066,610
14	Borrowings	-	-	-	-	-	-	-
15	Other liabilities	11,073,139	-	-	-	-	-	10,465,148
Total liabilities		**225,689,932**	**-**	**-**	**-**	**-**	**-**	**225,064,321**

LI2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements (Figures in SAR 000's)

		a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	264,828,346	262,867,040	-	1,961,305	1,961,305
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
Total net amount under regulatory scope of consolidation		**264,828,346**	**262,867,040**	**-**	**1,961,305**	**1,961,305**
3	Off-balance sheet amounts	163,922,292	45,595,949	-	-	-
4	Differences in valuations	-	-	-	-	-
5	Differences due to financial collateral on standardised approach	-	961,850	-	-	-
6	Differences due to consideration of provisions	-	3,497,447	-	-	-
7	Differences due to prudential filters	-	-	-	-	-
8	Derivatives	75,175,809	1,803,873	-	(157,433)	(157,433)
9	Exposure amounts considered for regulatory purposes	**503,926,446**	**310,266,862**	**-**	**1,803,873**	**1,803,873**

CC1: Composition of regulatory capital (Figures in SAR 000's)

		Components[1] of regulatory capital reported by the bank	Source based on reference letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: Instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	20,547,945	C
2	Retained earnings	2,811,799	F + G
3	Accumulated other comprehensive income (and other reserves)	29,397,764	D + E
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital isued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory adjustments**	**52,757,508**	
	Common Equity Tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	8,791,897	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,190,638	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	
11	Cash-flow hedge reserve	0	
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II 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 netted off 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, net of eligible short positions, 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, net of eligible short positions (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 the 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**	**10,982,536**	
29	**Common Equity Tier 1 capital (CET1)**	**41,774,973**	

	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	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 capital before regulatory adjustments**	0	
	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 the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
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	0	
44	Additional Tier 1 capital (AT1)	0	
45	Tier 1 capital (T1 = CET1 + AT1)	**41,774,973**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	5,000,000	**B**
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	1,303,054	**A**
51	**Tier 2 capital before regulatory adjustments**		
	Tier 2 capital: regulatory adjustments	**6,303,054**	
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments in the capital 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	0	
58	Tier 2 capital (T2)	**6,303,054**	
59	Total capital (TC = T1 + T2)	48,078,026	
60	Total risk weighted assets	220,321,411	

	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.96%	
62	Tier 1 (as a percentage of risk weighted assets)	18.96%	
63	Total capital (as a percentage of risk weighted assets)	**21.82%**	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.54%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement	0.04%	
67	of which: G-SIB buffer requirement	0.50%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	12.96%	
	National minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	n/a	
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	n/a	
71	National total capital minimum ratio (if different from Basel 3 minimum)	n/a	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials		
73	Significant investments in the common stock of financials		
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 standardised approach (prior to application of cap)	1,303,054	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	2,490,855	
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 over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

CC2: Reconciliation of regulatory capital to balance sheet (Figures in SAR 000's)

	a	b	c
	Balance sheet as in Published financial statements	**Under regulatory scope of consolidation**	**Reference**
Assets			
Cash and balances with SAMA	36,449,415	36,449,415	
Due from banks and other financial institutions	5,105,498	4,915,320	
Positive fair value derivatives	1,961,305	1,961,305	
Investments, net	60,831,007	60,538,644	
Loans and advances, net	153,243,077	153,243,077	
of which Stage 1 & 2 provisions	*3,497,447*	*1,303,054*	A
Investment in a joint venture and an associate	619,232	619,232	
Property and equipment, net	3,169,427	3,169,404	
Goodwill & Intangibles	10,982,536	-	
Other assets	4,090,172	3,931,948	
Total assets	**276,451,669**	**264,828,346**	
Liabilities			
Due to Banks and other financial institutions	17,620,956	17,620,956	
Customer deposits	189,110,140	189,092,520	
Debt securities in issue	5,066,610	5,000,000	
of which Tier 2 capital instruments	*5,066,610*	*5,000,000*	B
Borrowings	-	-	
Negative fair value derivatives	2,819,087	2,819,087	
Other liabilities	11,073,139	10,465,148	
Total liabilities	**225,689,932**	**224,997,711**	
Shareholders' equity			
Share capital	20,547,945	20,547,945	
of which amount eligible for CET1	*20,547,945*	*20,547,945*	C
of which amount eligible for AT1	-	-	
Statutory reserves	11,485,841	11,485,841	D
Other reserves	17,911,923	17,911,923	E
Retained earnings	760,954	2,811,799	F
Proposed dividends	-	-	G
Total shareholders' equity	**50,706,663**	**52,757,508**	
Non-controlling interest	55,077	-	
Goodwill & Intangibles	-	(10,982,536)	
Other (ECL Transitioned amount and Provision stages)	-	393,572	
Total liabilities and shareholders' equity	**276,451,672**	**267,166,255**	

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

		a
		Quantitative / Qualitative information
1	Issuer	Saudi British Bank (SABB)
2	Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement)	ISIN No.SA153VK0GKJ8
3	Governing law(s) of the instrument	The instrument is governed by the laws of the Kingdom of Saudi Arabia
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	NA
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group&solo	Solo
7	Instrument type	Subordinated Sukuk
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	SAR 5,000mil
9	Par value of instrument	SAR 5,000mil
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	22 July 2020
12	Perpetual or dated	Dated
13	Original maturity date	22 July 2030
14	Issuer call subject to prior supervisory approval	Yes
15	Option call date, contingent call dates and redemption amount	Call option only available after 5 years or for a regulatory or tax event, 22 July 2025 as the date for redemption, SABB shall be entitled to redeem in whole, but not in part, by giving not less than thirty (30) days' not more than sixty (60) days' notice to the Sukukholders
16	Subsequent call dates if applicable	As above
	Coupons / dividends	
17	Fixed or Floating dividend/coupon	Floating
18	Coupon rate and any related index	6 months SIBOR + 195bps
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non - convertible

24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	Yes
31	If write-down, write-down trigger (s)	Terms of contract of the instrument provide the legal basis for SAMA to trigger write-down (a contractual approach)
32	If write-down, full or partial	Written down fully or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary writedown, description of the write-up mechansim	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated. Senior bondholders are immediately senior to this instrument.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

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

Geographical breakdown	Countercyclical capital buffer rate	Bank-specific countercyclical capital buffer rate
KSA	0.00%	0.000%
GCC and ME	0.0% to 2.5%	0.026%
North America	0.0% to 2.5%	0.002%
Europe	0.0% to 2.5%	0.001%
South East Asia	0.0% to 2.5%	0.000%
Others	0.0% to 2.5%	0.009%
Total		**0.039%**

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	276,451,671
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	1,803,873
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	53,832,788
7	Other adjustments	1,109,775
8	**Leverage ratio exposure**	**333,198,107**

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

		a	b
		Dec-20	Sep-20
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	277,561,446	264,862,942
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)	**277,561,446**	**264,862,942**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash	1,410,511	1,644,504
5	Add-on amounts for Potential Financial Exposure (PFE) associated with all derivatives transactions	393,362	555,496
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to	-	-
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)**	**1,803,873**	**2,199,999**
	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	167,361,637	157,511,881
18	(Adjustments for conversion to credit equivalent amounts)	(113,528,849)	(105,786,682)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**53,832,788**	**51,725,199**
	Capital and total exposures		
20	**Tier 1 capital**	**41,774,973**	**40,825,023**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**333,198,107**	**318,788,141**
	Leverage ratio		
22	**Basel III leverage ratio**	**12.54%**	**12.81%**

LIQA – Liquidity risk management

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 decision to create an internal framework modelled around the external regulatory framework was driven by the need to ensure that the external and internal frameworks are directionally aligned and to ensure that the Bank’s internal funds transfer pricing framework incentivises the business lines to collectively comply with both the external (regulatory) and the internal risk tolerance.

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. By contrast, the NSFR is designed to limit the risks emanating from excessive maturity mismatches over the medium to long term. More specifically, the NSFR requires SABB to fund illiquid assets with a minimum amount of stable liabilities over a horizon of one year.

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.

As a general policy, SABB seeks to be self-sufficient with regards to funding its own operations from 'stable' deposits. Exceptions are permitted to facilitate the efficient funding of certain short-term treasury requirements and start-up ventures, which do not have access to deposit markets.

SABB uses cashflow stress testing as part of its control processes to assess liquidity risk. The cashflow stress testing process estimates and takes into consideration the potential severe adverse P&L and capital impacts in a liquidity crisis, with a view to assessing the bank’s ability to maintain an adequate capital position in such a scenario.

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 reports balance sheet liquidity against the following key ratios:

- ***Asset to Deposit Ratio (ADR)*** – Monitors the extent to which customer advances are covered by customer deposits.
- ***SAMA Liquid Reserve Requirement*** – Minimum 20% of deposit liabilities to be held in liquid assets maturing in less than 1 month, treasury bills and government bonds in accordance with Article 7 of the Banking Control Law.
- ***Liquidity Coverage Ratio (LCR)*** – Minimum requirement of 100% requiring SABB to hold enough liquid assets which can, if needed, be converted easily into cash in private markets to survive a 30 day stress scenario.
- ***Net Stable Funding Ratio (NSFR)*** – Minimum requirement of 100% requiring SABB to hold a minimum amount of stable funding relative to the liquidity profiles of asset activities over one year horizon.

SABB assesses and manages liquidity risk through clearly defined liquidity policies which form part of a broader Liquidity and Funding framework and funding plan which is reviewed and approved by ALCO and BRC. There is a designated Liquidity Management Committee, which monitors the bank's current and projected liquidity position and proposes changes to ALCO on SABB's liquidity ratio limits, funding strategy and liquidity stress testing scenarios.

The Finance Department prepares a bank-wide liquidity report, which is monitored daily against approved limits and regulatory requirements by Senior Management, along with an 18 months rolling forecast balance sheet on a monthly basis showing expected loan and deposit growth.

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 amounted to 299% as at 31st December 2020 from 239% as at 30th September 2020 this was mainly due to an increase in average cash inflows by SAR 2.9 B with the average cash outflows broadly unchanged over the quarter at SAR 54 B, which was partially offset by an increase in average HQLAs by SAR 7.9 B.

The NSFR as at 31st December 2020 amounted to 156% compared to 146% as at 30th September 2020, due mainly to an increase in the weighted stock of Available Stable Funding (ASF) of around SAR 9.7 B and a decrease in the Required Stable Funding (RSF) by SAR 1.9 B.

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)**		**83,678,550**
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**72,056,091**	**6,756,687**
3	Stable deposits	-	-
4	Less stable deposits	72,056,091	6,756,687
5	**Unsecured wholesale funding, of which:**	**91,743,058**	**42,388,011**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	91,743,058	42,388,011
8	Unsecured debt	-	-
9	**Secured wholesale funding**	-	-
10	**Additional requirements, of which:**	**164,166,986**	**4,856,738**
11	Outflows related to derivative exposures and other collateral requirements	317,463	317,463
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	3,715,434	371,543
14	**Other contractual funding obligations**	-	-
15	**Other contingent funding obligations**	160,134,090	4,167,732
16	**TOTAL CASH OUTFLOWS**	327,966,135	**54,001,436**
Cash inflows			
17	**Secured lending (eg reverse repos)**	-	-
18	**Inflows from fully performing exposures**	42,285,349	23,952,667
19	Other cash inflows	1,767,786	1,394,745
20	**TOTAL CASH INFLOWS**	44,053,135	**25,347,412**
21	**TOTAL HQLA**		**83,678,550**
22	**TOTAL NET CASH OUTFLOWS**		**28,654,024**
23	**LIQUIDITY COVERAGE RATIO (%)**		**299%**

LIQ2: Net Stable Funding Ratio(NSFR) (Figures in SAR 000's)

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available Stable Funding (ASF) items						
1	Capital	**47,757,508**	**-**	**-**	**17,579,462**	**65,336,970**
2	*Regulatory capital*	47,757,508	-	-	5,000,000	52,757,508
3	*Other capital instruments and liabilities with effective residual maturity of one year or more*	-	-	-	12,579,462	12,579,462
4	Retail deposits and deposits from small business customers:	**67,749,543**	**11,980,473**	**274,717**	**-**	**72,004,260**
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	67,749,543	11,980,473	274,717	-	72,004,260
7	Wholesale funding:	**75,544,030**	**26,266,647**	**5,612,368**	**509**	**52,421,373**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	75,544,030	26,266,647	5,612,368	509	52,421,373
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	**43,624,377**	**28,203**	**-**	**-**	**-**
12	*NSFR derivative liabilities*		28,203	-	-	
13	*All other liabilities and equity not included in the above categories*	43,624,377	-	-	-	-
14	**Total ASF**					**189,762,603**
Required Stable Funding (RSF) items						
15	Total NSFR high-quality liquid assets (HQLA)					-
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	**10,867,151**	**97,523,674**	**9,949,736**	**134,890,363**	**99,894,339**
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	50,716,303	2,535,815
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	876,136	25,372,002	37,500	-	3,985,904
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:*	9,557,663	50,334,038	9,893,688	84,047,939	84,944,746
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*	-	9,819,911	-	126,121	8,427,874
25	Assets with matching interdependent liabilities	-	-	-	567,906	567,906
26	Other assets:	**11,516,139**	**-**	**-**	**9,181,546**	**20,697,685**
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*		-	-	149	149
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*	11,516,139	-	-	9,181,396	20,697,535
32	Off-balance sheet items		**4,105,773**	**-**	**162,389,895**	**209,426**
33	**Total RSF**					**121,369,356**
34	**Net Stable Funding Ratio (%)**					**156.4%**

CRA: General qualitative information about credit risk

(a) How the business model translates into the components of the bank's credit risk profile;

Credit risk represents our largest regulatory capital requirement.

The principal objectives of our credit risk management function are:
- to maintain a strong culture of responsible lending and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Credit risk, is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that arises from loans and advances, and investment activities. There is also credit risk on credit related commitments, contingencies and derivatives.

The Wholesale Credit and Market Risk, RBWM along with Risk Business Management are the constituent parts of the bank's Risk function that supports the Chief Risk Officer in overseeing credit risks. Their major duties comprise undertaking independent reviews of large and high-risk credit proposals, managing retail credit risk, overseeing large exposure policy, owning our credit policy and credit systems programmes, overseeing portfolio management and reporting on risk matters to senior executive management and to regulators. These credit risk areas work closely with other parts of the Risk function; for example, with Operational Risk on the internal control framework and with Enterprise Risk Management on the risk appetite process. In addition, they work jointly with Enterprise Risk Management and the Finance function on stress testing.

SABB is a diversified financial services institution operating in Saudi Arabia, with a range of business activities and income streams. SABB offers a wide range of credit products through three core business segments; Corporate and Institutional Banking (CIB) and Retail Banking & Wealth Management (RBWM).

- Corporate and Institutional Banking caters to the banking requirements of commercial banking customers, top-end Saudi companies that are globally active; multinational companies operating in Saudi Arabia but headquartered overseas; and institutional clients such as ministries, government agencies and departments, banks and other financial institutions. This includes the provision of credit facilities, trade and receivables finance, guarantees and other credit products.

  Retail Banking and Wealth Management caters to the banking requirements of personal and private banking customers including current accounts, personal finance, home finance and credit cards.

(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits;

SABB has established clear standards to be met by employees, for application across the Bank. This includes a set of Board Risk Committee approved risk appetite statements that reflect the banks appetite for credit risk across different segments, sectors, products and borrower types.

Credit manuals provide clear and consistent lending guidelines, policies, and procedures to manage the corporate and personal banking asset portfolios. These policy manuals are reviewed annually by the designated Risk Management function and approved by the Board Risk Committee. In line with SAMA Rules on Credit Risk Management.

The Bank manages credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits.

SABB assesses the probability of default of counterparties using internal rating tools. Also the Bank uses external ratings, of major rating agencies, where available.

The Bank also seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business.

Authority to carry out various activities and responsibilities for financial performance are delegated to SABB management within limits set by the Board. Authorities to enter into credit exposures are delegated within limits to EXCOM and designated senior management and credit managers. The concurrence of the EXCOM is required, however, for credit proposals with specified higher risk characteristics.

The approval process is reviewed annually by the Board Risk Committee with limit delegations cascaded down from the Board. Within SABB, emphasis is placed on the individual's responsibility for making credit decisions and as such there is a series of delegated approval limits agreed by Board.

Personal finance credit decisions are based on credit scoring models and decision strategies, developed using internal data and credit bureau information from SIMAH; with behavioural scoring applied to support credit card processing, authorisation, collections and limit review decisions.

Credit Risk identification and monitoring systems and procedures are in place in SABB to identify, control and report on any emerging risks.

(c) Structure and organisation of the credit risk management and control function;

The Board of Directors is responsible for the overall risk management approach within SABB and for reviewing its effectiveness. The Board's designated committee for risk matters is the Board Risk Committee which approves and provides oversight and guidance for the Bank's risk framework, plans and performance targets, which include the establishment of risk appetite statements, risk management strategies, the appointment of senior officers, the delegation of authorities for credit and other risks and the establishment of effective control procedures.

The Bank has established a number of risk committees from the Board level to the middle management level in order to ensure that all risks to which the Bank is exposed are managed effectively.

SABB operates an independent risk management function which provides a high-level oversight and management of Credit and Market risk. The credit teams are responsible for credit review, credit approval decisions, as well as key aspects of the risk rating systems, including selection, implementation, performance, and oversight.

A dedicated special assets and recoveries team manages companies which are in financial distress and non-performing. For personal banking there is a dedicated collections function undertaking debt counselling and recovery activities at each stage of delinquency including the use of external and overseas recovery agencies.

In SABB the administration of credit facilities is performed by an independent credit administration function. This function is responsible for ensuring completeness of documentation in accordance with approved terms and conditions, along with undertaking the management and control of facilities.

(d) Relationships between the credit risk management, risk control, compliance and internal audit functions;

The Board is also responsible for internal control in SABB and for reviewing its effectiveness. The framework of standards, policies and key procedures that the Directors have established is designed to provide effective segregation of duties and internal control within SABB for managing risks within the accepted risk appetite along with the on-going identification, evaluation and management of the significant risks faced by the Bank.

SABB's management is responsible for establishing and maintaining an adequate and effective system of internal control which encompasses the policies, procedures/ processes and information systems as approved by the Board, that facilitate effective and efficient operations. The bank has implemented a 'Three Lines of Defence' model for managing risks facing the Bank.

Business management, as the First Line of Defence, is responsible for defining operating procedures and standards across all areas under their responsibility. Specific business manuals are established by functions covering all material risks including credit, market, liquidity, information security, capital, compliance, model, reputational, strategic and other operational risks. Business management is also responsible for implementing effective monitoring mechanisms to identify, assess, measure, manage, monitor, and mitigate operational risks and prevent deviations or breaches from established policies and regulatory requirements.

The Second Line of Defence comprises various risk management functions which maintain oversight of risks including credit, market, legal, compliance, information technology and reputational risks as well as various operational risks relating to business continuity, security and fraud. These functions act as the risk stewards, who set policies and guidelines for managing risks, provide advice to support these policies and test effectiveness of the first line processes in adherence to the policies. They also challenge the First Line of Defence to ensure that its risk management activities are working effectively. The second Line of Defence operates independently of the operational management in the First Line of Defence.

The Credit function undertakes credit reviews to ensure that the facilities are in line with the Bank's credit policy & procedures, SAMA guidelines and are appropriately structured to ensure the end use of funds. They also monitor the financial performance & condition, approval conditions wherever applicable and past dues to identify early warning signs.

As part of the second line, the Compliance function conducts the oversight of business operations and necessary management action to ensure conformity with regulatory requirements, particularly the Rules for Opening of Bank Accounts, Anti-Money Laundering and Terrorism Finance Fighting Rules, CMA Rules and Regulations, and other key international regulatory requirements.

Internal Audit (INA) represents the Third Line of Defence and independently reviews the design effectiveness and operating efficiency of internal control systems and policies focusing on the areas of significant risks to the Bank as determined by a risk based grading approach. The Audit Committee supervises Internal Audit and reviews control weaknesses and system deficiencies.

(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors;

Systems and procedures are in place to identify, control and report on the material risk issues facing SABB. The top level governance committee reports encompass the Risk Appetite Statements, Risk Heat map and Top and Emerging Risks, market risk positions, stress testing, and specific reports for sectors or segments. Exposures to current and emerging risks are monitored through the various risk management committees, and the Assets and Liabilities Committee (ALCO) where the business is challenged by the Chief Risk Officer.

More granular reports for monitoring and control purposes are provided on periodic basis - monthly, quarterly- to Senior Management. The reports cover a range of material risk issues and trends including, risk exceptions, watch lists, portfolio quality, and concentration risk in term of industries, countries and individual counterparties.

CR1 : Credit Quality Asset (Figures in SAR 000's)

		a	b	c	d
		Gross carrying values of		Allowances / Impairments	Net Value
Exposure		Defaulted Exposures	Non-Defaulted Exposures		(a+b-c)
1	Loans	9,881,071	150,537,468	7,175,461	153,243,078
2	Debt Securities	-	60,831,007	25,700	60,805,307
3	Off-balance sheet exposures	3,539,632	86,722,897	662,564	89,599,965
4	**Total**	**13,420,704**	**298,091,371**	**7,863,724**	**303,648,350**

CR2 Changes in stock of Defaulted Loans and Debt Securities (Figures in SAR 000's)

		a
1	Defaulted loans and debt securities at end of the previous reporting period	7,926,486
2	Loans and debt securities that have defaulted since the last reporting period	2,068,799
3	Returned to non-defaulted status	371,671
4	Amounts written off	(485,885)
5	Other changes	(228,428)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**9,881,071**

CRB: Additional disclosure related to the credit quality of assets

(a) The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes;

The scope and definition of past due is when customer fails to meet his payment obligations on time and the amount due is classified as past due. The number of days amount remains past due is counted and termed as the past due period. While an impaired exposure is considered by the bank as a credit obligation that the customer is unlikely to repay without recourse by the bank to actions such as realizing security (if held).

(b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this;

The 90 days past due rule will be generally applied unless the bank has strong evidence that will support different classification. Therefore, it has been assessed on case by case basis and those cases past due for 90 days without any solid evidence that account will be regularized soon will be considered for impairment while cases were technically past dues over 90 days and has solid evidence of clear sources of repayment / restructuring, then the case will be documented and approved by proper authority.

(c) Description of methods used for determining impairments;

The Bank has adopted IFRS9 – Financial Instruments from 1 January 2018. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model (ECL). IFRS9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at Fair Value Through Profit and Loss, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. If the financial asset meets the corporate default definition, the allowance is based on the ECLs associated with the Discounted Cash Flow (DCF) methodology.

(e) Breakdown of exposures by geographical areas, industry and residual maturity;

For breakdown please refer to quantitative disclosures B.9.1, B.9.2, B.9.3, respectively:

(f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry;

For breakdown please refer to the following tables B.9.4 and B.9.5:

(g) Ageing analysis of accounting past-due exposures;

For breakdown please refer to the following tables B.9.6

B.9.1 : Geographic Breakdown (Figures in SAR 000's)

Portfolios	Geographic area						
	Saudi Arabia	Other GCC & Middle East	Europe	North America	South East Asia	Others Countries	Total
Sovereigns and central banks:	**83,508,665**	**533,467**	**-**	**-**	**-**	**-**	**84,042,132**
SAMA and Saudi Government	83,508,665	-	-	-	-	-	**83,508,665**
Others	-	533,467	-	-	-	-	**533,467**
Multilateral Development Banks (MDBs)	**-**	**-**	**-**	**-**	**-**	**448**	**448**
Public Sector Entities (PSEs)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks and securities firms	**6,568,453**	**2,283,091**	**3,342,570**	**899,954**	**12,476**	**2,555,131**	**15,661,675**
Corporates	**161,647,075**	**552,891**	**-**	**-**	**-**	**-**	**162,199,966**
Retail non-mortgages	**17,666,416**	**-**	**-**	**-**	**-**	**-**	**17,666,416**
Small Business Facilities Enterprises (SBFE's)	**230,641**	**-**	**-**	**-**	**-**	**-**	**230,641**
Mortgages	**16,889,277**	**-**	**-**	**-**	**-**	**-**	**16,889,277**
Residential	16,889,277	-	-	-	-	-	**16,889,277**
Commercial	-	-	-	-	-	-	**-**
Securitized assets	-	-	-	-	-	-	**-**
Equity	**2,404,713**	**-**	**-**	**-**	**-**	**-**	**2,404,713**
Others	**8,381,440**	**-**	**-**	**-**	**-**	**-**	**8,381,440**
Total	**297,296,680**	**3,369,449**	**3,342,570**	**899,954**	**12,476**	**2,555,579**	**307,476,708**

B.9.2 : Industry Sector Breakdown (Figures in SAR 000's)

Portfolios	Industry sector												
	Government and quasi government	Banks and other financial institutions	Agriculture and fishing	Manufacturing	Mining and quarrying	Electricity, water, gas and health services	Building and construction	Commerce	Transportation and communication	Services	Consumer loans and credit cards	Others	Total
Sovereigns and central banks:	**84,042,132**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**84,042,132**
SAMA and Saudi Government	83,508,665	-	-	-	-	-	-	-	-	-	-	-	83,508,665
Others	533,467	-	-	-	-	-	-	-	-	-	-	-	533,467
Multilateral Development Banks (MDBs)	**-**	**448**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**448**
Public Sector Entities (PSEs)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks and securities firms	**-**	**15,661,675**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,661,675**
Corporates	**-**	**8,793,442**	**8,273,164**	**18,154,175**	**1,970,879**	**15,524,038**	**37,002,141**	**44,409,089**	**14,794,768**	**13,018,999**	**-**	**259,271**	**162,199,966**
Retail non-mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,666,416**	**-**	**17,666,416**
Small Business Facilities Enterprises (SBFE's)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**230,641**	**-**	**230,641**
Mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,889,277**	**-**	**16,889,277**
Residential	-	-	-	-	-	-	-	-	-	-	16,889,277	-	16,889,277
Commercial	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitized assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity	**-**	**2,404,713**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,404,713**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,381,440**	**8,381,440**
Total	**84,042,132**	**26,860,279**	**8,273,164**	**18,154,175**	**1,970,879**	**15,524,038**	**37,002,141**	**44,409,089**	**14,794,768**	**13,018,999**	**34,786,334**	**8,640,710**	**307,476,708**

B.9.3 : Residual Contractual Maturity Breakdown (Figures in SAR 000's)

Portfolios	Maturity breakdown								
	Less than 8 days	8-30 days	30-90 days	90-180 days	180-360 days	1-3 years	3-5 years	Over 5 years *	Total
Sovereigns and central banks:	**21,299,336**	**258,358**	**150,051**	**-**	**1,238,169**	**14,944,683**	**9,551,351**	**36,600,184**	**84,042,132**
SAMA and Saudi Government	21,299,336	50,457	150,051	-	1,238,169	14,755,440	9,551,351	36,463,861	83,508,665
Others	-	207,901	-	-	-	189,243	-	136,323	533,467
Multilateral Development Banks (MDBs)	**-**	**-**	**105**	**105**	**238**	**-**	**-**	**-**	**448**
Public Sector Entities (PSEs)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Banks and securities firms	**1,540,340**	**379,176**	**1,209,795**	**522,366**	**1,709,971**	**5,201,455**	**389,964**	**4,708,609**	**15,661,675**
Corporates	**7,633,081**	**23,539,021**	**51,923,694**	**20,068,030**	**15,097,957**	**19,111,605**	**5,763,249**	**19,063,330**	**162,199,966**
Retail non-mortgages	**8,609**	**1,796,738**	**27,643**	**75,946**	**273,494**	**2,782,155**	**12,003,229**	**698,602**	**17,666,416**
Small Business Facilities Enterprises (SBFE's)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**230,641**	**230,641**
Mortgages	**1,117**	**53**	**941**	**3,608**	**9,979**	**159,745**	**367,843**	**16,345,992**	**16,889,277**
Residential	1,117	53	941	3,608	9,979	159,745	367,843	16,345,992	16,889,277
Commercial	-	-	-	-	-	-	-	-	-
Securitized assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,404,713**	**2,404,713**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,381,440**	**8,381,440**
Total	**30,482,483**	**25,973,346**	**53,312,229**	**20,670,056**	**18,329,807**	**42,199,641**	**28,075,636**	**88,433,510**	**307,476,708**

* Items with no fixed maturities such as statutory legal reserve, equity and other assets items are included in over 5 years.

B.9.4: Impaired exposures, Allowances and Write-offs by industry (Figures in SAR 000's)

Industry sector	Impaired exposures	Allowances	Write-offs
Government and quasi government	189,570	-	-
Banks and other financial institutions	-	-	-
Agriculture and fishing	133,946	-	-
Manufacturing	1,575,950	439,932	4,055
Mining and quarrying	-	-	-
Electricity, water, gas and health services	809,638	138,335	-
Building and construction	2,432,593	1,121,071	157,282
Commerce	1,620,936	951,626	324,517
Transportation and communication	224,275	28,067	-
Services	29,550	167,272	31
Consumer loans and credit cards	1,299,311	276,472	-
Others	939,189	300,979	-
Total	**9,254,958**	**3,423,753**	**485,885**

B.9.5: Impaired exposures, Allowances and Write-offs by Geographic (Figures in SAR 000's)

Geographic area	Impaired Exposures	Allowances	Write-offs
Saudi Arabia	8,969,791	3,423,753	485,885
Other GCC & Middle East	285,167	-	-
Europe	-	-	-
North America	-	-	-
South East Asia	-	-	-
Others countries	-	-	-
Total	**9,254,958**	**3,423,753**	**485,885**

B.9.6: Ageing analysis of accounting past-due exposures (Figures in SAR 000's)

Bucket	Total
Less than 90 Days	2,911,588
From 90 to 180 Days	467,096
From 180 days to 360 days	737,448
Over 360 Days	3,717,558
Total	**7,833,689**

CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

(a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting;

SABB uses netting for computation of counterparty credit risk of regulatory stipulated margining counterparties. In all other cases the bank does not use on- and off-balance sheet netting for capital adequacy reporting. The bank uses deposit / cash as collateral.

(b) Core features of policies and processes for collateral evaluation and management;

The Bank in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly include time and demand and other cash deposits, financial guarantees, local equities, real estate and other fixed assets.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements. It also monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

The bank's approach when granting credit facilities is to evaluate each proposal on its own merits, rather than on availability of collateral. Where credit risk mitigation is available in the form of eligible non-financial collateral or credit derivatives, the exposure is divided into covered and uncovered portions. The covered portion, which is determined after applying the appropriate "haircut". The value of exposure is adjusted under the financial collateral comprehensive methods.

When valuations are obtained from Banks' approved evaluators, the lowest value is taken thereafter for the purpose of collateral / LTV computation. A refreshed valuations are obtained for properties with more frequency in cases where there are difficulties and hence reliance on the security is increasingly high. Where the bank accepts fixed assets e.g. property as collateral these are adequately insured with the bank as loss payee. If corporate guarantees are accepted their tangible net worth are re-evaluated annually along with the annual review of facilities.

All securities are held under the custody of an independent credit administration function.

(c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers);

The bank endeavors to take an appropriate level of security to secure our advances. All borrowing relationships need to identify a secondary source of repayment. The nature of collateral types available to the bank is limited and these collaterals mostly include time, demand and other cash deposits, financial guarantees, equities, real estate and other fixed assets. The security margin is computed accordingly keeping in view the type of collateral held.

CR3 Credit Risk Mitigation techniques – Overview (Figures in SAR 000's)

		a	b	c	d	e	f	g
Exposure		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	151,523,459	1,145,270	961,850	574,348	573,081	-	-
2	Debt Securities	60,831,007	-	-	-	-	-	-
3	**Total**	**212,354,466**	**1,145,270**	**961,850**	**574,348**	**573,081**	**-**	**-**
4	Of Which Defaulted	9,877,503	3,568	-	-	-	-	-

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CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

(a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;

SABB has nominated three SAMA recognized External Credit Assessment Institutions (ECAIs) for this purpose – Moody's Investors Service, Standard and Poor's Ratings Group and the Fitch Group. We have not nominated any ECAs. There are no changes over the reporting period.

When calculating the risk-weighted value of an exposure using ECAI risk assessments, risk systems identify the customer in question and look up the available ratings in the central database according to the rating selection rules. The systems then apply the prescribed credit quality step mapping to derive from the rating the relevant risk weight.

(b) The asset classes for which each ECAI or ECA is used;

In accordance with the guideline issued by the local Regulator, ECAI risk assessments are used by the Bank as part of the determination of risk weightings for the following classes of exposure:

- Claims on sovereigns and their central banks;
- Claims on Multilateral Development Banks;
- Claims on Banks and Securities Firms; and
- Claims on corporates.

Credit ratings of all exposures are individually determined from the ECAIs and mapped to the exposures assigning a risk weight according to the supervisory tables.

The alignment of alphanumeric scales of each agency to risk buckets is as follows:

Moody's	Standard and Poor's	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Ba1	BB+	BB+
Ba2	BB	BB
Ba3	BB-	BB-
B1	B+	B+
B2	B	B
B3	B-	B-
Caa1	CCC+	CCC+
Caa2	CCC	CCC
Caa3	CCC-	CCC-
Ca	CC	CC
C	C	C
WR	D	D
	NR	NR

Claims on sovereigns and their central banks

Credit Assessment	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Risk Weight	0%	20%	50%	100%	150%	100%

Claims on Banks and Securities Firms (Under Option 2 as required by SAMA)

Credit Assessment	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Risk Weight under option 2	20%	50%	50%	100%	150%	50%
Risk weight for short-term claims under Option - 2	20%	20%	20%	50%	150%	20%

Claims on Multilateral Development Banks

0% risk weight for qualifying MDB's as per SAMA and in general risk weights to be determined on the basis of individual MDB rating as for option# 2 for banks.

Claims on corporates

Credit Assessment	AAA to AA-	A+ to A-	BBB+ to BB-	Below BB-	Unrated
Risk Weight	20%	50%	100%	150%	100%

All other exposure classes are assigned risk weightings as prescribed in the SAMA's Rulebook.

CR4 Standardised approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects (Figures in SAR 000's)

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	Exposure Classes	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	84,042,132	-	84,042,132	-	-	0%
2	Non-central government public sector entities	-	-	-	-	-	0%
3	Multilateral development banks	-	448	-	448	224	50%
4	Banks	6,396,996	9,264,679	7,543,158	9,264,679	7,311,106	43%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	118,127,007	36,284,063	118,128,782	36,042,057	146,659,677	95%
7	Regulatory retail portfolios	17,886,906	10,151	17,886,906	10,151	13,472,546	75%
8	Secured by residential property	16,889,277	-	16,889,277	-	8,444,639	50%
9	Secured by commercial real estate	-	-	-	-	-	0%
10	Equity	1,234,063	-	1,234,063	-	1,234,064	100%
11	Past-due loans	-	-	-	-	-	0%
12	Higher-risk categories	9,446,594	-	9,444,819	-	16,644,236	176%
13	Other assets	7,857,785	36,607	7,857,785	36,607	3,740,080	47%
14	**Total**	**261,880,759**	**45,595,949**	**263,026,921**	**45,353,942**	**197,506,571**	**64%**

CR5 Standardised approach – exposures by asset classes and risk weights (Figures in SAR 000's)

		a	b	c	d	e	f	g	h	i	j
	Exposure 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	84,042,132	-	-	-	-	-	-	-	-	84,042,132
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	448	-	-	-	-	-	-	-	-	448
4	Banks	-	-	2,363,279	-	14,428,476	-	16,083	-	-	16,807,837
5	Securities firms								-	-	-
6	Corporates	58,313	-	1,109,965	-	18,207,821	-	134,794,739	-	-	154,170,839
7	Regulatory retail portfolios	-	-	-	-	-	17,897,057	-	-	-	17,897,057
8	Secured by residential property	-	-	-	-	16,889,277	-	-	-	-	16,889,277
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	1,234,064	-	-	1,234,064
11	Past-due loans	-	-	-	-	-	-	-	-	-	-
12	Higher-risk categories	-	-	-	-	-	-	-	9,444,819	-	9,444,819
13	Other assets	2,252,471	-	672,115	-	-	-	4,482,757		487,048	7,894,392
14	**Total**	**86,353,364**	**-**	**4,145,360**	**-**	**49,525,574**	**17,897,057**	**140,527,643**	**9,444,819**	**487,048**	**308,380,864**

CCRA: Qualitative disclosure related to counterparty credit risk

(a) Risk management objectives and policies related to counterparty credit risk, including:

Risk management objective is to identify, measure, manage and govern counterparty credit risk aimed at efficiency in SABB's capital utilization through stringent monitoring propensity of counterparty to default.

(b) The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures;

The Standardised Approach for Counterparty Credit Risk (SA-CCR) is used for computing Exposure at Default (EAD). The EAD is converted to Risk Weighted Assets (RWA) by applying RWA percentages based on external ratings. The RWA includes a CVA component added to it. As of 31DEC 19 SABB had a rather limited use of Central Counterparty (CCP) exposure where again the EAD is computed using SA-CCR, however here the RWA percentage used for computing RWA is as applicable for recognized CCPs.

(c) Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs;

The exposures to counterparties are governed by the International Swaps & Derivatives Agreements (ISDA) along with Credit Support Annex (CSA) to ISDA. With margining becoming compulsory we are signing CSAs to ISDA for margining covered counterparties. Hence netting wherever applicable and collateralization through margining is the primary credit mitigant. Corporate Guarantee or other form of guarantee support is not specific for counterparty credit risk but is stipulated for overall credit risk (that includes counterparty credit risk) if felt desirable for that overall risk profile.

(d) Policies with respect to wrong-way risk exposures;

Product Due Diligence (PDD) and its periodic review takes into consideration various risks of the product including Wrong Way Risk (WWR) before being introduced.

Further SABB's Markets Functional Instruction Manual (FIM) has defined General & Specific WWR and all related exposures monitored on a regular basis.

(e) The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade;

SABB is required to place Variation Margin (VM) in the form of cash, to cover adverse Marked-to-Market (MTM) daily positions in respect of covered counterparties as required by the margining regulations. This placement of collateral (margin) is not dependent on ratings and hence in general a ratings downgrade would not require an increase in collateral placement.

CCR1 Analysis of counterparty credit risk (CCR) exposure by approach (Figures in SAR 000's)

		a	b	c	d	e	f
		Replacement Cost	Potential Future Exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	894,854	393,604		1.4	1,803,841	1,642,065
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	**Total**					**1,803,841**	**1,642,065**

CCR2 Credit Valuation Adjustment (CVA) capital charge (Figures in SAR 000's)

		a	b
	Total portfolios subject to the Advanced CVA capital charge	**EAD post-CRM**	**RWA**
1	(i) VaR component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	1,803,841	119,763
4	**Total subject to the CVA capital charge**	**1,803,841**	**119,763**

CCR3 Standardised approach – CCR exposures by regulatory portfolio and risk weights (Figures in SAR 000's)

		a	b	c	d	e	f	g	h	i
	Regulatory portfolio / Risk weight	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures**
1	Sovereigns and their central banks	-	-	-	-	-	-	-	-	**-**
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	**-**
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	**-**
4	Banks	-	-	9,649	301,256	-	-	-	-	**310,905**
5	Securities firms	-	-	-	-	-	-	-	-	**-**
6	Corporates	-	-	-	-	-	1,489,427	-	-	**1,489,427**
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-	**-**
8	Other assets	-	-	-	-	-	-	-	3,541	**3,541**
9	***Total***	**-**	**-**	**9,649**	**301,256**	**-**	**1,489,427**	**-**	**3,541**	**1,803,873**

CCR5 Composition of Collateral for CCR Exposure (Figures in SAR 000's)

		a	b	c	d	e	f
		Collateral used in derivative transactions				**Collateral used in SFTs**	
		Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
		Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
1	Cash – domestic currency	-	21,400	-	5,650	-	-
2	Cash – other currencies	-	548,363	837,375	2,543,513	-	-
3	Domestic sovereign debt	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
9	**Total**	**-**	**569,763**	**837,375**	**2,549,163**	**-**	**-**

CCR8 Exposures to central counterparties (Figures in SAR 000's)

		a	b
		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**	**3,137**	**63**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	3,137	63
3	(i) OTC derivatives	3,137	63
4	(ii) Exchange-traded derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	**Exposures to non-QCCPs (total)**		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

MRA: Qualitative Disclosure Requirements Related to Market Risk

(a) Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges;

SABB aims to maintain its position as a top Treasury solution provider to KSA clients. Trading activities are mainly undertaken to cover client flows with limited open market risk. Risk arising from complex client trades is prudently hedged. SABB Treasury uses state of the art system for end-to-end measurement, processing and management of trading risk. There is an established process in place for identifying, measuring and monitoring market risk exposure for both Banking and Trading Book. The Bank has also put in place a stringent framework for hedge accounting which includes formal documentation, designation of each hedge accounting relationship and hedge effectiveness, supported by conducting periodical hedges assessment/measurements.

(b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management;

The Market Risk Management functions independent of Treasury business and reports directly in to Head Enterprise Risk Management and through him to the Chief Risk Officer, Managing Director, Risk Management Committee and Board Risk Committee.

Bank-wide Trading Authority and Limits are approved by BRC for Market risk in a detailed market risk mandate and are allocated to the Treasurer (Level 1). These limits are sub-allocated to Desk Heads at Level 2 (examples - Investment & Balance Sheet Management Desk, Trading desk for Foreign Currency Forex, Saudi Riyal, and Derivatives & Rates). These limits tie back to the strategic objective in undertaking trading activities, formally requested by Treasury Front Office. The limits are reviewed by Risk, before they are approved by RMC and BRC. The CRO has approval for temporary adjustments to these limits. The market risk exposure is reporting to Treasury Front Office on a daily basis, whereas RMC and BRC is updated on monthly and quarterly basis respectively. The excesses (if any) are reported to senior management, RMC and BRC.

(c) Scope and nature of risk reporting and/or measurement systems;

SABB use an advanced front to back Treasury system to monitor market risk limits and exposures, such as PVBP, FX Stop loss, MTM limits, and CS01 for both Banking and Trading Book. The system reports excesses on-line real time for market risk. SABB has successfully migrated Alawwal Banking Book and Trading Book earlier this year. VaR is reported on a daily basis, whereas Market Risk Stress Testing is performed on a weekly basis, using scenarios developed by the major shareholder. It is envisaged this activity will largely be brought in house this year.

MR1 - Market Risk under standardised approach (Figures in SAR 000's)

		a
	Outright products	**RWA**
1	Interest rate risk (general and specific)	0
2	Equity risk (general and specific)	1,183,511
3	Foreign exchange risk	804,888
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus method	
7	Scenario approach	
8	Securitisation	
9	**Total**	**1,988,398**

Operational risk

(a) In addition to the general qualitative disclosure requirement (paragraph 824), the approach (as) for operational risk capital assessment for which the bank qualifies;

SABB defines operational risk as "the risk to achieving your strategy or objectives as a result of inadequate or failed internal processes, people and systems, or from external events".
. Operational risk is relevant to every aspect of our business. It covers a wide spectrum of issues, in particular legal, compliance, security and fraud. Losses arising from breaches of regulation and law, unauthorised activities, error, omission, systems failure or external events all fall within the definition of operational risk.

SABB follows the standardised approach in calculating its capital requirements. The business has been segmented according to Basel lines of business to determine the correct risk factors to apply. The capital requirements have been calculated by applying the SAMA designated beta factor on gross income (based on average of last 3 years) for each line of business.

The objective of our operational risk management is to manage and control operational risk in a cost-effective manner and within our risk appetite. The Operational Risk and Internal Control Committee, which reports to RMC, meets monthly to discuss key risk issues and review the effective implementation of the ORMF.

Responsibility for managing operational risk lies with SABB's staff. SABB's Operational Risk Management Framework ('ORMF') is our overarching approach to managing operational risk, the purpose of which is to:
• identify and manage our operational risks in an effective manner;
• remain within the Bank's operational risk appetite, which helps the organisation understand the level of risk it is willing to accept; and
• drive forward-looking risk awareness and assist management focus during 2020.

(b) Description of the advanced measurement approaches for operational risk (AMA), if used by the bank, including a discussion of relevant internal and external factors considered in the bank's measurement approach;

AMA not applicable as SABB follows the Standardised Approach

(c) For banks using the AMA, a description of the use of insurance for the purpose of mitigating operational risk;

AMA not applicable as SABB follows the Standardised Approach.

Interest rate risk in the banking book (IRRBB) (Figures in SAR 000's)

(a) Qualitative disclosure requirement of IRRBB;

Interest rate risk in the banking book ('IRRBB') arises principally from mismatches between the future yield on assets and their funding cost as a result of interest rate changes. Analysis of this risk is complicated for products where the contractual terms do not determine either the economic duration or the price of the balance, due to embedded customer optionality as an example. For these products, assumptions are used to allow accurate analysis.

The assumption and management of IRRBB can be an important source of profitability and shareholder value for SABB, hence its objective is to protect the balance sheet and earnings from adverse movements arising from various interest rate risk types.

The Board directs and oversees the management of IRRBB activities with the Board Risk Committee (BRC) providing oversight to the Asset and Liability Committee (ALCO), which has overall responsibility for interest rate risk monitoring and management in order to optimize SABB's earnings and net asset values and sets limits.

The Bank manages interest rate risk in the following manner.

- SABB's risk management mandate includes specific interest rate risk thresholds, along with a specific Risk Appetite Statement, which are approved by BRC on an annual basis.
- PVBP limits are established covering the total bank exposure as well as having sub limits placed on the banking and trading books. Market Risk Management tracks the limits on a daily basis with exceptions referred to senior management.
- Pillar II capital assessments using Economic Value (EV) as a basis for capital requirements under Pillar II as part of the Bank's capital adequacy with at least quarterly reporting to ALCO.
- Internal transfer pricing policies are established by Finance and approved by ALCO.
- Funds Transfer Pricing (FTP) maintenance.
- Stress testing is undertaken and reported to ALCO on a quarterly basis covering the standard Basel IRRBB scenarios for EV and Net Interest Income (NII) sensitivities.
- Additional stress scenarios are undertaken on a quarterly basis which are also included within the SAMA stress testing report based on a mild shock of 100bps, a moderate shock of 200bps..
- Clear definition of authorized investments, permissible hedging and position taking strategies with Treasury appointed as the execution body

Balance Sheet Management (BSM) is responsible for the day-to-day execution of the interest rate strategy. BSM is permitted to use derivatives as part of its mandate to manage interest rate risk. Derivative activity is predominantly through the use of vanilla interest rate swaps which are part of cash flow hedging and fair value hedging relationships.

The different types of IRRBB, and the controls that the group uses to quantify and limit its exposures to these risks, can be categorised as follows:

- risk that is transferred to BSM and managed by BSM within a defined risk mandate;
- risk that remains outside BSM because it cannot be hedged. This risk will be captured by our net interest income sensitivity and EV sensitivity with corresponding limits as part of our risk appetite statement for IRRBB;
- basis risk that is transferred to BSM when it can be hedged.

Any residual basis risk remaining in the businesses is reported to ALCO; and
• model risks that cannot be captured by net interest income or EV sensitivity but are controlled by the Bank's stress testing framework.

The component of the interest rate risk in the banking book outside BSM that can be economically neutralised is transfer priced to and managed by BSM. The banking book interest rate risk transferred to BSM is reflected in the Bank's PVBP and non-traded VaR measure where BSM then evaluates the relative risk on the basis of applying PVBP and VaR approaches and managing the resultant risk within approved limits assigned by BRC. BSM activity in this regard is overseen by the Market Risk and Product Control functions.

The price at which interest rate risk is transferred to BSM is determined by the Bank's prevailing interest rate risk transfer pricing curve defined by ALCO, in accordance with the Bank's funds transfer pricing policies. The transfer price seeks to reflect the price at which BSM could neutralise the risk in the market at the point of transfer.

Interest rate risk behaviouralisation
Unlike liquidity risk, which is assessed on the basis of a very severe stress scenario, banking book interest rate risk is assessed and managed according to business-as-usual conditions. In many cases, the contractual profile of banking book assets/liabilities arising from assets/liabilities created outside BSM does not reflect the behavior observed.

Where there is no certainty with regard to interest rate repricing profile, behaviouralisation is used to assess the market interest rate risk of banking book assets/liabilities and this assessed market risk is transferred to BSM, in accordance with the rules governing the transfer of interest rate risk from the global businesses to BSM

In assessing the banking book interest rate risk outside BSM, interest rate repricing behaviouralisation techniques are used where the interest repricing profile is uncertain.

The behaviouralisation of non-term assets and liabilities is currently for tenors up to 5 years. Behaviouralisation ensures that a true reflection of the net IRRBB risk is reflected and managed by BSM. The behaviouralisation parameters are reviewed periodically to reflect the current market, observed customer behaviour and the availability of hedges with any changes reviewed and approved through the ALCO governance committee.

The maximum tenor to which any individual tranche of a non interest bearing repayable customer balance or equity can be behaviouralised is 10 years. The maximum weighted average behaviouralised tenor for any portfolio is five years. Interest-bearing managed/administered rate balances are behaviouralised to tenors less than one year, typically three months.

The maximum percentage of any portfolio that can be behaviouralised is 90% with the residual treated as contractual, meaning overnight.

Interest rate behaviouralisation policies are reviewed and approved at least annually by ALCO.

IRRBB is measured and controlled using the following metrics:

- Present Value Basis Point (PVBP);
- non-traded VaR;
- Net interest income (NII) sensitivity; and
- Economic value (EV).

These are reported on a regular basis to ALCO.

The PVBP approach is a refined duration method that also takes the present yield curve into account and allows the use of operative limits for maturity bands. The PVBP is the change in the present value for a 1 basis-point change in the corresponding interest rate.

Non-traded VaR excludes the non-traded interest rate risk not transferred to BSM and the non-traded interest rate risk of SABB.

Economic Value of Equity (EV)

The assessment of EV sensitivity is based on the net gap risk position of the Banking Book exposures. The maximum adverse exposure under 6 prescribed rate shocks is used to calculate the EV sensitivity, with down 200 bps typically having greater negative impact. The EV methodology values the assets and liabilities including free equity portion (including both interest and non-interest bearing assets and liabilities) at the net present value of future cash flows and then recalculates the net present value of assets and liabilities using different interest rate assumptions. The calculation of the EV sensitivity is based on the future principal cash flows. The Economic Value (EV) approach includes using the additional free equity at market value (present value) and applying its behaviour cash flows, which are discounted to reflect current market value. The Economic Value (EV) uses the behaviour cash-flow of the assets which it is financing (i.e. Saudi Govt. Bonds / Sukuks) when measuring the free equity market value. Managed rate products and products with no contractual maturity are behaviouralised based on the behaviouralisation policy approved by ALCO and capped to maximum of core percentage and tenor limits for retail and corporate as per Basel III for regulatory IRRBB reporting.

The gap and cash flows are calculated at the consolidated Bank level and presented by the major currency, with all other currencies treated as SAR. The standard Basel EV scenarios are used to report EV. When assessing the sensitivity of EV to interest rate movements, the timing of principal cash flows can vary but the amount remains constant.

The Bank monitors EV sensitivity as a percentage of tier 1 capital resources under a managed run-off assumption.

EV is also used for assessing the economic capital required to support interest rate risk in the banking book ('IRRBB'):

- Where EV under any scenario is higher than the current balance sheet carrying value of equity, the banking book income stream is positive (i.e. profit) and therefore capital accretive under that scenario and no economic capital for IRRBB is required.
- Where EV of any scenario is lower than the current balance sheet carrying value of equity, the banking book income stream is negative (i.e. loss) and therefore capital deductive under that scenario and economic capital for IRRBB is held against this loss.

Net interest income (NII) sensitivity

A principal part of the Bank's management of market risk in non-trading portfolios is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). This monitoring is undertaken by ALCO.

NII sensitivity captures the expected impact of changes in interest rates on base case projected net interest income.

The Bank applies standard scenarios as per the Basel framework.

Projected net interest income sensitivity figures represent the effect of the pro forma movements in net interest income based on the projected yield curve scenarios and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions which would be taken by BSM or in the business units to mitigate the effect of interest rate risk.

BSM seeks to manage the interest rate risk profile to minimise losses and optimise net revenues. The net interest income sensitivity calculations assume that interest rates of all maturities move by the same amount in the 'up shock' scenario. Rates are not assumed to become negative in the 'down-shock' scenario which may, in certain currencies, effectively result in non-parallel shock.

SABB uses interest rate swaps and cross-currency interest rate swaps to manage the interest rate risk.

The following IFRS accounting classifications are used for designated hedges:

Fair Value Hedges:
- Fair value changes on hedging derivatives are recognized in income statement
- In the case of the hedged item, the native accounting of the designated asset / liability will change to fair value accounting to the extent of the hedged risk
- Any hedge ineffectiveness is passed on to P&L on a daily basis

Cash Flow Hedges:
- Fair value changes on hedging derivatives are recognized in other reserves
- In the case of the hedged item, the native accounting of the designated asset / liability stays unchanged
- Any hedge ineffectiveness is reclassified from reserves to P&L on a monthly basis

The Bank has applied the Basel standardized framework in calculating the EV and NII sensitivities as disclosed in Table B below.

The assumptions underpinning these are as detailed in the Basel IRRBB guidelines under Principle 8.

Cash flows for EV have been discounted using a risk-free rate.

No assumptions on prepayment rates or behavioural optionalities have been applied.
The non-maturing deposits have been slotted with the non-core on an overnight basis and the core element allocated using a simple linear average with the maximum tenor up to the cap as per table 2 in paragraph 115 of the Basel IRRBB guidelines.

IRRBB1 - Interest rate risk in the banking book (IRRBB) (Figures in SAR 000's)

In reporting currency	△EVE		△NII	
Period	**T**	**T-1**	**T**	**T-1**
Parallel up	(731,934)	(1,116,421)	2,107,109	1,899,414
Parallel down	1,498,534	1,722,571	(950,812)	(945,654)
Steepener	(291,365)	(733,993)		
Flattener	281,274	205,090		
Short rate up	(620,434)	(643,180)		
Short rate down	695,793	569,609		
Maximum	**(731,934)**	**(1,116,421)**	**(950,812)**	**(945,654)**
Period	**T**		**T-1**	
Tier 1 Capital	**41,774,973**		**40,825,023**	

Table REMA: Remuneration policy

(a) Information relating to the bodies that oversee remuneration;

SABB's remuneration activities are governed mainly by SABB's board of directors, despite the establishment of the Nomination and Remuneration Committee (NRC), the Board of Directors are ultimately responsible for promoting effective governance and sound compensation practices. The Remuneration and Nomination Committee, which is the delegated sub-board committee reporting to the Board of Directors and is independent in taking its decisions, consists of (3-5) Non Executive Board and Non-Board members including two independent members and the Committee chairman shall be an Independent Director selected by the Board, and such appointments are subject to SAMA no-objection. The NRC TORs are as follows:

- The Nomination and Remuneration Committee shall act in accordance with the official decisions and instructions issued by the Supervisory Authorities or the directions communicated to the Committee by the Board of Directors.

- The Committee will undertake all tasks entrusted thereto under these rules, and the Bank Directors Selection & Appointment Criteria Policy. The Board of Directors may entrust to the Committee any other tasks as required by the Board and the responsibilities undertaken thereby.

- The Nomination and Remuneration Committee will assume the following responsibilities:

    1. Recommend to the Board of Directors to appoint representatives of the bank as board members in subsidiaries and affiliate companies and their board subcommittees.
    2. Propose policies and clear criteria for membership in the board of directors, Board sub-committees and the executive management
    3. Recommend to the Board of Directors the names of persons nominated for the membership of the Board in line with the policies and criteria outlined in the Bank Directors Selection and Appointment Criteria Policy and the pertinent policies and rules in place.
    4. Recommend to the Board and its subcommittees in the event of vacancy of any position in the Board or committees.
    5. To endorse the appointment of Senior Executives in respect of whom a "No-Objection" is required to be obtained from SAMA and to recommend and enforce succession policies for the Board and its committees, and for the Senior Management in coordination with the Bank's HR, and ensure the compliance of the executive management with such policies.
    6. To annually review the qualifications and skills required for the membership of the Board and to prepare a description of the capabilities and qualifications required including the time to be devoted by each Board member for the Board business.

7. The Committee shall have in place a record containing details of Board member qualifications and skills in order to identify the additional skills required to activate the board's role to ensure fulfilment of its functions and responsibilities.
8. To review the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
9. To identify the weaknesses and strengths of the Board of Directors and make the necessary recommendations for rectification so as to achieve the Bank's interests, including the adoption of an acceptable and effective method for assessment of Board and Board Sub-Committees members and Shariah Committee.
10. To work with the Board and or Audit Committee to annually verify the independence of independent members and ensure lack of conflict of interests if any Board member holds membership of other companies, and to ascertain the directors adherence to the Principles of Business Conduct & Ethics in Financial Institutions.
11. Providing job descriptions for the Executive, Non-Executive and independent Directors and the Senior Executive Management;
12. Setting policy and criteria for selection of Board Directors to be followed if the position of a member of the Board or Committee members according to the bank Policies and Criteria For Selection of Board Directors or Senior Executive becomes vacant; and;
13. To draw and review clear policies for the remunerations and compensation of the Board members and the Board subcommittees and to recommend it to the Board for approval by the AGM, and to set compensations for Senior Executives as well as all employees (including regular staff, contract staff and seconded staff) in line with the performance criteria and prevailing domestic practices, taking into consideration the management of pertinent risks and the official directions regarding the fees and remunerations of the Directors of the Board.
14. Prepare a detailed annual report for the remuneration paid to the Board of Directors and the executive management and present it to the General Assembly of the Bank for approval.
15. To identify and apply appropriate performance measures and consider the risk adjustments and the award process, and to fix bonus pools based on achieving the bank’s strategic objectives and the risk adjusted profits of the Bank for payment of performance bonus and to consider current year and long term performance. and remuneration recovery as well as granting shares.
16. If needed the Committee can appoint remuneration Advisors within the budget restraints determined by the Board of Directors, and authorize or obtain any pertinent reports or surveys or information as deemed necessary to assist the Committee in performing its duties.
17. To review on periodical basis and ensure compliance of remuneration policy, and the Corporate Governance practices & framework with the rules and instructions of SAMA in regard to remunerations, financial stability and sound Corporate Governance principles, and evaluate their effectiveness in achieving its objectives.
18. To recommend to the Board the quantum of remuneration for the Board of Directors and its sub committees, and for the senior executives in accordance with the policy adopted.
19. Recommend to the Board of Directors the names of persons nominated for the membership of the Sharia committee in line with the formation of the Sharia committee and appointments of its members according to the supervisory authorities.
20. To recommend the remuneration for members of the Sharia Committee and submit it to the Board for approval in line with the supervisory authority.

21. To work closely with the Bank's Risk Committee and/or Chief Risk Officer in the process of evaluating incentives adopted under remuneration rules.
22. The Committee shall once in a year at least review its performance and legal status and terms of reference to ensure that the Committee is operating with utmost efficiency and to recommend any changes deemed appropriate for the Board approval
23. To review and ensure implementation of robust post risk adjustment to remuneration as required in line with Consequence Management Policy, Malus and Clawback conditions.
24. Periodically check for Board members training.

The Board of Directors through the NRC shall ensure that an annual compensation review is conducted independently of management and submitted to NRC for review and tracking. This review is conducted by external independent consultants, previously through Mclagan® consultants and subsequently through HayGroup®, where this review assesses the Bank's compliance with the SAMA Rules on Compensation Practices and the FSB Principles and Standards. The Board of Directors, NRC and Management takes into account the findings of such a review in deciding compensation related matters and may also, if deemed appropriate, disclose a summary of the same publicly in the Bank's Annual Report.

The scope of SABB's remuneration policy covers the following:

- All employees: Permanent Employees; Fixed Contract Employees; International Assignees; Employees in majority or wholly owned subsidiaries and Agency Outsourced Employees.
- All compensation elements: Basic Salary; allowances; employee benefit programmes; bonus and incentive schemes (short-term and long-term).
- Key determinants of compensation: Career Banding; individual performance, business and corporate performance; risk alignment; compensation & market conditions; and regulatory requirements.
- Approval process: Establishment and amendments of policy; total pay review and incentive payments.
- Reporting processes: Annual reporting disclosures; management information reporting: and regulatory reporting, CMA Private Placement notification.
- Relevant stakeholder's roles and responsibilities: SABB Board of Directors; Nomination & Remuneration Committee (NRC); Human Resource Department (HRD); & SAMA.

Some roles in SABB are considered as material risk taking roles. Those roles are determined based on the following factors where the role holder's bonus awards should be subject to deferral. Each role is assessed against these factors:

- Is the employee in a role making substantive decisions with regard to the previously listed risks?
- Is the employee in a role that requires (ex officio) that they be a Member or Chairman of a committee making decisions about the listed risk?
- If the risk were to materialize what would the size of the loss in terms of the Bank's profit? (Less than 1% or between 1% and 3% or greater than 3%)

- What is the tenor of the normal risk undertaken by the employee in this role (less than 13 months or between 13 to 60 months or greater 60 months)
- What is the primary function of the role (Risk taker or responsible person or financial controller or risk controller or other)

If the role is assessed to have high risk impact on the bank then it would be subject to bonus deferral based on a four tier model. Roles are reviewed by HR Reward and Risk Management on an annual basis.

Tier One Employees	Responsible Person/or High Material Risk Takers / Controller
Tier Two Employees	Significant Material Risk Takers / Controller
Tier Three Employees	Material Risk Takers / Controller
Tier Four Employees	No Significant Material Risk Undertaking or Controlling

(b) Information relating to the design and structure of remuneration processes;

Objectives of the remuneration policy:

- Align the reward practices with the Bank's strategy & values so as to support the successful execution of the strategy in a risk aware manner.
- Make transparent to all stakeholders SABB's compensation principles and processes.
- Ensure internal equity of compensation.
- Cost effective reward solutions.
- Ensure certainty in reward processes.
- Ensure delivery of high quality services to customers through ethical products.
- Offer an attractive employee value proposition to attract, retain and motivate competent and committed employees so as to achieve our strategy of being the "Bank of Choice" by contributing to make SABB the Best Place to Work.
- Ensure the financial sustainability of SABB.
- Ensure that pay is determined by the value-adding performance of an individual employee.

The remuneration policy is reviewed once a year at least by NRC or sooner in case required. The latest review took place in 18 December 2019 and as the legacy banks went through a merger, compensation policy was revisited accordingly to unify the entire practices of the combined bank for all employees' matters.

In order to ensure that risk and compliance employees are remunerated independently of the businesses they oversee, the remuneration policy and internal rewards procedures states the segregation of the allocation of variable pay of all employees engaged in control functions from the overall bank and the size of that pool is not related to the short term profits of the bank.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. Including an overview of the key risks, their measurement and how these measures affect remuneration;

All employee engaged in material risk (listed below 1.1 – 1.18) undertaking or responsible persons or senior financial or Risk Control employee will be subject to bonus deferral conditions, as detailed herein:

	Tier	Deferral	Level of Deferral	Vesting Period	Deferral Vehicle*	Level of Vesting
Risk Taker	Tier One Employees	Yes	30%	3 Year	Equity	33% in 1st Year 33% in 2nd Year 34% in 3rd Year
Risk Taker	Tier Two Employees	Yes	20%	3 Year	Equity	33% in 1st Year 33% in 2nd Year 34% in 3rd Year
Non-Risk Taker	Tier Three Employees	No	0%	N/A	N/A	N/A
Non-Risk Taker	Tier Four Employees	No	0%	N/A	N/A	N/A
Non-Risk Taker	Not Tier 1 or 2 (bonus more than 1.85M)	Yes	30%	3 Year	Equity	33% in 1st Year 33% in 2nd Year 34% in 3rd Year
Non-Risk Taker	Not Tier 1 or 2 (bonus between 0.75M & 1.85M)	Yes	20%	3 Year	Equity	33% in 1st Year 33% in 2nd Year 34% in 3rd Year

Minimum deferred amount is capped on 30K and less. If the employees has a deferred amount of less than 30K, no deferral will be applied and he/she will receive his/her total bonus amount in immediate cash. Employees who are not Tier 1 or 2 and have a bonus between 0.75M and 1.85M may be subject to 20% bonus deferral. Employees who have a bonus more than 1.85M may have a 30% bonus deferral.
The level of deferrals and the applicable tier will be applied on the following basis

Level of bonus deferral	Percentage of Deferral
Tier One Employees	30%
Tier Two Employees	20%
Tier Three Employees	0%

Performance (Malus) Conditions: If a member is proven beyond reasonable doubt to be negligent, not exercising proper decision/ controls with respect to operations, credit, risk management, information risk compliance or any other kind resulting in a loss situation and/ or reputation damage to SABB, they will have non-vested shares withheld and SABB reserves the right to clawback previously vested shares and/or awards. Clawback can only be applied for the previous 5 years in addition to the current performance year. Based on loss/damage assessment of the incident, the clawback can be exercised on the employee's awards for either one specific year or more up to five years.

Shares purchase: in order to ensure that the share price is the same for purchasing and allocation, SABB shares utilised to fund the deferral program should be purchased within a set period of the average share closing price one week preceding the granting date. It has to be ensured that this set period is not falling within the shares purchase prohibition period as per SAMA guidelines.

Personal Hedging Strategies: SAMA Rules on compensation practices prohibit the use of personal hedging strategies or compensation and liability related insurance to undermine the risk alignment effects embedded in employees' compensation arrangement.

Following are the list of risks undertaken or managed by employees on behalf of the Bank:

1.1 Credit Risk

Credit risk is the risk of financial loss through the failure of a customer or counterparty to honour their commitments as they fall due. Credit risk arises principally in corporate and personal lending, trade finance, treasury and syndication underwriting. It also arises from off balance sheet products such as guarantees and derivatives or from a Bank's holdings of debt securities.

1.2 Market Risk

Market Risk is defined as the risk that movements in market risk factors, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce a Bank's income or the value of its portfolios.

1.3 Interest Rate Risk in Banking Book (IRRBB)

Interest rate risk in the banking book (IRRBB) is defined as the exposure of the non-trading products of the bank to interest rates. Interest rate risk arises principally from mismatches between the future yield on assets and their funding costs, as a result of changes in interest rates.

1.4 Liquidity Risk

Liquidity risk is the risk that a Bank 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..

1.5 Investment Risk

Investment risk is the risk of an adverse impact on P&L and capital due to an unexpected loss in value of the investment position held by a Bank on a long term basis (non-trading basis). This can arise out of a Bank's investment, private equity or equity investment portfolios.

1.6 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, this will include legal risks covering, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

1.7 Strategic Risk

Strategic Risk is the risk that the business will fail to identify and react appropriately to opportunities and/or threats arising from changes in the market, some of which may emerge over a number of years such as changing economic and political circumstances, customer requirements, demographic trends, regulatory developments or competitor action. Risk may be mitigated by consideration of the potential opportunities and challenges through the strategic planning process.

1.8 Reputational Risk

Reputational risk is the potential negative but unquantifiable current and future impact on profits and capital, which might arise from a changed and adverse perception of a Bank's reputation among its various stakeholders in the various sides of its operations.

1.9 Compliance Risk

Compliance Risk is the risk leading to statutory, legal sanctions, material financial loss, or damage to the reputation of a Bank that may be suffered as a result of the failure to comply with all applicable laws, rules and regulations. The aim of compliance is to protect the reputation and credibility of a bank and protect the interest of shareholders and depositors, and safeguard the institution against legal consequences.

1.10 Structural Foreign Exchange Risk

Structural Foreign Exchange (FX) risk is the potential for adverse movements in the supply of capital and thus capital ratio impact as a result of unexpected movements (US dollar peg break) between SAR and all non-SAR (foreign currency) denominated assets.

1.11 Settlement Risk

Counterparty settlement risk is the risk that a transaction may still fail to be completed during the final settlement or processing of payments or exchange of assets. It is evaluated along with other facilities provided to a counterparty. The main areas where settlement risk can crystallise into cash exposure are Daily Settlement Limits (DSL) and SARIE payment limits.

1.12 Security and Fraud Risk

Security and Fraud Risk (SFR) is defined as the protection of people, property, assets and information by reducing the risk to the business from terrorism, crime, incidents/disasters and groups hostile to SABB interests

1.13 Legal Risk

The risk of financial loss, sanction and/or reputational damage resulting from Contractual Risk (the risk that the rights and/or obligations of a Bank within a contractual relationship are defective); Dispute Risk (the risk when involved in or managing potential or actual disputes); Legislative Risk (the risk that a bank fails to adhere to laws of the country's jurisdiction in which it operates); and Non Contractual Rights Risk (the risk that a Bank's assets are not properly owned or are infringed by others or the infringement by a Bank of another party's rights)

1.14 Information Risk

The risk that a breach of confidentiality, integrity or availability results from confidential information being lost, exploited for criminal purposes, or used in a way that would cause reputational damage and/or financial loss to the bank

1.15 Accounting Risk

The risk that financial information is captured incorrectly, miscalculated, omitted or misreported to external users such as investors and regulators or as internal management information.

1.16 People Risk

The risk of deficient employment practices; loss of, or the inability to attract, key personnel; employees inadequately trained or not demonstrating Bank values; workforce disruption; risks related to employment law; or inadequate workplace health and safety.

1.17 Physical Risk

Risks to employees, property or bank critical infrastructure from civil disorder, terrorism or systemically high levels of violent crime (including kidnapping) and extreme climate events.

1.18 Systems Risk

The risk of failure or other deficiency in the automated platforms that support the Bank's daily execution (application systems) and the systems infrastructure on which they reside (data centres, networks and distributed computers).

Forfeiture & Non-forfeiture Provision

1. Forfeiture Provisions

- Resignation: If an employee voluntary leaves the service of SABB, then all non-vested shares will be forfeit.

- Termination: If an employee is terminated by SABB on performance or disciplinary basis then all non-vested shares will be forfeit.

- Malus Provision: If an employee is proven beyond reasonable doubt to be negligent, not exercising proper decision/ controls with respect to operations, credit, risk management, information risk compliance or any other kind resulting in a loss situation and/ or reputation damage to the Bank, they will have non-vested shares with held and the Bank reserves the right to clawback previously vested shares and/or awards. Clawback can only be applied for the previous 5 years in addition to the current performance year. Based on loss/damage assessment of the incident, the clawback can be exercised on the employee's awards for either one specific year or more up to five years.

2. Non-forfeiture Provisions

- Death in service: Shares will vest in full and will be released to the deceased's estate.

- Retirement on the grounds of ill-health or disability: Shares will vest at the normal vesting date on a time apportioned basis, but subject to the Malus provision.

- Redundancy (Employee's job is no longer required and no place could be found for the employee): Shares will vest at the normal vesting date on a time apportioned basis, but subject to the Malus provision.

- Early Retirement: Subject to Executive Management approval, shares will vest at the normal vesting date on a time apportioned basis, but subject to the Malus provision.

- Normal Retirement: Shares will vest at the normal vesting data on a time apportioned basis, but subject to the malus provision.

- Transfer within HSBC group: Shares will vest at the normal vesting date on a time apportioned basis.

- Sale of the employing business by SABB: Shares will vest at the normal vesting date on a time apportioned basis.

(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration;

The performance of all employees is evaluated in at the Year-end reviews. All employees receive constructive feedback on performance at the Mid-year performance 'check-point'. The performance evaluations of all employees are linked to set targets and measures stated in the Performance Score Card and recorded on-line in SABB's Performance Management System.

Performance is evaluated using the Scorecard methodology. Each employee agrees to certain objectives and is assessed during the year on the progress made on these objectives. Employees are also appraised against their business peers through a Calibration process which is applied to ensure fair and equitable performance evaluation.

Employees are assessed using SABB's On Track / Off Track assessment during the mid-year stage. The assessment provides a common standard for assessing and comparing performance and is used to drive consistency and fairness of performance assessment. The On Track / Off Track assessment has been defined as follows:
On Track:

- Meets or exceeds H1 performance and values-aligned behavioural expectations;
- Likely to receive a 'Good', 'Strong' or 'Top Performer' year-end performance assessment and;
- Likely to receive a 'Role Model' or 'Solid' year-end behavioural assessment.

Off Track:

- Does not meet H1 performance and/or Values- aligned behavioural expectations and;
- Needs to make improvement in order to receive a Good or Strong Year-End Performance Rating.

Employees are assessed against their performance using SABB's 4-point descriptive scale during the year-end. The scale has been defined as follows:

- Top Performer: Always exceeds performance expectations
- Strong Performer: Frequently exceeds performance expectations
- Good Performer: Achieves or mostly achieves performance expectations
- Inconsistent Performer: Does not meet performance expectations

Employees are assessed against their behaviours using SABB's 4-point descriptive scale during the year-end. The scale has been defined as follows:

- Role Model: Exceptional behaviours, significantly above expectations, drives performance above target levels and has a lasting positive impact on SABB and all stakeholders.
- Solid: Strong sustained behaviours that consistently meet and, at times, are above expectations, which drive sustainable business performance for SABB and all stakeholders.
- Acceptable: Behaviours that are satisfactory but may require further development in order to improve contribution and create a more positive impact on stakeholders.

- Weak: Behaviours which may damage our stakeholders and our reputation, create risk and/or undermine business performance.

The performance evaluations for all employees are held in archive for 5 years and are used to establish performance trends over a longer period of time for senior level employees.

The performance management methodology adapted at SABB focuses on the differentiation of individual performance and drives the variable reward strategy which encourages high performance.

To ensure full objectivity and independence of the Internal Audit function, the performance of the General Manager Internal Audit will be evaluated by the Audit committee in line with SAMA rules on Compensation.

The Bank uses a guided discretionary variable pay determination philosophy, once the bank financial results are produced, Management presents to the NRC a proposed overall variable pay pool which varies based on the bank overall financial performance. Once approved, this pool is segregated into 3 main pools, Business, Control and Infrastructure (Back office) pools. Further down those pools are adjusted based on each stream department results then further down a range is produced for each employee based on individual performance. Line managers then starts the allocation process within the guided ranges which ensures the differentiation between individual's recommendations based on the level of Individual performance. SABB overall pay philosophy is to "Pay for performance" therefore, by the current definition of performance levels explained above "Inconsistent performance" is not awarded by bank policy. In addition, SABB introduced a consequence management policy in 2017 which aims to ensure and overall disciplinary framework is introduced. The policy, in specific misconduct cases, can lead to reduction of variable compensation and will impact some employees in 2017 onwards.

On fixed pay level, SABB aims to differentiate in fixed pay based on performance trend of individuals, where SABB targets to position high performing employees towards market's upper quartile of pay while maintaining the bank overall pay levels at or above market median. Annually, SABB participates in best in class market pay surveys provided by top providers in the region (McLagan and Hay Group) to provide such benchmark data for those annual pay reviews.

(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance;

Explained under section (c)

(f) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms;

SABB offers 2 main forms of variable remuneration (cash and SABB shares). Where applicable, employees with variable pay is subject to deferral over 3 years, SABB purchase treasury shares with the deferred amounts and maintain the same within an overall bank portfolio managed by HSBC Investment Saudi Arabia. Based on the deferred amount and share price, a number of shares is allocated to each individual and vested over a 3 year period of the coming performance years. Share price is determined on the actual price at the time of purchase and might be adjusted at the time of vesting based on the actual market price of SABB share at the time of vesting preventing the bank from any attempt of gain and loss from the share price volatility and linking the individual employee, as a beneficiary, to the long term interest of the bank overall all performance which impacts the share price. At the time of vesting, allocated shares are transferred from the bank portfolio to the employee portfolio where employee has the right to sell or maintain as preferred.

SABB also applies 2 incentive schemes to employees engaged in Retail Banking sales and Retail Banking Collections function. The schemes concentrate on junior employees only and are annually reviewed validated by HR, Business, Risk, Audit and Compliance and approved by NRC.

In 2019, The Board Elect Committee (BEC) discussed at its meeting on 15 May 2019 a Long-Term Incentive Plan (LTIP) with the objective to retain key individuals and deliver on the Project Aegean integration plan. The LTIP aims to retain key executives and develop a sustainable business throughout the integration phase targeting a select group of the bank's executives. The LTIP will use a combination of cash and shares awarded with equal weight at the time of grant. The Shares will be purchased right after finalising the list of beneficiaries and obtaining all the required approvals. Vested shares will hold no deferral or restriction. This scheme is designed for the Combined Bank executives (N-1/ N-2) approved by the NRC.

Also in 2019, the bank introduced an Integration related retention scheme, the purpose of the scheme is to retain critical subject matter experts from both banks and business lines who are deemed critical for the overall delivery of the integration project. Number of participants are 103 employees from different levels with cash vesting varying in time of vesting between June 2019 and targeted Customer day one. Vesting is subject to confirmation of objectives delivery by the functional head and remaining in relevant role and bank by time of vesting.

SABB takes into perspective the business nature, Employee level in addition to the total compensation factors when determining the individual's pay mix, this is validated and determined based on market benchmarking and other elements such as the individual performance and business performance. SABB pay mix ranges between 80/20 fixed to variable for back office and control functions and between 70/30 fixed to variable for Business functions.

REM1: Remuneration awarded during the financial year (Figures in SAR 000's)

			a	b
		Remuneration amount	**Senior management**	**Other material risk-takers**
1	**Fixed remuneration**	**Number of employees**	**14**	**134**
2		**Total fixed remuneration (3 + 5 + 7)**	**31,262**	**144,678**
3		Of which: cash-based	31,262	144,678
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	**Variable remuneration**	**Number of employees**	**14**	**134**
10		**Total variable remuneration (11 + 13 + 15) ***	**82,750**	**119,588**
11		Of which: cash-based	53,825	85,635
12		Of which: deferred	35,100	40,300
13		Of which: shares or other share-linked instruments	28,925	33,953
14		Of which: deferred	28,925	33,953
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total remuneration (2 + 10)**		**114,012**	**264,267**

** Total variable remuneration - represents the VP awarded during the year not the outstanding from previous periods*

REM2: Special payments (Figures in SAR 000's)

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	**Total amount**
Senior management	-	-	-	-	1	**1200**
Other material risk-takers	-	-	-	-	1	**140**

REM3: Special payments (Figures in SAR 000's)

	a	b	c	d	e
Deferred and retained remuneration	Total amount of outstanding deferred remuneration * as beginning of the year	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	**72,572**	**36,418**	-	-	**30,824**
Cash	36,154				21,490
Shares	36,418	36,418			9,334
Cash-linked instruments	-				-
Other	-				-
Other material risk-takers	**93,601**	**45,562**	-	-	**64,534**
Cash	48,039				53,361
Shares	45,562	45,562			11,173
Cash-linked instruments	-				-
Other	-				-
Total	**166,173**	**81,980**	**-**	**-**	**95,358**

** includes all outstanding deferrals from previous years*