# Pillar III Disclosures

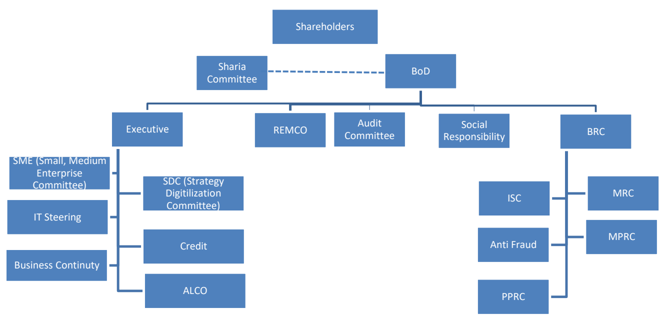
## Qualitative & Quantitative Disclosures

31-Mar-22

**Template KM1: Key metrics (at consolidated group level)**

| | | a | a | b | c | d |
|---|---|---|---|---|---|---|
| | SAR,000 | Q1, 2022 | Q4, 2021 | Q3, 2021 | Q2, 2021 | Q1, 2021 |
| | **Available capital (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 12,504,578 | 12,763,118 | 12,545,340 | 12,686,992 | 12,520,916 |
| 1a | Fully loaded ECL accounting model | 11,868,422 | 12,126,962 | 11,909,183 | 12,050,835 | 11,884,759 |
| 2 | Tier 1 | 14,379,578 | 14,638,118 | 14,420,340 | 14,561,992 | 12,520,916 |
| 2a | Fully loaded accounting model Tier 1 | 13,743,422 | 14,001,962 | 13,784,183 | 13,925,835 | 11,884,759 |
| 3 | Total capital | 16,777,570 | 17,023,088 | 14,798,688 | 14,957,998 | 15,018,362 |
| 3a | Fully loaded ECL accounting model total capital | 16,141,414 | 16,386,932 | 14,162,531 | 14,321,841 | 14,382,205 |
| | **Risk-weighted assets (amounts)** | | | | | |
| 4 | Total risk-weighted assets (RWA) | 71,649,324 | 69,742,050 | 64,749,252 | 63,388,301 | 64,291,526 |
| | **Risk-based capital ratios as a percentage of RWA** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 17.45% | 18.30% | 19.38% | 20.01% | 19.48% |
| 5a | Fully loaded ECL accounting model CET1 (%) | 16.56% | 17.39% | 18.39% | 19.01% | 18.49% |
| 6 | Tier 1 ratio (%) | 20.07% | 20.99% | 22.27% | 22.97% | 19.48% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | 19.18% | 20.08% | 21.29% | 21.97% | 18.49% |
| 7 | Total capital ratio (%) | 23.42% | 24.41% | 22.86% | 23.60% | 23.36% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | 22.53% | 23.50% | 21.87% | 22.59% | 22.37% |
| | **Basel III Leverage Ratio** | | | | | |
| 13 | Total Basel III leverage ratio measure | 111,164,125 | 110,024,057 | 104,430,298 | 101,404,098 | 100,058,889 |
| 14 | Basel III leverage ratio (%) (row 2/row 13) | 12.94% | 13.30% | 13.81% | 14.36% | 12.51% |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13) | 12.36% | 12.73% | 13.20% | 13.73% | 11.88% |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total HQLA | 28,702,539 | 30,428,445 | 29,379,966 | 28,757,553 | 28,778,255 |
| 16 | Total net cash outflow | 17,723,096 | 19,092,582 | 15,759,568 | 16,983,221 | 16,271,186 |
| 17 | LCR ratio (%) | 161.95% | 159.37% | 186.43% | 169.33% | 176.87% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 62,574,550 | 64,135,816 | 58,514,673 | 57,196,052 | 54,925,734 |
| 19 | Total required stable funding | 50,060,842 | 48,290,773 | 46,027,855 | 46,535,951 | 45,662,429 |
| 20 | NSFR ratio (%) | 125.00% | 132.81% | 127.13% | 122.91% | 120.29% |

## Table OVA: Bank risk management approach

| | |
|---|---|
| (a) | Business model determination and risk profile<br>Bank's mission is "to be the Core Banker to our chosen target customers, helping them grow their businesses and wealth" with diversified revenue streams originating from Kingdom. The Bank's strategy remains to identify the current and emerging customer needs and ensuring that it exceeds the customers' expectation, while transforming into a fully integrate Bank offering seamless services to its Retail, Investment, Commercial and Corporate clients. The Bank quantifies its risks using methodologies that have been reasonably tested and deemed to be accepted in the industry.<br>Where risks are not easily quantified, due to the lack of commonly accepted risk measurement techniques, expert judgment is used to determine the size and materiality of the risk. The bank's ICAAP & ILAAP process focuses on the qualitative controls in managing such material, non-quantifiable risks within the established governance framework of the Bank. These qualitative measures include the following:<br>- Adequate governance process through MRC, BRC, EXCOM and Board;<br>- Adequate systems, procedures and internal controls;<br>- Effective risk mitigation strategies;<br>- Regular monitoring and reporting through various committees and management forums. |
| (b) | The risk governance structure<br>The risk management governance approach is premised on three lines of defense – risk taking business units, risk control units and internal audit. The risk taking units are responsible for the day-to-day management of risks inherent in their business activities while the risk control units are responsible for setting-up the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and testing of risk. Complementing this is internal audit which provides independent assurance of the effectiveness of the risk management approach.<br>The ERM framework of the Bank aims to establish a Risk based strategy for all its products and banking services, driving operational efficiency across the Bank, with guidance on identifying and addressing various forms of risks (including credit, market, operational, liquidity, reputational, compliance risk, etc.), with risk based capital utilization forming the key criteria for design and implementation of services, where applicable. |
| (c) | Channels to communicate, decline and enforce the risk culture<br>The Bank has established an enterprise risk capital management framework to manage its material risks. The key components of the framework include the following:<br>I. Defined risk appetite and strategy.<br>II. Risk governance establishing the roles and responsibilities for the management committees and Enterprise Risk Management Group.<br>III. A comprehensive review and analysis of material risks – as assessed by the Bank, at regular frequency along with the review of existing risk mitigation mechanisms.<br>IV. Measurement methodologies for the quantification of risk.<br>V. Monitoring and reporting process to ensure that the risk is maintained within the established tolerance levels.<br>VI. Capital management linked to the overall business strategy to ensure that the capital is commensurate to the levels of risk inherent in the business.<br>VII. Stress test measures to determine if the capital levels are adequate in case of adverse events and take decisions to enhance the capital or mitigate risk.<br>Moreover, following are major Baord and Management Committee entrusted with the oversight of the overall risk profile of the bank in order to communicate, decline and enforce the Enterprise Risk Management culture, strategy and principles:<br><br> |
| (d) | The scope and main features of risk measurement systems.<br>At BAJ, the Enterprise Risk Management through the Chief Risk Officer, Chief Credit Officer, and the Credit Risk Managers assumes the independent responsibility of reviewing and co-signing the approval through the Management Credit Committee (MCC), the Executive Committee (Excom), of all major credit proposals of the Bank which are prepared, sponsored and recommended by the Business Units. In addition, Enterprise Risk Management Group (ERMG) provides risk management and advisory to all lines of business for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks that are discussed under Pillar 2 of the BASEL regime. ERMG ensures that the core risk policies of the bank are consistent and current, sets the risk tolerance level through the approved Risk Appetite Framework & Policy. Also, ERMG is responsible for the development and implementation of various risk policies and related business decisions empowered by the board. ERMG is functionally and organizationally independent of the business units and other risk taking units within BAJ. |
| (e) | Process of risk information reporting provided to the board and senior management<br>Risk dashboards are reported to Board and Senior Mangement on a quarterly basis through various MIS. The dashboard covers all material risks i.e. credit risk quality, credit risk profile, credit concentration, top exposures, market risk reports, operational risk dashboards. |
| (f) | Qualitative information on stress testing<br>The bank's stress testing program is in compliance with the applicable SAMA Stress Testing guidelines encapsulated in a Board approved Stress Testing Framework and Policy. It is embedded in the risk and capital management process. The program serves as a forward looking risk and capital management tool to understand the bank's risk profile under extreme but plausible conditions. Such conditions may arise from macroeconomic, strategic, political and business environmental factors.<br>The Stress Testing methodology and assertions undergo comprehensive review and challenging process to ensure that these remain in sync with the prevailing regulatory and global best practices. The stress testing exercise in Bank AlJazira is viewed as a means to review bank's capital allocation strategy based on different extreme stress scenarios and the Bank makes necessary adjustments to its strategy where warranted, based on the stress testing results. Under Bank AlJazira's Stress Testing Policy and Framework, the potential unfavorable effects of stress scenarios on the bank's profitability, asset quality, liquidity, risk weighted assets and capital adequacy are modeled. |
| (g) | The strategies and processes to manage, hedge and mitigate risks<br>Risk Management sturcture at the bank supports the BRC and BoD in fulfilling the responsibilities of overseeing the risks in the Bank's businesses and making sure necessary controls are in place. It reviews the ability of the Bank to manage risks based on board approved Risk Appetite Framework & Policy (RAF), appropriate analysis and formulation of necessary risk management policies. It also approves the credit classification system in the bank and risk policies for assets and liabilities management as recommended by assets and liabilities committee. The Risk Management culture at BAJ fosters monitoring of the risk management environment, and an integrated evaluation of risks and their interactions. It also ensures the Bank has a consistent approach to monitoring, managing and mitigating the risks the Bank accepts and incurs in its activities. The bank measures the exposures to financial and other significant risks including credits, market, liquidity, reputational, operational and strategic risks in addition to evaluating tolerance levels and approval of appropriate transactions. The bank pro-actively manages the credit risk exposures at transaction and relationship levels. A detailed risk review, including information on provisions, is prepared quarterly. Single name counterparty concentrations are monitored at transaction level. Large exposures and portfolio concentrations are reported regularly to senior management and the Board. BAJ ensures that the overall Business strategy; Risk policies, procedures & methodologies are consistent with the Bank's Risk Appetite. ERMG also prepares the annual Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Stress Testing reports to SAMA which are approved by the BRC prior to submission to SAMA. The ICAAP and ILAAP are two of the most important risk assessment documents utilised to report the risk attributes being measured and monitored by the Bank's Senior Management and the Board Committees. |

**Template OV1: Overview of RWA**

| | SAR,000 | a | b | c |
|---|---|---|---|---|
| | | RWA | | Minimum capital requirements |
| | | Q1 2022 | Q4 2021 | Q1 2022 |
| 1 | Credit risk (excluding counterparty credit risk) | 62,575,196 | 61,797,666 | 5,006,016 |
| 2 | Of which: standardised approach (SA) | 62,575,196 | 61,797,666 | 5,006,016 |
| 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) | 83,372 | 208,199 | 6,670 |
| 7 | Of which: standardised approach for counterparty credit risk | 83,372 | 208,199 | 6,670 |
| 8 | Of which: Internal Model Method (IMM) | - | - | |
| 9 | Of which: other CCR | - | - | |
| 10 | Credit valuation adjustment (CVA) | 218,661 | 149,016 | 17,493 |
| 11 | Equity positions under the simple risk weight approach | - | - | |
| 12 | Equity investments in funds - look-through approach | - | - | |
| 13 | Equity investments in funds - mandate-based approach | - | - | |
| 14 | Equity investments in funds - fall-back approach | - | - | |
| 15 | Settlement risk | - | - | |
| 16 | Securitisation exposures in the 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 | - | - | |
| 19 | Of which: securitisation standardised approach (SEC-SA) | - | - | |
| 20 | Market risk | 2,612,547 | 1,593,934 | 209,004 |
| 21 | Of which: standardised approach (SA) | 2,612,547 | 1,593,934 | 209,004 |
| 22 | Of which: internal model approaches (IMA) | - | - | |
| 23 | Capital charge for switch between trading book and banking book | - | - | |
| 24 | Operational risk | 6,159,548 | 5,993,235 | 492,764 |
| 25 | Amounts below thresholds for deduction (subject to 250% risk weight) | - | - | |
| 26 | Floor adjustment | - | - | |
| **27** | **Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)** | **71,649,324** | **64,749,252** | **5,731,946** |

**Template LR1: Summary comparison of accounting assets vs leverage ratio exposure**

| | SAR,000 | a |
|---|---|---|
| 1 | Total consolidated assets as per published financial statements | 133,015,359 |
| 2 | Adjustments 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 | (9,111,192) |
| 5 | Adjustment for securities financing transactions (ie repos and similar secured lending) | - |
| 6 | Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | (13,154,910) |
| 7 | Other adjustments | 414,868 |
| **8** | **Leverage ratio exposure measure** | **111,164,125** |

**Template LR2: Leverage ratio common disclosure template**

| | SAR,000 | a<br>Mar-22 | b<br>Dec-21 |
|---|---|---|---|
| **On-balance sheet exposures** | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 104,732,020 | 103,227,480 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | | |
| 3 | **Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)** | 104,732,020 | 103,227,480 |
| **Derivative exposures** | | | |
| 4 | Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | 23,577 | 17,280 |
| 5 | Add-on amounts for PFE associated with *all* derivatives transactions | 213,632 | 281,678 |
| 6 | Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework | - | - |
| 7 | (Deductions of receivable assets for cash variation margin provided in derivatives transactions) | - | - |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | - | - |
| 9 | Adjusted effective notional amount of written credit derivatives | - | - |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - | - |
| 11 | **Total derivative exposures (sum of rows 4 to 10)** | 237,209 | 298,958 |
| **Securities financing transactions** | | | |
| 12 | Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions | 0 | 0 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | 0 | 0 |
| 14 | CCR exposure for SFT assets | 0 | 0 |
| 15 | Agent transaction exposures | 0 | 0 |
| 16 | **Total securities financing transaction exposures (sum of rows 12 to 15)** | 0 | 0 |
| **Other off-balance sheet exposures** | | | |
| 17 | Off-balance sheet exposure at gross notional amount | 19,349,806 | 15,208,711 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (13,154,910) | (8,711,092) |
| 19 | **Off-balance sheet items (sum of rows 17 and 18)** | **6,194,896** | **6,497,619** |
| **Capital and total exposures** | | | |
| 20 | **Tier 1 capital** | **14,379,578** | **14,638,118** |
| 21 | **Total exposures (sum of rows 3, 11, 16 and 19)** | **111,164,125** | **110,024,057** |
| **Leverage ratio** | | | |
| 22 | **Basel III leverage ratio** | 12.94% | 13.30% |

## Liquidity

**Template LIQA: Liquidity risk management**

**a) Governance of Liquidity Risk Management:**
The Bank has developed Liquidity Risk Policy (LRP) as an important tool to manage adherence to Liquidity Ratios and Liquidity Stress Scenarios as approved by the Market Risk Policy Committee (MRPC) of the Bank. Any exception to the Liquidity Risk Policy must be approved by MRPC and notified to the BRC (as part of regular reporting), Board/ExCom. The Bank has a sound governance process for the management of liquidity and associated risks with well-defined roles and responsibilities of various stakeholders involved in the daily management and monitoring of the Bank's liquidity position.

The Bank has enhanced its liquidity risk management framework by enhancing the charters of Committees as well as produce various liquidity metrics at a regular frequency which help in assessing the liquidity risk profile of the Bank. The Bank computes LCR, NSFR, SLR and LDR as per the required frequency of the regulator. Additionally, the Bank also conducts a CFP testing on a quarterly basis.

Treasury team is responsible for the management of the Bank's liquidity and the structural maturity mismatches. Market and Liquidity Risk Management Unit within Enterprise Risk Management Group (ERMG) works closely with the Treasury team of the Bank to track the liquidity ratios and conduct liquidity stress tests to better prepare the Bank for business as usual and unexpected stress scenarios. Treasury works under the guidelines of the Liquidity Risk Policy (LRP). The Bank's Risk Appetite Framework defines the Bank's Risk Capacity, Risk Appetite, Risk Limit and Risk Profile as approved by the Board after reviewing by the Board Risk Committee (BRC). The Risk Appetite Framework also defines the roles and responsibilities of various stakeholders. The

**i. Board and Senior Management Oversight**

The Board of Directors (BoD) has the overall responsibility for the establishment and governance of the risk management framework and are assisted by Board Level and Management Level Committees. The Board Level Committees are as under:

**ii. Board of Directors Executive Committee (ExCom)**
The ExCom has been delegated by the BoD and chaired by the Chairman of BoD. It is the responsibility of the ExCom, in accordance with the delegated powers, to approve credit and monitor the implementation of the strategy and policies set out by the BoD, recommend the budget and operating plan of action submitted by Finance Team for the fiscal year, and ensure proper implementation of policies approved by the BoD.

**iii. Board Risk Committee**
The Board Risk Committee (BRC) is primarily responsible for providing advice to the Board in relation to current and future potential risk exposures of the Bank and future risk strategy, including determination of risk appetite and tolerance.

**iv. Market Risk Policy Committee**
The Board Executive Committee (ExCom) has delegated the decision making authority of monitoring and controlling Treasury activities through MRPC. This authority includes the risk appetite setting process which culminates in the approval of the market and liquidity risk and Treasury related activities. MRPC has the following roles and responsibilities:

- Review and approve Market Risk Policy, Liquidity Risk Policy, Contingency Liquidity Policy and Profit Rate Risk Policy.
- All changes/revisions in the above mentioned policies to be approved by MRPC and then to be ratified by the Board of Directors (BoD) after Excom and BRC endorsement (based on the relevance of the subject matter).
- Review and approve the Market Risk Limits Package.
- Propose changes to overall Treasury limits to the MRPC for review and submission to the Board after Excom and BRC endorsement (based on the relevance of the subject matter).
- New Product, New Activity and Complex Transaction approval.
- Communicate to the Excom (through the MRPC meeting minutes) any material positions and risks as appropriate.
- Communicate to the Excom (through the MRPC meeting minutes) of all limit exceptions and excesses.
- Treasury related Product Programs review and approval.
- Authorize temporary increases or permanent changes to limits.
- Review reports on trading portfolio risks.
- Oversee the structure, composition and performance of the investment portfolio.
- Reclassify certain Investment exposures within Board approval limits.
- Review and approve all existing and new counterparty credit and issuer limits along with all limit approvals related to the Treasury Business.

**v. Asset and Liability Committee**

ExCom has delegated the decision making authority of monitoring and controlling liquidity and accrual risks on the Bank's balance sheet to the ALCO. To strategically manage these risks, ALCO has the authority to establish, change or allocate limits related to the Bank's business lines/products.

**Roles of the ALCO:**

- To develop an effective Asset and Liability Management Framework for Bank wide portfolios and to ensure optimal balance sheet management.
- To oversee and monitor the Bank's approved policies and procedures in relation to the management and control of the following key balance sheet risks.
  - Liquidity risk – being the risk from the Bank's inability to meet obligations when they become due without incurring unacceptable losses because of an inability to liquidate assets or to obtain adequate funding.
  - Accrual risk – being the risk to earnings from adverse movements in profit rates.
- Oversee the installation and maintenance of an information system that supplies, on a timely basis, the information and data necessary for the ALCO to fulfil its roles and responsibilities.

**b) Funding Strategy:**
The Board of Directors of the Bank recognises the importance of liquidity management and funding strategy both for ensuring the effective liquidity risk management at the Bank in compliance with the regulatory requirements as well as within the Risk Appetite Limits set by the Board. The funding strategy assess the funding requirement based on the projected growth of the balance sheet and the main source of funding envisaged.

**i. Funding Diversification**

Customer deposits constitute major source of funding for the Bank followed by shareholders' equity and due to banks and FIs. The debt issuances are a relatively smaller portion of the overall funding profile of the Bank. Customer deposits are well diversified across six major segments. Among the customer deposits "Corporate profit bearing (Naqa'a deposits)" and "Retail non-profit bearing (current accounts)" deposits constitute the major chunk of the total customer deposits (51 percent of the total
In term of diversification among tenure, the Bank ensures to have a healthy mix of short, medium and long term funding. Most of the interbank funding is of short term in nature which is primarily utilised for managing short term liquidity requirements. Corporate deposits provide the short and medium term funding profile. Retail current accounts are non-maturity accounts which can be withdrawn at any time. However, based on the behavioural study of historical data these deposits remain with the Bank for a relatively longer term, that is, they have shown a lower decay rate. Another long term source of funding for the Bank are issuance of Sukuk.

**ii. Monitoring Mechanism for Funding Diversification**
The Bank ensure to limit concentration in any one particular funding source or tenor so as to minimise the risk in case that particular funding source run dry. The Bank main funding source are customer deposits which are relatively more stable as compared to wholesale market funding. The Bank do raise funds from wholesale market through bond issuance and interbank market, but the proportion of these in the overall balance sheet is relatively lower.

The following reports the Bank tracks on a regular basis so as to ensure that the funding sources remain well diversified:

- Large fund providers (LFP) Report: On a monthly basis ALCO tracks the funds raised through large fund providers and their percentage to total deposits.
- Interbank borrowing concentration analysis: Market risk produces this report on a monthly basis which monitor the counterparty concentration and highlights if overreliance is placed on any single interbank counterparty.

**c) Liquidity Risk Mitigation Techniques:**
Market Risk Management has established a monitoring and reporting framework for liquidity risk that provides pertinent information to ALCO.

The following lists the salient aspects of monitoring that is done on a regular basis:

- Monitoring of the implementation of the limits according to Market Risk Policy guidelines.
- Timely detection and correction of deficiencies in the policies, processes and procedures of liquidity gap risk.
- Managing liquidity risk through on-going, periodic and annual reviews.
- Verifying the authenticity and availability of the sources of funds available to the Bank.

**d) Liquidity Stress Testing:**
As part of our enterprise wide Stress Testing exercise, Enterprise Risk Management Group (ERMG) addresses unusual and unexpected events to occur and accordingly prepares to face and survive such situations. This requires foreseeing situations under hypothetical scenarios considering the question 'what-if' and development of stress tests in such scenarios. This enables the organization to be well equipped to cope with the crisis situations when they arise.

Under the ILAAP regime the bank has developed multiple scenarios comprising of Bank Specific, Market–wide and Combined Stressed Scenarios. These stress testing scenarios have been assessed with and without Management Action (MA) to arrive at the movement in the Bank's regulatory ratios, cash flows, balance sheet and profitability. These management actions are taken to restore the Bank's liquidity positions within the regulatory requirements and internal liquidity risk appetite limits.

**e) Contingency Funding Plan:**
The Bank has developed a detailed Contingency Funding Plan (CFP) clearly detailing the approach and actions to be adopted in order to manage its liquidity position during a contingency situation. The Board of Directors and Senior Management of the Bank recognizes the importance of liquidity in the day-to-day operations of the Bank and strongly believes in the need to have a plan for addressing liquidity requirements in times of crisis. Liquidity crisis may unfold due to external as well as internal factors, and CFP has been articulated and developed to address these crisis situations.
The CFP has defined Early Warning Indicators (EWIs) for both internal as well as external factors. These EWIs are tracked on a regular basis.

The Asset and Liability Committee (ALCO) has been designated to execute the CFP and communicate directly with the Board of Directors via the MRPC. The CFP clearly defines the roles and responsibilities of the ALCO Members in a crisis situation. In a crisis situation, the ALCO will convene and decide on the future course of action including formally invoking the CFP. The Bank's Board of Director will be informed immediately by the Chairman of the ALCO. In addition, regular status reports will be submitted to the Board Executive Committee.

**Quantitative Disclosure:**

f) Customised Liquidity Risk Measurement Tools

| S.No | Ratio Description | Code | Formula | Regulatory Limit | RAG Criteria (Internal Limit) RED | AMBER | GREEN | Current Ratio | RAG |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Liquidity Coverage Ratio | LCR | Stock of high quality liquid assets / Total net cash outflows over the next 30 calendar days | > 100% | < 120% | > 120%, < 130% | > 130% | 161.9% | |
| 2 | Net Stable Funding Ratio | NSFR | Available amount of stable funding / Required amount of stable funding | > 100% | < 110% | > 110%, < 120% | > 120% | 125.0% | |
| 3 | SAMA Liquidity Ratio | SLR | Total Liquid Assets / Total Deposit Liabilities for Liquid Reserves | > 20% | < 25% | > 25%, < 30% | > 30% | 44.1% | |
| 4 | Modified Loans to Deposits Ratio | LDR | Loans and advances, net / Weighted deposits | < 90% | < 85% | > 80%, < 85% | < 80% | 69.7% | |
| 5 | Significant Funding Ratio * | SFS | Top 20 Depositors / Total Customer Deposits | - | TBD | | | 53.2% | |
| 6 | Interbank Borrowing Ratio ** | IBR | Total Interbank Borrowing / Total Assets | - | > 10% of Total Assets | < 10%, > 8% of Total Assets | < 8% of Total Assets | 5.4% | |
| 7 | Repo Concentration | RC | Total Interbank Repo / Eligible Sukuk that can be repo with SAMA and FIs | - | TBD | | | 5.5% | |
| 8 | Maximum Cumulative Outflow | 1 Month MCO | The maximum aggregate outflow of liquidity for a given time horizon of its liquidity maturity profile | - | TBD | | | (SAR 10,784) | |
| | | 2 Month MCO | | - | TBD | | | (SAR 15,723) | |
| | | 3 Month MCO | | - | TBD | | | (SAR 18,239) | |
| 9 | Credit Limit Usage Ratio | CLUR | Total Undrawn Credit Limits / Total Credit Limit (Approved) | - | TBD | | | - | |

**g) Concentration limits on collateral pools and sources of funding (both products and counterparties)**
Management of collateral entails distinguishing between pledged and unencumbered assets that are available at all times and can be utilised to raise liquidity. It includes identification of the jurisdiction in which the collateral resides so when needed, the collateral can be freely moved from one jurisdiction to another.
The Bank tracks the portfolio of unencumbered assets along with the jurisdiction in which these collaterals reside. A sample unencumbered report is shown below:

Sr. N Category Type and r Location Haircut

| Sr. No. | Category | Type and nature | Location | Haircut |
|---|---|---|---|---|
| 1 | Available unencumbered assets that are marketable as collaterals in secondary market | SUKUK | Saudi Arabia | 25% |
| 2 | Available unencumbered assets that are eligible secured financing with central bank are pre-arranged (if available) or current haircuts at reasonable costs of standing facility | SUKUK Guaranteed by MoF | Saudi Arabia | 15% |
| | | SAMA FRN | Saudi Arabia | 10% |
| | | KSA Sukuk | Saudi Arabia | 0% |
| 3 | Customer collateral received that the bank is permitted to deliver or re-pledge | - | - | - |

h) Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of capital.

The Bank has established the lending limit to AlJazira Capital (subsidiary of Bank AlJazira) within the SAMA lending limit of 25% of its own capital. The Bank foresees no requirement of liquidity transferability issues from its subsidiaries or affiliates.

**i) Balance Sheet Gapping Report**

| As of March 2022 Amounts in SAR '000 | Within 3 months | 3-12 months | 1-5 years | Over 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and balances with SAMA | 1,413,016 | - | - | - | 4,529,481 | 5,942,497 |
| Due from banks and other financial institutions | 6,086 | - | - | - | 630,707 | 636,793 |
| Investments, net | 930,638 | 8,403 | 10,769,533 | 17,261,838 | 2,969,713 | 31,940,124 |
| Positive fair value of derivatives | - | - | - | - | 44,142 | 44,142 |
| Loans and advances, net | 15,673,711 | 20,206,187 | 14,572,961 | 12,665,999 | 151,926 | 63,270,783 |
| Investment in Associates | - | - | - | - | 211,530 | 211,530 |
| Other real estate, net | - | - | - | - | 506,004 | 506,004 |
| Property and Equipment | - | - | - | - | 1,044,298 | 1,044,298 |
| Other assets | - | - | - | - | 732,660 | 732,660 |
| **Total Assets** | **18,023,451** | **20,214,590** | **25,342,494** | **29,927,836** | **10,820,462** | **104,328,832** |
| **Liabilities** | | | | | | |
| Due to banks and other financial institutions | 2,404,500 | 1,169,921 | - | | 3,441,349 | 7,015,770 |
| Negative fair value of derivaties | - | - | - | - | 170,903 | 170,903 |
| Customers' deposits | 30,993,392 | 4,928,632 | 3,615 | - | 43,351,754 | 79,277,392 |
| Other liabilities | - | - | - | - | 1,987,181 | 1,987,181 |
| Subordinated Sukuk | - | - | - | 1,994,685 | 12,688 | 2,007,373 |
| **Total Liabilities** | **33,397,892** | **6,098,553** | **3,615** | **1,994,685** | **48,963,875** | **90,458,620** |
| **Shareholders' Equity** | **-** | **-** | **-** | **-** | **13,857,115** | **13,857,115** |
| **Total Liabilities and Shareholders' Equity** | **33,397,892** | **6,098,553** | **3,615** | **1,994,685** | **62,820,990** | **104,315,735** |
| **Total Off Balance Sheet** | **4,613,053** | **2,118,909** | **201,938** | **23,050** | **-** | **6,956,950** |
| **Gap** | **(19,987,494)** | **11,997,128** | **25,136,941** | **27,910,101** | **(52,000,529)** | **(6,943,853)** |
| **Cummulative Gap** | **(19,987,494)** | **(7,990,366)** | **17,146,575** | **45,056,676** | **(6,943,853)** | **(0)** |

## Liquidity

**Template LIQ1: Liquidity Coverage Ratio (LCR)**

| | | a | b |
|---|---|---|---|
| | | **Total unweighted value (average)** | **Total weighted value (average)** |
| **High-quality liquid assets** | | | |
| 1 | Total HQLA | | 28,702,539 |
| **Cash outflows** | | | |
| **2** | **Retail deposits and deposits from small business customers, of which:** | - | - |
| 3 | Stable deposits | - | - |
| 4 | Less stable deposits | 22,200,789 | 2,220,079 |
| **5** | **Unsecured wholesale funding, of which:** | - | - |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | - | - |
| 7 | Non-operational deposits (all counterparties) | 35,156,889 | 19,808,913 |
| 8 | Unsecured debt | - | - |
| **9** | **Secured wholesale funding** | | - |
| **10** | **Additional requirements, of which:** | - | - |
| 11 | Outflows related to derivative exposures and other collateral requirements | 37,894 | 37,894 |
| 12 | Outflows related to loss of funding of debt products | - | - |
| 13 | Credit and liquidity facilities | 196,749 | 19,675 |
| **14** | **Other contractual funding obligations** | - | - |
| **15** | **Other contingent funding obligations** | 16,676,868 | 434,238 |
| **16** | **TOTAL CASH OUTFLOWS** | | 22,520,799 |
| **Cash inflows** | | | |
| **17** | **Secured lending (eg reverse repo)** | - | - |
| **18** | **Inflows from fully performing exposures** | 8,793,012 | 4,797,703 |
| **19** | **Other cash inflows** | - | - |
| **20** | **TOTAL CASH INFLOWS** | 8,793,012 | 4,797,703 |
| | | - | **Total adjusted value** |
| **21** | **Total HQLA** | | 28,702,539 |
| **22** | **Total net cash outflows** | | 17,723,096 |
| **23** | **Liquidity coverage ratio (%)** | | **161.95%** |

***Instructions & Definitions: See pages 59 & 60 of Basel's Pillar 3 disclosure requirements - consolidated and enhanced framework - March 2017***