Saudi Awwal Bank
(formerly known as The Saudi British Bank)
Pillar 3 Disclosures as at 31 December 2023

TABLE OF CONTENTS

TABLE OF CONTENTS

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

		a	b	c	d	e
		Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	48,053,574	45,815,367	47,033,351	47,479,334	45,236,926
1a	Fully loaded ECL accounting model	47,353,603	44,946,144	45,990,286	46,262,422	43,846,169
2	Tier 1	52,038,574	45,815,367	47,033,351	47,479,334	45,236,926
2a	Fully loaded ECL accounting model Tier 1	51,338,603	44,946,144	45,990,286	46,262,422	43,846,169
3	Total capital	57,997,047	51,769,107	52,877,981	53,240,890	51,032,068
3a	Fully loaded ECL accounting model total capital	53,312,075	50,899,884	51,834,797	52,023,978	49,641,312
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	294,150,926	280,685,087	284,628,078	276,097,045	256,252,391
4a	Total risk-weighted assets (pre-floor)	294,150,926	280,685,087	284,628,078	276,097,045	256,252,391
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	16.34%	16.32%	16.52%	17.20%	17.65%
5a	Fully loaded ECL accounting model CET1 (%)	16.10%	16.01%	16.16%	16.76%	17.11%
5b	CET1 ratio (%) (pre-floor ratio)	17.69%	16.32%	16.52%	17.20%	17.65%
6	Tier 1 ratio (%)	17.69%	16.32%	16.52%	17.20%	17.65%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.45%	16.01%	16.16%	16.76%	17.11%
6b	Tier 1 ratio (%) (pre-floor ratio)	17.69%	16.32%	16.52%	17.20%	17.65%
7	Total capital ratio (%)	19.72%	18.44%	18.58%	19.28%	19.91%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.12%	18.13%	18.21%	18.84%	19.37%
7b	Total capital ratio (%) (pre-floor ratio)	19.72%	18.44%	18.58%	19.28%	19.91%
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 (%)	0.03%	0.01%	0.04%	0.01%	0.01%
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)	3.03%	3.01%	3.04%	3.01%	3.01%
12	CET1 available after meeting the bank’s minimum capital requirements (%)	13.31%	13.31%	13.49%	14.19%	14.64%
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	443,085,201	418,607,436	410,117,874	402,342,673	439,898,722
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	11.74%	10.94%	11.47%	11.80%	10.28%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	11.59%	10.74%	11.21%	11.50%	9.97%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	11.59%	10.82%	11.21%	11.50%	9.97%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	11.59%	10.82%	11.21%	11.50%	9.97%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	11.59%	10.82%	11.21%	11.50%	9.97%
Liquidity Coverage Ratio (LCR)						
15	**Total high-quality liquid assets (HQLA)**	**93,770,049**	**96,166,082**	**96,006,267**	**94,357,438**	**87,322,535**
16	Total net cash outflow	51,033,770	51,213,040	53,580,021	45,575,840	50,793,513
17	LCR ratio (%)	183.74%	187.78%	179.18%	207.03%	171.92%
Net Stable Funding Ratio (NSFR)						
18	**Total available stable funding**	**225,704,648**	**211,917,342**	**211,852,483**	**211,485,333**	**203,404,980**
19	Total required stable funding	176,667,657	175,636,744	167,580,458	161,679,701	158,908,356
20	NSFR ratio	127.76%	120.66%	126.42%	130.81%	128.00%

OVA: Bank risk management approach

(a) Business model determination and risk profile

The main objectives of the Bank are to provide a complete range of banking products and services to both retail and corporate sectors through a network of 104 branches (2022: 108 branches) in the Kingdom of Saudi Arabia and employing 4,055 staff as at 31 December 2023 (2022: 3,889). 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.

SAB 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 SAB 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 SAB shares.

The Bank is organised into the following main business segments:

Wealth and Personal Banking (WPB) provides services and products to personal and private banking customers 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. SAB’s focus on higher net worth customers is now represented by a number of dedicated Premier and Preferred Centres within the Kingdom. 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.

Corporate and 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 SAB'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, SAB is also in a unique position to provide access to global financial markets and services through SAB's partnership with the HSBC Group. CIB is divided into four segments: Global Institutional Banking (GIB), Multinational Corporates (MNC), Large Corporate (LCB) and Middle Markets (MMK).

GIB 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 SAB'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 SAB's financial services and solutions to local 'large corporates'. LCB clients are assigned a dedicated RM to structure solutions that meet their banking needs. As an associate of the HSBC Group, SAB can assist LCB clients with cross-border expansion plans by finding the right solutions to enable them grow regionally and and 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 , where is 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 and 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 and Receivables Finance (GTRF), which offers a comprehensive range of core trade products (Imports, Exports and Guarantees) and structured solutions such as Receivable Finance and Supply Chain Finance solutions. GTRF provides efficient and optimal financing structures (both Conventional and Islamic) to clients in support of their trade and working capital optimisation while minimising market risk.

Treasury undertakes two functions in SAB. 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.

Capital Markets is a new segment that brings together the margin lending, brokerage and assets-under-management business that were acquired from HSBC Saudi Arabia in September 2022 with our wholly owned subsidiary SAB Invest, previously known as Alawwal Invest. Given the common objective of these businesses, in managing, arranging, advising and taking custody of securities, the acquisition brings together SAB's interests in these activities and allows the Bank to hone its strategy with greater purpose.

Others segment primarily includes activities of the Bank's investment 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 SAB franchise in the Kingdom and the international capability of HSBC globally.

Further Information on Business segments is shown in section **"***Business segment performance highlights" of the Annual Report and Accounts.*

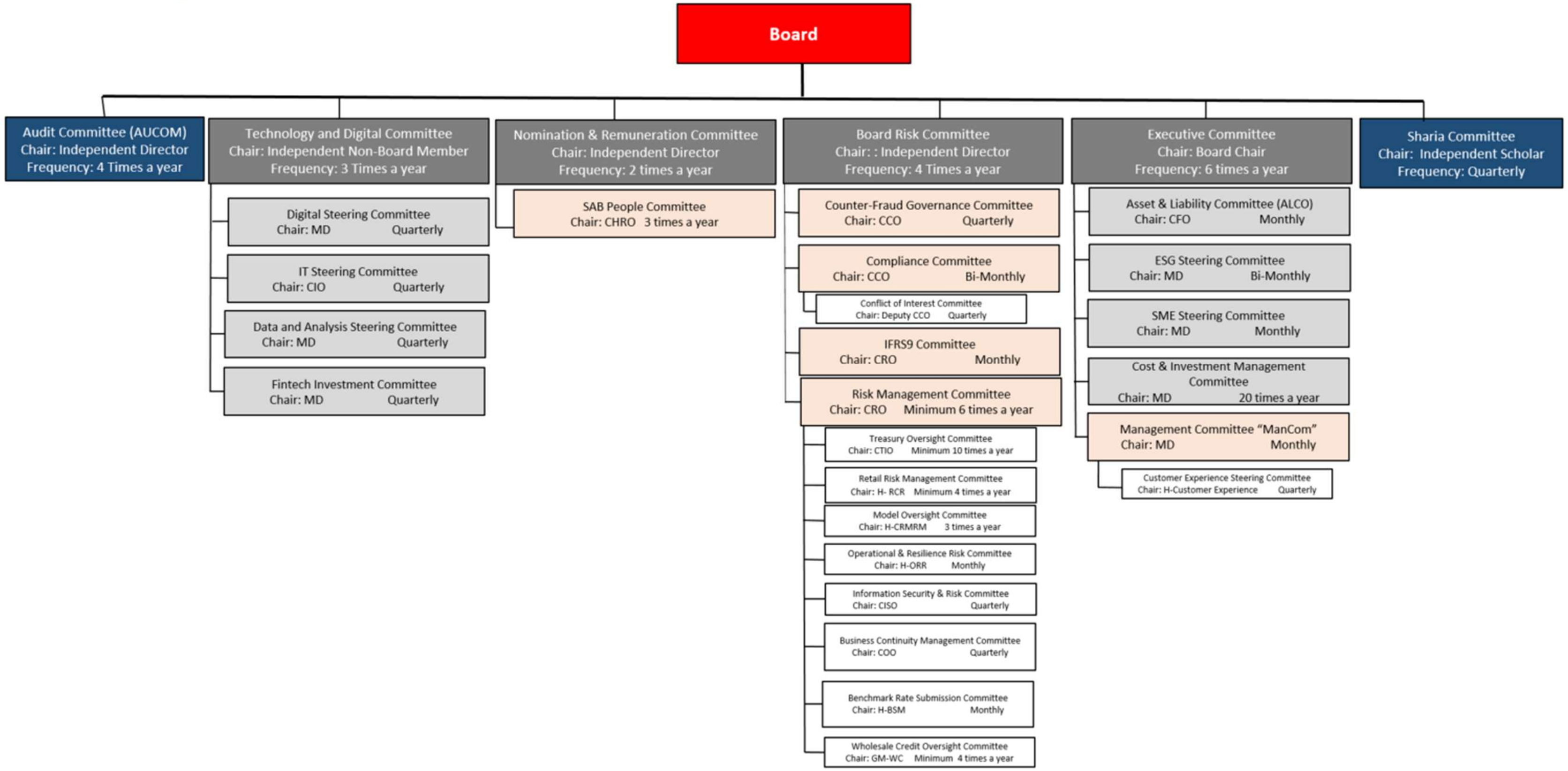
(b) The risk governance structure

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

The Board Risk Committee continues to act as the Board designated committee for the review and approval of risk matters. The Committee meets 4 times a year 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 SAB, including setting the risk vision, deciding priorities and overseeing the execution of major transformational risk initiatives.

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

SAB Management Committees structure



SAB 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. Compliance (incl. Fraud Risk), Legal, Human Resources, Shariah, Operational & Resilience, Finance and Model risk form part of the second Line of Defence and are responsible for providing assurance, challenge and oversight over the embedment of their policies within the FLoD. Internal audit is the third line and provide an independent assurance to senior management and the Board on the effectiveness of internal controls.

SAB Risk is headed by Chief Risk Officer who functionally reports into the Board Risk Committee (BRC). All areas within Risk have direct reporting into Chief Risk Officer and are independent of Business units.

The core SAB governance policy manuals covering, SAB Principles, Risk Management Framework and Credit Policy are subject to annual review by the Board or its designated committees.

The Framework of regular risk reporting to the Board includes, 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 in SAB is an independent function, headed by the Chief Risk Officer (CRO) who reports directly into the Board Risk Committee.

Whilst business units are the risk owners and 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 SAB's overall risk appetite.

The SAB Principles include the banks core behaviours, which are applied and assessed as part of the annual performance appraisal process to support embedding the risk culture. These values are supported by speak up, rapid escalation communication channels and consequence management processes.

The composition of the major Board committees is briefly described below:

The Board of Directors (BOD) – Generally meets four times a year. It is made up of eleven members (the "Directors"), including the Chair and the Managing Director. The Chair is required to be a non-executive director and must be a Saudi National, and the Managing Director is selected from among the Directors appointed by HSBC Holding BV. According to SAB's by-laws, eight (8) members shall be appointed by the General Assembly Meeting for three year terms by way of election pursuant to the accumulative voting method (the "Elected Directors"), and three (3) members 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 re-elected for new terms. The Board of Directors maintains control over SAB and monitors the executive management of SAB.

The Board Risk Committee (BRC) – The committee is empowered to oversee and advise the Board on all high-level risk related matters, and to provide strategic direction for Risk across SAB, 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 or non-Board members. The Committee meets four times a year, and is chaired by an independent Board member who is appointed by SAB 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 three to five members, chaired by the Bank's Chair of the Board of Directors and meets 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, assess Investment opportunities, 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. The Board Executive Committee is a Board committee and reports directly to the Board.

Audit Committee (AUCOM) – The committee shall be formed in accordance to the relevant regulations and instructions, meets at least four (4) times per year, in addition to any other meetings to be held when required. and consists of three to five members from SAB's independent directors and of non-Board members who must comprise a majority of members. The committee supervises the Internal Audit Department, monitors and oversee the performance and activities of the Chief Internal Auditor, reviews control weaknesses and system deficiencies. 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. The Audit Committee is a Board committee and reports directly to the Board

Nomination and Remuneration Committee (NRC) – The committee consists of three to five members, and meets on a half yearly basis or more frequently, if required. The committee recommends to the Board nominations for Board membership in line with SAB 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 SAB'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. The Nomination and Remuneration Committee is a Board committee and reports directly to the Board.

Technology and Digital Committee (TDC) – The committee is appointed by the Board and reports directly to the Board. The TDC consists of three to five members and their appointment is subject to non-objection by SAMA. The overarching responsibility of the TDC is to assist the Board in setting and overseeing the execution of SAB's strategic plan, strategic objectives and major initiatives with respect to information technology, digital technology, transformation and innovation.

Shariah Committee (SC) – The committee meets periodically to provide SAB and its affiliates Shariah opinions on all Shariah related businesses, enquires, matters and issues submitted to it by Islamic Financial Services. The SAB Shariah Committee has supervisory mandate over SAB and its affiliates. SAB Shariah Committee is an independent committee comprising of most eminent and respected Shariah scholars from the Kingdom of Saudi Arabia to provide SAB and its affiliates Shariah opinions on all Shariah related enquires, matters and issues submitted to it by IFS. SAB is committed strictly to comply with Shariah Committee resolutions. Shariah Committee is nominated by SAB Nomination and Remuneration Committee (NRC) and appointed by Board of Directors. NRC shall assess the performance of the committee members based on their competency, knowledge and efficient contribution indicator. SC submits its reports & minutes of meetings to the Board of Directors. The relationship between SC and SAB is governed by Shariah Committee Terms of Reference (TOR).

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

The material risks that may impact SAB'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 each RMC through the enterprise risk report and mitigation action plans.
- The risk appetite is reviewed on an ongoing basis by the RMC in consultation with the business functions.
- Risk reports for each risk category are submitted to each BRC quarterly.
- The stress test scenarios and outcomes are updated at least half-yearly based on revised parameters and reviewed by the ALCO and BRC.
- Senior management challenges the risk appetite and risk assessment methodologies at the RMC.
- The BRC challenges and approves the risk policy , risk appetite, ICAAP and ILAAP and recovery plan.

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. Credit risk also arises from off-balance-sheet products such as guarantees and derivatives or from SAB's holdings of debt securities.

A strong culture of prudent and responsible lending is a cornerstone of SAB'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 Risk Management and endorsed by Chief Risk Officer (CRO), and reviewed at the Retail Risk Committee / Wholesale Credit Oversight Committee (WCOC), before submission to the Risk Management Committee (RMC) for onward approval by the Board Risk Committee (BRC) or Board in line with the requirements stipulated in the SAMA Rules on Credit Risk Management.

Credit risk assessment is undertaken by an independent credit approval unit which reports to the CRO, ensuring that they have an appropriate degree of independence. The team is responsible for credit approval decisions, with a separate portfolio credit risk unit managing 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 SAB, 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.

SAB 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 SAB's minimum capital requirement. Within the established principles and parameters SAB 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 SAB's income or the value of its portfolios.

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

SAB 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 Value at Risk (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.

SAB uses a range of control measures to manage market risk ranging from stop loss limits to sensitivity analysis limits including the present value of a basis point (PVBP) to assess the impact of a movement in interest rates, in addition to VaR 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. SAB 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 SAB uses both VaR and standardised approach rules to manage market risk, capital requirements are assessed for all positions using the standardised approach rules and approaches prescribed by SAMA.

Operational and Resilience Risk (ORR): As a combined Resilience Risk Stewardship and Operational Risk Oversight function, the main objective is to ensure the effective governance and management of Operational and Resilience Risk. ORR do this through the delivery and embedding of effective frameworks, and the end-to-end oversight of processes, risks and controls. This enables ORR to constructively challenge the organisation to understand both its potential and realised impacts from Operational and Resilience risk internal events.

Operational and Resilience Risk governance framework consists of Operational Risk Guidelines, Procedures, Management information to various committees and oversight by the Operational & Resilience Risk 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 & Resilience Risk Committee (ORRC)

Resilience Risk enables SAB to carry out its business objectives within risk appetite by:

- Creating a consistent viewpoint across six risk themes that are included under the resilience umbrella: Third Party Risk; Information Technology and Cyber Security, Transaction Processing, Business Continuity, Physical Security and Building Unavailability; and

- Aligning the banks focus and skills to material risks, strategic change and innovation across areas of focus that are both highly vulnerable to resilience-related threats and fundamental to SAB's go-to-market products and service offerings.

SAB has classified risks into two main categories i.e. Financial and Non-Financial Risk. Operational & Resilience 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

The Bank has established an Information Security Risk unit reporting to theCRO. This unit provides assurance that the Bank's Infrastructure is secure and is compliant with Information Security/ Cybersecurity Policies by undertaking monitoring of information flows, data risk management and access management over SAB's core systems.

Cybersecurity risk is the probability of exposure or loss resulting from a cyber-attack or data breach on SAB. We continue to strengthen our cyber-control framework and improve our resilience and cybersecurity capabilities, including threat detection and analysis, access control, payment systems controls, data protection, network controls and back-up and recovery. Cyber risk is a priority area for the Bank and is routinely reported at both the RMC and BRC to ensure appropriate visibility, governance, and executive support for our ongoing cybersecurity programme.

From a cybersecurity regulatory point of view, SAB is focused on maintaining compliance with frameworks & initiatives introduced by Saudi Central Bank (SAMA) and National Cybersecurity Authority (NCA) which helps further improve SAB's overall cybersecurity posture. Data Loss Prevention (DLP) policies have improved to monitor and control the movement of SAB information, and deploy preventative controls to mitigate any data security breach. Access Management Control continues to ensure protection of information assets from unauthorized users, including access control review (access recertification) to bank systems & users.

In addition, ISR ensures Penetration test (PT) & Vulnerability Management (VM) exercises are conducted regularly to identify key threats to the assets. VM results indicate there are zero vulnerabilities on the external facing assets.

The Bank took measures to mitigate the inevitable operational risks arising from this change in working practices and operational risks have been managed to an acceptable level during the year.

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; Tax; Model; Fraud (Internal & External); Potential or money laundering, terrorist financing, commercial concealment and proliferation financing; potential or actual bribery and corruption; potential or actual sanction breaches; potential or actual tax evasion; contractual; dispute management; breach of competition law; intellectual property; employment practices & relations; people management; breach of regulatory duty to clients & other counterparties; inappropriate market conduct; regulatory licensing, permissions & rules; building unavailability, workplace safety; failure to manage third parties; transaction processing; business interruption and incident; failure to protect people and places from physical malevolent act; technology & cyber security; and data.

A Bank Level Operational & Resilience Risk dashboard is used by Senior Management to highlight the major risks and deficiencies. Loss trend reports are reviewed monthly by ORRC 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 Operational & Resilience Risk department coordinates the recording process, reconciles the observations to ensure only operational losses are captured and the data meets both SAB and regulatory guidelines in addition to ensuring the quality of the input data.

SAB continued the consolidation/strengthening of its Operational & Resilience Risk Management and Governance processes:

- The Non-Financial Risk 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.
- SAB 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 Non-Financial Risk Framework implemented across SAB. 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 Second Line of Defence Risk Steward Reviews have continued and Risk Steward Oversight role within Operational & Resilience Risk has been working closely with the Risk Stewards to fully embed their roles and responsibilities.
- The ongoing implementation of findings from independent reviews are tracked using the Operational Risk Repository System (HELIOS). The status update and validation status (undertaken by ORR and INA) is submitted to Risk Management Committee.

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 provide bank-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, market risk due to the trading activities, interest rate risk in the banking book, major operational risk incidents and mitigating actions, and information security update. The report also includes a review of risk management matters, including reviewing risk appetite, emerging risks 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 rate 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. The risk appetite informs strategy and financial planning and risk appetite statement monitoring therefore integrates risk limits and performance targets for the Bank and business groups, and sets overall risk tolerance boundaries. Additionally, it guides management decision making to ensure compliance with regulatory constraints and react to changing economic conditions.

Stress testing is another key component of the quarterly risk reporting process to the Board and senior management. In addition to full scope semi-annual stress testing and annual multi-year stress testing exercise, stressed sensitivity analyses that assesses the potential risk and the resulting impact due to stressed operating scenarios, both macroeconomic or/and idiosyncratic are produced quarterly. The Stress Testing Framework at SAB is comprehensive and enables management and the Board to assess the impact of different scenarios on the bank as a whole and 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 comprehensive exercises through which the Bank conducts a risk assessment on a forward looking basis based on business plans and growth aspirations and risks to achieving those target. The two processes are complementary and provides a complete overview of existing capital adequacy and future capital requirements and current and prospective liquidity requirements to the Board and senior management, which aids long term capital, balance sheet and liquidity management processes 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

SAB undertakes a range of stress test scenarios to assess the risk and impact of different events on profitability, capital adequacy and liquidity, these include a multi-year stress test which is undertaken annually and informs the ICAAP process. In terms of governance, SAB has a Stress Testing Working Group comprising members from businesses and support areas to oversee the development and execution of stress tests within SAB across the various customer segments and risk categories.

SAB 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, Basel guidance and industry best practice. Under SAB'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 the SAB stress testing framework, two 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 and liquid under stressed conditions during economic down-turns or other stress events. Interim and ad hoc stress tests are also applied from time to time. 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.

SAB 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.

SAB grants facilities based on the borrower's ability to repay, rather than placing its reliance on credit risk mitigation. SAB nevertheless does hold a range of security to reduce the risk of loss and maximize recovery in case of default. These risk mitigants include but are not limited to, cash, shares, real estate, guarantees and other security. Where applicable benefit is recognized 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 Credit Review and Assurance undertake independent review of the entire credit risk management process across businesses, credit approvals and credit operations and provide assurance and expert advice on design and operating effectiveness of credit risk management.
- The central monitoring of credit concentration in certain countries, 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.

SAB 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.

SAB's Risk Appetite Statement (RAS) covers liquidity and funding risk and is approved by the BRC annually, and reviewed monthly through the RMC, with quarterly reports provided to the BRC.

SAB recognizes the importance of liquidity management and has in place a Liquidity Contingency Funding Plan (CFP) to provide guidance for the Liquidity and Capital Crisis Management Team (LCCMT) and the ALCO 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.

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

		a	b	c	
		RWA		Minimum capital requirements	Drivers behind significant differences in Dec-23 and Sep-23
		Dec-23	Sep-23	Dec-23	
1	Credit risk (excluding counterparty credit risk)	276,007,880	264,965,726	22,080,630	
2	*Of which: standardised approach (SA)*	*276,007,880*	*264,965,726*	*22,080,630*	Increase in Financing activities
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)	1,530,509	1,434,426	122,441	Increase in Exposure
7	*Of which: standardised approach for counterparty credit risk*	-	-	-	
8	*Of which: IMM*				
9	*Of which: other CCR*				
10	Credit valuation adjustment (CVA)	1,068,553	1,201,449	85,484	
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	-	-	-	
12	Equity investments in funds - look-through approach	-	-	-	
13	Equity investments in funds - mandate-based approach	-	-	-	
14	Equity investments in funds - fall-back approach	206,313	102,850	16,505	
15	Settlement risk	-	-	-	
16	Securitisation exposures in banking book	-	-	-	
17	*Of which: securitisation IRB 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	3,724,396	1,314,984	297,952	Increase in FX net open position
21	*Of which: standardised approach (SA)*	*3,724,396*	*1,314,984*	*297,952*	
22	*Of which: internal model approach (IMA)*				
23	Capital charge for switch between trading book and banking book	-	-	-	
24	Operational risk	10,458,162	10,458,162	836,653	No change
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	1,155,114	1,207,491	92,409	
26	Output floor applied				
27	Floor adjustment (before application of transitional cap)	-	-		
28	Floor adjustment (after application of transitional cap)	-	-		
29	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)**	**294,150,926**	**280,685,087**	**23,532,074**	

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.

The basis of consolidation for the purpose of financial accounting under IFRSs, described in Note 1 of the Annual Report and Accounts 2023, differs from that used for regulatory purposes as described below.

The Pillar 3 Disclosures 2023 are prepared in accordance with regulatory capital adequacy concepts and rules, while the Annual Report and Accounts 2023 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.

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 value 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	16,685,244	16,685,244	16,685,244	-	-	-	-
2 Items in the course of collection from other banks	-	-	-	-	-	-	-
3 Trading portfolio assets	94,379,002	94,379,002	94,379,002	-	-	-	-
4 Financial assets designated at fair value	2,187,834	2,187,834		2,187,834		2,187,834	
5 Derivative financial instruments	2,368,382	2,368,382	2,368,382	-	-	-	-
6 Loans and advances to banks	7,407,481	7,407,481	7,407,481	-	-	-	-
7 Loans and advances to customers	215,935,846	215,935,846	215,935,846	-	-	-	-
8 Reverse repurchase agreements and other similar secured lending	55,991	55,991	55,991	-	-	-	-
9 Available for sale financial investments	-	-	-	-	-	-	-
10 Current and deferred tax assets	-	-	-	-	-	-	-
11 Prepayments, accrued income and other assets	2,758,518	2,758,518	2,758,518	-	-	-	-
12 Investments in associates and joint ventures	462,046	462,046	462,046	-	-	-	-
13 Goodwill and intangible assets	10,556,367	-	-	-	-	-	10,556,367
Of which: goodwill	8,778,091	-	-	-	-	-	8,778,091
Of which: other intangibles (excluding MSR) b	1,778,276	-	-	-	-	-	1,778,276
Of which: MSR	-	-	-	-	-	-	-
14 Property, plant and equipment	3,844,926	3,844,926	3,844,926	-	-	-	-
Total Assets	**356,641,637**	**346,085,270**	**343,897,436**	**2,187,834**	**-**	**2,187,834**	**10,556,367**
Liabilities							
11 Deposits from banks	32,196,103	32,196,103	-	-	-	-	32,196,103
12 Items in the course of collection due to other banks	-	-	-	-	-	-	-
13 Customer accounts	240,940,305	240,940,305	-	-	-	-	240,940,305
14 Repurchase agreements and other similar secured borrowings	-	-	-	-	-	-	-
15 Trading portfolio liabilities	-	-	-	-	-	-	-
16 Financial liabilities designated at fair value	-	-	-	-	-	-	-
17 Derivative financial instruments	2,231,470	-	-	-	-	-	-
18 Debt securities in issue	5,177,862	5,177,862	-	-	-	-	5,177,862
19 Accruals, deferred income and other liabilities	14,196,333	5,871,437	-	-	-	-	14,196,333
20 Current and deferred tax liabilities	-	-	-	-	-	-	-
Of which: deferred tax liabilities (DTL) related to goodwill	-	-	-	-	-	-	-
Of which: DTL related to intangible assets (excluding MSR)	-	-	-	-	-	-	-
Of which: DTL related to MSR	-	-	-	-	-	-	-
21 Subordinated liabilities	-	-	-	-	-	-	-
22 Provisions	-	-	-	-	-	-	-
23 Retirement benefit liabilities	-	-	-	-	-	-	-
Total Liabilities	**294,742,073**	**284,185,706**	**-**	**-**	**-**	**-**	**292,510,602**

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
			Items subject to			
		Total	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)	346,085,270	343,897,436	-	2,187,834	2,187,834
2	Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1)	284,185,705.74	-	-		
3	Total net amount under regulatory scope of consolidation (Row 1 - Row 2)	61,899,564	343,897,436	-	2,187,834	2,187,834
4	Off-balance sheet amounts	258,968,750.62	84,159,098.27	-	-	-
5	Differences in valuations	-		-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	4,516,969.59	-	-	-
7	Differences due to consideration of provisions	-	3,160,000	-	-	-
8	Differences due to prudential filters	-		-	-	-
9	-	-		-	-	-
10	Exposure amounts considered for regulatory purposes	320,868,314.97	428,056,533.97	-	2,187,834.39	

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

		a	b	
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Commentary to explain any significant changes over the reporting period and the key drivers of such change
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	20,547,945	c	No material change
2	Retained earnings	10,403,512	f+g	No material change
3	Accumulated other comprehensive income (and other reserves)	27,658,484	d+e	No material change
4	Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)	-		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)	-		
6	**Common Equity Tier 1 capital before regulatory adjustments**	58,609,941		No material change
Common Equity Tier 1 capital: regulatory adjustments				
7	Prudent valuation adjustments	-		
8	Goodwill (net of related tax liability)	-8,778,091		No material change
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	-1,778,276		No material change
10	Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-		
11	Cash flow hedge reserve	-		
12	Shortfall of provisions to expected losses	-		
13	Securitisation gain on sale (as set out in SACAP4.1.4)	-		
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 subtracted from 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, 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 (amount above 10% threshold)	-		
20	MSR (amount above 10% threshold)	-		
21	DTA 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: MSR	-		
25	Of which: DTA arising from temporary differences	-		
26	National specific regulatory adjustments	-		
27	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions	-		
28	**Total regulatory adjustments to Common Equity Tier 1 capital**	**-10,556,367**		**No material change**
29	**Common Equity Tier 1 capital (CET1)**	**48,053,574**		**No material change**

Additional Tier 1 capital: instruments				
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	3,985,000	i	
31	Of which: classified as equity under applicable accounting standards	3,985,000		
32	Of which: classified as liabilities under applicable accounting standards	-		
33	Directly issued capital instruments subject to phase-out from additional Tier 1 capital	-		
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 additional Tier 1 capital)	-		
35	Of which: instruments issued by subsidiaries subject to phase-out	-		
36	**Additional Tier 1 capital before regulatory adjustments**	3,985,000		
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, 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	-		
41	National specific regulatory adjustments	-		
42	Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions	-		
43	**Total regulatory adjustments to additional Tier 1 capital**	-		
44	**Additional Tier 1 capital (AT1)**	**3,985,000**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**52,038,574**		
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 capital	-		
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	958,473		
51	**Tier 2 capital before regulatory adjustments**	**5,958,473**	a	
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	-		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	-		
55	Significant investments in the capital and other TLAC liabilities of 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**	-		
58	**Tier 2 capital**	**5,958,473**		
59	**Total regulatory capital (= Tier 1 + Tier2)**	**57,997,047**		
60	**Total risk-weighted assets**	**294,150,926**		

Capital adequacy ratios and buffers		
61	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets)**	**16.34%**
62	**Tier 1 capital (as a percentage of risk-weighted assets)**	**17.69%**
63	**Total capital (as a percentage of risk-weighted assets)**	**19.72%**
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of riskweighted assets)**	**3.03%**
65	Of which: capital conservation buffer requirement	2.50%
66	Of which: bank-specific countercyclical buffer requirement	0.03%
67	Of which: higher loss absorbency requirement	0.50%
68	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**13.31%**
National minima (if different from Basel III)		
69	National minimum Common Equity Tier 1 capital adequacy ratio (if different from Basel III minimum)	N/A
70	National minimum Tier 1 capital adequacy ratio (if different from Basel III minimum)	N/A
71	National minimum Total capital adequacy ratio (if different from Basel III minimum)	N/A
	Amounts below the thresholds for deduction (before risk-weighting)	
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	MSR (net of related tax liability)	-
75	DTA arising from temporary differences (net of related tax liability)	-
	Applicable caps on the inclusion of provisions in Tier 2 capital	
76	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap)	958,473
77	Cap on inclusion of provisions in Tier 2 capital under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 capital 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 capital 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 capital due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on Tier 2 instruments subject to phase-out arrangements	-
85	Amount excluded from Tier 2 capital 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
		Dec-23	Dec-23	
Assets				
1	Cash and balances at central banks	16,685,244	16,685,244	
2	Items in the course of collection from other banks	-	-	
3	Trading portfolio assets	94,379,002	94,379,002	
4	Financial assets designated at fair value	2,187,834	2,187,834	
5	Derivative financial instruments	2,368,382	2,368,382	
6	Loans and advances to banks	7,407,481	7,407,481	
7	Loans and advances to customers	215,935,846	215,935,846	
8	Reverse repurchase agreements and other similar secured lending	55,991	55,991	
9	Available for sale financial investments	-	-	
10	Current and deferred tax assets	-	-	
11	Prepayments, accrued income and other assets	2,758,518	2,758,518	
12	Investments in associates and joint ventures	462,046	462,046	
13	Goodwill and intangible assets	10,556,367	-	
	Of which: goodwill	*8,778,091*	-	
	Of which: other intangibles (excluding MSR) b	*1,778,276*	-	
	Of which: MSR	-	-	
14	Property, plant and equipment	3,844,926	3,844,926	
15	**Total assets**	**356,641,637**	**346,085,270**	
Liabilities				
16	Deposits from banks	32,196,103	32,196,103	
17	Items in the course of collection due to other banks	-	-	
18	Customer accounts	240,940,305	240,940,305	
19	Repurchase agreements and other similar secured borrowing	-	-	
20	Trading portfolio liabilities	-	-	
21	Financial liabilities designated at fair value	-		
22	Derivative financial instruments	2,231,470	-	
23	Debt securities in issue	5,177,862	5,177,862	b
24	Accruals, deferred income and other liabilities	14,196,333	5,871,437	
25	Current and deferred tax liabilities	-	-	
	Of which: deferred tax liabilities (DTL) related to goodwill d	-	-	
	Of which: DTL related to intangible assets (excluding MSR) e	-	-	
	Of which: DTL related to MSR	-	-	
26	Subordinated liabilities	-	-	
27	Provisions	-	-	
28	Retirement benefit liabilities	-	-	
29	**Total liabilities**	**294,742,073**	**284,185,706**	
Shareholders' equity				
30	Paid-in share capital	20,547,945	20,547,945	c
	Of which: amount eligible for CET1 capital h	*20,547,945*	*20,547,945*	
	Of which: amount eligible for AT1 capital i	*3,985,000*	*3,985,000*	
31	Retained earnings	9,696,952	9,696,952	f
32	Accumulated other comprehensive income	27,669,667	27,669,667	g
33	**Total shareholders' equity**	**61,899,564**	**61,899,564**	

CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments (Figures in SAR 000's) - Tier 1

		a
		Quantitative / qualitativeinformation
1	Issuer	Saudi Awwal Bank(SAB)
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement)	ISIN No.SA15TFK0JVJ0
3	Governing law(s) of the instrument	The instrument is governed by the laws of the Kingdom of SaudiArabia
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	Additional Tier 1
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/group and solo	group and solo
7	Instrument type (refer to SACAP)	SAR denominated Additional Tier 1 capital sukuk
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	SAR 4,000mil
9	Par value of instrument	SAR 4,000mil
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	31 October 2023
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior SAMA approval	Yes
15	Optional call date, contingent call dates and redemption amount	First Call Date 31 October 2028
16	Subsequent call dates, if applicable	As above
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3 months SAIBOR + 125 bps
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
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	Writedown feature	Yes
31	If writedown, writedown trigger(s)	Terms of contract of the instrument provide the legal basis for SAMA as a regulator to trigger write-down.
32	If writedown, full or partial	Written down fully or partial
33	If writedown, permanent or temporary	Permanent
34	If temporary write-down, description of writeup mechanism	N/A
34a	Type of subordination	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	The Sukuk and the Relevant Obligations in respect of each Series of Sukuk will each constitute direct, unsecured, conditional and subordinated obligations of the Issuer and shall, upon the occurrence of a Winding Up Proceeding rank: (1) subordinate and junior to all Senior Obligations but not further or otherwise; (2) pari passu with all other Pari Passu Obligations; and (3) in priority only to all Junior Obligations.
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments (Figures in SAR 000's) - Tier 2

		a
		Quantitative / qualitativeinformation
1	Issuer	Saudi Awwal Bank(SAB)
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (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 SaudiArabia
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 and solo	group and solo
7	Instrument type (refer to SACAP)	Subordinated Sukuk
8	Amount recognised in regulatory capital (currency in millions, 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 SAMA approval	Yes
15	Optional 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, SAB 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	Writedown feature	Yes
31	If writedown, writedown trigger(s)	Terms of contract of the instrument provide the legal basis forSAMA to trigger write-down (a contractual approach)
32	If writedown, full or partial	Written down fully or partial
33	If writedown, permanent or temporary	Permanent
34	If temporary write-down, description of writeup mechanism	N/A
34a	Type of subordination	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinated. Senior bondholders are immediately senior to thisinstrument.
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 calculation of the bank-specific countercyclical capital buffer requirement (Figures in SAR 000's)

	a	b	c	d	e
Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted		countercyclical capital buffer	Countercyclical capital buffer amount
		Exposure values	RWA		
Saudi Arabia	0.00%	448,853,350	260,792,067		-
Australia	1.00%	21,189	5,018		50
Bahrain	2.50%	6,279	3,345		84
Canada	0.00%	3,764	1,975		-
Egypt	2.50%	538,959	399,399		9,985
India	0.00%	92,855	60,190		-
Italy	0.00%	515,882	515,761		-
Japan	0.00%	84,124	84,123		-
Jordan	2.50%	10,800	6,875		172
Lebanon	2.50%	3,185	2,103		53
Malaysia	2.50%	4,075	2,452		61
Pakistan	2.50%	7,122	4,281		107
Philippines	2.50%	90,325	55,811		1,395
South Africa	0.00%	5,342	3,402		-
Spain	0.00%	4,370	1,963		-
Sri Lanka	2.50%	4,737	2,967		74
Sudan	2.50%	2,361	1,399		35
Turkey	0.00%	2,922	2,879		-
United Arab Emirates	2.50%	448,663	432,480		10,812
United Kingdom	1.00%	10,833	6,357		64
United States	0.00%	683,513	469,278		-
Residual Other European Countries	2.50%	4,842	2,994		75
Residual Other African Countries	2.50%	1,228	783		20
Residual Other Asian Countries	2.50%	5,626,399	2,128,896		53,222
Residual Other Middle Eastern Countries	2.50%	7,060	3,410		85
Unallocated	2.50%	113,942	27,631		632
SUM		**6,899,763**	**3,084,477**		-
Total		**616,118,188**	**277,369,307**	0.03%	**76,926**

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

#	Particulars	a
1	Total consolidated assets as per published financial statements	346,257,287
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 securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	13,212,545
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of offbalance sheet exposures)	83,615,370
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	**Leverage ratio exposure measure**	**443,085,201**

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

		a	b
		Dec-23	Sep-23
	On Balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	346,257,287	324,739,652
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Basel III Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**346,257,287**	**324,739,652**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,412,352	9,015,650
9	Add-on amounts for potential future exposure associated with all derivatives transactions	8,800,192	5,199,194
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	**13,212,545**	**14,214,844**
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	**-**
Other off balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	258,968,751	232,200,548
20	(Adjustments for conversion to credit equivalent amounts)	(175,353,381)	(152,547,607)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**83,615,370**	**79,652,940**
Capital and total exposures			
23	**Tier 1 capital**	**52,038,574**	**45,815,367**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**443,085,201**	**418,607,436**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**11.74%**	**10.94%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.74%	10.94%
26	**National minimum leverage ratio requirement**	**3.00%**	**3.00%**
27	**Applicable leverage buffers**	**8.74%**	**7.94%**

LIQA – Liquidity risk management

Liquidity risk is the risk that Saudi Awwal Bank (SAB) 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, SAB 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 SAB 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 SAB 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, SAB 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.

The cashflow stress testing process estimates 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 liquidity position in such a scenario.

SAB 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).

SAB 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 SAB 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 SAB to hold a minimum amount of stable funding relative to the liquidity profiles of asset activities over one-year horizon.

SAB 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.

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 quarterly basis showing expected loan and deposit growth.

SAB 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.

SAB 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.
Stress tests based on LCR and NSFR requirements are conducted to assess 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 SAB's funding and there is considerable focus on maintaining the stability of such deposits. SAB 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.

SAB has at its disposal a wide range of money market and capital sources to cover the funding needs. SAB continues to monitor the need to further diversify its sources and tenor of funds through its debt issuances in both local and international markets. 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 183.74% as at 31st December 2023 from 187.78% as at 30th September 2023 primarly due to decrease in the HQLA by 2.4%.

The NSFR as at 31st December 2023 improved by 7.1% to 127.76% compared to 120.66% as at 30th September 2023 mainly due to an increase in retail and corporate funding, which was partially offset by an increase in Interbank lending and HQLAs.

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 HQLA		93,770,049
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	61,954,772	5,159,705
3	*Stable deposits*	-	-
4	*Less stable deposits*	*61,954,772*	*5,159,705*
5	Unsecured wholesale funding, of which:	140,980,142	64,452,263
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-
7	*Non-operational deposits (all counterparties)*	*140,980,142*	*64,452,263*
8	*Unsecured debt*	-	-
9	Secured wholesale funding	(5,896,909)	-
10	Additional requirements, of which:	11,641,850	1,272,926
11	*Outflows related to derivative exposures and other collateral requirements*	*120,823*	*120,823*
12	*Outflows related to loss of funding on debt products*	-	-
13	*Credit and liquidity facilities*	*11,521,027*	*1,152,103*
14	Other contractual funding obligations	159,091	71,212
15	Other contingent funding obligation	210,539,067	5,770,644
16	TOTAL CASH OUTFLOWS		76,726,750
Cash inflows			
17	Secured lending (eg reverse repos)	-	-
18	Inflows from fully performing exposures	40,873,559	25,197,529
19	Other cash inflows	691,255	495,451
20	TOTAL CASH INFLOWS		25,692,980
			Total adjusted value
21	**Total HQLA**		**93,770,049**
22	**Total net cash outflows**		**51,033,770**
23	**Liquidity Coverage Ratio (%)**		**183.74%**

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 < 1 year	≥ 1 year	
Available stable funding (ASF) item						
1	**Capital:**	58,609,941	-	-	8,985,000	67,594,941
2	Regulatory capital	58,609,941	-	-	-	58,609,941
3	*Other capital instruments*	-	-	-	8,985,000	8,985,000
4	**Retail deposits and deposits from small business customers, of which:**	**59,384,094**	**24,637,979**	**1,392,134**	**406,224**	**77,279,011**
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	59,384,094	24,637,979	1,392,134	406,224	77,279,011
7	**Wholesale funding:**	**89,987,872**	**92,587,156**	**1,046,765**	**3,694,185**	**80,830,696**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	89,987,872	92,587,156	1,046,765	3,694,185	80,830,696
10	**Liabilities with matching interdependent assets**	-	-	-	-	-
11	**Other liabilities**	20,081,093	-	-	-	-
12	*NSFR derivative liabilities*		-	-	-	
13	*All other liabilities and equity not included in the above categories*	20,081,093	-	-	-	-
14	**Total ASF**					225,704,648
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					-
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	10,791,650	101,136,583	16,083,753	192,360,223	156,503,979
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	3,743,807	3,423,271	81,451,146	4,430,911
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial*	-	7,678,493	-	137,636	1,172,419
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovere*	10,329,604	86,483,475	12,660,481	106,462,285	145,229,722
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*	462,046	3,230,808	-	4,309,156	5,670,926
25	*Assets with matching interdependent liabilities*	-	-	-	-	-
26	*Other assets:*	-	2,758,518	3,844,966	12,924,749	19,528,233
27	*Physical traded commodities, including gold*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties*		-	-	-	-
29	*NSFR derivative assets*		-	-	2,368,382	2,368,382
30	*NSFR derivative liabilities before deduction ofvariation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*		2,758,518	3,844,966	10,556,367	17,159,851
32	*Off-balance sheet items*				224,262,417	635,445
33	***Total RSF***					176,667,657
34	***Net Stable Funding Ratio (%)***					**127.76%**

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 Risk, Retail Credit Risk, Special Assets Management, along with Credit Risk Business Management are the constituent parts of the bank's Credit Risk function that supports the Chief Officer's oversight for 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 risk business Management on the risk appetite process. In addition, they work jointly with Enterprise Risk Management and the Finance function on stress testing.

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

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.

Wealth and Personal Banking 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

SAB has established clear standards to be met by employees, for application across the Bank. This includes a 0set 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 Credit 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.

SAB 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 SAB 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 SAB, 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 the 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 SAB 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 SAB 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 sector limits and for 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.

SAB operates independent credit risk management function which provides a high-level oversight and management of Credit 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 reporting to the Chief Risk Officer 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 SAB the administration of credit facilities is performed by an independent Corporate Credit Operations 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 SAB 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 SAB 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.

SAB’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 SAB. 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).

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 of assets (Figures in SAR 000's)

		a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
		Defaulted exposures	Nondefaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	8,072,774	213,991,442	6,128,371	3,160,000	2,968,371	-	215,935,845
2	Debt Securities	-	47,759,449	10,152	10,152	-	-	47,749,297
3	Off-balance sheet exposures	2,734,951	128,068,498	1,025,977	371,795	654,182	-	129,777,472
4	**Total**	**10,807,725**	**389,819,389**	**7,164,500**	**3,541,947**	**3,622,553**	**-**	**393,462,614**

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**	**10,743,605**
2	Loans and debt securities that have defaulted since the last reporting period	821,096
3	Returned to non-defaulted status	-
4	Amounts written off	(813,727)
5	Other changes	56,751
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)**	**10,807,725**

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 trigger for classification of credit impaired is a rebuttable presumption in accordance with the IFRS 9 accounting standards. Where the Bank has reasonable and supportable information demonstrating that even if contractual payments are 90 days or more past due, this does not represent impairment, the presumption is proposed to be rebutted. These cases are proposed by the business and reviewed by the credit unit before being presented to the IFRS 9 governance committee for approval and ongoing tracking of any approved rebuttals. The committee is chaired by the Chief Risk Officer with representation from business, risk and finance.

(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.

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

SAB 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. Fresh valuations are obtained for properties with more frequency in cases where there are difficulties and hence reliance on the security is increased high. For residential mortgages the bank monitors changes if property values thorugh use of the SIMAH House Price Index. 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
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	215,935,846	4,504,983	4,504,983	-	-
2	Debt securities	47,749,297	-	-	-	-
3	**Total**	**263,685,143**	**4,504,983**	**4,504,983**	**-**	**-**
4	*Of which defaulted*	*10,807,725*	*16,129*	*16,129*	-	-

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

SAB 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 post- CRM		RWA and RWA Density	
	Asset 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	105,191,545	2,562,534	105,191,545	612,340	1,731,351	2%
2	Non-central government public sector entities	4,948,241	8,036,715	4,948,115	2,303,178	3,625,646	50%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	13,819,860	35,618,154	11,250,754	12,823,544	10,438,809	43%
	Of which: securities firms and other financial institutions	13,819,860	35,618,154	11,250,754	12,823,544	10,438,809	43%
5	Covered bonds	-		-		-	0%
6	Corporates	145,447,342	201,633,371	142,576,605	64,807,334	193,442,235	93%
	Of which: securities firms and other financial institutions	132,688,348	201,633,371	129,825,153	64,807,334	179,339,621	92%
	Of which: specialised lending	12,758,994	-	12,751,452	-	14,102,615	111%
7	Subordinated debt, equity and other capital	877,671		877,671		1,570,739	179%
8	Retail	25,436,406	9,450,393	25,111,475	1,062,200	19,837,317	76%
	MSMEs	-	-	-	-	-	0%
9	Real estate	43,832,978	-	43,155,901	-	25,548,848	59%
	Of which: general RR	27,596,322		27,501,059		10,611,544	39%
	Of which: IPRRE						0%
	Of which: general CRE	15,814,438		15,247,849		14,304,302	94%
	Of which: IPCR						0%
	Of which: land acquisition, development and construction	422,218		406,993		247,059	61%
10	Defaulted exposures	10,975,445	1,667,582	9,300,347	505,458	13,968,408	142%
11	Other assets	6,603,444		6,603,444		6,999,641	106%
12	**Total**	**357,132,932**	**258,968,751**	**349,015,857**	**82,114,054**	**277,162,994**	**64%**

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

	0%	20%	25%	30%	40%	45%	50%	70%	75%	80%	85%	100%	110%	130%	150%	250%	1250%	Total credit exposure amount (post-CCF and post-CRM)
1 Sovereigns and their central banks	**98,386,831**	**7,104,455**	**-**	**-**	**-**	**-**	**4,279**	**-**	**-**	**-**	**-**	**308,320**	**-**	**-**	**-**	**-**	**-**	**105,803,885**
2 Non-central government public sector entities	**-**	**-**	**-**	**-**	**-**	**-**	**7,251,293**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,251,293**
3 Multilateral development banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4 Banks	**-**	**1,967,343**	**-**	**15,333,491**	**365,113**	**-**	**3,272,124**	**-**	**57**	**-**	**-**	**2,082,225**	**-**	**-**	**1,053,945**	**-**	**-**	**24,074,298**
Of which: securities firms and other financial institutions		1,967,343		15,333,491	365,113		3,272,124		57			2,082,225			1,053,945			**24,074,298**
5 Covered bonds		**-**	**-**				**-**					**-**						**-**
6 Corporates		**151,302**					**27,715,572**		**5,978,491**	**4,948,547**	**7,596,367**	**150,550,680**		**7,802,906**	**2,640,077**			**207,383,940**
Of which: securities firms and other financial institutions	-	151,302	-	-	-	-	27,715,572	-	5,978,491	-	7,596,367	150,550,680	-	-	2,640,077	-	-	**194,632,487**
Of which: specialised lending	-	-	-	-	-	-	-	-	-	4,948,547		-	-	7,802,906	-	-	-	**12,751,452**
7 Subordinated debt, equity and other capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**415,625**	**-**	**-**	**-**	**462,046**	**-**	**877,671**
8 Retail	**-**	**-**	**-**	**-**	**-**	**1,159,025**	**-**	**-**	**22,795,578**	**-**	**-**	**2,219,073**	**-**	**-**	**-**	**-**	**-**	**26,173,675**
MSMEs									-									**-**
9 Real estate	**-**	**4,567,850**	**3,220,399**	**6,846,758**	**6,662,158**	**-**	**2,590,944**	**5,360,182**	**-**		**242,287**	**12,879,920**	**500,696**		**284,706**			**43,155,901**
Of which: general RRE	-	4,567,850	3,220,399	6,846,758	6,662,158		843,711	5,360,182	-	-	-	-		-	-	-		**27,501,059**
Of which: no loan splitting applied	-	4,567,850	3,220,399	6,846,758	6,662,158	-	843,711	5,360,182	-	-	-	-	-	-	-	-	-	**27,501,059**
Of which: loan splitting applied (Secured)		-																**-**
Of which: loan splitting applied (Unsecured)	-	-		-	-		-		-	-	-	-			-			**-**
Of which: IPRRE				-		-			-	-					-			**-**
Of which: general CRE	-	-		-	-		1,747,233		-	-	-	12,879,920	-		120,000			**14,747,153**
Of which: no loan splitting applied	-	-	-	-	-	-	1,747,233	-	-	-	-	12,879,920		-	120,000	-	-	**14,747,153**
Of which: loan splitting applied (Secured)																		**-**
Of which: loan splitting applied (Unsecured)	-	-		-	-		-		-	-		-			-			**-**
Of which: IPCRE								-				-	500,696		-			**500,696**
Of which: land acquisition, development and construction	-	-	-	-	-	-	-	-	-	-	242,287	-	-	-	164,706	-	-	**406,993**
10 Defaulted exposures	**-**	**-**	**-**	**-**	**-**	**-**	**225,856**	**-**	**-**	**-**	**-**	**1,028,885**	**-**	**-**	**8,551,063**	**-**	**-**	**9,805,805**
11 Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,339,313**	**-**	**-**	**-**	**264,131**	**-**	**6,603,444**
12 Total	**98,386,831**	**13,790,949**	**3,220,399**	**22,180,250**	**7,027,271**	**1,159,025**	**41,060,068**	**5,360,182**	**28,774,125**	**4,948,547**	**7,838,654**	**175,824,041**	**500,696**	**7,802,906**	**12,529,790**	**726,177**	**-**	**431,129,911**

CCRA: Qualitative disclosure related to counterparty credit risk

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

Risk management objective is to identify, measure, manage and govern counterparty credit risk aimed at efficiency in SAB'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.

(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 SAB'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

SAB 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 CCR exposures by approach (Figures in SAR 000's)

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	316,112	630,468		1.40	1,325,211	1,068,553
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	Value-at-risk (VaR) for SFTs					-	-
6	**Total**						**1,068,553**

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 exposure
Sovereigns	-	-	-	-	-	-	-	-	**-**
Non-central government public sector entities	-	-	-	-	-	104,872	-	-	**104,872**
Multilateral development banks	-	-	-	-	-	-	-	-	**-**
Banks	-	-	22,171	50,797	-	-	-	295,519	**368,487**
Securities firms	-	-	-	-	-	-	-	-	**-**
Corporates	-	-	-	-	22,063	828,593	34	-	**850,691**
Regulatory retail portfolios	-	-	-	-	-	-	-	-	**-**
Other assets	-	-	-	-	-	-	-	1,162	**1,162**
Total	**-**	**-**	**22,171**	**50,797**	**22,063**	**933,466**	**34**	**296,681**	**1,325,211**

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	
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash - domestic currency	-	13,500.00	-	-	-	-
Cash - other currencies	-	347,272.10	67,762.40	365,849.90	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**360,772.10**	**67,762.40**	**365,849.90**	**-**	**-**

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

		a	b
		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		**461,956**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	11,887,333	461,956
3	(i) OTC derivatives	11,887,333	461,956
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	-	-

CVAA: General qualitative disclosure requirements related to CVA

(a) An explanation and/or a description of the bank's processes implemented to identify, measure, monitor and control the bank's CVA risks, including policies for hedging CVA risk and the processes for monitoring the continuing effectiveness of hedges.

SAB has implemented a XVA framework to monitor its counterparty exposure. The bank is also looking into implementing CVA hedging strategy in the near future.

(b) Whether the bank is eligible and has chosen to set its capital requirement for CVA at 100% of the bank's capital requirement for counterparty credit risk as applicable under SMAR14.

SAB has chosen to cap its SA-CVA charge at 100% of SA-CCR as per SMAR14.

CVA1: The reduced basic approach for CVA (BA-CVA) (Figures in SAR 000's)

		a	b
		Components	BA-CVA RWA
1	Aggregation of systematic components of CVA risk	14,186,704,754,802	
2	Aggregation of idiosyncratic components of CVA risk	29,914,714,145,221	
3	**Total**		**1,706,277**

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

SAB aims to maintain its position as a top Treasury solution provider to KSA clients.
Exposure to market risk is segregated between two portfolios:

- Trading activities which comprise positions taken to cover client flows, and market making commitments with the intention of short-term resale or to hedge risks resulting from such positions with limited open market risk. Risk arising from complex client trades is prudently hedged.
- Non Trading activities, which are classified as the banking book which primarily arise from interest rate risk in the retail and corporate banking assets and liabilities, financial investments, debt instruments and foreign exchange risk arising from revaluation of assets and liabilities denominated in foreign currency.

There is an established Trading Book policy framework covering the minimum requirements for trading book positions, and the process for classifying positions as trading or banking book. The policy covers identifying, measuring and monitoring market risk exposure for both Banking and Trading Books as well as ensuring effective controls over restricting movement between trading and banking books. Positions in the trading book are subject to market risk based rules for capital, which is calculated on the standardized approach. The Bank has also put in place a framework for hedge accounting which includes formal documentation, designation of each hedge accounting relationship and hedge effectiveness, supported by conducting periodical hedge assessments.

(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

Market Risk forms part of the Treasury Risk Management function which operates independently of the Treasury business, reporting via the General Manger Enterprise Risk Management to the Chief Risk Officer. Market Risk is governed by the Risk Management Committee which feeds into the Board Risk Committee and Board.
Bank-wide Trading Authority and Appetite/ Tolerance are approved by Board Risk Committee for Market risk with a detailed market risk mandate is reviewed by the Risk Management Committee and approved by the Chief Risk Officer. These limits are set cognisant of the strategic objectives of undertaking trading activities and are formally requested by Treasury Front Office. The limits are reviewed by Risk, before they are approved by the Chief Risk Officer. Market risk exposure is monitored and reported to Treasury Front Office and Treasury Risk management on a daily basis. Limit

positions and details of any breaches are reported into each Risk Management Committee which feeds into the Board Risk Committee. Excesses (if any) are reported to Treasury senior management, RMC and BRC.

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

Treasury uses state of the art systems for end-to-end measurement, processing and management of trading risk and to monitor market risk limits and exposures, such as PVBP (DV01), VaR, FX Stop loss, MTM limits, and CS01. The system reports excesses on-line real time for market risk. VaR is reported on a daily basis, with Market Risk Stress Testing performed on a weekly basis. SAB validate daily accuracy of the VaR model by back-testing the model against actual and hypothetical profit and loss, which excludes non-modelled items such as fees and commissions of intraday transactions.

MR1: Market risk under the standardised approach (Figures in SAR 000's)

		a
		Capital requirement in standardised approach
1	General interest rate risk	17,858
2	Equity risk	34,452
3	Commodity risk	6,940
4	Foreign exchange risk	211,100
5	Credit spread risk - non-securitisations	18,248
6	Credit spread risk - securitisations (non-correlation trading portfolio)	-
7	Credit spread risk - securitisation (correlation trading portfolio)	-
8	Default risk - non-securitisations	9,353
9	Default risk - securitisations (non-correlation trading portfolio)	-
10	Default risk - securitisations (correlation trading portfolio)	-
11	Residual risk add-on	-
12	**Total**	**297,952**

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

SAB 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.

SAB follows the standardised approach in calculating its capital requirements. By using the Internal Loss Multiplier (ILM, based on last 10 years of net losses) and BIC (Business Indicator Components) for calculating the Pillar 1 operational risk capital charge.

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 and Resilience Risk Committee, which reports to RMC, meets 10 times a year to discuss key risk issues and review the effective implementation of the ORMF.

Responsibility for managing operational risk lies with SAB's staff. SAB's Non-Financial Risk Framework 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 the year.

(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 SAB 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 SAB follows the Standardised Approach.

OR1: Historical losses (Figures in SAR 000's)

		a	b	c	d	e	f	g	h	i	j	k
		T	T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	Ten year Average
Using 44,600 SAR threshold												
1.00	Total amount of operational losses net of recoveries (no exclusions)	24,986.00	6,326.95	68,748.37	6,305.74	13,478.89	6,189.55	16,094.21	6,468.38	11,640.93	9,047.00	16,928.60
2.00	Total number of operational risk losses	25.00	13.00	35.00	19.00	20.00	17.00	45.00	31.00	47.00	17.00	269.00
3.00	Total amount of excluded operational risk losses											-
4.00	Total number of exclusions											-
5.00	Total amount of operational losses net of recoveries and net of excluded losses	2,064.00					175.00	4.00		1,413.00		-
Using 446,000 SAR threshold												
6.00	Total amount of operational losses net of recoveries (no exclusions)											
7.00	Total number of operational risk losses											
8.00	Total amount of excluded operational risk losses											
9.00	Total number of exclusions											
10.00	Total amount of operational losses net of recoveries and net of excluded losses											
Details of operational risk capital calculation												
11.00	Are losses used to calculate the ILM (yes/no)?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12.00	If “no” in row 11, is the exclusion of internal loss data due to non compliance with the minimum loss data standards (yes/no)?	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13.00	Loss event threshold: 44,600 SAR or 446,000 SAR for the operational risk capital calculation if applicable	44,600 SAR	44,600 SAR	44,600 SAR	44,600 SAR	44,600 SAR	44,600 SAR	44,600 SAR	44,600 SAR	44,600 SAR	44,600 SAR	44,600 SAR

OR2: Business Indicator and subcomponents (Figures in SAR 000's)

		a	b	c
	BI and its subcomponents	T	T-1	T-2
1	Interest, lease and dividend component	286,907,024		
1a	Interest and lease income	9,321,874	6,387,382	7,811,575
1b	Interest and lease expense	1,913,587	661,450	938,869
1c	Interest earning assets	275,515,349	239,241,814	221,249,545
1d	Dividend income	156,214	99,168	122,902
2	Services component	4,515,672		
2a	Fee and commission income	2,700,664	2,385,500	2,056,699
2b	Fee and commission expense	1,815,008	1,413,615	773,548
2c	Other operating income	-	-	-
2d	Other operating expense	-	-	-
3	Financial component	1,227,025		
3a	Net P&L on the trading book	430,861	163,177	158,205
3b	Net P&L on the banking book	796,164	746,463	550,642
4	BI	8,975,604		
5	Business indicator component (BIC)	1,212,541		

OR3: Minimum required operational risk capital (Figures in SAR 000's)

#	Particulars	a
1	Business indicator component (BIC)	1,212,540.54
2	Internal loss multiplier (ILM)	69.00%
3	Minimum required operational risk capital (ORC)	836,652.98
4	Operational risk RWA	10,458,162.19

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 SAB, 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 SAB's earnings and net asset values and sets limits.

The Bank manages interest rate risk in the following manner:

- SAB'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 of (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 EVE and Net Interest Income (NII) sensitivities.
- SAB conducts the IRRBB Stress testing under the regulatory prescribed interest rate shock scenarios. In addition to the Basel prescribed interest rate shock scenarios, SAB also include 6 internal stress scenarios that involve non-parallel shocks to estimate the changes in the EVE values
- 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 EVE 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 EVE 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 DV01 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 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 current behavioralisation for SAR and USD demand liabilities and assets are as follows:

Demand Assets	Stable Portion	Demand Deposits	Stable Portion	Of which Insensitive	Regulatory Caps (Core/ Average)
WPB Overdrafts / WPB Credit Cards	85%	WPB Current, Call & Saving	85% / 3 Years	100%	90% / 5 Years
Private Banking Overdrafts	60%	Private Banking Current & Call	60% / 3 Months	100%	90% / 5 Years
CIB Overdrafts	50%	CIB Current, Call & Marginal	50% / 2 Years	100%	50% / 4 Years

The behavioralisation parameters are reviewed periodically to reflect the current market, observed customer behavior and the availability of the hedges with any changes reviewed and approved through the ALCO governance committee.

The core or the stable portion of the deposits are as follow. The core portion percentage aligns with the regulatory standards. The volatile portion or the non-core portion of the deposits are allocated into the O/N buckets

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

IRRBB is measured and controlled using the following metrics:

- DV01;
- non-traded VaR;
- Net interest income (NII) sensitivity;
- Economic value of Equity (EVE); and
- Economic Value (EV).

These are reported on a regular basis to ALCO.

The DV01 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 DV01 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 SAB.

Economic Value of Equity (EVE)

The assessment of EVE sensitivity is based on the net gap risk position of the Banking Book exposures. The EVE is the worst aggregated value under the 6 regulatory shock scenarios. The calculation of the EVE sensitivity is based on the future principal cash flows. The EVE approach excludes the assumed repricing cash flows of the bank's free equity. All the notional re-pricing cash flows are slotted into respective time buckets. Within a given time, bucket, all the notional re-pricing cash flows are netted to form a single long or short position. For the products with embedded behavioral optionality where the timings of the cash flows can be triggered with changes in the customer behavior, the cash flows are allocated based on the behaviorlaisation approach approved by the ALCO.

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

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

Economic Value (EV)

SAB uses EV (i.e. inclusive of the assumed repricing cash flows of the bank's free equity for assessing the Pillar 2 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 NII is projected under Parallel Up and Parallel Down scenarios.

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

SAB 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 EVE 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 EVE have been discounted using a risk-free rate. The risk free rate includes the commercial margin. SAB uses SOFR plus the credit spreads for USD and SAIBOR rates for SAR book discounting

No assumptions on prepayment rates on fixed rate loans have been applied. However, SAB is in the process of implementing the Prepayment analysis in the existing SAS system which will be used for reporting IRRBB exposures.

IRRBB1 - Quantitative information on IRRBB (Figures in SAR 000's)

SR 000's

In reporting currency	ΔEVE		ΔNII	
Period	Dec-23	Sep-23	Dec-23	Sep-23
Parallel up	(6,222)	(5,944)	696	765
Parallel down	8,431	5,944	(696)	(765)
Steepener	(7,037)	(5,040)	0	0
Flattener	(2,670)	(2,656)	0	0
Short rate up	3,138	2,415	0	0
Short rate down	(2,758)	(2,300)	0	0
Maximum	**(6,222)**	**(5,944)**	**(696)**	**(765)**
Period	Dec-23		Sep-23	
Tier 1 capital	52,038,574		45,815,367	

Table REMA: Remuneration policy

(a) Information relating to the bodies that oversee remuneration

SAB's remuneration activities are governed mainly by SAB'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 Nomination and Remuneration 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. Develop and periodically review, for the Board's review and approval, and subsequent submission to the General Assembly for its ratification, a policy and procedures for membership in the Board and its committees;
2. Provide recommendations to the Board for the nomination and/or re-nomination of its members, members of Board committees and the Executive Management team, in line with the approved policies and standards;
3. Prepare descriptions of the capabilities and qualifications required for membership of the Board and of the Executive Management positions, and annually reviewing the skills and expertise required of the members of the Board and the Executive Management team to ensure the effective discharge of their respective responsibilities;
4. Determine the amount of time members of the Board shall allocate to the activities of the Board and its Committees;
5. The Committee shall support the Company Secretary to develop an Induction Training program for members of the Board and Board Committees, and to identify suitable programs for their continuous professional development;
6. Review the structure of the Board and the Executive Management and provide recommendations regarding changes that may be made to such structure;
7. Annually ensure the independence of Independent Directors and the absence of any conflicts of interest, specially, but not only, if a member of the Board also acts as a member of the board of directors of another company;
8. Develop role descriptions for the Executive, Non-Executive and Independent Directors and the Executive Management;

9. Set the procedures to be followed if the position of a member of the Board or Executive Management becomes vacant;
10. Coordinate with the Bank's Chief Human Resources Officer to develop a succession policy covering the Executive Management team, and ensure that the Executive Management complies with such policy;
11. Annually review the effectiveness of the Board, as per the principles and procedures set forth in the Bank's Selection Policy, as well as all applicable regulatory requirements, if any;
12. Annually assess the suitability of the members of the Board and the Board Committees, as per the principles and procedures set forth in the Bank's Selection Policy, as well as all applicable regulatory requirements, if any;
13. Review and provide its endorsement of candidates nominated as board and/or board committee members on the boards of SAB's portfolio of subsidiaries and affiliate companies, as per the principles and procedures set forth in the Bank's 'Nominee Director Selection Policy & Procedures', as well as all applicable regulatory requirements, if any;
14. Recommend to the Board candidates nominated for the membership of the Shari'ah committee, in line with the applicable regulatory requirements, if any; and
15. Develop, for the Board's review and approval, a policy and procedures to assess the performance of the Shari'ah committee members based on competence, knowledge, contribution and effectiveness.
16. Develop and periodically review, for the Board's review and approval, and subsequent submission to the General Assembly for its ratification, a policy and procedures ('Remuneration Policy') for the remuneration of the members of the Board and Board Committees, and for the members of the Executive Management team, in line with the applicable provisions set forth by the Supervisory Authorities, provided that such policy follows standards that adequately and prudently link remuneration to performance.
17. To achieve this objective, the Committee may work closely with external advisors, and/or the Bank's BRC and/or Chief Risk Officer to properly evaluate the potential ramifications of the incentives adopted under its Remuneration Policy;
18. Oversee the proper implementation of the Remuneration Policy;
19. Ensure that all disclosure requirements pertaining to the Remuneration Policy are met;
20. Clarify the relation between the paid Remunerations and the provisions set forth in the Remuneration Policy, highlighting any material deviation from that policy;
21. Periodically review the Remuneration Policy to assess its effectiveness in achieving its objectives;
22. Provide recommendations to the Board in respect of the total Remuneration paid to its members, Board Committee members and members of the Executive Management, and see that such Remuneration are in line with the approved Remuneration Policy;
23. Ensure that the Remunerations paid are consistent with the prevailing local norms and control systems and are appropriate to achieve the Bank's shareholders' interests and long-term strategic objectives;
24. Periodically review the Remuneration Policy to assess its effectiveness in achieving its objectives Provide recommendations to the Board for the Remuneration of the Shari'ah committee members, provided that such Remuneration shall be commensurate with the duties and responsibilities of these members and consistent with SAMA's relevant instructions.

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, through Deloitte for 2022.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 SAB’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: SAB Board of Directors; Nomination & Remuneration Committee (NRC); Human Resource Department (HRD); & SAMA.

Some roles in SAB are considered as material risk taking roles. 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

(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 SAB’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 SAB the Best Place to Work.
- Ensure the financial sustainability of SAB.
- 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 4 April 2023
In order to ensure that risk, legalcompliance, and Internal Audit, and Finance 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	40%	3 Year	Equity	33% in 1st Year 33% in 2nd Year 34% in 3rd Year
	Tier Two Employees	Yes	30%	3 Year	Equity	33% in 1st Year 33% in 2nd Year 34% in 3rd Year
	Tier Three Employees	Yes	20%	3 Year	Equity	33% in 1st Year 33% in 2nd Year 34% in 3rd Year
	Not Tier 1 2, or 3 (bonus more than 1.85M)	Yes	30%	3 Year	Equity	33% in 1st Year 33% in 2nd Year 34% in 3rd Year
	Not Tier 1 2, or 3 (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 have 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 Tier1 2, or 3 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	40%
Tier Two Employees	30%
Tier Three Employees	20%

- 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 withheld and the Bank reserves the right to clawback previously vested shares.
- Clawback will be applicable in cases where:
    - An individual participated or was responsible for conduct that resulted in significant losses to the bank. This is applicable when the conduct is deemed to have been done outside the normal course of the individual executing his/her responsibilities in the bank.
    - There is reasonable evidence to show misconduct or material error that justifies the summary termination of the individuals' contract of employment.

Shares purchase: in order to ensure that the share price is the same for purchasing and allocation, SAB shares utilised to fund the deferral program is the share price within a set period of the average of 30 trading days preceding NRC approval of the bonus pool. 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 and Resilience 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.

Resilience Risk is the risk that we are unable to provide critical services to our customers, affiliates and counterparties, during sustained and significant operational disruption.

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 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.

1.11 Fraud Risk
Fraud Risk is defined as internal and external fraudulent risks that the bank's systems, policy and people are exposed to.

1.12 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)

1.13 Information Security 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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 SAB, then all non-vested shares will be forfeit.
- Termination: If an employee is terminated by SAB 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 an individual participated or was responsible for conduct that resulted in significant losses to the bank. This is applicable when the conduct is deemed to have been done outside the normal course of the individual executing his/her responsibilities in the bank and there is reasonable evidence to show misconduct or material error that justifies the summary termination of the individuals' contract of employment.

- 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

- Normal retirement on reaching the statutory retirement age, shares vesting will follow normal vesting schedule.Retirement on the grounds of ill-health, injury or disability, in any these cases, certified medical records may be requested for verification. Ill-health, Injury or Partial Disability, shares vesting will follow normal vesting schedule.
- If the employing entity is sold and ceases to be part of SAB Group shares vesting will follow normal vesting schedule.
- Redundancy: (shares vesting will follow normal vesting schedule)
- If the role for the employee has been up-skilled and the employee does not meet the requirements of the changed role.
- If there is no suitable role for an employee who is returning from an international assignment.
- When SAB considers that a mutually agreed departure of the employee would be in the best interests of the bank.
- When the employee is not considered by SAB to have the required skills to meet the business objectives following a management reorganisation and no alternative suitable role can be found.
- In cases of death in service, shares will be fully vested.
- Employee's fixed term contract with the bank expires and is not renewed either by the bank or the employee, shares will be fully vested.
- Appointment through a royal decree, shares vesting will follow normal vesting schedule.

Voluntary Resignation (to join a non-competitor organisation)

(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 SAB'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 SAB’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 SAB’s 5-point descriptive scale scale during the year-end. The scale has been defined as follows:

- Top Performer: Significantly Exceeds Expectations
- Strong Performer: Exceeds Expectations
- Good Performer: Meets Expectations
- Inconsistent Performer: Does Not Consistently Meet Expectations
- Underperformer: Does Not Meet Expectations

Employees are assessed against their behaviours using SAB’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 SAB and all stakeholders.
- Solid: Strong sustained behaviours that consistently meet and, at times, are above expectations, which drive sustainable business performance for SAB 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 SAB 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 Chief Internal Auditor 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, Supprt 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. SAB overall pay philosophy is to "Pay for performance" therefore, by the current definition of performance levels explained above "Inconsistent/Undeerperformer performance and/or Weak Behaivoral" is not awarded by bank policy. In addition, SAB 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, SAB aims to differentiate in fixed pay based on performance trend of individuals, where SAB targets to position high performing employees towards market's and internal equityupper quartile of pay while maintaining the bank overall pay levels at or above market median. Annually, SAB participates in best in class market pay surveys provided by top providers in the region (McLagan and Hay Korn Ferry 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

SAB offers 2 main forms of variable remuneration (cash and SAB shares). Where applicable, employees with variable pay is subject to deferral over 3 years, SAB purchase treasury shares with the deferred amounts and maintain the same within an overall bank portfolio managed by HSBC Saudi Arabia and Alawwal SAB Invest. Based on the deferred amount and share price, a number of shares is allocated to each individual and vested over a 3 years' period of the coming performance years. Share price is determined on the within a set period of the average of 30 trading days preceding NRC approval of the bonus pool actual price at the time of purchase and might be adjusted at the time of vesting based on the actual market price of SAB 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.

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

SAB 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. SAB 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)

SR 000's

	Renuneration Amount		a	b
			Senior management, as defined in SAMA circular No.42081293 date 21/11/1442AH	**Other material risktakers**
1	**Fixed Remuneration**	**Number of employees**	**14**	**106**
2		**Total fixed remuneration (rows 3 + 5 + 7)**	**26,607**	**124,905**
3		Of which: cash-based	26,607	124,905
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**	**106**
10		**Total fixed remuneration (rows 11 + 13 + 15)**	**36,440**	**71,817**
11		Of which: cash-based	12,684	43,116
12		Of which: deferred	-	-
13		Of which: shares or other share-linked instruments	23,756	28,701
14		Of which: deferred	23,756	28,701
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17		**Total remuneration (2 + 10)**	**63,047**	**196,722**

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

Special Payments	Guaranteed bonuses		Sign-on awards		Severence payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	**Total amount**
1 Senior Management	-	-	-	-	-	**-**
2 Other material risk-takers	-	-	-	-	-	**-**

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

		a	b	c	d	e
	Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: total amount of outstanding deferred and retained remuneration	Total amount of amendment during the year due to ex post explicit	Total amount of amendment during the year due to ex post implicit	Total amount of deferred remuneration paid out in the financial year
1	Senior Management	**37,423**	**37,423**	-	-	**18,449**
2	Cash	3,058	3,058	-	-	12,905
3	Shares	34,365	34,365	-	-	5,544
4	Cash linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Other materiak risk-takers	**58,200**	**58,200**	-	-	**49,631**
7	Cash	4,953	4,953	-	-	43,372
8	Shares	53,247	53,247	-	-	6,259
9	Cash linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
11	**Total**	**95,623**	**95,623**	**-**	**-**	**68,080**