Samba Financial Group
Basel III - Pillar 3 Disclosure Report

December 2019

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Executive Summary

This Basel III - Pillar 3 Report for Samba Financial Group ("SFG", "Samba" or "the bank") has been prepared in accordance with the public / market disclosure requirements and guidelines in respect of Pillar 3 of Basel III, as prescribed by the Saudi Arabian Monetary Authority (SAMA)[1] and other clarifications received from time to time.

The purpose of this report is to inform market participants of the key components, scope and effectiveness of Samba's risk measurement processes, risk profile and capital adequacy. This is accomplished by providing consistent and understandable disclosure of Samba's risk profile in a manner that enhances comparability with other institutions.

Samba Financial Group has been compliant with Basel requirements since 1st January 2008 and has been publishing Pillar 3 Reports at the prescribed frequencies from the aforementioned date.

Samba has adopted the Standardized Approach for Credit Risk, the Standardized Approach for Market Risk and the Standardized Approach for determining the capital requirements for Operational Risk. These approaches are discussed in detail in the following pages of this report.

This Pillar 3 Report provides details on Samba Financial Group's consolidated risk profile by risk asset class, which form the basis for the calculation of our capital requirement.

In accordance with the minimum capital requirement calculation methodology as prescribed under Basel III, Samba Financial Group's capital adequacy as at 31st December 2019 and a comparison thereof with the figures as of 30th June 2019 and 31st December 2018 is as follows:

	Dec 2019	Jun 2019	Dec 2018
Total Capital Adequacy Ratio	**21.1%**	**22.8%**	**22.7%**
Tier 1 Capital Adequacy Ratio	**20.5%**	**22.2%**	**22.1%**

As of 31st December 2019, Samba Financial Group's total Risk Weighted Assets (RWAs) amounted to SAR 228,299,227,000 which comprised of 86.3% Credit Risk, 7.5% Market Risk and 6.2% Operational Risk.

[1] Per SAMA circular 361000126572 'SAMA's Draft Implementation Framework for Banks Comments concerning Basel Committee on Banking Supervision (BCBS) Standards of January 2015 regarding Revised Pillar 3 Disclosure Requirements' dated June 2015

Introduction

Samba Financial Group is a Saudi Joint Stock company which has been in business in the Kingdom of Saudi Arabia since 1980 (more detailed information is available in the published Annual Financial Statements) and is listed on the Saudi Stock Exchange (Tadawul) under symbol 1090. As a commercial bank registered in the Kingdom of Saudi Arabia, Samba falls under the regulatory supervision of the Saudi Arabian Monetary Authority (SAMA).

Samba provides commercial banking services such as loans, trade finance, consumer finance, credit cards and treasury products to all customer segments including retail (individuals), corporates and government and semi-government institutions. Samba also provides a broad range of Shariah compliant banking products approved by Samba's Shariah Board, an independent body of Shariah Scholars.

Samba operates in overseas markets through branches in Dubai and Qatar.

Samba also owns an 84.51% stake in Samba Bank Limited incorporated in Pakistan. Samba Bank Limited is a banking company engaged in commercial banking and related services and is listed on the Pakistan Stock Exchange.

Information disclosed in this report is at the highest consolidated level i.e. Samba Financial Group including all branches and subsidiaries as at 31st December 2019.

The information provided in this document is not required to be subjected to external audit; however, reconciliation with the financial accounts has been performed.

Group Structure

The group comprises of Samba Financial Group and the following significant entities.

Samba Bank Ltd: An 84.51% owned subsidiary incorporated as a banking company in Pakistan and engaged in commercial banking and related services. This entity is listed on the Pakistan Stock Exchange.

Samba Real Estate Company: A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration number 1010234757 issued in Riyadh dated 9th Jumada II, 1428H (24th June 2007). The company has been formed as limited liability company with the approval of SAMA and is engaged in managing real estate projects on behalf of the Bank.

Samba Capital and Investment Management Company: A wholly owned subsidiary incorporated in Saudi Arabia under commercial registration number 1010237159. It was formed in accordance with the Securities Business Regulations issued by the Capital Market Authority (CMA), requiring banks in Saudi Arabia to transfer their dealing, arranging, managing, advising and custody businesses into a separate legal entity licensed with CMA. This is referred to as Samba Capital.

During the year 2017, Samba Capital formed a wholly owned subsidiary "Samba Investment Real Estate Company" which is incorporate in Saudi Arabia under commercial registration number 1010715022 issued in Riyadh dated 23 Shawaal 1438H (July 17, 2017). The company has been formed as a limited liability company (sole ownership) and is engaged in managing real estate projects for and on behalf of a mutual fund managed by Samba Capital.

Co-Invest Offshore Capital Limited: A wholly owned company incorporated under the laws of Cayman Islands for the purpose of managing certain overseas investments.

Samba Global Markets Limited: A wholly owned company incorporated as a limited liability company under the laws of Cayman Islands on February 1, 2016 with the objective of managing certain treasury related transactions. The company started its commercial operations during the fourth quarter of 2016.

Samba Funding Limited: A 99% owned subsidiary incorporated as a limited liability company under the laws of the Cayman Islands on June 19, 2019 with the main objective of generating liquidity for the bank through the issuance of debt securities.

The aggregation consolidation method is applied to subsidiaries reporting in other regulatory jurisdictions. To this end Samba Bank Limited calculates its Risk Weighted Assets according to the regulations defined by the State Bank of Pakistan.

Basel III components

In December 2012, SAMA issued a circular[2] requiring banks operating in the Kingdom of Saudi Arabia to report their capital adequacy requirements according to the Basel III guidelines. Basel III is an international initiative (adopted by SAMA) with a view to ensure adequate capitalization of banks on a more robust risk-sensitive basis providing a framework for assessment of risk and calculation of regulatory capital requirement, i.e. the minimum capital that an institution must hold, given its risk profile. Basel III framework is intended to strengthen risk management practices and processes within financial institutions.

SAMA's Basel framework describe the following three pillars which are designed to be mutually re-enforcing and are meant to ensure an adequate capital base which corresponds to the overall risk profile of the bank:

- Pillar 1: Calculation of capital adequacy ratio based on charge for credit, market and operational risks stemming from business operations.
- Pillar 2: Supervisory review process which includes:
  - Internal Capital Adequacy Assessment Process (ICAAP) to assess incremental risk types not covered under Pillar 1;
  - Quantification of capital required for these identified risks;
  - The assurance that the bank has sufficient capital cushion (generated from internal / external sources) to cover these risks over and above the regulatory requirement under Pillar 1.
- Pillar 3: Market discipline through public disclosures that are designed to provide transparent information on capital structure, risk exposures, risk mitigation and the risk assessment process.

This report represents Samba's market disclosure, under the Pillar 3 requirements, of its risk profile and capital adequacy as at the end of 31st December 2019.

Pillar 1 - Minimum capital requirements

Basel III, as adopted and implemented by SAMA, covers the minimum regulatory capital requirement for banks for credit, market and operational risks stemming from its business operations. It also sets out the basis for consolidation of entities for capital adequacy reporting requirements, the definition and calculations of Risk Weighted Assets (RWAs) and the various options given to banks to calculate these Risk Weighted Assets.

The regulatory capital requirements are calculated according to the following formula (expressed as a percentage):

$$\text{Minimum Capital Requirements} = \frac{\text{Capital Base}}{\text{RWA}}$$

where the Minimum Capital Requirements are to be ≥ 8%

With effect from January 1, 2016, SAMA phased in additional minimum capital requirements in the form of a Capital Conservation Buffer (which reached 2.5% in 2019), a 0.5% Domestic Systemically Important Bank (D-SIB) buffer and a Countercyclical Buffer. This translates into an effective minimum total capital requirement of 11.342% for 2019.

[2] SAMA Circular 15689 dated December 2012, titled 'SAMA's Final Guidance Document Concerning Implementation of Capital Reforms under Basel III Framework'

The table below describes the approaches available for calculating the RWAs for each of the aforementioned risk types:

i. Credit Risk	Market Risk	Operational Risk
Standardized Approach	Standardized Approach	Basic Indicator Approach
Foundation - Internal Ratings Based Approach (F-IRB)	Internal Models Approach	Standardized Approach
Advanced - Internal Ratings Based Approach (A-IRB)		Advanced Measurement Approach (AMA)

Pillar 2 - Supervisory review process

The Supervisory Review Process (SRP) under Pillar 2 requires banks to employ an Internal Capital Adequacy Assessment Process (ICAAP) aimed at: a) quantifying bank's own internal assessment of the level of capital that it deems appropriate to adequately cover all material risks that it is exposed to; and b) instituting a comprehensive process for business and capital planning to ensure that adequate capital is always available to cover its risk exposures. Banks are also required to identify sources for raising additional capital in case of need and to provide documented plans thereof. As part of this process banks are required to ascertain whether credit, market and operational risk capital charges calculated under Pillar 1 are adequate to cover bank's internal assessment of these risks or not. Furthermore, banks are expected to ascertain additional capital requirements (over and above the Pillar 1 requirements, if any) for credit, market and operational and the Pillar 2 risks that the banks are exposed to (examples of some risks identified in this respect are interest rate risk in the banking book, strategic risk, legal risk, concentration risk, etc.). The ICAAP has to be designed to ensure that banks have sufficient capital cushion to meet regulatory and internal capital requirements during periods of systemic/cyclical economic downturns or during times of financial distress - which involves employing stress testing and scenario analysis techniques.

In compliance with the regulatory requirements, Samba submitted its detailed ICAAP Plan for the period 2020-2022 to SAMA at the end of February 2020.

Pillar 3 - Market discipline

Under Pillar 3, SAMA prescribes the qualitative and quantitative disclosures which are required to be made to external stakeholders of the bank. The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite, risk exposures and risk profile. It encourages the move towards more advanced forms of risk management.

A reporting calendar has also been provided by SAMA to indicate which disclosures are required at the defined intervals.

Overview of risk management, key prudential metrics and Risk Weighted Assets

SAR 000s

KM1: Key metrics (at consolidated group level)						
		Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	46,900,932	45,550,339	45,520,390	44,170,005	44,265,004
1a	Fully loaded ECL accounting model	45,787,038	44,425,225	44,408,347	42,578,435	42,320,448
2	Tier 1	46,907,163	45,556,408	45,526,473	44,176,195	44,271,381
2a	Fully loaded ECL accounting model Tier 1	45,793,269	44,431,294	44,414,429	42,584,625	42,326,826
3	Total capital	48,248,201	46,922,603	46,881,764	45,575,471	45,526,935
3a	Fully loaded ECL accounting model total capital	47,184,033	45,969,108	45,891,681	44,062,271	43,582,379
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	228,299,227	215,682,281	205,504,232	203,564,998	200,685,652
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	20.5%	21.1%	22.2%	21.7%	22.1%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	20.1%	20.6%	21.6%	20.9%	21.1%
6	Tier 1 ratio (%)	20.5%	21.1%	22.2%	21.7%	22.1%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	20.1%	20.6%	21.6%	20.9%	21.1%
7	Total capital ratio (%)	21.1%	21.8%	22.8%	22.4%	22.7%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.7%	21.3%	22.3%	21.6%	21.7%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	1.875%
9	Countercyclical buffer requirement (%)	0.342%	0.348%	0.333%	0.298%	0.293%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.500%	0.500%	0.500%	0.500%	0.500%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.342%	3.348%	3.333%	3.298%	2.668%
12	CET1 available after meeting the bank's minimum capital requirements (%)	12.702%	13.271%	14.317%	13.900%	14.889%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	287,734,032	269,498,346	264,732,791	261,210,893	259,018,950
14	Basel III leverage ratio (%) (row 2 / row 13)	16.3%	16.9%	17.2%	16.9%	17.1%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	15.9%	16.5%	16.8%	16.3%	0
	Liquidity Coverage Ratio*					
15	Total HQLA	76,278,237	72,005,867	75,365,574	69,761,208	64,577,823
16	Total net cash outflow	33,287,408	27,768,849	34,538,593	26,829,586	26,662,930
17	LCR ratio (%)	229%	259%	218%	260%	242%
	Net Stable Funding Ratio					
18	Total available stable funding	185,424,342	163,968,307	164,731,738	161,495,072	166,012,642
19	Total required stable funding	143,215,773	126,573,587	123,969,437	124,707,143	118,754,283
20	NSFR ratio	129%	130%	133%	129%	140%

* Reported as the simple average of daily observations over the quarter per guidelines

OVA - Bank Risk Management Approach

Samba is exposed to a broad range of risks in the normal course of its business. The bank's risk and capital assessment policies are designed to identify and quantify these risks, set appropriate limits in line with defined risk appetite, ensuring control and monitoring adherence to the limits. The principal risks associated with Samba's business are credit risk, including cross-border and concentration risks, market risk, liquidity risk, operational risk and reputation / franchise risk.

The Executive Committee formulates high level strategies and policies, approves specific transactions or programs that may pose material risks to the institution and monitors the bank's risk profile on an ongoing basis. This Committee has been appointed and empowered by the Samba Board of Directors.

The Risk Committee of the Board is chaired by a non-executive director and is comprised of a further two directors. Its main function is to assist the Board in overseeing the credit and other risk management processes, including the overall internal control framework and IT/IS related risks. The Committee is apprised on a regular basis of the bank's performance against Board approved limits covering credit quality, concentration, ratings migrations, risk weighted assets (credit, market and operational risks) and liquidity (LCR and NSFR). Updates are also provided on the activities of the senior management risk committees including the Credit Risk Policy Committee, Group Risk and Compliance Committee and Information Security Committee and any significant new regulatory changes are communicated to members during these meetings.

The process of risk management is supported by a set of independent control functions reporting to the Chief Risk Officer. Individual credit transactions are approved jointly by selected Credit Officers including both Business and independent Risk Management representatives. The Credit Risk Control department reviews approval levels and documentation prior to allowing the availment of facilities. Market Risk Management department reviews limits and provides independent reports about the bank's market risk exposures and liquidity positions, including measurement against stressed events. The Group Risk and Capital Strategy department manages the process of risk appetite definition, portfolio targets, risk measurement and overall limit setting.

In addition to the aforementioned Board committees, the risk governance structure includes the following management committees:

- **Asset Liabilities Committee (ALCO),** chaired by the CEO, is responsible for the monitoring and management of liquidity, the balance sheet and market risk resulting from the accrual portfolio.
- **Market Risk Policy Committee (MRPC)** is the management body within Samba for market and liquidity risk issues, including establishing and updating policies and guidelines, reviewing and approving market risk limits and exceptions.
- **Credit Risk Policy Committee (CRPC)** has Samba-wide responsibility for maintaining sound and effective credit risk management architecture and process.
- **Capital Management Committee (CMC)** examines components of the capital plan and proposes the internal capital adequacy targets for approval by the Executive Committee.
- **Group Risk and Compliance Committee (GRCC)** has the primary responsibility for ensuring that the operational risks are adequately managed.
- **The Information Security Committee (ISC)** is an advisory business committee for all matters related to information security. It facilitates the implementation of all information security changes across Samba and reviews the related policies and procedures as part of the overall approval process. In addition the ISC is the business committee that hosts discussions on information security incidents, compliance and risk related matters related to information security and is responsible for updating the Group Risk and Compliance Committee on these matters.

Samba Audit Risk Review (ARR) reports functionally to the Audit Committee of the Samba Board and has responsibility for:

- Providing independent evaluation of Samba's risk portfolio and processes.
- Assessing the adequacy of Bank's policies, practices and procedures for risk management.
- Documenting its findings in action-oriented reports for the relevant Board / Management Committees and Senior Management.

In line with international best practices, SAMA and BIS guidelines, Samba has a comprehensive stress testing framework in place, which is governed by the Enterprise-wide Stress Testing Policy. The Enterprise-wide Stress Testing Policy defines Samba's stress testing principles, the process to be followed for conducting meaningful stress testing exercises, senior management actions required on the basis of the results of stress testing exercises, reporting and documentation requirements for the stress tests and the roles and responsibilities of all the stakeholders involved in the stress testing exercises. The policy also sets such parameters as coverage, frequency, scenario specification, etc. for the individual stress testing exercises.

Regular stress testing exercises are performed to assess Samba's resilience to exceptional but plausible stress scenarios, these exercises cover the most material risks faced by the bank. Regulatory stress testing defined under SAMA rules is conducted on a semi-annual basis, while annual stress testing is performed under Pillar 2 - ICAAP.

Risk reporting is provided to senior management through a comprehensive suite of monthly and quarterly reporting packs which are prepared and circulated to senior management for review. The results of regulatory and ad hoc stress testing and rapid portfolio reviews are also presented and discussed in the senior management committee meetings.

Undertaking risk is a part of banking business; however, the quantum of risk must be contained within caps approved by the Board of Directors. Limits are set overall for credit risk by segments of correlated risks and industries as well as at customer level. There is a strong documentation and approval process in place that sets the approval level at comparatively higher levels of authority with the increase in magnitude of risk undertaken. For market risk, limits are set inter-alia for total positions, factor sensitivities and VaR. Adherence to limits is monitored continuously by the Market Risk Management department. Operational risk is managed through robust policies and procedures, monitoring of Key Risk Indicators (KRIs) and analysis of all operational risk events which includes the identification of root causes and recommendations for policy / process upgrades accordingly.

SAR 000s

OV1: Overview of RWA		Risk Weighted Assets (RWA)		Minimum capital requirements
		Dec 2019	Sep 2019	Dec 2019
1	Credit risk (excluding counterparty credit risk) (CCR)	170,453,855	160,350,757	13,636,308
2	Of which standardised approach (SA)	170,453,855	160,350,757	13,636,308
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	6,010,287	5,911,179	480,823
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6,010,287	5,911,179	480,823
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	8,940,871	6,897,775	715,270
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	11,674,960	7,519,333	933,997
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	16,998,454	20,782,437	1,359,876
17	Of which standardised approach (SA)	16,998,454	20,782,437	1,359,876
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	14,220,800	14,220,800	1,137,664
20	Of which Basic Indicator Approach	-	-	-
21	Of which Standardised Approach	14,220,800	14,220,800	1,137,664
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**228,299,227**	**215,682,281**	**18,263,938**

The increase in risk weighted assets over the quarter is primarily due to increases in the lending portfolio (on- and off-balance sheet) and the some recent commitments to alternative funds which will require some time for the bank to receive the data required to apply the look-through approach.

Linkages between financial statements and regulatory exposures

SAR 000s

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with central banks	18,138,081	18,138,081	18,138,081	-	-	-	-
Due from banks and other financial institutions	3,628,391	3,628,391	3,628,391	-	-	-	-
Investments, net	85,013,253	85,013,253	81,955,132	-	-	3,058,121	-
Derivatives	3,092,221	3,092,221	-	3,092,221	-	-	-
Loans and advances, net	141,595,245	144,694,873	144,694,873	-	-	-	-
Property and equipment, net	3,066,858	3,066,858	3,066,858	-	-	-	-
Other assets	1,069,752	1,069,752	1,069,752	-	-	-	
Total assets	**255,603,801**	**258,703,429**	**252,553,087**	**3,092,221**	-	**3,058,121**	-
Liabilities							
Due to banks and other financial institutions	15,646,808	-	-	-	-	-	15,646,808
Customer deposits	180,165,680	-	-	-	-	-	180,165,680
Term Loan	2,168,095	-	-	-	-	-	2,168,095
Debt securities in issue	3,746,454	-	-	-	-	-	3,746,454
Derivatives	1,192,186	-	-	-	-	-	1,192,186
Other liabilities	7,235,746	-	-	-	-	-	7,235,746
Total liabilities	**210,154,969**	-	-	-	-	-	**210,154,969**

Investments in the banking book attract credit risk capital charge while investments in the trading book attract market risk capital charge.

SAR 000s

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	258,703,429	252,553,087	0	3,092,221	3,058,121
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	0	0	0	0	0
3	Total net amount under regulatory scope of consolidation	258,703,429	252,553,087	0	3,092,221	3,058,121
4	Off-balance sheet amounts (pre-CCF/CRM)	175,158,483	175,158,483	0	0	0
5	Differences due to Credit Conversion Factor (CCF)	-149,927,633	-149,927,633	0	0	0
6	Potential future exposure	7,756,253	0	0	7,756,253	0
7	Differences due to consideration of provisions	0	0	0	0	0
8	Differences due to prudential filters	0	0	0	0	0
9	Credit risk mitigation	-1,104,304	-1,104,304	0	0	0
10	**Exposure amounts considered for regulatory purposes**	**290,586,228**	**276,679,633**	**0**	**10,848,474**	**3,058,121**

LIA - Explanations of differences between accounting and regulatory exposure amounts

Financial statements carrying values and those under the scope of regulatory consolidation for the purposes of calculation of capital adequacy are the same.

For credit risk capital charge, the only differences between financial statements carrying values and those used for calculation of credit risk weighted assets are Off-balance sheet amounts (Letters of Credit and Guarantees issued by the bank on behalf of its customers, Acceptances and Credit related Commitments), Portfolio Loan Loss Reserves and Credit Risk Mitigation.

For counterparty credit risk capital charge, the only differences between financial statements carrying values and those used for calculation of counterparty credit risk weighted assets are the Potential future exposure add-on and Credit Risk Mitigation.

Composition of Capital and TLAC

CC1 - Composition of Regulatory Capital		Amounts	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
		SAR 000	
	Common Equity Tier 1 Capital: Instruments and Reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	20,000,000	D
2	Retained earnings	5,106,043	
3	Accumulated other comprehensive income (and other reserves)	22,739,363	F+G+H+I+J+K
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	21,162	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**47,866,568**	
	Common Equity Tier 1 Capital: Regulatory Adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	15,279	B
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	C
11	Cash-flow hedge reserve	-11,723	J
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	962,080	E
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financials		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]		
	OF WHICH:...		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common equity Tier 1**	**965,636**	
29	**Common Equity Tier 1 capital (CET1)**	**46,900,932**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	6,231	
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 capital before regulatory adjustments**	**6,231**	
	Additional Tier 1 Capital: Regulatory Adjustments		
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]		
	OF WHICH: ...		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover		
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	**Additional Tier 1 capital (AT1)**	**6,231**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**46,907,163**	

CC1 - Composition of Regulatory Capital (continued)

		Amounts SAR 000	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47	*Directly issued capital instruments subject to phase out from Tier 2*		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	4,893	
49	*of which: instruments issued by subsidiaries subject to phase out*		
50	Provisions	1,336,145	A
51	**Tier 2 capital before regulatory adjustments**	**1,341,038**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]		
	OF WHICH: ...		
57	Total regulatory adjustments to Tier 2 capital	0	
58	**Tier 2 capital (T2)**	**1,341,038**	
59	**Total capital (TC = T1 + T2)**	**48,248,201**	
	RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH: [INSERT NAME OF ADJUSTMENT]		
	OF WHICH: ...		
60	**Total risk weighted assets**	**228,299,227**	
	Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	20.5%	
62	Tier 1 (as a percentage of risk weighted assets)	20.5%	
63	**Total capital (as a percentage of risk weighted assets)**	**21.1%**	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.842%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical buffer requirement	0.342%	
67	of which: D-SIB buffer requirement	0.500%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	15.7%	
	National minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	n/a	
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	n/a	
71	National total capital minimum ratio (if different from Basel 3 minimum)	n/a	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials		
73	Significant investments in the common stock of financials		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1,336,145	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	2,463,500	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Note: Items which are not applicable have been left blank.

CC2 - Reconciliation of Regulatory Capital to Balance Sheet

SAR 000	Statement of Financial Position in Published financial statements	Adjustment of banking associates / other entities	Under regulatory scope of consolidation	Reference
Assets				
Cash and balances with central banks	18,138,081	-	18,138,081	
Due from banks and other financial institutions	3,628,391	-	3,628,391	
Investments, net	85,013,253	-	85,013,253	
Loans and advances, net	141,595,245	-	141,595,245	
which is net of credit loss provision - portfolio	*1,336,145*	-	*1,336,145*	A
Debt securities				
Trading assets				
Investment in associates				
Derivatives	3,092,221		3,092,221	
Goodwill	15,279	-	15,279	B
Other intangible assets / deferred tax		-	-	
of which ineligible (to be deducted) deferred tax assets	-	-	-	C
Property and equipment, net	3,066,858	-	3,066,858	
Other assets (excluding goodwill and deferred tax)	1,054,473	-	1,054,473	
Total Assets	**255,603,801**	-	**255,603,801**	
Liabilities				
Due to banks and other financial institutions	15,646,808	-	15,646,808	
Items in the course of collection due to other banks				
Customer deposits	180,165,680	-	180,165,680	
Trading liabilities				
Debt securities in issue	3,746,454		3,746,454	
Derivatives	1,192,186		1,192,186	
Retirement benefit liabilities				
Taxation liabilities				
Accruals and deferred income				
Borrowings	2,168,095		2,168,095	
Other liabilities	7,235,746	-	7,235,746	
Total Liabilities	**210,154,969**	-	**210,154,969**	
Share capital	19,037,920	-	19,037,920	
of which paid in capital	*20,000,000*	-	*20,000,000*	D
of which Investments in own shares (excluding amounts already derecognised under the relevant accounting standards)	*(962,080)*	-	*(962,080)*	E
Statutory reserve	18,348,111	-	18,348,111	F
Other reserves	2,882,040	-	2,882,040	
of which unrealised gains on available for sale financial assets	*3,186,098*	-	*3,186,098*	G
of which exchange translation reserve from converting foreign currency subsidiaries and branches to the group currency	*(307,021)*	-	*(307,021)*	H
of which general reserve	*130,000*	-	*130,000*	I
of which cash flow hedge reserve	*(11,723)*	-	*(11,723)*	J
Retained earnings	3,696,851	-	3,696,851	
Non-controlling interest	90,012	-	90,012	
Proposed dividends	1,393,898	-	1,393,898	K
Total Liabilities and Equity	**255,603,801**	-	**255,603,801**	

CCA - Main features of regulatory capital instruments and of other TLAC-eligible instruments		
1	Issuer	Samba Financial Group
2	Unique identifier (e.g. CUSPIN, ISIN or Bloomberg identifier for private placement)	SAMBA:AB
3	Governing law(s) of the instrument	Saudi Arabia
3a	Regulatory treatment	
4	Transitional Basel III rules	Not Applicable
5	Post-transitional Basel III rules	Not Applicable
6	Eligible at solo/group/group and solo	Group
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (SAR in millions, as of December 31, 2018)	20,000
9	Par value of instrument (SAR)	10
10	Accounting classification	Equity
11	Original date of issuance	July 12, 1980
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Option call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or Floating dividend/coupon	Not Applicable
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable
22	Non cumulative or cumulative	Not Applicable
23	**Convertible or non-convertible**	
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	**Write-down feature**	
31	If write-down, write-down trigger (s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of the write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to in	Not Applicable
36	Non-compliant transitioned features	Not Applicable
37	If yes, specify non-compliant features	Not Applicable

Macro-prudential Supervisory Measures

CCyB1: Geographical distribution of credit exposures used in countercyclical buffer		
Geographical breakdown	**Countercyclical capital buffer rate**	**Bank-specific countercyclical capital buffer rate**
KSA	0.0%	0.000%
GCC	2.5%	0.240%
North America	0.0% to 2.5%	0.020%
Europe	0.0% to 2.5%	0.056%
South East Asia	0.0% to 2.5%	0.000%
Others	0.0% to 2.5%	0.025%
Total		**0.342%**

Leverage Ratio

LR1 -Summary Comparison of Accounting Assets versus Leverage Ratio Exposure		
	Item	**In SR 000**
1	Total Consolidated Assets as per published financial statements	255,603,801
2	Adjustment for investments in banking, financial insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustment for derivative financial instruments	10,848,474
5	Adjustment for securities financing transactions (i.e. repos and similar secured	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of Off-balance sheet exposures)	25,230,850
7	Other adjustments	(3,949,093)
8	**Leverage ratio exposure (A)**	**287,734,032**

LR2 -Leverage Ratio Common Disclosure Template

	Item	SR 000's
On-Balance Sheet Exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	251,654,708
2	(Relevant Asset amounts deducted in determining Basel III Tier 1 capital)	
3	**Total on-balance sheet exposures (sum of lines 1 and 2) (a)**	**251,654,708**
Derivative Exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	3,092,221
5	Add-on amounts for Potential Financial Exposure (PFE) associated with *all* derivatives transactions	7,756,253
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10) (b)**	**10,848,474**
Securities Financing Transaction Exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Credit Conversion Factor (CCR) exposure for Security Financing Transaction assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-
Other Off-Balance Sheet Exposures		
17	Off-balance sheet exposure at gross notional amount	175,158,483
18	(Adjustments for conversion to credit equivalent amounts)	(149,927,633)
19	**Off-balance sheet items (sum of lines 17 and 18) (c)**	**25,230,850**
Capital and Total Exposures		
20	**Tier 1 capital (B)**	**46,907,163**
21	**Total exposures (sum of lines 3, 11, 16 and 19) (A) = (a+b+c)**	**287,734,032**
Leverage Ratio		
22	**Basel III Leverage Ratio*** (C) = (B) / (A)**	**16.3%**
	****Current minimum requirement is 3%***	

Liquidity

LIQA – Liquidity Risk Management

Introduction

The purpose of this section is to disclose both qualitative and quantitative information regarding Samba's liquidity position, LCR results and internal liquidity risk measurement and management processes.

Liquidity risk is defined as the risk that a bank does not have enough financial resources to meet its obligation and commitments to a customer, creditor, or investor as they fall due. It is the risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses. It generally arises from either an inadequate liabilities profile or a bank's failure to recognize or address changes in market conditions that affect its ability to liquidate assets (i.e. convert them to cash) quickly and with minimal loss in value. The objectives of liquidity management are to ensure that all maturing obligations and commitments are paid fully promptly.

Samba Financial Group's Board of Directors has the overall responsibility of bank's liquidity risk management for ensuring the risk exposures are maintained at prudent levels. To this end, it has established an appropriate liquidity risk management framework for the management of the bank's funding and liquidity management requirements. To assist in overseeing the risks to which Samba is exposed, the Board appoints Board Committees and defines their terms of reference. The Executive Committee of the Samba Board of Directors formulates high level strategies and policies and monitors the bank's risk profile on an ongoing basis. The bank's liquidity risk policies are designed to identify and quantify these risks, set appropriate limits in line with the defined risk appetite, ensure effective control and monitor adherence to appropriate limits. The bank's Asset and Liabilities Committee (ALCO) is responsible for monitoring and management of liquidity, the balance sheet and market risks while the Market Risk Policy Committee (MRPC) is the management body for market and liquidity risk issues, including establishing and updating policies and guidelines, reviewing and approving market risk limits, assumptions and exceptions.

Samba manages liquidity risk by setting conservative loans to deposits ratio, maintaining adequate reserves, high quality liquid assets, banking facilities and reserve borrowing facilities and continuously monitoring forecast and actual cash flows. The bank's appetite for funding liquidity risk (i.e. funding of longer tenor assets by shorter contractual tenor liabilities) is expressed in the liquidity risk limits framework. This limits framework also includes liquidity ratio targets that set the appetite for funding diversification (in terms of funding sources and tenor), minimum holdings of liquid assets, large fund providers and cross currency funding which also act as early warning indicators of structural balance sheet changes. Appetite for risk is also constrained by the requirement to be fully liquid under adverse scenarios. This is assessed through regular stress scenario analyses covering market-wide events, entity specific events and a combination of the two.

The risk appetite as expressed in the liquidity risk limits framework is also aligned with the regulatory risk framework which mandates compliance with the two key risk measures, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Liquidity Coverage Ratio (LCR)

The LCR is one of two minimum standards for funding liquidity (the other being the Net Stable Funding Ratio – NSFR) introduced by Basel III, to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient High Quality Liquid Assets (HQLA) to survive a significant stress scenario lasting for one month.

The LCR has two components:

(a) Value of the stock of HQLA in stressed conditions; and
(b) Total net cash outflows, calculated according to the scenario parameters outlined in the Basel III LCR standards document[3].

The LCR is defined as:

$$\frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

The LCR has been fully effective from 1st January 2015 with the minimum requirement set at 60% and rising in equal annual steps to reach 100% by 1st January 2019.

	1st January 2015	1st January 2016	1st January 2017	1st January 2018	1st January 2019
Minimum LCR	60%	70%	80%	90%	100%

Average LCR for 4Q 2019 was 229%, which is well above the regulatory minimum threshold of 100% which became fully effective in January 2019. This reflects SAMBA's substantial holdings of High Quality Liquid Assets as well as its large base of customer deposits.

High Quality Liquid Assets (HQLA)

HQLA comprises of assets that can be easily and immediately converted into cash at little or no loss of value. There are two categories of assets that can be included in the stock of HQLA. Level 1 assets can be included without limit at no haircut and comprises of coins and banknotes, central bank reserves, Saudi government securities, high quality foreign sovereigns, multilateral development banks and supra nationals. Level 2 assets can be included, subject to the requirement that they comprise no more than 40% of the overall stock of HQLA after haircuts have been applied. This may comprise of certain qualifying government securities, public sector and corporate bonds. For the quarter ended December 2019, the stock of HQLA comprises of 100% Level 1 assets.

Net Cash Outflows

Net cash outflows is defined as the total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in under the stress scenario up to an aggregate cap of 75% of total expected cash outflows.

[3] Basel III: International framework for liquidity risk measurement, standards and monitoring. January 2013

LIQ1 - Liquidity Coverage Ratio

SAR'000		TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		76,278,237
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**91,660,797**	**8,939,606**
3	*Stable deposits*	-	-
4	*Less stable deposits*	91,660,797	8,939,606
5	**Unsecured wholesale funding, of which:**	**59,817,576**	**31,538,219**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-
7	*Non-operational deposits (all counterparties)*	59,817,576	31,538,219
8	*Unsecured debt*	-	-
9	**Secured wholesale funding**		-
10	**Additional requirements, of which:**	**1,948,499**	**241,211**
11	*Outflows related to derivative exposures and other collateral requirements*	51,512	51,512
12	*Outflows related to loss of funding on debt products*	0	0
13	*Credit and liquidity facilities*	1,896,987	189,699
14	**Other contractual funding obligations**	-	-
15	**Other contingent funding obligations**	**177,583,602**	**4,958,342**
16	**TOTAL CASH OUTFLOWS**		**45,677,378**
Cash inflows			
17	**Secured lending (eg reverse repos)**	-	-
18	**Inflows from fully performing exposures**	**22,426,776**	**11,897,837**
19	**Other cash inflows**	**492,133**	**492,133**
20	**TOTAL CASH INFLOWS**	**22,918,909**	**12,389,970**
			Total Adjusted Value
21	**TOTAL HQLA**		**76,278,237**
22	**TOTAL NET CASH OUTFLOWS**		**33,287,408**
23	**LIQUIDITY COVERAGE RATIO (%)**		**229%**

Net Stable Funding Ratio (NSFR)

The NSFR is one of two minimum standards for funding liquidity (the other being Liquidity Coverage Ratio – LCR) introduced by Basel to promote resilience of a bank's liquidity to survive a significant stress scenario lasting over a one year horizon.

The NSFR has two components:

(c) Available Amount of Stable Funding (ASF); and
(d) Required Amount of Stable Funding (RSF).

The NSFR is defined as:

$$\frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} \geq 100\%$$

In line with the timeline specified in the guidelines, the NSFR has become a minimum standard effective 1st January 2018.

Available Stable Funding (ASF)

The amount of available stable funding (ASF) is measured based on the broad characteristics of the relative stability of Samba's funding sources, including the contractual maturity of its liabilities and the differences in the propensity of different types of funding providers to withdraw their funding. The amount of ASF is calculated by first assigning the carrying value of capital and liabilities of different categories. The amount assigned to each category is then multiplied by an ASF factor, and the total ASF is the sum of the weighted amounts. Carrying value represents the amount at which a liability or equity instrument is recorded before the application of any regulatory deductions or other adjustments.

Required Stable Funding (RSF)

The amount of required stable funding is measured based on the broad characteristics of the liquidity risk profile of Samba's assets and OBS exposures. The amount of required stable funding is calculated by first assigning the carrying value of assets to the categories listed. The amount assigned to each category is then multiplied by its associated required stable funding (RSF) factor and the total RSF is the sum of the weighted amounts added to the amount of OBS activity (or potential liquidity exposure) multiplied by its associated RSF factor. The RSF factors assigned to various types of assets are parameters intended to approximate the amount of a particular asset that would have to be funded, either because it will be rolled over, or because it could not be monetized through sale or used as collateral in a secured borrowing transaction over the course of one year without significant expense.

Samba's NSFR for 4Q 2019 was 129% which is well above the regulatory minimum threshold of 100% effective 1st January 2018.

LIQ2 - Net Stable Funding Ratio						
SAR'000		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:**	**48,248,201**	**0**	**0**	**3,750,000**	**51,998,201**
2	*Regulatory capital*	48,248,201	0	0	0	48,248,201
3	*Other capital instruments*	0	0	0	3,750,000	3,750,000
4	**Retail deposits and deposits from small business customers:**	**86,773,445**	**4724333.04**	**141037.09**	**115**	**82,475,049**
5	*Stable deposits*	0	0	0	0	0
6	*Less stable deposits*	86,773,445	4,724,333	141037.09	115.28	82,475,049
7	**Wholesale funding:**	**18,806,960**	**66031615.9**	**8828365.68**	**9,907,004**	**48,443,618**
8	*Operational deposits*	0	0	0	0	0
9	*Other wholesale funding*	18,806,960	66,031,616	8,828,366	9,907,004	48,443,618
10	**Liabilities with matching interdependent assets**	-	-	-	-	-
11	**Other liabilities:**	**15,670,090**	-	**5,014,949**	-	**2,507,475**
12	*NSFR derivative liabilities*		-	-		
13	*All other liabilities and equity not included in the above categories*	15,670,090	0	5,014,949	0	2,507,475
14	**Total ASF**					**185,424,342**
Required stable funding (RSF) item						
15	**Total NSFR high-quality liquid assets (HQLA)**					**3,314,117**
16	**Deposits held at other financial institutions for operational purposes**	-	-	-	-	-
17	**Performing loans and securities:**	**3,804,106**	**62,256,066**	**16,194,319**	**69,672,334**	**110,095,887**
18	*Performing loans to financial institutions secured by Level 1 HQLA*	0	0	0	0	0
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	0	993,011	0	2,750,000	2,898,952
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	0	61,263,055	16,050,940	55,671,825	94,328,823
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	0	0	0	0	0
22	*Performing residential mortgages, of which:*	0	0	0	0	0
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	0	0	0	0	0
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	3,804,106	0	143,380	11,250,508	12,868,112
25	**Assets with matching interdependent liabilities**	-	-	-	-	-
26	**Other assets:**	**27,399,743**	**1,235,431**	**21,777**	**1,196,663**	**29,713,824**
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		0	0	911,284	774,591
29	*NSFR derivative assets*		0	0	3,588	491
30	*NSFR derivative liabilities before deduction of variation margin posted*		0	0	182,876	182,876
31	*All other assets not included in the above categories*	27,399,743	1,235,431	21,777	98,915	28,755,866
32	**Off-balance sheet items**				**192,815,478**	**91,945**
33	**Total RSF**					**143,215,773**
34	**Net Stable Funding Ratio (%)**					**129%**

Credit Risk

CRA - General information about credit risk

Samba Financial Group uses the Standardized Approach for credit risk at the consolidated level for regulatory reporting purposes. Under this approach, exposures are assigned to portfolio segments based on the type of counterparty and/or the nature of the underlying exposure. This approach allows the use of external ratings, where available, from accredited ratings agencies for the determination of appropriate risk weights, and also includes a wider range of eligible financial collaterals. The RWAs are then calculated according to the following formula:

RWA = ∑ Credit Equivalent Amount[4] for all asset classes x Regulatory Defined Risk Weight[5]

The major asset classes as defined by the Basel guidelines adopted by SAMA are sovereigns, public sector entities, multilateral development banks, banks, corporates, retail, securitized assets and VIP/HNI (high net-worth individuals). Each segment has a defined risk weight ranging from 0% to 150% depending on tenor, type of exposure, asset class, whether the counterparty has an external rating and whether the exposure is past due.

The Board is regularly updated by the Board Risk Committee on the following key areas of credit risk:

a) Performance against Board approved limits for risk weighted assets, capital adequacy and loans to deposit ratios.
b) An annual update is provided on the risk ratings migrations that have occurred in the lending portfolio.
c) The credit concentrations by industry, name, product (direct/contingent), geography and tenor are also provided.
d) Portfolio quality is measured based on the distribution of the lending book by risk rating and the coverage of non-performing loans by loan loss reserves.
e) Analysis of exposure by business segment is provided with comparatives for prior periods.

At SFG, the defined and approved risk appetite results in caps for each segment and the resulting Risk Weighted Assets composition between the retail and corporate segments flow from this strategy.

SAR 000s

CR1: Credit quality of assets

		Gross carrying values of		Allowances/ impairments	Net values
		Defaulted exposures (a)	Non-defaulted exposures (b)	(c)	(a+b+c)
1	Loans	1,924,208	142,770,665	3,099,628	141,595,245
2	Debt Securities	-	85,013,253	36,816	84,976,437
3	Off-balance sheet exposures	-	40,435,275	489,150	39,946,125
4	**Total**	**1,924,208**	**268,219,193**	**3,625,594**	**266,517,807**

"Default" is broadly defined as either non-payment of a material financial obligation persisting for 90 days or occurrence of events that would lead the bank to consider that the Obligor is unlikely to service its credit obligations to the bank.

An assessment is made at each period end date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. Objective evidence of impairment may include indications that the borrower is experiencing significant financial difficulty, default or delinquency in special

[4] Credit equivalent amount is determined as gross exposure less specific provisions less eligible credit risk mitigants. A credit conversion factor (CCF) or add-on percentage is then applied to off-balance sheet and derivative exposures respectively

[5] The regulatory defined risk weight is determined by the counterparty asset class and the external rating of the counterparty, where applicable

commission or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss, based on the net present value of future anticipated cash flows, is recognized for changes in its carrying amounts.

Exposures past-due more than 90-days but not considered impaired for accounting purposes are disclosed in the quantitative disclosures of this section. For capital adequacy calculation purposes, all exposure past-due more than 90-days are considered Defaulted and are treated accordingly.

An exposure to counterparty is deemed restructured when the counterparty is experiencing difficulty in meeting its financial commitments and the bank grants a material concession (e.g. tenor, interest rate, payment structure, etc.) that it would not otherwise consider under normal circumstances.

SAR 000s

CR2: Changes in stock of defaulted loans and debt securities		
1	**Defaulted loans and debt securities at end of the previous reporting period - Jun 2019**	**1,824,558**
2	Add: Loans and debt securities that have defaulted since the last reporting period	381,706
3	Less: Returned to non-defaulted status	0
4	Less: Amounts written off	(265,890)
5	Less: Amounts recovered	(3,866)
6	Add/Less: Net changes in exposure	(12,300)
7	**Defaulted loans and debt securities at end of the reporting period - Dec 2019**	**1,924,208**

CRB - Additional disclosure related to the credit quality of assets

Samba has a diversified credit portfolio, which is divided into the following asset classes as defined by SAMA[6]:

Sovereigns and Central Banks

Exposures to sovereigns and central banks carry a risk weight ranging between zero and 100 percent, depending on whether or not there is a valid external rating assigned by a recognised ECAI.

The average risk weight for this portfolio is 0.4%.

Public Sector Enterprises

SAMA has prescribed that exposures falling into this portfolio are to be treated according to Option 2 of the Basel II Accord, i.e. the risk weight is determined on the basis of whether or not there is a valid external rating assigned by a recognised ECAI.

The average risk weight for this portfolio is 50.0%.

Multilateral Development Banks

SAMA has prescribed zero percent risk weight for those Multilateral Development Banks that meet the qualifying criteria under Basel II. For other MDBs, the treatment is the same as Banks Option 2, i.e. the risk weight is determined on the basis of whether or not there is a valid external rating assigned by a recognised ECAI.

The average risk weight for this portfolio is 0%.

[6] Per paragraph 4.1 of 'Basel II - SAMA's Detailed Guidance Document Consultative Draft No.2' issued 6th June 2006

Banks and Securities Firms

SAMA has prescribed that exposures falling into this portfolio are to be treated according to Option 2 of the Basel II Accord, i.e. the risk weight is determined on the basis of whether or not there is a valid external rating assigned by a recognised ECAI. A preferential risk weight is assigned to short term exposures, defined as those exposures with a tenor of less than three months.

The average risk weight for this portfolio is 43.8%.

Corporates

This portfolio is assigned a risk weight based on the external rating of the counterparty, wherever available, with whom the exposure is held. Due to the fact that the majority of corporates in Saudi Arabia are not rated by ECAIs, a regulatory risk weight of 100% is applied to a large portion of this portfolio.

The average risk weight for this portfolio is 96.6%.

Retail Non-Mortgages

This portfolio consists of loans to individuals, leases, credit cards and other consumer loans. SAMA requires that exposures not meeting certain granularity criteria be assigned a 100% risk weight, whereas the balance of the exposure under this asset class is assigned a flat 75% risk weight.

Mortgages - Residential and Commercial

SAMA has prescribed a risk weight of 50% for this asset class.

Equities

The SAMA prescribed risk weight for equities held in the banking book is 100%. For our investments in funds we apply the look-through and fall-back approaches to the hedge fund and private equity portfolios, and the risk weight can vary from 100% to 1,250% depending on the nature of the underlying assets and the leverage of the fund. The average for this portfolio is 521.4%.

Past Due Loans

Past due loans have been classified according to the regulatory definition, i.e. 90 days and above. These net exposures carry risk weights of either 100% or 150% depending on the level of specific provisions held there against.

A specific provision (for accounting treatment of impairment in assets) is made for past due facilities in respect of individually assessed loans or claims. Samba calculates the specific provision according to the guidelines contained in IAS 39. These are calculated at counterparty level and the bank considers all the facilities for a counterparty to be defaulted if any one of the facilities of the counterparty is past due more than 90 days. The specific provisions are based on an assessment of impairment in realizable value of asset first at facility level and then aggregated at counterparty level.

The average risk weight for this portfolio is 114.5%.

Others

The standard risk weight for all other assets is prescribed at 100%. These typically include fixed assets, prepayments and sundry debtors. Cash and cash equivalents are assigned a risk weight of 0%.

The average risk weight for this portfolio is 54.7%.

SAR 000s

CRB - Breakdown of Exposures by Geographic Area							
	Exposures (post-CCF and CRM) by Geographic Area						
	Saudi Arabia	Other GCC	Europe	North America	South East Asia	Other Countries	Total
On-balance sheet, of which	**209,688,006**	**18,620,411**	**6,083,488**	**11,476,949**	**166,920**	**5,413,009**	**251,448,783**
Sovereigns and their central banks	60,477,807	2,406,670	5,321,891	6,074,535	163,524	1,913,477	76,357,904
Non-central government public sector entities	2,190,013	-	-	-	-	-	2,190,013
Multilateral development banks	1,307,737			-	-	-	1,307,737
Banks	15,686,098	173,244	389,978	1,926,612	3,396	133,024	18,312,352
Securities firms	-	-	-	-	-	-	-
Corporates	92,154,718	14,003,921	137,082	2,682,586		3,338,616	112,316,923
Regulatory retail portfolios	12,571,752		-	-	-		12,571,752
Secured by residential property	5,909,270	-	-	-	-		5,909,270
Secured by commercial real estate	-	-	-	-	-	-	-
Equity	3,025,167	-			-	-	3,025,167
Past-due loans	1,801,756		-	-	-		1,801,756
Higher-risk categories	-	-	-	-	-	-	-
Other assets	14,563,688	2,036,576	234,537	793,216	-	27,892	17,655,909
Off-balance sheet	**18,474,680**	**3,161,048**	**1,317,331**	**588,143**	**946,530**	**743,118**	**25,230,850**
Derivatives	-	**7,072,370**	**814,472**	**2,754,583**	-	**207,049**	**10,848,474**

SAR 000s

CRB - Breakdown of Exposures by Residual Maturity						
	Exposures (post-CCF and CRM) by Residual Maturity					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No Fixed Maturity	Total
On-balance sheet, of which	**43,439,200**	**36,691,570**	**43,211,848**	**110,450,256**	**17,655,909**	**251,448,783**
Sovereigns and their central banks	7,152,645	4,193,649	6,629,960	58,381,650	-	76,357,904
Non-central government public sector entities	-	58	2,066,262	123,693	-	2,190,013
Multilateral development banks	-	374,940	932,797	-	-	1,307,737
Banks	949,298	946,731	7,602,669	8,813,654	-	18,312,352
Securities firms	-	-	-	-	-	-
Corporates	33,941,043	30,236,037	13,567,212	34,572,631	-	112,316,923
Regulatory retail portfolios	25,527	262,648	9,996,173	2,287,404	-	12,571,752
Secured by residential property	1,080	8,840	582,292	5,317,058	-	5,909,270
Secured by commercial real estate	-	-	-	-	-	-
Equity	266,152	409,407	1,395,442	954,166	-	3,025,167
Past-due loans	1,103,455	259,260	439,041	-	-	1,801,756
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	17,655,909	17,655,909
Off-balance sheet	**6,942,125**	**10,542,947**	**6,966,334**	**779,445**	-	**25,230,850**
Derivatives		**8,246,544**	**1,352,179**	**1,249,751**	-	**10,848,474**

The maturity profiles of credit exposures have been determined on the basis of the remaining period at the reporting date to the contractual maturity date.

Breakdown of exposure by industry

SAR 000s

CRB - Breakdown of Exposures by Industry

	Exposures (post-CCF and CRM) by Industry												
	Govt and Quasi Govt	Banks and Other Financial Institutions	Agriculture and Fishing	Manufacturing	Mining and Quarrying	Electricity, Water, Gas and Health Services	Building and Construction	Commerce	Transportation and Communication	Services	Consumer Loans and Credit Cards	Others	Total
On-balance sheet, of which	**76,357,904**	**19,620,089**	**5,566,704**	**17,369,306**	**4,482,195**	**16,481,701**	**18,301,308**	**22,626,801**	**16,035,816**	**5,407,672**	**18,517,161**	**30,682,125**	**251,448,782**
Sovereigns and their central banks	76,357,904	-	-	-	-	-	-	-	-	-	-	-	76,357,904
Non-central government public sector entities	-	-	-	-	122,606	-	-	-	2,067,408	-	-	-	2,190,013
Multilateral development banks	-	1,307,737	-	-	-	-	-	-	-	-	-	-	1,307,737
Banks	-	18,312,352	-	-	-	-	-	-	-	-	-	-	18,312,352
Securities firms	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	5,563,444.25	17,216,725.39	4,359,175.98	16,467,369.89	17,252,127.19	22,157,437.67	13,967,006.96	5,386,392.75	-	9,947,243	112,316,923
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-	12,571,752	-	12,571,752
Secured by residential property	-	-	-	-	-	-	-	-	-	-	5,909,270	-	5,909,270
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-	-	3,025,167	3,025,167
Past-due loans	-	-	3,260	152,581	414	14,331	1,049,181	469,363	1,402	21,279	36,139	53,806	1,801,756
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	17,655,909	17,655,909
Off-balance sheet	**34,189**	**2,667,106**	**122,414**	**3,576,147**	**1,121,463**	**1,204,613**	**8,606,939**	**2,413,852**	**3,306,428**	**860**	-	**2,176,840**	**25,230,850**
Derivatives	-	**9,560,461**	-	-	-	-	-	**1,288,013**	-	-	-	-	**10,848,474**

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

SAR 000s

CRB - Breakdown of Impaired Exposures by Geographic Area		
Geographic area	Impaired loans	Specific and portfolio allowances
Saudi Arabia	1,696,632	2,941,323
Other GCC and Middle East	162,897	95,887
Europe	-	-
Other Countries	64,679	62,418
Total	**1,924,208**	**3,099,628**

SAR 000s

CRB - Age analysis of accounting past-due loans				
Industry Sector	Ageing of Past Due Loans			
	Less than 90 days	90-180 days	180-360 days	Over 360 days
Government and quasi government	-	-	-	-
Banks and financial institutions	-	-	-	-
Agriculture and fishing	-	393	-	-
Manufacturing	130,717	1,584	-	-
Mining and quarrying	-	-	-	-
Electricity, water, gas and health services	-	-	-	
Building and construction	1,699,144	156,811	-	-
Commerce	224,098	3,944	-	-
Transportation and communication	-	-	-	-
Services	373,766	17,228	-	-
Consumer loans and credit cards	1,241,186	79,765	-	-
Others	34,846	-	-	-
Total	**3,703,757**	**259,725**	-	-

SAR 000s

CRB - Breakdown of restructured exposures			
	Impaired	Not impaired	Total
Restructured exposures	499,025	3,631,944	4,130,969

CRC - Qualitative disclosure requirements related to credit risk mitigation techniques

In terms of the regulatory guidelines, not all forms of collateral currently used by Samba are recognized for the purposes of calculation of credit risk capital requirement. These ineligible collaterals include inter alia, real estate, corporate and personal guarantees and equity shares.

The bank uses the comprehensive method for the treatment of financial collaterals which requires a standard supervisory haircut to be applied to the acceptable collateral to account for currency and maturity mismatches between the underlying exposure and the collateral applied.

Eligible financial collaterals under the Standardized Approach include:

a) Cash (as well as certificates of deposit or comparable instruments issued by the lending bank),
b) Bank Guarantees,
c) Gold, and
d) Debt securities.

SFG only nets positive and negative contracts from professional counterparties in jurisdictions that allow netting and are supported by CSA's (Credit Support Annex) under ISDA (International Swaps and Derivatives Association); other exposures are reported gross.

Real estate collaterals are evaluated (for our internal risk management purposes) by at-least two independent appraisers with the lowest value taken into consideration. For marketable securities an evaluation is conducted on a daily basis per the reported closing prices. An independent Credit Control Division compares the actual market value with pre-agreed values with clients and reports discrepancies to the management.

Cash is the only form of collateral accepted for Treasury ISDA agreements.

CR3 - Credit risk mitigation techniques - overview

SAR 000s

CR3: Credit risk mitigation techniques – overview

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	123,100,038	18,459,952	747,226	35,255	25,050	-	-
2	Debt securities	84,976,437	-	-	-	-	-	-
3	**Total**	**208,076,475**	**18,459,952**	**747,226**	**35,255**	**25,050**	-	-
4	Of which defaulted	1,924,208	-	-	-	-	-	-

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

In accordance with SAMA Basel II guidelines[7], Samba uses Credit Ratings assigned by Moody's and Standard and Poor's (S&P) for determining the risk weights of Sovereigns, Public Sector Entities, Multilateral Development Banks, Banks and Securities Firms and Corporate exposures.

Standardized approach risk weights corresponding to the Credit Ratings assigned by these ECAIs have been prescribed by SAMA for different asset classes as follows.

[7] SAMA circular BCS 290 'Basel II - SAMA's Detailed Guidance Document relating to Pillar 1' issued 12 June 2006

Sovereigns:

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%

Banks and Securities Firms (SAMA has prescribed Option 2):

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

For Multilateral Development Banks (MDBs), SAMA has adopted 0% risk weight option for MDBs that meet the qualifying criteria under Basel II; for other MDBs, SAMA has adopted Banks Option 2 (mentioned above) without an preferential treatment for short-term claims.

For eligible Public Sector Entities, which have been specifically identified by SAMA, SAMA has adopted Banks Option 2 (mentioned above).

Corporates:

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

SAR 000s

CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

	Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		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	76,501,284	56,837,349	76,357,904	-	312,379	0.4%
2	Non-central government public sector entities	2,190,013	850,000	2,190,013	850,000	1,520,007	50.0%
3	Multilateral development banks	1,307,737	400,000	1,307,737	-	-	0.0%
4	Banks	18,312,352	42,278,031	18,312,352	2,257,233	9,015,470	43.8%
5	Securities firms	-	-	-	-	-	0.0%
6	Corporates	121,929,270	73,798,800	112,316,923	21,128,958	128,948,749	96.6%
7	Regulatory retail portfolios	12,571,752	65,584	12,571,752	65,584	9,478,269	75.0%
8	Secured by residential property	5,919,269	-	5,909,270	356	2,954,635	50.0%
9	Secured by commercial real estate	-	-	-	-	-	0.0%
10	Equity	3,025,167	928,719	3,025,167	928,719	20,615,831	521.4%
11	Past-due loans	3,570,639	-	1,801,756	-	2,062,717	114.5%
12	Higher-risk categories	-	-	-	-	-	0.0%
13	Other assets	17,655,909	-	17,655,909	-	9,655,269	54.7%
14	**Total**	**262,983,392**	**175,158,483**	**251,448,783**	**25,230,850**	**184,563,325**	**66.7%**

SAR 000s

CR5: Standardised approach – exposures by asset class and risk weights									
	Asset classes/ Risk weight*	0%	20%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	76,045,525	-	-	-	312,379	-	-	76,357,904
2	Non-central government public sector entities (PSEs)	-	-	3,040,013	-	-	-	-	3,040,013
3	Multilateral development banks (MDBs)	1,307,737	-	-	-	-	-	-	1,307,737
4	Banks	-	4,308,756	16,214,220	-	46,609	-	-	20,569,585
5	Securities firms	-	-	-	-	-	-	-	-
6	Corporates	-	-	8,994,264	-	124,451,617	-	-	133,445,881
7	Regulatory retail portfolios	-	-	-	12,637,336	-	-	-	12,637,336
8	Secured by residential property	-	-	5,909,626	-	-	-	-	5,909,626
9	Secured by commercial real estate	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	761,017	-	3,192,869	3,953,886
11	Past-due loans	-	-	-	-	1,279,835	521,921	-	1,801,756
12	Higher-risk categories	-	-	-	-	-	-	-	-
13	Other assets	8,000,640	-	-	-	9,655,269	-	-	17,655,909
14	**Total**	**85,353,902**	**4,308,756**	**34,158,123**	**12,637,336**	**136,506,726**	**521,921**	**3,192,869**	**276,679,633**

Counterparty Credit Risk

CCRA - Qualitative disclosure related to counterparty credit risk

Counterparty credit risk is the likelihood that bank's counterparty in a foreign exchange, interest, commodity, equity or credit derivative contract will default prior to maturity of the contract and the bank at that time has a claim on the counterparty. Counterparty credit risk is subject to credit limits like other credit exposures and is treated accordingly. Counterparty credit risk mainly arises in the trading book.

Samba uses the current exposure method to assess the counterparty credit risk in accordance with the credit risk framework and it is measured as the positive mark-to-market value plus the notional principal amount multiplied by the regulatory defined add-on factor. The size of the add-on depends on the contract's remaining lifetime and the underlying asset.

To reduce the exposure towards single counterparties, risk mitigation techniques are widely used. In addition Samba also mitigates the exposures towards large banks and financial institutional counterparties by an increasing use of financial collateral agreements called margining agreements, whereby collateral is topped-up on a regular basis - collateral is placed or received to cover the current exposure beyond certain agreed threshold on either side.

Wrong way risk occurs when exposure to counterparty is adversely correlated with the credit quality of that counterparty. In order to assess the potential exposure that the bank may have to wrong way risk we regularly assess whether the bank has exposures which are likely to lead to this risk. These include:

a) Credit default swaps i.e. buying credit protection from a party whose credit-worthiness is strongly correlated with the referenced entity such as a CDS purchased from a bank who is domiciled in the referenced country.
b) Share options i.e. hedging shares or options on shares of an issuer where the credit worthiness of the counterparty is correlated with the underlying shares. This would include an assessment of equity basket option trades where the counterparty's probability of default is correlated with the price of the underlying shares.

To ensure that sufficient capital is set aside, from Q1 2017 we have adopted the new standardized approach for counterparty credit risk (SA-CCR) which has been calibrated through the multiplier applied to accommodate potential wrong-way risk in this portfolio.

SAR 000s

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	3,092,221	4,656,689		1.4	10,848,474	6,010,287
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	**Total**						**6,010,287**

CCR2: Credit valuation adjustment (CVA) capital charge		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	7,748,910	6,506,361
4	**Total subject to the CVA capital charge**	**7,748,910**	**6,506,361**

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

Regulatory portfolio/ Risk weight	0%	20%	50%	100%	Total credit exposures
Sovereigns and their central banks	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-
Banks	-	193,188	9,367,272.39	-	9,560,461
Securities firms	-	-	-	-	-
Corporates	-	-	-	1,288,013	1,288,013
Regulatory retail portfolios	-	-	-	-	-
Other assets	-	-	-	-	-
Total	-	**193,188**	**9,367,272**	**1,288,013**	**10,848,474**

CCR6: Credit derivatives exposures

	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total notionals	-	-
Fair values	-	-
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

CCR5: Composition of collateral for CCR exposure						
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	1,598,388	-	2,048,184	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**1,598,388**	-	**2,048,184**	-	-	-

Securitization

SFG does not use securitization to defease any of the risks on its books.

SFG, as part of investment portfolio, has a small trading-book securitization exposure which attracts Market risk capital charge as disclosed in the Market risk section of this document.

SAR 000s

SEC2: Securitisation exposures in the trading book									
	Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1 Retail (total) – of which	-	-	-	-	-	-	-	-	-
2 residential mortgage									
3 credit card									
4 other retail exposures									
5 re-securitisation									
6 Wholesale (total) – of which	-	-	-	-	-	-	206,974	-	206,974
7 loans to corporates									-
8 commercial mortgage									
9 lease and receivables									
10 other wholesale							206,974		206,974
11 re-securitisation									

Market Risk

MRA - Qualitative disclosure requirements related to market risk

Market Risk is the risk that Samba's earnings or capital, or its ability to support its business strategy, will be impacted by changes in market rates or prices related to interest rates, equity prices, credit spreads, foreign exchange rates and commodity prices.

Samba has established risk management policies and has ExCom approved limits within which exposure to market risk is monitored, measured and controlled by the Market Risk Management (MRM) division, with strategic oversight exercised by the Asset Liabilities Committee (ALCO). MRM is responsible for developing and implementing market risk policy and risk measuring / monitoring methodologies and for reviewing all new trading and investment products and product limits prior to ALCO approval. The Market Risk Policy Committee (MRPC) is the management body within Samba responsible for market and liquidity risk issues. MRM is independent of Treasury business and reports into Risk Management.

Samba classifies market risk into the following categories:

Risk Item	Description
FX Risk	Foreign Exchange Risk is the risk arising from a change in exchange rate on bank's net asset / liability / derivatives and applicable off balance-sheet positions.
Interest Rate Risk (Trading Book)	Interest Rate Risk is the risk of holding or taking positions in interest rate related instruments in the trading book and is two-fold: Specific Risk: Risk of loss caused by an adverse price movement of a debt instrument or security principally due to factors related to the issuer. General Market Risk: Risk of loss arising from adverse changes in market conditions.
Interest Rate Risk (Banking Book)	Interest Rate Risk (Banking Book) is the current or prospective risk to both the earnings and capital arising from the impact of adverse movements in interest rates on mismatches in asset-liability structure.
Equity Risk	Equity Risk is the risk of losses arising from negative changes in the fair value of the bank's equity investments due to equity market dynamics.
Options Risk	Is the implicit risk from an open option position arising from the option's sensitivity to a number of factors (Delta, Gamma and Vega risks).
Commodity Risk	Is the uncertainty of future market values and of the size of the future income arising from commodity trading positions arising from price fluctuations.

MRM monitors and manages positions that are sensitive to market risk movements for the products that are subject to the risks outlined above. Data is collated from numerous risk management systems and various risk reports are generated and provided to senior management for review. These reports cover both trading and banking bank positions and also include liquidity risks. Value at Risk and stress testing reports are prepared on a periodic basis and the results are presented to ALCO/ MRPC for review. MRM escalates all trigger hits and limit breaches to senior management in line with the various policies and a risk summary report is also presented to the ExCom of the bank.

Samba has implemented its hedging policy in line with business and IFRS requirements. Interest rate swaps, financial futures and credit default swaps are used as hedging instruments to mitigate interest rate risk (both fair value and cash flow) and credit risk. The effectiveness of these hedges is monitored on a regular basis throughout the life thereof as per the policy requirements.

SAR 000s

MR1: Market risk under standardised approach

		RWA
	Outright products	**16,841,541**
1	Interest rate risk (general and specific)	4,356,928
2	Equity risk (general and specific)	2,473,363
3	Foreign exchange risk	10,011,250
4	Commodity risk	-
	Options	**156,913**
5	Simplified approach	-
6	Delta-plus method	156,913
7	Scenario approach	-
8	**Securitisation**	
9	**Total**	**16,998,454**

Operational risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events. It is evident that operational risk is inherent in all activities within the organization, in outsourced activities and in all interactions with external parties. Management of Operational Risk requires robust internal controls coupled with quality supervision and management.

In Samba, Operational Risk Management (ORM) is an integrated function with all the underlying Operational Risk elements like Anti-Fraud, Quality Assurance, Business Continuity and Policy & Procedure forming a part of the operational risk management chain. Operational risk is embedded in each business area and risk mitigation techniques are applied to each activity. All products / services are covered in Self-Assessment Grids which are independently tested periodically and monitored on a global basis. Any exceptions and quality deficiencies are documented and monitored for resolution on Samba-wide basis. These are complemented by comprehensive reviews by Internal Audit / Quality Assurance unit. The analysis of operational risk related events, potential risk indicators and other early-warning signals are in focus when developing the processes. The exceptions / issues are highlighted and resolved at the senior level in Group Risk & Compliance Committee (GRCC). The global Key Risk Indicators (KRIs) for the top ten components of Operational Risk are monitored and the exceptions along with the heat-map are escalated to the Senior Management for resolution.

Mitigating techniques include a robust Information Security framework, strong Anti-Fraud / Compliance regime, comprehensive Physical / Access security and Certified Business Continuity plans together with crisis management preparedness and a broad insurance coverage for handling major incidents.

Each business area in Samba is primarily responsible for managing its own operational risk. Operational Risk Management Division develops and maintains a framework for identifying, assessing, monitoring and controlling operational risk and supports the line organization in implementing the framework. Automation for operational risk management includes Loss Database, Risk & Control Self-Assessment process, KRIs and Corrective Action tracking. The techniques and processes for managing operational risk are structured around the risk sources as described in the definition of operational risk. This approach improves the comparability of risk profiles throughout the organization including Samba’s branches and subsidiaries. It also supports the focus on limiting and mitigating measures in relation to the sources, rather than the symptoms.

The capital requirement for operational risk is calculated according to the Standardized approach, in which all of the institution’s activities are divided into eight standardized business lines and the total capital requirement for operational risk is calculated as the sum of the capital requirements for each of the business lines. The risk for each business line is the beta coefficient multiplied by the average of the gross income from the preceding three financial years, where the beta coefficients differ between business lines and are in the range of 12% to 18%. Consequently, the operational risk capital charge is updated on an annual basis.

The Basic Indicator Approach is used in our subsidiary in Pakistan (for their standalone reporting to the State Bank of Pakistan). A fixed alpha coefficient of 15% is applied to the average gross income for the preceding three years to arrive at the operational risk capital charge.

The capital requirements (at consolidated SFG level, calculated according to the Standardized approach) are detailed in the table below.

OR1 - Operational Risk

Business line	Beta coefficient	Capital requirement - SR'000
Agency services	15%	1,137,664
Asset management	12%	
Commercial banking	15%	
Corporate finance	18%	
Payment and settlement	18%	
Retail banking	12%	
Retail brokerage	12%	
Trading and sales	18%	

IRRBBA- Interest rate risk in the banking book

Interest rate risk in the banking book is the risk on the bank's financial condition to adverse (or unexpected) movements in interest rates due to mismatches in its asset-liability structure.

The Asset Liability Committee (ALCO) sets a factor sensitivity limit corresponding to maximum impact to equity bank has appetite for. Treasury manages the factor sensitivity positions within approved limits by active funding and gapping methods and hedging strategies. Fair value and cash flow hedges are initiated based on short and medium views through interest rate swaps and financial futures as hedging instruments. Market risk management monitors and tracks all positions on a daily basis through factor sensitivity limits and reports all excess if any to senior management. In addition, stress testing based on approved scenarios (6 scenarios) are conducted on a monthly basis and tracked against approved limits. For Pillar II requirements, IRRBB Value-at-Risk is calculated based on factor sensitivities and a parallel yield curve shift scenario with established confidence interval.

The IRRBB enhancements are automated through IALM system wherein, Economic Value of Equity (EVE) is calculated based on cash flows slotted into 19 predetermined tenor buckets, applying given scaling factors to risk free yield curve of respective currencies to arrive at the Economic Value of Equity of the banking book. Commercial margins are not included in the calculation.

Net interest income of all interest rate sensitive contractual assets, liabilities and off balance sheet items including commercial margins are considered to arrive at NII base case value. Delta in NII is calculated considering rollover of all related interest sensitive contractual assets, liabilities and off balance sheet items to next 12 months, i.e. assuming a constant balance sheet, applying parallel up and down shocks to the yield curve. Each currency which accounts for more than 5% of the banking assets/ liabilities is separately considered for such calculation.

Above reports and outcomes are presented and reviewed at ALCO and are independently reviewed by internal audit on a periodic basis.

Factor Sensitivity of on and off balance sheet positions are calculated and tracked against the approved limits on a daily basis. IRRBB measures are calculated each month under normal and stress scenarios based on parametric VaR approach.

In line with Basel guidance, 6 shock scenarios for economic value and 2 shocks for NII are considered

For Pillar II capital adequacy purposes, IRRBB risk capital is calculated by multiplying DV01 for each currency across tenors by standard deviation across tenors of respective yield curves based on 5 years rolling data. This value is then adjusted to 99% confidence interval to arrive at IRRBB risk capital. Co-variance across yield curves is considered in the calculation.

However, for Economic Value of Equity (EVE) measure, net cash flows assets, liabilities and off balance sheet interest rate sensitive items are slotted into 19 predetermined tenor buckets, applying given scaling factors to risk free yield curve of respective currencies to arrive at the Economic Value of Equity of the banking book. Commercial margins are not included in the calculation.

IRRBB sensitivity is managed through factor sensitivity measures across tenors and managed by hedging strategies to keep the sensitivities within acceptable boundaries. Fair value and cash flow hedges are initiated based on market views to manage factor sensitivities with the use of Interest rate swaps and financial futures as hedging instruments. These are initiated and accounted in line with approved hedge policy.

Assumptions for NMDs are calculated based on historical balances and volatility. Core balances are considered in above 2 year tenor and non-core is considered as overnight. Other balances such are cash and reserves, other assets and liabilities are considered overnight.

Effective 1 Jan 2018, based on the enhanced IRRBB principles, NMDs will be considered as per Basel guidelines in 4 years and 5 years tenor for wholesale and retail with recommended caps for EVE calculation measures. Other items such as cash, reserves and other assets/ liabilities are considered in overnight tenor. Fixed assets and capital are excluded. Commercial margins are not considered in EvE measure calculation.

Customer loan prepayments and early withdrawal of time deposits are not considered in calculation as long as they are less than 5% of the total.

For NII measure, cash flows of Net interest from assets, liabilities and off balance sheet items are slotted within 1 year tenor buckets including commercial margins. Applying required scaling factors, NII of base case scenario is calculated.

At present, correlations between currencies are modelled to arrive at IRRBB VaR. However, effective January 2018, under both EvE and NII measures, currency wise results will be aggregated with no correlation impact in all the stress scenarios as per Basel requirements.

IRRBB1: Quantitative Information on IRRBB

SAR 000's	ΔEVE		ΔNII	
Period	**31-Dec-19**	**30-Sep-19**	**31-Dec-19**	**30-Sep-19**
Parallel Up	1,299,380	813,632	1,390,644	1,390,305
Parallel Down	2,658,982	1,466,424	(1,246,348)	(1,403,129)
Steepener	2,111,175	1,654,879		
Flatterer	2,133,275	1,700,064		
Short Rate Up	1,051,256	914,093		
Short Rate Down	1,186,502	1,053,634		
Maximum	**2,658,982**	**1,700,064**	**(1,246,348)**	**(1,403,129)**
Period	**31-Dec-19**		**30-Sep-19**	
Tier 1 Capital SAR 000's	**46,907,163**		**45,556,408**	

REMA - Remuneration

The Bank's compensation policy complies with the regulatory requirements of SAMA and international standards of Financial Stability Forum with respect to compensation. This policy is applicable to all businesses across the Group in the Kingdom of Saudi Arabia as well as its overseas branches and subsidiaries as far as it is consistent with the legal and regulatory requirements of respective host countries where the Group operates.

The policy defines the levels and categories of key employees whose goals setting, performance measurement and appraisal processes are based on a scorecard approach that links the financial performance evaluation with associated risks, at the overall Bank level. Key employees consist of senior executives (officers who are in senior and leadership roles whose appointment is subject to the no objection by SAMA), Key Risk Takers (officers who may or may not be in senior roles but are directly or indirectly engaged in risk taking roles on behalf of the Group) and Key Risk Controllers (officers who may or may not be in senior roles but are directly or indirectly engaged in risk controlling roles on behalf of the Group.)

Compensation structure at the Group consists of (a) fixed components viz., base salary, allowances and benefits; as well as (b) variable components viz., performance bonus and equity based scheme. These components are designed to reflect the level of responsibility and role of the employee, as well as the business area in which the employee works.

The Group's overall variable compensation pool is derived from the Risk Adjusted Net Income of the Group which takes into account significant existing and potential risks in order to protect Group's capital adequacy and to mitigate risk of potential future losses. A process of distributing variable compensation payments over three annual instalments is in place for key employees. The proportion of deferred payments is determined based on the level and seniority and/or responsibility of the key employee. A portion of deferred variable compensation is also awarded in the form of equity based "long term bonus scheme". Remuneration of employees working in control functions such as Risk Management, Credit, Compliance, Internal Audit, Financial Control, Legal etc. are determined independently from the business units monitored by them. Further, claw-back arrangements are included to address adverse future performance. No guaranteed bonuses are allowed. Through these mechanisms, the Group has successfully achieved the policy objectives of ensuring that the overall variable compensation takes into account risks associated with financial performance and adjustments to deferred compensation are considered pursuant to any negative future impact arising out of decisions made during the current period.

Variable compensation is awarded to eligible employees in the form of cash, equities or a combination of both. The proportion of variable compensation to be paid in either form is determined based on the level of responsibility and role of the individual employee, as well as the business area in which the employee works and commensurate to the performance delivery, risk taking or controlling ability of the employee.

In accordance with regulatory requirements on corporate governance, the Bank's Board of Directors has established a Nomination and Remuneration Committee (NRC) which comprises of three non-executive directors and chaired by an independent board member. The NRC is responsible for the overall architecture, oversight and monitoring of the compensation system. The committee reviews the compensation policy periodically to ensure its adequacy and effectiveness. Accordingly, the policy was last revised in September 2018 and reflects the amended organization structure and approval hierarchy. The NRC makes its recommendations to the Board on the level and composition of remuneration after taking into account the Risk Management Group's input. NRC also periodically reviews the progress of the compensation policy implementation and ensures that its stated objectives are achieved in line with the guidelines.

SAR 000s

REM1: Remuneration awarded during the financial year				
	Remuneration Amount		**Senior Management**	**Other material risk-takers**
1	Fixed remuneration	Number of employees	26	85
2		Total fixed remuneration	33,313	78,907
3		Of which: cash-based	33,313	78,907
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	26	85
10		Total variable remuneration	52,932	41,424
11		Of which: cash-based	44,589	34,992
12		Of which: deferred	22,126	14,177
13		Of which: shares or other share-linked instruments	8,343	6,432
14		Of which: deferred	8,343	6,432
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total remuneration (2+10)**		**86,245**	**120,331**

SAR 000s

REM2: Special payments						
Special Payments	**Guaranteed Bonuses**		**Sign-on awards**		**Severence Payments**	
	Number of employees	**Total Amount**	**Number of employees**	**Total Amount**	**Number of employees**	**Total Amount**
Senior Management	-	-	-	-	-	-
Other material risk-takers	-	-	-	-	-	-

SAR 000s

REM3: Deferred remuneration

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management					
Cash	17,244	17,244	0	0	9,649
Shares	11,774	11,774	0	0	1,438
Cash-linked instruments	0	0	0	0	0
Other	0	0	0	0	0
Other material risk-takers					
Cash	14,478	14,478	0	0	8,435
Shares	11,056	11,056	0	0	1,653
Cash-linked instruments	0	0	0	0	0
Other	0	0	0	0	0
Total remuneration	**54,553**	**54,553**	**0**	**0**	**21,175**

List of annual disclosures not applicable to Samba Financial Group is as follows:

	Tables and templates
Macro prudential supervisory measures	GSIB1 – Disclosure of G-SIB indicators
Credit risk	PV1 – Prudent valuation adjustments (PVA)
	CRE - Qualitative disclosures related to IRB models
	CR6 - IRB - Credit risk exposures by portfolio and PD range
	CR7 - IRB - Effect on RWA of credit derivatives used as CRM techniques
	CR8 - RWA flow statements of credit risk exposures under IRB
	CR9 - IRB - Back-testing of probability of default (PD) per portfolio
	CR10 - IRB (specialized lending and equities under the simple risk weight method)
Counterparty credit risk	CCR4 - IRB - CCR exposures by portfolio and PD scale
	CCR7 - RWA flow statements of CCR exposures under the Internal Model Method (IMM)
	CCR8 - Exposures to central counterparties
Securitization	SECA - Qualitative disclosure requirements related to securitization exposures
	SEC1 - Securitization exposures in the banking book
	SEC3 - Securitization exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor
	SEC4 - Securitization exposures in the banking book and associated capital requirements - bank acting as investor
Market risk	MRB - Qualitative disclosures for banks using the Internal Models Approach (IMA)
	MR2 - RWA flow statements of market risk exposures under an IMA
	MR3 - IMA values for trading portfolios
	MR4 - Comparison of VaR estimates with gains/losses