



# Basel III Pillar 3 Disclosures

31 March 2023

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## Overview of Risk Management and RWA

### KM1 – Key metrics (at consolidated group level)

SAR '000		Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	114,575,644	111,851,304	108,181,493	109,585,888	112,657,705
1a	Fully loaded ECL accounting model	113,700,930	110,539,233	106,869,422	108,273,817	111,345,634
2	Tier 1	131,063,144	127,338,804	123,668,993	121,773,388	124,845,205
2a	Fully loaded ECL accounting model Tier 1	130,188,430	126,026,733	122,356,922	120,461,317	123,533,134
3	Total capital	136,172,244	132,551,726	129,037,552	127,332,764	130,463,930
3a	Fully loaded ECL accounting model total capital	135,297,530	131,239,655	127,725,481	126,020,693	129,151,859
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	705,864,807	696,082,220	691,338,884	692,113,673	664,634,979
4a	Total risk-weighted assets (pre-floor)	705,864,807	696,082,220	691,338,884	692,113,673	664,634,979
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	16.23%	16.07%	15.65%	15.83%	16.95%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	16.11%	15.88%	15.46%	15.64%	16.75%
5b	CET1 ratio (%) (pre-floor ratio)	16.23%	16.07%	15.65%	15.83%	16.95%
6	Tier 1 ratio (%)	18.57%	18.29%	17.89%	17.59%	18.78%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.44%	18.11%	17.70%	17.40%	18.59%
6b	Tier 1 ratio (%) (pre-floor ratio)	18.57%	18.29%	17.89%	17.59%	18.78%
7	Total capital ratio (%)	19.29%	19.04%	18.66%	18.40%	19.63%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.17%	18.85%	18.48%	18.21%	19.43%
7b	Total capital ratio (%) (pre-floor ratio)	19.29%	19.04%	18.66%	18.40%	19.63%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.15%	0.17%	0.17%	0.19%	0.21%
10	Bank G-SIB and/or D-SIB additional requirements (%)	1.50%	1.50%	1.50%	1.50%	1.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	4.15%	4.17%	4.17%	4.19%	4.21%
12	CET1 available after meeting the bank's minimum capital requirements (%)	12.74%	12.31%	12.15%	11.81%	13.17%
<b>Basel III leverage ratio</b>						
13	Total Basel III leverage ratio exposure measure	1,052,075,375	985,279,925	998,468,532	1,002,772,384	959,602,324
14	Basel III leverage ratio (%) (row 2 / row 13)	12.46%	12.92%	12.39%	12.14%	13.01%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	12.37%	12.79%	12.25%	12.01%	12.87%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	12.46%	N/A	N/A	N/A	N/A
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	12.89%	N/A	N/A	N/A	N/A
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	12.46%	N/A	N/A	N/A	N/A
<b>Liquidity Coverage Ratio</b>						
15	Total HQLA	172,601,677	179,914,135	174,937,497	179,536,327	201,169,069
16	Total net cash outflow	63,504,882	64,813,952	65,661,176	73,360,287	95,719,543
17	LCR ratio (%)	272%	278%	266%	246%	210%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	654,567,924	634,185,253	653,582,428	653,801,565	661,360,606
19	Total required stable funding	567,036,407	548,702,675	548,725,573	545,515,501	558,419,639
20	NSFR ratio	115%	116%	119%	120%	118%

## OV1 – Overview of RWA

SAR '000		RWA		Minimum capital Requirements
		Mar-23	Dec-22	Mar-23
1	Credit risk (excluding counterparty credit risk)	588,372,387	569,247,623	47,069,791
2	Of which: standardised approach (SA)	588,372,387	569,247,623	47,069,791
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	8,734,733	9,830,554	698,779
7	Of which: standardised approach for counterparty credit risk	8,734,733	9,830,554	698,779
8	Of which: IMM			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	8,981,629	11,656,108	718,530
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period			
12	Equity investments in funds – look-through approach	23,659,386	19,962,483	1,892,751
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fall-back approach	6,312,034	7,817,735	504,963
15	Settlement risk			
16	Securitisation exposures in banking book	1,554,967	1,391,631	124,397
17	Of which: securitisation IRB approach			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	1,554,967	1,391,631	124,397
19	Of which: securitisation external ratings-based approach			
20	Market risk	30,946,397	14,887,480	2,475,712
21	Of which: standardised approach (SA)	30,946,397	14,887,480	2,475,712
22	Of which: internal model approach (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	37,283,015	61,288,606	2,982,641
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Output floor applied			
27	Floor adjustment (before application of transitional cap)			
28	Floor adjustment (after application of transitional cap)			
29	<b>Total ((1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28))</b>	<b>705,864,807</b>	<b>696,082,220</b>	<b>56,467,564</b>

The changes in credit, market and operational RWA are mainly contributed by the change in methodology following the adoption of Basel III reforms during Q1-23.

## CVA risk exposures

### CVA4: RWA flow statements of CVA risk exposures under SA-CVA

SAR'000

1	Total RWA for CVA at previous quarter-end	11,656,108
2	Total RWA for CVA at end of reporting period	8,981,629

The change in CVA RWA is mainly contributed by the change in methodology following the adoption of Basel III reforms during Q1-23.

## Macro prudential supervisory measures

### CCyB1 – Geographical distribution of credit exposures used in the calculation of the bank-specific countercyclical capital buffer requirement

SAR '000

Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
Luxembourg	0.50%	7,051,666	5,807,482	29,037	
Germany	0.75%	108,928	50,239	377	
Australia	1.00%	16,236	16,145	161	
United Kingdom	1.00%	12,820,348	2,279,846	22,798	
Hong Kong	1.00%	233,764	125,385	1,254	
Sweden	1.00%	4,132	826	8	
Others	2.50%	72,253,214	32,522,809		
<b>Sum</b>		92,488,288	40,802,732		
<b>Total</b>		722,925,226	563,425,461	0.15%	866,706

## Leverage ratio

### LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

SAR '000

<b>1</b>	<b>Total consolidated assets as per published financial statements</b>	<b>976,053,110</b>
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(1,870,348)
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	1,910,878
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	117,165,976
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	(41,184,240)
<b>13</b>	<b>Leverage ratio exposure measure</b>	<b>1,052,075,375</b>

## LR2 – Leverage ratio common disclosure template

		Q1 2023	Q4 2022
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	957,440,542	924,922,036
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	(1,870,348)	
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)		
6	(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)	(41,184,240)	(41,389,310)
7	<b>Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of rows 1 to 6)	914,385,954	883,532,726
<b>Derivative exposures</b>			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives)	18,612,568	20,574,129
9	Add-on amounts for potential future exposure associated with <i>all</i> derivatives transactions	1,910,878	2,614,350
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	<b>Total derivative exposures (sum of rows 8 to 12)</b>	20,523,446	23,188,479
<b>Securities financing transaction exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>		

Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	297,553,340	103,373,495
20	(Adjustments for conversion to credit equivalent amounts)	(180,387,364)	(24,814,775)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>117,165,976</b>	<b>78,558,720</b>
Capital and total exposures			
23	<b>Tier 1 capital</b>	<b>131,063,144</b>	<b>127,338,804</b>
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>1,052,075,375</b>	<b>985,279,925</b>
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	12.89%	NA
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.46%	12.92%
26	<b>National minimum leverage ratio requirement</b>	<b>3%</b>	<b>3%</b>
27	<b>Applicable leverage buffers</b>	<b>9.46%</b>	<b>9.92%</b>



## Liquidity

### LIQ1 – Liquidity Coverage Ratio (LCR)

SAR '000

		Total unweighted value (average)	Total weighted value (average)
<b>High-quality liquid assets</b>			
1	<b>Total HQLA</b>		172,601,677
<b>Cash outflows</b>			
2	<b>Retail deposits and deposits from small business customers, of which:</b>	<b>344,584,600</b>	<b>33,031,154</b>
3	Stable deposits	-	-
4	Less stable deposits	330,311,545	33,031,154
5	<b>Unsecured wholesale funding, of which:</b>	<b>148,783,388</b>	<b>68,692,586</b>
6	<b>Operational deposits (all counterparties) and deposits in networks of cooperative banks</b>	-	-
7	Non-operational deposits (all counterparties)	148,678,511	68,587,710
8	Unsecured debt	104,876	104,876
9	<b>Secured wholesale funding</b>		<b>3,049,662</b>
10	<b>Additional requirements, of which:</b>	<b>14,490,330</b>	<b>1,336,990</b>
11	Outflows related to derivative exposures and other collateral requirements	(124,492)	(124,492)
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	14,614,822	1,461,482
14	<b>Other contractual funding obligations</b>	-	-
15	<b>Other contingent funding obligations</b>	127,637,268	2,656,590
16	<b>TOTAL CASH OUTFLOWS</b>		<b>108,766,982</b>
<b>Cash inflows</b>			
17	<b>Secured lending (e.g. reverse repos)</b>	-	-
18	<b>Inflows from fully performing exposures</b>	<b>99,643,268</b>	<b>45,262,100</b>
19	Other cash inflows	165,289,746	-
20	<b>TOTAL CASH INFLOWS</b>	<b>264,933,014</b>	<b>45,262,100</b>
			<b>Total adjusted value</b>
21	<b>Total HQLA</b>		<b>172,601,677</b>
22	<b>Total net cash outflows</b>		<b>63,504,882</b>
23	<b>Liquidity Coverage Ratio (%)</b>		<b>271.8%</b>

The average LCR is calculated by taking a simple average of monthly figures based on daily average balances beginning from Jan 1st, 2023 to March 31, 2023.

During the period, the Bank held an average of 97% of its High Quality Liquid Assets (HQLAs) in securities with a 0% risk weight, issued or guaranteed by sovereigns, central banks and supranational entities. The remaining 3% of HQLAs held a 20% risk weight from securities guaranteed by sovereigns and non-financial corporate bonds rated AA- or better.

The majority of the bank's weighted cash outflows are attributable to non-financial corporates at 47% of outflows. Whereas retail and small Businesses' deposits held 30%, and bank placements at 14%. SNB's derivatives positions are not significant, as most transactions are conducted on a back-to-back basis with limited open positions being taken. The Group's main activities are conducted in SAR USD, and TRY. The peg between SAR and USD currencies enhances the funding ability and provides the flexibility to interchange between both currencies.

Additionally, following regulatory guidelines, LCR is monitored separately for all significant currencies to ensure the liquidity ratios are met at all times in either currency, SAR, USD and TRY.

The average Q1-2023 LCR is 271.79% as compared to Q4-2022 LCR was 277.59%, a decrease of 5.79%. The decrease in the average LCR between the two periods is primarily due to decreased in weighted average level 1 & level 2A assets.

## Appendix

The below list of tables and templates are Not Available as the related approach is Not Applicable to the Bank

Tables and templates	
<b>Overview of risk management, key prudential metrics and RWA</b>	KM2 – Key metrics – TLAC requirements (at resolution group level)
<b>Comparison of modelled and standardised RWA</b>	CMS1 - Comparison of modelled and standardised RWA at risk level
<b>Credit risk</b>	CR8 – RWA flow statements of credit risk exposures under IRB
<b>Counterparty credit risk</b>	CCR7 – RWA flow statements of CCR exposures under the Internal Model Method (IMM)
<b>Market risk</b>	MR3 – IMA values for trading portfolios