BANQUE SAUDI FRANSI

Revised Basel III Pillar 3 – Qualitative & Quantitative Disclosures

31 December 2020

Revised Basel III Pillar 3 – Qualitative & Quantitative Disclosures - 31 December 2020

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B.1 - Table OVA: Bank risk management approach - 31 December 2020

(a) Business model determination and risk profile

The Risk Appetite framework of the Bank is approved by the Board of Directors and the Risk Appetite statement is reviewed by the Board of Directors at annual intervals. Its objective is to set the tone from the top in giving risk policy directions to the bank's management and providing business lines with guidance regarding the risk profile that the bank is prepared to accept. The business lines draw up their business and risk strategies in line with the laid down risk appetite parameters.

(b) The risk governance structure

The Bank follows the three lines of defense as per Basel's recommendations, with the Business Line as the first line of defense, Risk Management Group as second line of defense and the Audit function as the third line of defense. The risk management function is independent and reports to the Group Chief Risk Officer.

(c) Channels to communicate and enforce the risk culture

Risk Culture is enforced in the Bank through a combination of methods. The risk appetite lays down what the bank is prepared to accept as a risk profile. The risk appetite parameters are disseminated in the bank to the business line heads. Additionally the bank lays down the credit risk acceptance criteria for different segments of the Banking book which the business lines have to follow while originating credit. In order to ingrain the risk awareness culture across the bank, dedicated programs titled risk culture sessions are carried out at periodical intervals in the three geographical regions of the country for an audience of business line relationship officers and risk managers.

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

Credit risk is measured through various internal risk rating models for Corporate and Retail Clients taking into account both quantitative and qualitative risk factors. The internal rating models are housed in a dedicated risk rating system which has capabilities of storing risk factors , scores, ratings at obligor level over different time periods. In order to manage the market risk in trading book, the bank applies on a daily basis a VaR (Value-at-Risk) methodology in order to assess the market risk positions held and also uses stress scenarios to estimate the potential economic loss based on a set of assumptions and changes in market conditions. The Operational Risk Management System (ORMS) tracks key activities such as incidents, loss data and risk and control assessments. This includes functionalities like Key Risk Indicators (KRI) and regulatory reports. Upon the completion of the operational risk register concept, a process of Risk Control and Self-Assessment (RCSA) has been established within the bank and and subsidiaries covering identification of controls and risk scoring with the support and concurrence of all entities.

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

Risk information is reported to Board and Senior Management on a quarterly basis through the risk dashboard. The dash board covers all risks i.e. credit risk quality and rating distribution, credit concentration, exposures to top 10 customers, economic sector exposures distribution , VaR figures and operational risk losses.

(f) Qualitative information on stress testing

Stress testing is done through a team that spans across credit, market risk, operational risk and asset and liability management departments. Each risk function draws up three stress scenarios in line with SAMA requirements titled Mild, Moderate and Severe stress scenarios. The risk drivers as appropriate to each of the risks are stressed to varying degrees and the impact on P & L of the bank is quantified. The stress scenario impacts from credit risk, market risk , operational risk and liquidity risks are summed up to study the impact on total P & L of the bank and the attrition in capital due to the stress scenarios. The levels of provisioning, capital adequacy ratios are computed and compared to the regulatory minimum levels. These results are reported to Board and Senior Management and Management action if warranted is initiated based on the stress test reports.

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

Credit risk is managed through a stringent process of credit due diligence at origination through credit risk acceptance criteria, single obligor lending limits, economic sector limits , internal risk rating and a credit committee approval process where business line proposals are assessed for risk through risk opinions tendered by an independent credit risk function. Further credit risk mitigants like obtaining eligible collateral , valuations and minimum security coverage and guarantees are monitored over the life of the credit facility.

Interest rate risk in banking book is transferred through a process of internal deals to treasury which manages the interest rate risk positions and only the credit spread remains with the business lines. Treasury takes recourse to derivative trades with external counterparties to hedge and manage the interest rate risk.

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KM1: Key metrics - December 31, 2020 (Figures in SAR 000's)

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
Available capital (amounts)		**Dec-20**	**Sep-20**	**Jun-20**	**Mar-20**	**Dec-19**
1	Common Equity Tier 1 (CET1) (excluding IFRS 9 adjustment)	38,489,177				
1a	Fully loaded ECL accounting model	37,626,302	32,543,287	32,289,287	32,657,744	32,720,359
2	Tier 1 (excluding IFRS 9 adjustment)	38,489,177				
2a	Fully loaded ECL accounting model Tier 1	37,626,302	32,543,287	32,289,287	32,657,744	32,720,359
3	Total capital (Tier I+Tier II) (excluding IFRS 9 adjustment)	40,374,172				
3a	Fully loaded ECL accounting model total capital	39,511,297	33,978,137	34,015,282	34,476,310	34,288,872
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	187,232,441	194,305,023	194,514,830	192,358,305	178,564,583
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	20.56%				
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	20.10%	16.75%	16.60%	16.98%	18.32%
6	Tier 1 ratio (%)	20.56%				
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	20.10%	16.75%	16.60%	16.98%	18.32%
7	Total capital ratio (%)	21.56%				
7a	Fully loaded ECL accounting model total capital ratio (%)	21.10%	17.49%	17.49%	17.92%	19.20%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.05%	0.06%	0.07%	0.07%	0.08%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.50%	0.50%	0.50%	0.50%	0.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.05%	3.06%	3.07%	3.07%	3.08%
12	CET1 available after meeting the bank's minimum capital requirements (%)	17.04%	13.69%	13.53%	13.91%	15.25%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	232,681,276	234,414,313	238,511,147	234,384,382	214,003,862
14	Basel III leverage ratio (%) (row 2 / row 13)	16.54%				
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)(row 2a / row13)	16.17%	13.88%	13.54%	13.93%	15.29%
	Liquidity Coverage Ratio*					
15	Total HQLA	39,502,282	37,042,450	38,563,300	34,363,703	40,113,517
16	Total net cash outflow	19,847,808	21,144,651	23,208,061	16,030,506	12,644,460
17	LCR ratio (%)	199%	177%	168%	217%	324%
	Net Stable Funding Ratio					
18	Total available stable funding	132,363,625	132,005,429	131,114,233	131,892,994	122,554,919
19	Total required stable funding	108,783,363	111,584,465	111,495,430	111,542,209	100,439,709
20	NSFR ratio	122%	118%	118%	118%	122%

** LCR may not equal to an LCR computed on the basis of the average values of the set of line items disclosed in the template*

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B.2 : OV1 Overview of RWA - 31 December 2020 (Figures in SAR 000's)

		a	b	c
		RWA		Minimum capital requirements
		Dec-20	Sep-20	44,196
1	Credit risk (excluding counterparty credit risk) (CCR)*	166,091,074	171,837,552	13,287,286
2	Of which standardised approach (SA)	166,091,074	171,837,552	13,287,286
3	Of which internal rating-based (IRB) approach			
4	Counterparty Credit Risk	4,221,359	4,112,771	337,709
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,221,359	4,112,771	337,709
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			
9	Equity investments in funds - mandate-based approach			
10	Equity investments in funds - fall-back approach			
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	3,967,483	5,491,554	317,399
17	Of which standardised approach (SA)	3,967,483	5,491,554	317,399
18	Of which internal model approaches (IMM)			
19	Operational risk	12,952,525	12,863,146	1,036,202
20	Of which Basic Indicator Approach			
21	Of which Standardised Approach	12,952,525	12,863,146	1,036,202
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)**	**187,232,441**	**194,305,023**	**14,978,595**

Explanation of signficant drivers behind differences in reporting periods T and T-1 ; RWA for credit risk increased mainly due to increase in Loan and advances portpolio

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B.3 : LI1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d	e	f	g
		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 securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
	Assets							
1	Cash and balances at central banks	10,548,399	10,548,399	10,548,399				
2	Due from banks and other financial institutions	4,026,997	4,026,997	4,027,436				
3	Positive fair value derivative	6,909,046	6,909,046		6,909,046			
4	Investments, net	37,678,641	37,678,641	37,694,033				
5	Loans and advances, net	130,564,835	130,564,835	135,691,148				
6	Investment in associates	9,695	9,695	9,695				
7	Property and equipment, net	1,440,170	1,440,170	1,440,170				
8	Other assets	2,895,801	2,895,801	2,995,094				
	Total assets	**194,073,584**	**194,073,584**	**192,405,975**	**6,909,046**	-	-	-
	Liabilities							
9	Due to Banks and other financial institutions	16,792,213						16,792,213
10	Customer deposits	127,111,644						127,111,644
11	Negative fair value derivative	5,096,458						5,096,458
12	Debt securities in issue	-						-
13	Other liabilities	6,437,324						6,437,324
	Total liabilities	**155,437,639**	-	-	-	-	-	**155,437,639**

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B.4 : LI2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	194,073,584	192,405,975	-	4,221,359	
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	194,073,584	192,405,975	-	4,221,359	-
4	Off-balance sheet amounts	56,211,152	33,498,782			
5	Differences in valuations					
6	Differences due to different netting rules, other than those already included in row 2					
7	Differences due to consideration of provisions					
8	Differences due to prudential filters					
9	Derivatives	299,764,926			2,906,602	3,967,483
10	Exposure amounts considered for regulatory purposes	**550,049,662**	**225,904,757**	**-**	**7,127,961**	**3,967,483**

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B.5 - Table LIA: Explanations of differences between accounting and regulatory exposure amounts - 31 December 2020

(a)	Explanation of significant differences between the amounts in columns (a) and (b) in LI1. Banque Saudi Fransi does not have any material difference between 'Carrying values as reported in published financial statements 'and' Carrying values under scope of regulatory consolidation'
(b)	Explanation of the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2. On-Balance Sheet Incase of On-Balance Sheet items, currently there are no differences between carrying values and amounts considered for regulatory purposes except provisions and UID. Off-Balance Sheet & Derivatives Incaseof Off- Balance sheet and Derivatives Notional values are populated as total carrying / accounting value where as credit equivalent amounts (i.e. after applying conversion factors in cluding Add-on adjustments in case of Derivative portfolio) are populated under respective regulatory framework.
(c)	• Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. • Description of the independent price verification process. • Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument). Please refer to note no. 3-V & 34 of Annual Published Financial Statements

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B.6 : CCyB1 Geographical distribution of credit exposures used in the countercyclical buffer - 31 December 2020

Geographical breakdown	Countercyclical capital buffer rate	Bank-specific countercyclical capital buffer rate
KSA	0.0%	0.000%
GCC and ME	2.5%	0.051%
Europe	0.0% to 2.5%	0.002%
Asia	0.0% to 2.5%	0.000%
Others	0.0% to 2.5%	0.001%
Total		**0.054%**

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LIQ2 : Net Stable Funding Ratio (NSFR) - 31 December 2020 (Figures in SAR 000's)

		a	b	a	b	e
		Unweighted value by residual maturity				
		No Maturity	< 6 months	6 months to < 1 year	>= 1 Year	Weighted value
Available Stable Funding (ASF) item						
1	Capital:	40,374,172	-	-	-	40,374,172
2	Regulatory capital	40,374,172	-	-	-	40,374,172
3	Other Capital Instruments	-	-	-	-	-
4	Retail Deposits and deposits from small business customers:	39,232,858	3,771,676	101,314	209,341	39,004,604
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	39,232,858	3,771,676	101,314	209,341	39,004,604
7	Wholesale funding:	47,434,229	31,226,524	2,170,065	12,086,026	52,501,435
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	47,434,229	31,226,524	2,170,065	12,086,026	52,501,435
10	Liabilities with matching interdependent assets					
11	Other liablities:	18,722,192	-	-	483,414	483,414
12	NSFR derivative liabilities					
13	All other liablities and equity not included in he above catagories	18,722,192	-	-	483,414	483,414
14	**Total ASF**					**132,363,625**
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					2,073,578
16	Deposits held at other financial institutions for operations purpose					
17	Performing loans and securities:	-	70,706,259	8,267,051	65,738,958	94,172,833
18	Performing loans to financial institutions secured by level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by level 1 HQLA and unsecured performing loans to financial institutions	-	4,026,997	-	0	604,050
20	Performing loans to non-financial corporate clients, loans to retail and small business customers and loans to soverigns, centeral banks and PSEs, of which:	-	66,299,983	8,206,715	49,945,803	79,707,282
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-				-
22	Performing residential mortgages, of which:	-	1,290	3,300	10,613,677	9,023,920
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-				-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities.	-	377,989	57,036	5,179,478	4,837,581
25	Assets with matching interdependent liabilites					
26	Other assets:	11,922,656	360,025	-	-	12,228,677
27	Physical traded commodoties, including gold					
28	Assets posted as initial margin for deriviative contracts and contributions to default funds of CCPs		360,025			306,021
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above catagories	11,922,656	-	-	-	11,922,656
32	Off-balance sheet items					308,275
33	**Total RSF**					**108,783,363**
34	**Net Stable Funding Ratio (%)**					**122%**

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B.8 - Table CRA: General qualitative information about credit risk - 31 December 2020

(a)	How the business model translates into the components of the bank's credit risk profile The Risk Appetite framework of the Bank is approved by the Board of Directors and the Risk Appetite statement is reviewed by the Board of Directors at annual intervals. Its objective is to set the tone from the top in giving risk policy directions to the bank's management and providing business lines with guidance regarding the risk profile that the bank is prepared to accept. The business lines draw up their business and risk strategies in line with the laid down risk appetite parameters.
(b)	Criteria and approach used for defining credit risk management policy and for setting credit risk limits The large exposure thresholds prescribed by SAMA provide the regulatory boundary for credit limit setting. However, the bank follows a more conservative approach in granting credit limits as per the internal credit risk appetite. Further, sectoral concentration limits established as part of risk appetite guide asset selection. The retail exposures are driven by product programs.
(c)	Structure and organisation of the credit risk management and control function The risk management division is headed by the Group CRO. The credit risk management function spans different divisions namely Corporate Credit Risk, Retail Credit Risk, Credit Control & Monitoring, Risk Strategy and Special Assets Management. Each of these division heads report to the Group CRO.
(d)	Relationships between the credit risk management, risk control, compliance and internal audit functions Credit risk management function falls within the purview of Group CRO and specific duties and responsibilities are assigned to divisions reporting to the CRO. The Compliance division, headed by the Head of Compliance is responsible for monitoring compliance of bank's functions with regulatory guidelines. Credit risk management and risk control functions fall within risk management which acts as the second line of defense, while business lines form the first line of defense. Audit Division is the third line of defense and reports to the Audit Committee of the Bank and is responsible for maintaining oversight on the credit function.
(e)	Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors The Board Risk Committee (BRC) and Executive Committee of the Board receive periodical reports on the credit risk management function. (1) Credit Concentration, risk rating distribution & movement, credit exposure to sectors are reported to Board Risk Committee; (2) Dash Board showing total exposure segregated by Business Lines, tenor, asset class and country is also reported to BRC; (3) Portfolio credit reviews on specific sectors / industry groups, regions or business lines are submitted to the Executive Committee of the Board.

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B.9 CR1 : Credit Quality Asset - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d
		Gross carrying values of		Allowances / Impairments	Net Value (a+b-c)
		Defaulted Exposures	Non-Defaulted Exposures		
1	Loans	3,766,590	131,491,255	4,693,010	130,564,835
2	Debt Securities	-	36,916,500	11,219	36,905,281
3	Off-balance sheet exposures	937,803	32,560,979	410,871	33,087,911
4	**Total**	**4,704,393**	**200,968,734**	**5,115,100**	**200,558,027**

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B.10 : CR2 Changes in stock of Defaulted Loans and Debt Securities - 31 December 2020 (Figures in SAR 000's)

		a
1	Defaulted loans and debt securities at end of the previous reporting period	3,417,497
2	Loans and debt securities that have defaulted since the last reporting period	2,423,324
3	Returned to non-defaulted status	242,631
4	Amounts written off	1,831,600
5	Other changes	
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**3,766,590**

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B.11- Table CRB: Additional disclosure related to the credit quality of assets - 31 December 2020

(a)	The scope and definitions of “past due” and “impaired” exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes. As per Bank's policy, a default is where the outstanding dues has remained unpaid for over 90-days and in the bank's view the Obligor is unlikely to repay the dues in full with interest unless the bank takes recourse to collateral enforcement or other recovery measures against the obligor. A past due but not impaired advance is one where the loan is past due for 90 days and where the obligor is facing temporary technical liquidity problems due to administrative delay in realisation of receivables from its business clients.
(b)	The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this. If the past due situation arose as a result of temporary cash flow constraints of the borrower and in the Bank's view the recovery of the dues or the borrower's intention to repay is not in doubt, such outstandings may be classified as past due but not impaired (Ex: loans against receivables under contracts with Government Sector).
(c)	Description of methods used for determining impairments. Past due and impaired accounts are down graded to Non Performing status (NPL) and are monitored by the Special Assets Management Division. The criteria for downgrading is the past due status of the borrower and the perception of the bank about the inability of obligor to service the debt from business cash flows.
(d)	The bank’s own definition of a restructured exposure ; A restructured exposure is where the bank extends the repayment period of an outstanding at the request of the borrower, to align with the borrower's cash flow which has changed from the time the original facility was granted. The factors driving this could be delay in implementation of a project resulting in delays in billing and collection or delay in realisation of receivables due to administrative reasons. The rescheduled facility will be governed by the new agreements that will be signed between the bank and the borrower. The bank as a policy does not grant any remission in fees or interest for the restructured exposures and merely grants additional time to align the repayment schedule with the cash flow generation rate of the obligor.
(e)	Breakdown of exposures by geographical areas, industry and residual maturity; Please refer quantitative disclosures.
(f)	Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry Please refer quantitative disclosures.
(g)	Ageing analysis of accounting past-due exposures; Please refer quantitative disclosures.

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B.11.1 : Geographic Breakdown- 31 December 2020 (Figures in SAR 000's)

Portfolios	Geographic area						
	Saudi Arabia	Other GCC & Middle East	Europe	North America	South East Asia	Others Countries	Total
Sovereigns and central banks:	39,588,089	187,500	-	-	-	18,750	39,794,339
SAMA and Saudi Government	39,588,089	-	-	-	-	-	39,588,089
Others	-	187,500	-	-	-	18,750	206,250
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-
Banks and securities firms	1,326,282	1,570,779	6,239,855	3,173,175	93,672	206,179	12,609,942
Corporates	138,990,544	2,938,860	98,538	1,578	-	181,511	142,211,031
Retail non-mortgages	12,596,154	-	-	-	-	8	12,596,162
Small Business Facilities Enterprises (SBFE's)	-	-	-	-	-	-	-
Mortgages	10,618,267	-	-	-	-	-	10,618,267
Residential	10,618,267	-	-	-	-	-	10,618,267
Commercial	-	-	-	-	-	-	-
Securitized assets	-	-	-	-	-	-	-
Equity	201,611	9,000	633	-	-	19,419	230,663
Others	19,702,506	-	30,646	1,616	-	-	19,734,769
Total	**223,023,454**	**4,706,138**	**6,369,673**	**3,176,369**	**93,672**	**425,867**	**237,795,173**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.11.2 : Industry Sector Breakdown - 31 December 2020 (Figures in SAR 000's)

Portfolios	Industry sector												
	Government and quasi government	Banks and other financial institutions	Agriculture and fishing	Manufacturing	Mining and quarrying	Electricity, water, gas and health services	Building and construction	Commerce	Transportation and communication	Services	Consumer loans and credit cards	Others	Total
Sovereigns and central banks:	39,794,339	-	-	-	-	-	-	-	-	-	-	-	39,794,339
SAMA and Saudi Government	39,588,089	-	-	-	-	-	-	-	-	-	-	-	39,588,089
Others	206,250	-	-	-	-	-	-	-	-	-	-	-	206,250
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-	-	-	-	-	-
Banks and securities firms	-	12,609,942	-	-	-	-	-	-	-	-	-	-	12,609,942
Corporates	71	114,356	3,345,942	33,271,923	993,526	20,296,007	33,561,142	14,652,731	6,461,431	11,535,713	-	17,978,189	142,211,031
Retail non-mortgages	-	-	-	-	-	-	-	-	-	-	12,596,163	-	12,596,163
Small Business Facilities Enterprises (SBFE's)	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-	10,618,267	-	10,618,267
Residential	-	-	-	-	-	-	-	-	-	-	10,618,267	-	10,618,267
Commercial	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitized assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-	-	230,663	230,663
Others	-	-	-	-	-	-	-	-	-	-	-	19,734,769	19,734,769
Total	**39,794,410**	**12,724,298**	**3,345,942**	**33,271,923**	**993,526**	**20,296,007**	**33,561,142**	**14,652,731**	**6,461,431**	**11,535,713**	**23,214,430**	**37,943,620**	**237,795,173**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.11.3 : Residual Contractual Maturity Breakdown - 31 December 2020 (Figures in SAR 000's)

Portfolios	Maturity breakdown								
	Less than 8 days	8-30 days	30-90 days	90-180 days	180-360 days	1-3 years	3-5 years	Over 5 years	Total
Sovereigns and central banks:	1,616,933	43,671	8,661,107	75,737	562,500	14,354,738	8,909,653	5,570,000	39,794,339
SAMA and Saudi Government	1,616,933	6,171	8,661,107	737	562,500	14,335,988	8,834,653	5,570,000	39,588,089
Others	-	37,500	-	75,000	-	18,750	75,000	-	206,250
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-	-
Banks and securities firms	3,262,616	330,704	5,060,076	655,776	662,230	1,185,659	1,121,818	331,063	12,609,942
Corporates	3,699,961	6,335,332	20,756,975	20,298,630	24,023,024	20,857,544	11,660,734	34,578,831	142,211,031
Retail non-mortgages	4,610	8,676	796,078	69,963	117,082	4,001,039	7,319,621	279,094	12,596,163
Small Business Facilities Enterprises (SBFE's)	-	-	-	-	-	-	-	-	-
Mortgages	-	66	496	728	3,300	50,410	477,448	10,085,818	10,618,267
Residential	-	66	496	728	3,300	50,410	477,448	10,085,818	10,618,267
Commercial	-	-	-	-	-	-	-	-	-
Securitized assets	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	230,663	230,663
Others	12,932,541	605,055	2,590,022	1,315,259	1,703,673	295,995	64,357	227,868	19,734,769
Total	**21,516,661**	**7,323,504**	**37,864,754**	**22,416,093**	**27,071,809**	**40,745,385**	**29,553,630**	**51,303,338**	**237,795,173**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.11.5 : Impaired Loans, Past Due Loans And Allowances- 31 December 2020 (Figures in SAR 000's)

Geographic area	Impaired loans	Aging of Past Due Loans but not impaired (days)				Total Provision
		Less than 90	90-180	180-360	Over 360	
Saudi Arabia	3,766,590	770,814	40,247	272,543.00	115,023	4,684,785
Other GCC & Middle East	-	-	-	-	-	8,225
Europe	-	-	-	-	-	-
North America	-	-	-	-	-	-
South East Asia	-	-	-	-	-	-
Others countries	-	-	-	-	-	-
Total	**3,766,590**	**770,814**	**40,247**	**272,543**	**115,023**	**4,693,010**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.11.4 : Impaired Loans, Past Due Loans and Allowances - 31 December 2020 (Figures in SAR 000's)

Industry sector	Impaired loans	Aging of Past Due Loans but not impaired (days)				Stage 3 allowances	Stage 1 & 2 allowances
		Less than 90	90-180	180-360	Over 360		
Government and quasi government	-	-	-	-	-	-	5,582
Banks and other financial institutions	**-**					-	7,312
Agriculture and fishing	**50,857**	-	-	-	-	38,626	7,477
Manufacturing	**970,849**	11,592	10,054	57,247	-	548,142	363,925
Mining and quarrying	**-**	-	-	-	-	-	1,255
Electricity, water, gas and health services	**21,636**	58	-	5,660	1	8,408	21,251
Building and construction	**466,159**	8,903	16,137	52,054	16,183	455,030	385,605
Commerce	**1,583,490**	135,990	3,188	32,881	30,531	1,145,823	453,560
Transportation and communication	**3,878**	-	22	-	39	1,603	13,467
Services	**119,841**	275	1,325	88,772	11,884	63,868	495,452
Consumer loans and credit cards	**227,565**	606,727	-	-	-	247,837	167,752
Others	**322,315**	7,270	9,521	35,929	56,385	228,787	32,248
Total	**3,766,590**	**770,814**	**40,247**	**272,543**	**115,023**	**2,738,124**	**1,954,886**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.11.6 : Reconciliation Of Changes In the allowances for Loan Impairment - 31 December 2020 (Figures in SAR 000's)

Particulars	Stage 3 allowances	Stage 1 & 2 allowances
Balance, beginning of the year	**2,045,900**	**1,662,388**
Charge-offs taken against the allowances during the period	-1,831,600	-
Amounts charged during the period	2,218,456	597,866
Other adjustments:	-	-
- exchange rate differences	-	-
- business combinations	-	-
- acquisitions and disposals of subsidiaries	-	-
- etc.	-	-
Transfers between allowances	305,368	-305,368
Balance, end of the period	**2,738,124**	**1,954,886**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.12 - Table CRC: Qualitative disclosure requirements related to credit risk mitigation techniques - 31 December 2020

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

Netting can reduce capital adequacy requirements by offsetting deposits held by the bank against financing arrangements. However netting arrangements are not used by the Bank unless the deposits need to be in the form of collateral with a specific charge or lien in favor of the Bank.

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

Collateral evaluation and management is the responsibility of the Credit Control & Monitoring Division (CCM). Collateral mainly in the form of equity shares traded locally and real estate form the major part. Policy guidelines exist as to the periodicity of the valuation of the collateral, the minimum security coverage ratios to be maintained and the action points if these levels are breached. The bank has empanelled property evaluators and a minimum of three evaluations are done from three different empanelled valuers. An internal rule has been established to arrive at the appraised value of the property. Insurance where necessary is also taken where applicable .

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

BSF credit portfolio is mostly a corporate portfolio focused substantially on Saudi large, medium, and small business entities. The credit granting process is centralized and has a well reinforced governance process that ensures independent input from Risk Management Division prior to decision making.
Due to the wholesale nature of business. Country Concentration (outside Saudi Arabia) is negligible. Hence, other than for Name Concentration and Sector Concentration, no other Pillar II add-ons are deemed necessary for Credit Risk.

Name Concentration

Name concentration in a lending portfolio arises when there are few borrowers in a bank's loan portfolio or when loan amounts are very unequal in distribution. The Bank uses the granularity adjustment methodology (GA) as proposed by the Basel Research Task Force Concentration Risk Group to compute the capital charge for name concentration under Pillar 2.

Sector Concentration

Sector concentration risk in the bank's credit portfolios can also arise from an excessive exposure to a single economic or business sector or to several highly correlated sectors.

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.13 : CR3 Credit Risk Mitigation techniques – Overview - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d	e	f	g
		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	135,006,442	9,509	2,273	491,520	249,130	-	-
2	Debt Securities	36,916,500	-	-	-	-	-	-
3	Total	171,922,942	9,509	2,273	491,520	249,130	-	-
4	Of Which Defaulted	3,766,590	26,769	-	-	-	-	-

* Cash margin and financial guaranteed are considered as secured collaterals

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Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.14 - Table CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk - 31 December 2020

(a)	Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period; The bank currently uses Multiple assessment as specified in para 98 of BCBS, where ECAI used are as follows : (a) Fitch (b) Standard & Poor's & (c) Moody's.
(b)	The asset classes for which each ECAI or ECA is used; The asset classes are Sovereign, Banks and Corporates where ECAI are used by the bank

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.15 : CR4 Standardised approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposure Post CCF and CRM		RWA and RWA density	
	Exposure Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	39,759,356	5,770	39,759,356	5,770	1,145,699	2.88%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	7,371,739	4,308,401	7,371,739	2,063,368	2,723,404	28.86%
5	Securities firms	-	-	-	-	-	-
6	Corporates	105,420,411	50,313,703	105,188,551	29,141,046	131,052,634	97.56%
7	Regulatory retail portfolios	12,430,093	13,670	12,430,048	9,516	9,331,802	75.02%
8	Secured by residential property	10,314,429	-	10,314,429	-	5,157,214	50.00%
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity	230,663	-	230,663	-	551,500	239.09%
11	Past-due loans	4,965,217	1,559,788	2,818,340	869,809	4,056,073	109.98%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	18,823,114	9,820	18,823,115	9,713	12,072,746	64.11%
14	**Total**	**199,315,021**	**56,211,152**	**196,936,241**	**32,099,221**	**166,091,074**	**72.52%**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.16 : CR5 Standardised approach – exposures by asset classes and risk weights - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d	e	f	g	h	i	j
	Exposure Classes/Risk Weight	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	34,543,119	-	5,109,506	-	-	-	112,500	-	-	39,765,126
2	Non-central government public sector entities (PSEs)										-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	1,169,429	-	5,210,658	-	2,797,221	-	257,799	-	-	9,435,107
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	817,329	-	7,770,803	-	112,935,921	-	12,805,544	134,329,597
7	Regulatory retail portfolios	-	-	-	-	-	12,431,064	8,500	-	-	12,439,564
8	Secured by residential property	-	-	-	-	10,314,429	-	-	-	-	10,314,429
9	Secured by commercial real estate										-
10	Equity	-	-	-	-	-	-	7,037	-	223,626	230,663
11	Past-due loans	160,803	-	-	-	-	-	2,469,892	1,057,454	-	3,688,149
12	Higher-risk categories										-
13	Other assets	6,740,253	-	-	-	-	-	12,092,575	-	-	18,832,828
14	**Total**	**42,613,605**	**-**	**11,137,494**	**-**	**20,882,453**	**12,431,064**	**127,884,223**	**1,057,454**	**13,029,169**	**229,035,462**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.21 - Table CCRA: Qualitative disclosure related to counterparty credit risk - 31 December 2020

(a)	Risk management objectives and policies related to counterparty credit risk, including: To measure and manage variation risk/pre-settlement related to treasury products
(b)	The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures; N/A
(c)	Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs; The Bank has signed Credit Support Annexure with major derivative financial counterparties to mitigate counterparty credit risk.
(d)	Policies with respect to wrong-way risk exposures; Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The Bank considers its exposure to such risk is limited.
(e)	The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade. This has been managed through variation margin and the impact of any increase in variation margin due to potential credit rating downgrade is considered minimal.

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.22 : CCR1 Analysis of counterparty credit risk (CCR) exposure by approach - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d	e	f
		Replacement Cost	Potential Future Exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives) CEM	3,580,107	1,511,293		1.4	7,127,961	4,221,359
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**					**7,127,961**	**4,221,359**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.23 : CCR2 Credit Valuation Adjustment (CVA) capital charge - 31 December 2020 (Figures in SAR 000's)

		a	b
		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	7,127,961	3,219,300
4	Total subject to the CVA capital charge	**7,127,961**	**3,219,300**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.24 : CCR3 Standardised approach – CCR exposures by regulatory portfolio and risk weights - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d	e	f	g	h	i
	Regulatory portfolio*/ Risk weight**	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposures
1	Sovereigns and their central banks	29,213	-	-	-	-	-	-	-	29,213
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-
4	Banks	-	-	241,056	670,929	-	-	-	2,262,629	3,174,614
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	6,817	-	-	3,742,926	-	149,860	3,899,602
7	Regulatory retail portfolios	-	-	-	-	10	-	-	-	10
8	Other assets	-	-	-	-	-	24,521	-	-	24,521
9	***Total***	**29,213**	**-**	**247,872**	**670,929**	**-**	**3,767,447**	**-**	**2,412,489**	**7,127,961**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.26 : CCR5 Composition of Collateral for CCR Exposure (CCR5) - 31 December 2020 (Figures in SAR 000's)

		a	b	c	d	e	f
		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash – domestic currency		87524		42		
2	Cash – other currencies		827,630		1,403,698		
3	Domestic sovereign debt						
4	Other sovereign debt						
5	Government agency debt						
6	Corporate bonds						
7	Equity securities						
8	Other collateral						
9	**Total**		**915,154**		**1,403,740**		

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.35 - Table MRA: Qualitative disclosure requirements related to market risk - 31 December 2020

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

Management strategic objectives:
Positions held by the Bank in its Trading Book can be mainly splitted in the following categories:
- Interest Rate (IR) positions are primarily coming from Market Making activity in local currency Saudi Riyal. The associated strategies consist in taking advantage of the short & medium-term curves movements, performing arbitrage on interest rate spreads movements and ensuring appropriate hedging of commercial transactions. A residual portion of IR positions is also meant for Bond Trading activity which mainly aims to propose to Financial Institutions a Local Bonds panel while taking advantage of potential opportunities on Local/Regional Bonds market. In addition, a specific activity (Treasury Hedge valued in Mark-to-Market) is subject to hedging strategy (micro hedge) along with processes for measuring hedges efficiency. In this regard, a regulatory reporting in terms of hedge effectiveness is performed on a quarterly basis.
- Forex (FX) positions are mainly driven by Commercial FX Spot activity along with proprietary Trading positions taken in order to take advantage of FX Spot market movements.

Risk Types:
BSF's market risks are mainly driven by Interest Rate and Foreign Exchange positions, while Structured derivative product activities are conducted on a strict back-to-back basis.

Methods & Techniques for monitoring:
Market risks (whether IR & FX) within Trading Book are managed and monitored using various indicators such as Value-at-Risk, Stress Testing, Sensitivities analysis and Open positions measurement for which specific limits have been set.
BSF applies on a daily basis a Value-at-Risk (VaR) methodology in order to estimate the potential economic loss (i.e. negative change in the market value) of a portfolio based on GMG market risks positions and a set of assumptions and changes in market conditions (historical data).
The historical VaR that the Bank measures is an estimation, based on historical observations of market movements (shocks) over a specified time horizon & using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged within a one-day horizon.
VaR models are usually designed to measure the market risks in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution. To overcome the VaR limitations mentioned above, BSF also carries out Stress tests (based on various defined Stress scenarios) on a daily basis of its portfolios to simulate conditions outside normal confidence intervals (i.e. in case of extreme adverse market movements). The potential PnL impacts occurring under Stress test conditions are reported regularly to the Bank's ALM and Market Risk committees for their review.
In addition, a daily VaR back testing is performed in order to monitor exceptions (if any) along with a specific reporting of VaR back testing results in Market Risk Committee.

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

Structure / Organisation
Market Risk Department (MRD) is mainly responsible for the following daily tasks related to Global Markets Group (GMG) activities:
- Production of Profit & Loss (P&L) figures (daily, monthly and yearly P&L, whether Accrued or MTM)
- Production of Market Risk indicators and monitoring of their associated limits.
- Daily revaluation process (yield curves, bond prices, FX rates...)

Governance bodies:
Market Risk Committee
The scope of the Market Risk Committee (MRC) covers the activities of BSF Global Markets Group (GMG).
The MRC is held physically on a quarterly basis and its main responsibilities are to review GMG activity of the quarter (P&L, exposures, limit breaches) and to assess, if necessary, the need for any changes in the valuation processes, limits or format of limits.
Executive Committee
The Executive Committee is held at least quarterly and reviews the P&L and Risks exposures, the market risk limits and their changes (whether permanent or temporary). These limits are also ratified by the Executive Committee as part of the annual market risk limits review.
Board Risk Committee
The Board Risk Committee is held at least quarterly and reviews the P&L and Risks exposures, the market risk limits and their changes (whether permanent or temporary).

Policies:
BSF has clearly defined a Market Risk policy related to market risks activity, as well as a comprehensive set of Market Risk limits which are reviewed at least annually, and independently monitored on a daily basis together with loss alert triggers.
The Market Risk policy has been validated by the Market Risk Committee and the Board Risk Committee.

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

Data / System source:
The Market Risk department uses various systems for risk measurement and reporting, mainly for the below purposes:
- Production of P&L and Risks indicators related to GMG activities;
- Value-at-Risk computation;
- Market data revaluation.

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.37 : MR1 Market Risk under standardised approach - 31 December 2020 (Figures in SAR 000's)

		a
		RWA
	Outright products	
1	Interest rate risk (general and specific)	2,717,688
2	Equity risk (general and specific)	
3	Foreign exchange risk	1,249,795
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus method	
7	Scenario approach	
8	Securitisation	
9	**Total**	**3,967,483**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.41 - Operational risk - 31 December 2020

Strategies & Processes

Operational Risk Management (ORM) aims to ensure effective mitigation of operational risks and enhancement of the controls across the Bank, along with providing an oversight on the subsidiaries. We aim to ensure that the Operational Risk Culture at the bank is well established and all staff are fully aware of their responsibilities towards its management and effective mitigation.

Key activities within ORM include Operational Incidents Analysis, Loss Data Management, Risk Assessments (Risk Profiles, New Products & Services, Technology and Ad-hoc), Key Risk Indicator Monitoring, Remediation Management, Risk Insurance Coverage, Stress Testing & Subsidiaries Oversight.

Structure & Organization of Operational Risk Management

- Operational Risk Management exists under Risk Management Group and reports directly to the Chief Risk Officer.
- The Operational Risk Management Committee (ORMC) is responsible to ensure a sound operational risk practice across the organization, while ensuring all critical related issues and gaps are addressed to manage the exposure and enhance risk mitigation.
- At the Group Level, Local Internal Control Committee (LICC) sessions take place to discuss and resolve related Operational Risk matters, with an escalation channel to the ORMC
- ORM is also a member of the Outsourcing, New Products & Services, Policies & Procedures, Corporate Information Security, Business Continuity Management and the IT Projects' Committee.
- ORM Structure comprises of five fully integrated functions, i.e. Incident & Loss Management, Risk Profiling, Technology Risk, Risk & Control Oversight and Risk Insurance Management.

Scope & Nature of Risk Reporting & Measurement

- Operational Risk Management covers all department of Banque Saudi Fransi, and maintains oversight on the three subsidiaries (Saudi Fransi Capital, Saudi Fransi Leasing & SAKAN).
- Develops operational risk management strategies in accordance with Saudi Central Bank relevant regulations, Basel guidelines and industry best practices.
- Carrying out a bank-wide process-based operational risk assessments to measure the readiness of the Bank to proactively mitigate emerging risks from internal and external business environment
- Effective implementation of Operational Risks tools namely, Risk and Control Self-Assessments, Key Risk Indicators, Control Oversight, monitoring of operational loss records and stress testing.
- Assessment and review of the New Products and Services offered by the Bank

Policies for Mitigating Risk & Monitoring the continuing effectiveness of mitigants

- Operational Risk Management is involved in risk mitigation via remediation management, which results from the core ORM processes as mentioned in the Strategy & Processes section. This involves monitoring and follow up on the progress of action plan completion, validation and escalation.
- ORM also reviews the effectiveness of the bank's Insurance Program, highlighting key risks and status of the coverage

Qualitative Disclosures

(a)	In addition to the general qualitative disclosure requirement (paragraph 824), the approach(as) for operational risk capital assessment for which the bank qualifies : BSF is currently reporting its capital requirements for Operational Risk using the Standardized Approach for Operational Risk. This approach involves the bank's Business lines Gross Revenue computation and associated Beta factors used in the computation.
(b)	Description of the advanced measurement approaches for operational risk (AMA): N/A (as the bank calculates capital using TSA)
(c)	For banks using the AMA, a description of the use of insurance for the purpose of mitigating operational risk: N/A (as the bank calculates capital using TSA)

1. COMPENSATION PHILOSOPHY

BSF adopts four (4) reward principles which underpin the design and administration of compensation structures across the Bank to attract, retain and motivate good employees. The following is a summary of the reward principles. The complete list and breakdown of each reward principle can be found in the Compensation, Benefits, Allowances and Loans Policy.

a. Pay for Performance

i. Compensation arrangements recognize high performance.
ii. Salary increases are by individual performance.
iii. Neither salary increases nor variable payments, nor other forms of incremental compensation are awarded for poor performance.
iv. All eligible employees should have the opportunity to earn at least some Variable Compensation as justified by business performance and personal contribution.
v. Variable Compensation funding should reflect financial performance.
vi. Variable Compensation opportunity should vary based on the profile of the role.
vii. Appropriate measures of performance should be chosen at various levels – at the individual employee level, Group / Division level, and Bank level. The relative weight of measures at each of these three levels should vary based on the seniority of the role.

b. Flexibility

i. Compensation structures help the Bank establish an internal 'job market'.
ii. The compensation structures will remain flexible to cater to the evolving requirements of the Bank with appropriate segmentation between various roles and/or job families.
iii. Total compensation decisions are determined in light of; the business environment, the financial strength of the business, risk factors affecting the sustainability of the Bank's performance and relevant regulation and governance.
iv. All compensation policies and processes should be reviewed regularly to ensure that they respond flexibly to changing circumstances.

c. Competitiveness

I. Human Resources Group is responsible to ensure that BSF's compensation policy is reviewed against the market and that emerging concepts are considered for suitability for implementation in BSF and presented for consideration to the relevant stakeholders and decision makers in the Bank as appropriate.
II. Compensations are pitched at a level that enables each part of the business to attract, engage and retain the required talent.
III. Various elements of compensation are duly segmented to cater to specifics around nature and size of roles.

d. Risk Alignment

i. Where the risk profile of the value contribution justifies, some proportion of variable compensation is deferred beyond one (1) year.
ii. The nature and total amount paid in performance-based variable compensation should reflect the time horizon of the risk incurred.
iii. All variable pay structures will retain an explicit provision for a 'clawback' in the event of financial misstatements or fraud.
iv. Employees who break risk management policies of any nature will be subject to denial of performance bonus and may face disciplinary action.

2. COMPENSATION STRUCTURE AND REVIEW

2.1 The compensation structure applicable to each employee is directly linked with the employee's job classification / position.

2.2 BSF's compensation structure will comprise the following three (3) components:
a. Fixed Compensation – which comprises of the basic pay and cash allowances;
b. Variable Compensation – which is performance-based and comprises of the annual performance bonus plan, sales incentive plans and the long term incentive plan; and
c. Benefits – which comprises of the various monetary and non-monetary benefits provided by the bank, such as the saving plan, medical insurance, life / disability insurance and the senior management car benefit.

2.3 The Bank refers to Fixed Compensation and Variable Compensation collectively as Total Compensation. Furthermore, the Bank refers to Total Compensation and Benefits collectively as Total Reward.

2.4 Employees' allowances shall be determined based on the nature and requirements of the job in addition to the Saudi Labor Law.

2.5 BSF follows a "pay for performance" culture where an employees' compensation is linked to their level of performance.

3. FIXED COMPENSATION

3.1 The breakdown of the Fixed Compensation structure is as follows:
a. Basic Salary;
b. Housing Allowance;
c. Transportation Allowance; and
d. Other Consolidated Allowances (Ramadan, December and Travel Allowances).

3.2 To ensure internal equity, starting salaries for all new joiners will be based on the Bank's Pay Bands and Positioning Guidelines.

3.3 The following is a detailed view of each type of the above allowances:
a. Housing Allowance:
1 .All full time BSF employees are entitled to a Housing Allowance, which is the equivalent of 3 basic salaries per year divided in 12 round up /down.
2. The Housing Allowance should be paid monthly along with the Fixed Compensation.
b.Transportation Allowance:
1. All full time BSF employees are entitled to a Transportation Allowance, which is defined according to the Grade
2.The Transportation Allowance should be paid monthly along with the Fixed Compensation.
c.Other Consolidated Allowances:
1. All full time BSF employees are entitled to a consolidated allowance called "Other Consolidated Allowances", which is the equivalent of 3 basic salaries per year divided in 12 round up /down.
2. This allowance represents a combination of the Ramadan Allowance, December Allowance and the Travel Allowance and should be paid monthly along with the Fixed Compensation.

4. ALLOWANCES

BSF compensates various employees for performing various job roles which require extra efforts, involve inconvenience or subject them to specific risks. The allowances are job role based and are as follows:
a. Cash Handling Allowance;
b. Shift Allowance;
c. ATM Replenishment Allowance;
d. On Call Allowance;
e. Phone Banking Allowance;
f. Branch Network Area Manager Allowance;
g. Cash Services Overtime Allowance; and
h. Personal Car Use Allowance;

5. BENEFITS

5.1 Employees, depending on their level and position within the Bank, are eligible to receive certain benefits.

5.2 Senior and Executive Management are entitled to:
a. Senior Management Car Benefit.

5.3 All full time employees are entitled to:
a. Bank-provided Mobile Phone;
b. Saving Plan;
c. Medical Insurance;
d. Life / Disability Insurance;and
e. Leave Salary Advance;

6. MERIT INCREASE POLICY

6.1 The Bank provides employees with fair opportunities for increasing their Fixed Compensation in recognition of their work, to encourage and compensate strong performance, and ensure that they maintain a quality standard of living.

6.2 To be eligible for a merit increase, employees must:
a. Have completed a minimum of nine (9) months of service with the Bank;
b. Have achieved a final performance rating of “Achieved” or above;
c. Have not yet reached the maximum pay for their respective job classification; and
d. Have not received any written warnings for serious misconduct during the year under review.

6.3 Salary progression within BSF shall be based on the current employees’:
a. Increased capabilities; and
b. Sustained performance.

6.4 BSF has adopted the compa-ratio approach to help employees transition through the salary scale based on their performance within the organization:
a. Employees’ salary increments shall be determined based on their personal performance and relative pay position with respect to their new salary scale;
b. Employees with higher performance rating shall receive a higher increase; and
c. Employees whose salaries are low with respect to their grade mid-point shall receive a higher increase.

Important Notes:
Employees who receive a rating below “Achieved” shall not receive any merit increase.

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.44 REM2: Special payments- 31 December 2020 (Figures in SAR 000's)

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments		Total amount
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount	
Senior management			1	2,600			2,600
Other material risk-takers					8	2928	2,928

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.43 REM1: Remuneration awarded during the financial year- 31 December 2020 (Figures in SAR 000's)

	Remuneration amount		Senior management	Other material risk-takers
1	**Fixed remuneration**	**Number of employees**	**17**	**359**
2		**Total fixed remuneration (3 + 5 + 7)**	**43,426**	**205,062**
3		Of which: cash-based	43,426	205,062
4		Of which: deferred		
5		Of which: shares or other share-linked		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	**Variable remuneration**	**Number of employees**	**17**	**359**
10		**Total variable remuneration (11 + 13 + 15)**	**36,260**	**86,449**
11		Of which: cash-based	36,260	86,449
12		Of which: deferred	10,260	7,938
13		Of which: shares or other share-linked		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	**Total remuneration (2 + 10)**		**79,686**	**291,511**

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B.45 REM3: Deferred remuneration-31 December 2020 (Figures in SAR 000's)

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	**56,905**				**5,097**
Cash	19,105				5,097
Shares	37,800				
Cash-linked instruments					
Other					
Other material risk-takers	**29,583**				**5,578**
Cash	13,383				5,578
Shares	16,200				
Cash-linked instruments					
Other					
Total	**86,488**	**-**	**-**	**-**	**10,675**

Revised Basel III Pillar 3– Qualitative & Quantitative Disclosures

B.46 IRRBBA: IRRBB risk management objective and policies- 31 December 2020

a	A description of how the bank defines IRRBB for purposes of risk control and measurement.	The Bank's IRRBB framework relates to the current or prospective risk on capital or earnings in the event of adverse interest rate shocks, which could potentially affect the economic value of the Bank's assets & liabilities, off-balance sheet instruments as well as the Bank's profitability. In this regard, the Bank has established a governance through its monthly Asset & Liabilities Committee (ALCO) along with a Board Risk Appetite framework (reviewed at least on a yearly basis) covering Interest Rate Risk metrics.
b	A description of the bank's overall IRRBB management and mitigation strategies. Examples are: monitoring of EVE and NII in relation to established limits, hedging practices, conduct of stress testing, outcomes analysis, the role of independent audit, the role and practices of the ALCO, the bank's practices to ensure appropriate model validation, and timely updates in response to changing market conditions.	Interest Rate Risk exposures in the Banking Book arising from the Bank's various business line activities are monitored and reported through monthly ALCO meetings, with monitoring of ΔEVE, ΔNII and Interest Gaps positions; together with periodic review of stress tests and ALM conventions used for behavioral modeling purposes. A review of the Interest Rate Risk limit framework is also undertaken on an annual basis.
c	The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB.	Calculation of the Bank's IRRBB measures is performed on a quarterly basis. The measures used to gauge sensitivity to IRRBB include EV sensitivity (including and excluding Equity) as well as NII sensitivity and Interest Rate Gaps, which are reported and reviewed by ALCO.
d	A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and in earnings.	The prescribed BCBS / SAMA standardized interest rate shock scenarios are used for Table B computation for each material currency.
e	Where significant modelling assumptions used in the bank's IMS (ie the EVE metric generated by the bank for purposes other than disclosure, eg for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure in Table B, the bank should provide a description of those assumptions and of their directional implications and explain its rationale for making those assumptions (eg historical data, published research, management judgment and analysis).	The bank performs additional EV sensitivity measures for the Bank's internal management purposes, which includes among others the assumed repricing profile of the Bank's Net Working Capital (NWC), thereby resulting in a lower EV sensitivity compared to the standardized approach. Such a measure is seen to provide a more realistic assessment of exposures when viewed on a "going concern" basis.
f	A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment.	Natural on-balance sheet hedges as well as off-balance sheet derivatives are used to manage net exposures arising from contractual as well as behavioral re-pricing mismatches. The majority of off-balance sheet derivatives are in the form of Interest Rate Swaps that qualify for Cash Flow Hedge accounting treatment.
g	A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Table B, which includes: For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used. How the average repricing maturity of non-maturity deposits in (1) has been determined (including any unique product characteristics that affect assessment of repricing behaviour). The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions. Any other assumptions (including for instruments with behavioural optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNII in Table B, including an explanation of why these are material. Any methods of aggregation across currencies and any significant interest rate correlations between different currencies.	For EVE calculation, commercial margins and other spread components have been excluded in the cash flows used in the computation. The discount rates used have been derived from observed market Cash and Interest Rate Swap rates for each material currency. The treatment of non-maturity deposits has been determined in line with the prescribed BCBS / SAMA guidelines for NMDs segregation per deposit category. The caps on proportion of core deposits have been determined using BCBS / SAMA guidelines with exception of Retail Transactional NMDs (i.e. a more conservative approach). A more conservative approach has also been applied for average maturity of core NMDs (2.5Y), whose assessment is derived from historic statistical analysis used by ALM for behavioral modeling. No assumptions on loan prepayments or early deposit withdrawals are currently applied due to the very low levels of actual early termination experienced.
h	Average repricing maturity assigned to NMDs.	2.5 Years
i	Longest repricing maturity assigned to NMDs.	5 Years

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B.46A IRRBB1 – Quantitative information on IRRBB- 31 December 2020

In SAR Mio	Change in EVE		Change in NII	
Period	**T**	**Last Qtr.**	**T**	**Last Qtr.**
Reporting Date	**12/31/2020**	**9/30/2020**	**12/31/2020**	**9/30/2020**
Parallel up	(2,298)	(2,529)	59	82
Parallel down	2,298	2,529	(59)	(82)
Steepener	(556)	(149)		
Flattener	39	(420)		
Short rate up	(905)	(1,417)		
Short rate down	905	1,417		
Maximum Loss (as positive number)	2,298	2,529	59	82
Tier 1 Capital	38,489	33,406		
Max. Exposure as % of Tier 1 capital (Limit = 15%)	6.0%	7.6%		

The size of the reported values reflects the bank's policy to hedge the interest rate risk of its Net Working Capital (NWC), whose assumed repricing profile (by definition) is excluded from the EVE calculation and results in excess net asset exposures. In terms of results, ΔEVE remained well within the Regulatory limit of 15% of Tier I Capital impact throughout 2020.

Definitions

(i) the change in the economic value of equity based on its IMS, using a run-off balance sheet and an instantaneous shock or based on the result of the standardised framework as set out in Section IV if the bank has chosen to adopt the framework or has been mandated by its supervisor to follow the framework; and

(ii) the change in projected NII over a forward-looking rolling 12-month period compared with the bank's own best estimate 12-month projections, using a constant balance sheet assumption and an instantaneous shock.

Interest rate risk in the banking book

- any repricing of principal; repricing is said to occur at the earliest date at which either the bank or its counterparty is entitled to unilaterally change the interest rate, or at which the rate on a floating rate instrument changes automatically in response to a change in an external benchmark; or

- any interest payment on a tranche of principal that has not yet been repaid or repriced; spread components of interest payments on a tranche of principal that has not yet been repaid and which do not reprice must be slotted until their contractual maturity irrespective of whether the non-amortised principal has been repriced or not.

The date of each repayment, repricing or interest payment is referred to as its repricing date.