# TABLE 2: CAPITAL STRUCTURE - June 30, 2016

## Balance sheet - Step 1 (Table 2(b))

*All figures are in SAR '000*

| | Balance sheet in Published financial statements ( C ) | Adjustment of banking associates / other entities (*) ( D ) | Under regulatory scope of consolidation ( E ) |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | 17,460,314 | 0 | 17,460,314 |
| Due from banks and other financial institutions | 8,905,684 | 0 | 8,905,684 |
| Investments, net | 42,787,389 | 0 | 42,787,389 |
| Loans and advances, net | 154,666,879 | 0 | 154,666,879 |
| Debt securities | 0 | 0 | 0 |
| Trading assets | 0 | 0 | 0 |
| Investment in associates | 537,090 | 0 | 537,090 |
| Derivatives | 0 | 0 | 0 |
| Goodwill | 0 | 0 | 0 |
| Other intangible assets | 0 | 0 | 0 |
| Property and equipment, net | 1,950,283 | 0 | 1,950,283 |
| Other assets | 1,468,049 | 0 | 1,468,049 |
| Total assets | 227,775,688 | 0 | 227,775,688 |
| **Liabilities** | | | |
| Due to Banks and other financial institutions | 11,263,964 | 0 | 11,263,964 |
| Items in the course of collection due to other banks | 0 | 0 | 0 |
| Customer deposits | 164,043,257 | 0 | 164,043,257 |
| Trading liabilities | 0 | 0 | 0 |
| Debt securities in issue | 8,017,466 | 0 | 8,017,466 |
| Derivatives | 0 | 0 | 0 |
| Retirement benefit liabilities | 0 | 0 | 0 |
| Taxation liabilities | 0 | 0 | 0 |
| Accruals and deferred income | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 |
| Other liabilities | 6,653,321 | 0 | 6,653,321 |
| Subtotal | 189,978,008 | 0 | 189,978,008 |
| Paid up share capital | 30,000,000 | 0 | 30,000,000 |
| Statutory reserves | 2,100,471 | 0 | 2,100,471 |
| Other reserves | 530,339 | 0 | 530,339 |
| Retained earnings | 5,166,870 | 0 | 5,166,870 |
| Minority Interest | 0 | 0 | 0 |
| Proposed dividends | 0 | 0 | 0 |
| Total liabilities and equity | 227,775,688 | 0 | 227,775,688 |

# TABLE 2: CAPITAL STRUCTURE - June 30, 2016

## Balance sheet - Step 2 (Table 2(c))

*All figures are in SAR'000*

| | Balance sheet in Published financial statements ( C ) | Adjustment of banking associates / other entities ( D ) | Under regulatory scope of consolidation ( E ) | Reference |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances at central banks | 17,460,314 | 0 | 17,460,314 | |
| Due from banks and other financial institutions | 8,905,684 | 0 | 8,905,684 | |
| Investments, net | 42,787,389 | 0 | 42,787,389 | |
| Loans and advances, net | 154,666,879 | 0 | 154,666,879 | |
| of which Collective provisions | 1,072,349 | 0 | 1,072,349 | A |
| Debt securities | 0 | 0 | 0 | |
| Equity shares | 0 | 0 | 0 | |
| Investment in associates | 537,090 | 0 | 537,090 | |
| Derivatives | 0 | 0 | 0 | |
| Goodwill | 0 | 0 | 0 | |
| Other intangible assets | 0 | 0 | 0 | |
| Property and equipment, net | 1,950,283 | 0 | 1,950,283 | |
| Other assets | 1,468,049 | 0 | 1,468,049 | |
| Total assets | 227,775,688 | 0 | 227,775,688 | |
| **Liabilities** | | | | |
| Due to Banks and other financial institutions | 11,263,964 | 0 | 11,263,964 | |
| Items in the course of collection due to other banks | 0 | 0 | 0 | |
| Customer deposits | 164,043,257 | 0 | 164,043,257 | |
| Trading liabilities | 0 | 0 | 0 | |
| Debt securities in issue | 8,017,466 | 0 | 8,017,466 | |
| of which Tier 2 capital instruments | 4,000,000 | 0 | 4,000,000 | B |
| Derivatives | 0 | 0 | 0 | |
| Retirement benefit liabilities | 0 | 0 | 0 | |
| Taxation liabilities | 0 | 0 | 0 | |
| Accruals and deferred income | 0 | 0 | 0 | |
| Borrowings | 0 | 0 | 0 | |
| Other liabilities | 6,653,321 | 0 | 6,653,321 | |
| Subtotal | 189,978,008 | 0 | 189,978,008 | |
| Paid up share capital | 30,000,000 | 0 | 30,000,000 | |
| of which amount eligible for CET1 | 30,000,000 | 0 | 30,000,000 | H |
| of which amount eligible for AT1 | 0 | 0 | 0 | I |
| Statutory reserves | 2,100,471 | 0 | 2,100,471 | |
| Other reserves | 530,339 | 0 | 530,339 | |
| Retained earnings | 5,166,870 | 0 | 5,166,870 | |
| Minority Interest | 0 | 0 | 0 | |
| Proposed dividends | 0 | 0 | 0 | |
| Total liabilities and equity | 227,775,688 | 0 | 227,775,688 | |

# TABLE 2: CAPITAL STRUCTURE - June 30, 2016

**Common template (transition) - Step 3 (Table 2(d)) i**

**(From January 2013 to 2018 identical to post 2018) With amount subject to Pre- Basel III Treatment**

*All figures are in SAR'000*

| (2) | | Components1 of regulatory capital reported by the bank | Amounts[1] subject to Pre - Basel III treatment | Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2 |
|---|---|---|---|---|
| | **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 | 30,000,000 | | H |
| 2 | Retained earnings | 5,166,870 | | |
| 3 | Accumulated other comprehensive income (and other reserves) | 2,630,810 | | |
| 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) | | | |
| 6 | **Common Equity Tier 1 capital before regulatory adjustments** | **37,797,680** | | |
| | **Common Equity Tier 1 capital: Regulatory adjustments** | | | |
| 7 | Prudential valuation adjustments | | | |
| 8 | Goodwill (net of related tax liability) | | | |
| 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) | | | |
| 11 | Cash-flow hedge reserve | | | |
| 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) | | | |
| 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** | **-** | | |
| 29 | **Common Equity Tier 1 capital (CET1)** | **37,797,680** | | |
| | 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) | | | |
| 35 | of which: instruments issued by subsidiaries subject to phase out | | | |
| 36 | **Additional Tier 1 capital before regulatory adjustments** | **-** | | |
| | **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 deductions | | | |
| 43 | Total regulatory adjustments to Additional Tier 1 capital | - | | |
| 44 | Additional Tier 1 capital (AT1) | - | | |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **37,797,680** | | |

1For detailed explanation of rows (1-85), please refer to SAMA circular # BCS 23295 dated 23 July 2012 entitled "Composition of Capital Disclosure Requirements issued by the BCBS in December 2012.

(2) All rows related to IRB Approach are only valid, if SAMA has provided its Regulatory Approval to use IRB Approaches

**Note: Items which are not applicable are to be left blank.**

# TABLE 2: CAPITAL STRUCTURE - June 30, 2016

**Common template (transition) - Step 3 (Table 2(d)) ii**

**(From January 2013 to 2018 identical to post 2018) With amount subject to Pre- Basel III Treatment**

*All figures are in SAR'000*

| | | Components1 of regulatory capital reported by the bank | Amounts[1] subject to Pre - Basel III treatment | Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2 |
|---|---|---|---|---|
| | **Tier 2 capital: instruments and provisions** | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 4,000,000 | | B |
| 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) | | | |
| 49 | *of which: instruments issued by subsidiaries subject to phase out* | | | |
| 50 | Provisions | 1,072,349 | | A |
| 51 | **Tier 2 capital before regulatory adjustments** | **5,072,349** | | |
| | **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 | - | | |
| **58** | **Tier 2 capital (T2)** | **5,072,349** | | |
| **59** | **Total capital (TC = T1 + T2)** | **42,870,029** | | |
| | RISK WEIGHTED ASSETS IN REPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT | | | |
| | OF WHICH: [Add: CVA Charge] | | | |
| | OF WHICH: [Add: Impact of treating Investment in the capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity - as part of banking book @ 250% risk weight | | | |
| 60 | Total risk weighted assets | **233,002,264** | | |
| | **Capital ratios** | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 16.2% | | |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 16.2% | | |
| 63 | Total capital (as a percentage of risk weighted assets) | **18.4%** | | |
| 64 | Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets) | 5.655% | | |
| 65 | of which: capital conservation buffer requirement | 0.625% | | |
| 66 | of which: bank specific countercyclical buffer requirement[3] | 0.030% | | |
| 67 | of which: G-SIB/D-SIB buffer requirement | 0.5% | | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) | | | |
| | **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 | 562,660 | | |
| 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) | 1,072,349 | | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 2,717,374 | | |
| 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) | | | |
| | | | | |
| | | | | |

1For detailed explanation of rows (1-85), please refer to SAMA circular # BCS 23295 dated 23 July 2012 entitled "Composition of Capital Disclosure Requirements issued by the BCBS in December 2012.

(2) All rows related to IRB Approach are only valid, if SAMA has provided its Regulatory Approval to use IRB Approaches

(3) Countercyclical buffer is calculated as per SAMA guidelines. The percentage set aside, as of June 30, 2016, for countercyclical buffer is 0.03% having the following geographical breakdown:

Other GCC & Middle East 0.022%, South East Asia 0.003%, North America 0.001% and Others 0.004%.

**Note: Items which are not applicable are to be left blank.**

# TABLE 2: CAPITAL STRUCTURE - June 30, 2016

## Main features template of regulatory capital instruments - (Table 2(e))

| | | |
|---|---|---|
| 1 | Issuer | Riyad Bank |
| 2 | Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement) | RIBL: AB |
| 3 | Governing law(s) of the instrument | Capital Market Law* |
| | Regulatory treatment | |
| 4 | Transitional Basel III rules | Not applicable |
| 5 | Post-transitional Basel III rules | Not applicable |
| 6 | Eligible at solo/lgroup/group&solo | Solo |
| 7 | Instrument type | Common share |
| 8 | Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date) | SAR 30,000 |
| 9 | Par value of instrument | SAR 10 |
| 10 | Accounting classification | Shareholder equity |
| 11 | Original date of issuance | 1957 |
| 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 | Not applicable |
| 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 writedown, description of the write-up mechanism | Not applicable |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Not applicable |
| 36 | Non-compliant transitioned features | Not applicable |
| 37 | If yes, specify non-compliant features | Not applicable |
| | | |

** Issued by Capital Market Authority (CMA) in Saudi Arabia*

**Note:**

Further explanation of rows (1-37) as given above are provided in SAMA circular # BCS 23295 dated 23 July 2012 entitled "Composition of Capital Disclosure Requirements issued by the BCBS in December 2012.

# TABLE 2 - CAPITAL STRUCTURE

**Main features template of regulatory capital instruments - (Table 2(e))**

| | | |
|---|---|---|
| 1 | Issuer | Riyad Bank |
| 2 | Unique identifier (eg CUSPIN, ISIN or Bloomberg identifier for private placement) | RIBL: AB |
| 3 | Governing law(s) of the instrument | The instrument is governed by the laws of the Kingdom of Saudi Arabia |
| | Regulatory treatment | |
| 4 | Transitional Basel III rules | Tier 2 |
| 5 | Post-transitional Basel III rules | Eligible |
| 6 | Eligible at solo/lgroup/group&solo | Solo |
| 7 | Instrument type | Sub-ordinated sukuk |
| 8 | Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date) | SAR 4,000 million |
| 9 | Par value of instrument | SAR 4,000 million |
| 10 | Accounting classification | Liability at amortised cost |
| 11 | Original date of issuance | June 24,2015 |
| 12 | Perpetual or dated | Dated |
| 13 | Original maturity date | June 24,2025 |
| 14 | Issuer call subject to prior supervisory approval | Issuer call at the [5th] anniversary of the Issue Date, subject to prior written approval from the regulator, if then required. |
| 15 | Option call date, contingent call dates and redemption amount | The Sukuk may be redeemed prior to the scheduled dissolution date due to: (i) regulatory capital reasons, (ii) tax reasons, or (iii) at the option of the Issuer on the Periodic Distribution Date that falls on the [5th] anniversary of the Issue Date, in each case, as set out in the terms and conditions of the Sukuk |
| 16 | Subsequent call dates if applicable | As above |
| | Coupons / dividends | |
| 17 | Fixed or Floating dividend/coupon | Floating |
| 18 | Coupon rate and any related index | 6-month SAIBOR plus 115 basis point |
| 19 | Existence of a dividend stopper | No |
| 20 | Fully discretionary, partially discretionary or mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | No |
| 22 | Non cumulative or cumulative | Non cumulative |
| 23 | Convertible or non-convertible | Non convertible |
| 24 | If convertible, conversion trigger (s) | 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 | Yes |
| 31 | If write-down, write-down trigger (s) | Terms of issuance provide the legal basis for the regulator to trigger write down |
| 32 | If write-down, full or partial | Can be full or partial |
| 33 | If write-down, permanent or temporary | Permanent |
| 34 | If temporary writedown, description of the write-up mechanism | NA |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Sub-ordinated. Senior Bond holders are immediately senior to this instrument |
| 36 | Non-compliant transitioned features | NA |
| 37 | If yes, specify non-compliant features | Na |
| | | |

**Note:**

Further explanation of rows (1-37) as given above are provided in SAMA circular # BCS 23295 dated 23 July 2012 entitled "Composition of Capital Disclosure Requirements issued by the BCBS in December 2012.

QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO

## Governance of liquidity risk management

Riyad Bank has a robust risk management and governance framework that covers all material risks. Liquidity risk is deemed to be a material risk for the Bank and is part of the overall risk management framework. The risk management framework comprises of Board and Senior Management committees, a Board-approved risk appetite statement, liquidity risk policy, limit management, monitoring and control framework, and an overarching enterprise risk policy.

The Bank adopts a set of liquidity management strategies that limits the liquidity risk to acceptable levels. The compliance of such internal limits are independently monitored and regularly reported to management and to the Asset and Liability Committee (ALCO). According to the degree of imminence of liquidity/funding risk, risk stages are outlined in the CP. These stages are Precaution, Caution and Crisis. For each of these stages, a specific contingency plan has been laid out.

The policy stipulates activation of the Contingency Plan (CP) in the event of a major liquidity problem. The CP delineates responsibilities of selected senior executives and sets out a plan of action to be followed in any emerging or sudden liquidity crisis. In order to manage the liquidity contingency process, senior executives designated in this plan draw support from other key management process already established within Riyad Bank. ALCO, on an ongoing basis provides a forum to exchange information, both internal and external, which can affect Riyad Bank's liquidity.

## Funding Strategy

The formulation of funding strategy for the Bank is integrated with the annual strategic planning process. Annually, the Bank develops a detailed budget for immediate next year and a three year rolling forecast. For each asset type, forecast volumes are developed. Based on the forecast volumes and forecast mix, the funding strategy of the Bank is developed.

The funding strategy of the Bank focusses on increasing the customer base of non-interest bearing stable deposits, diversification of funding sources as well enlarging the product mix and customer base of interest bearing deposits. It also ensures that there is minimum reliance on the whole sale funding (inter-bank) markets and that the Bank maintains a conservative and healthy repo able investment portfolio.

## Liquidity risk mitigation techniques

Riyad Bank operates within an approved Liquidity risk appetite which is defined as the level and nature of risk that the Bank is willing to take (or mitigate) in order to safeguard the interests of the depositors whilst achieving business objectives. In addition, the risk appetite statement takes into consideration constraints imposed by other stakeholders such as regulators and counterparties. Funding and Liquidity risk is deemed to be a material risk for the Bank; the risk appetite for funding and liquidity is conservative and deemed to be low. The liquidity risk appetite statement is approved by the Board. Risk appetite is defined on an annual basis or on an ad hoc basis if there is a significant change in the external environment or business strategy.

In addition, the Bank's liquidity risk management techniques include:

a. Pro-actively monitor and manage regulatory liquidity ratios such as LCR, NSFR and Statutory Liquidity Ratio
b. Gap limits to control and monitor the mismatch risk
c. Concentration Risk limits

**Stress Testing**

Riyad Bank measures its liquidity requirements by undertaking scenario analysis under the following three scenarios:

Normal/Going-concern scenario – this refers to the normal behaviour of cash flows in the ordinary course of business and would form the day-to-day focus of the Bank's liquidity management.

Bank-specific ("Name") crisis scenario – this covers the behaviour of cash flows where there is some actual or perceived problem specific to Riyad Bank.

Market crisis scenario – this covers the behaviour of cash flows where there is some actual or perceived problem with the general banking industry..

In addition, Riyad Bank has adopted more stringent standards or parameters to reflect its liquidity risk profile and its own assessment of the compliance with the SAMA's Liquidity Coverage Ratio (LCR) standards. The LCR incorporates many of the shocks experienced during the Global Financial Crisis (GFC) into one acute systemic stress for which sufficient liquidity is needed to survive up to 30 calendar days. Riyad Bank adopts a number of liquidity management strategies to control its liquidity risk and ensures that its liquidity requirements can be met even during a crisis situation.

**Funding Contingency Planning**

Riyad Bank has its own Contingency Funding Plan (CFP). The objective of the Bank's CFP is to ensure the Bank meets its payment obligations as they fall due under a liquidity crisis scenario. It contains (i) an assessment of the sources of funding under different liquidity conditions, (ii) liquidity status indicators and metrics and (iii) contingency procedures. Contingency liquidity risk is the risk of not having sufficient funds to meet sudden and unexpected short term obligations. The CFP references business area action plans and a communications plan. Action plans have been developed for a range of circumstances that might arise in wholesale funding markets. The communications plan aims to reassure principal stakeholders via a rapid communications response to a developing situation. CFP is reviewed annually or if there is a significant change in the external environment or the balance sheet or funding profile of the Bank.

OTHER QUALITATIVE INFORMATION

1. Main drivers of LCR

As at 30th June 2016, against the regulatory requirement of 70% of LCR, the Bank is at a comfortable level of quarterly average of plus 114%. The main drivers of LCR of the Bank are sufficient high quality liquid assets (HQLAs) to meet liquidity needs of the Bank at all times and funding from stable customer deposits.

2. Intra period changes as well as changes over time

There has not been any significant intra period changes in LCR. However, slight decrease in average quarterly LCR in 30th June 2016 compared to the previous quarter was due to increase in average quarterly outflows from wholesale funding.

3. Composition of High Quality Liquid Assets (HQLA)

HQLA comprises of high quality unencumbered assets that can be readily converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios. HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets is further divided into Level 2A and Level 2B assets, keeping in view their price volatility.

Level-I assets are those assets which are highly liquid. As at 30th June 2016, the Level-I assets of the Bank included cash, due from SAMA and high quality qualifying government securities.

Level-2A & 2B assets are those assets which are less liquid. The Bank’s level 2A assets includes sovereign central bank, PSE assets qualifying for 20% risk weighting and qualifying corporate bonds rated AA- or higher. SAMA does not allow the inclusion of level 2B assets

4. Concentration of Funding Sources

This metric includes those sources of funding, whose withdrawal could trigger liquidity risks. It aims to address the funding concentration of a bank by monitoring its funding requirement from each significant counterparty and each significant product/instrument.

The Bank regularly reviews and measures concentration of funding for each counter party as well as from all products and instruments to ensure that it is within Bank’s liquidity risk appetite.

## 5. Derivative exposure

As at 30th June 2016, the mark to market of the Bank’s back to back derivative exposures does not have significant impact on liquidity management.

## 6. Currency Mismatch

As per SAMA guidelines, a currency is considered as "significant" if the aggregate liabilities denominated in that currency amounts to five per cent or more of the bank's total liabilities. In Riyad Bank’s case, only SAR and USD falls in this criteria.

## 7. Degree of centralization of liquidity management and interaction between group's units

Riyad Bank’s LCR is prepared on a consolidated basis. The Bank has put in place a group-wide contingency funding plan to take care of liquidity requirement of the Group as a whole in time of stress.

# LCR Common Disclosure Prudential Return Template

| | | | |
|---|---|---|---|
| LCR Common Disclosure Template | | | |
| (In SR 000's) | | TOTAL UNWEIGHTED | TOTAL WEIGHTED VALUE (average) |
| **HIGH-QUALITY LIQUID ASSETS** | | | |
| 1 | Total high quality liquid assists (HQLA) | | 35,387,472 |
| **CASH OUTFLOWS** | | | |
| 2 | Retail deposits and deposits from small businesses customers of which: | 55,266,256 | 5,526,626 |
| 3 | *Stable deposits* | - | - |
| 4 | *Less stable deposits* | 55,266,256 | 5,526,626 |
| 5 | Unsecured wholesale funding of which: | 76,983,659 | 36,940,435 |
| 6 | *Operational deposits (all counterparties)* | - | - |
| 7 | *Non operational deposits (all counterparties)* | 76,983,659 | 36,940,435 |
| 8 | *Unsecured debt* | - | - |
| 9 | Secured wholesale funding | | - |
| 10 | Additional requirement of which: | 10,385,662 | 1,133,657 |
| 11 | *Outflows related to derivative exposure and other collateral requirements* | 105,657 | 105,657 |
| 12 | *Outflows related to loss of funding on debt products* | - | - |
| 13 | *Credit and liquidity facilities* | 10,280,005 | 1,028,000 |
| 14 | Other contractual funding obligations | - | - |
| 15 | Other contingent funding obligations | 201,654,175 | 4,746,655 |
| 16 | **TOTAL CASH OUTFLOWS** | | 48,347,373 |
| **CASH INFLOWS** | | | |
| 17 | Secured lending (eg reverse repos) | - | - |
| 18 | Inflows from fully preforming exposures | 25,130,594 | 17,206,615 |
| 19 | Other cash inflows | 92,412 | 92,412 |
| 20 | **TOTAL CASH INFLOW** | 25,223,006 | 17,299,027 |
| | | | TOTAL ADJUSTED VALUE |
| 21 | **TOTAL HQLA** | | 35,387,472 |
| 22 | **TOTAL NET CASH OUTFLOW** | | 31,048,346 |
| 23 | **LIQUIDITY COVERAGE RATIO** | | 114% |

[a] Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

[b] Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

[c] Adjusted values are calculated after the application of both (i) haircuts and inflow and outflow rates *and* (ii) any applicable caps (i.e. cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

## *Notes to disclosure:*

1. Data is presented as simple average of monthly observations over Q2 2016.

2. Number of data points used in calculating the average figures is 3.

3. 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.

# Leverage ratio common disclosure

**June 30, 2016**

**Summary Comparison of accounting assets versus leverage ratio exposure measure (Table 1)**

| Row # | Item | In SR 000's |
|---|---|---|
| 1 | Total Assets as per published financial statements | 227,775,688 |
| 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 | 605,126 |
| 5 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | - |
| 6 | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of Off-balance sheet exposures) | 63,571,777 |
| 7 | Other adjustments | 1,072,349 |
| **8** | **Leverage ratio exposure (A)** | **293,024,940** |

**Leverage Ratio Common Disclosure Template (Table 2)**

| Row # | Item | June 30, 2016<br>In SR 000's |
|---|---|---|
| | **On-balance sheet exposures** | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 228,529,682 |
| 2 | (Relevant Asset amounts deducted in determining Basel III Tier 1 capital) | - |
| 3 | **Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2) **(a)** | 228,529,682 |
| | **Derivative exposures** | |
| 4 | Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin) | 318,355 |
| 5 | Add-on amounts for Potential Financial Exposure (PFE) associated with *all* derivatives transactions | 605,126 |
| 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)** | 923,481 |
| | **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 (SFT) 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 ** | 192,570,226 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (128,998,449) |
| 19 | **Off-balance sheet items (sum of lines 17 and 18) (c)** | 63,571,777 |
| | **Capital and total exposures** | |
| 20 | **Tier 1 capital (B )** | 37,797,680 |
| 21 | **Total exposures (sum of lines 3, 11, 16 and 19) (A) = (a+b+c)** | 293,024,940 |
| | **Leverage ratio** | |
| 22 | **Basel III leverage ratio*** ( C ) = (B ) / ( A )** | 12.9% |

***Includes commitments that are unconditionally cancellable at any time by the Bank or automatic cancellation due to deterioration in a borrower's creditworthiness*

****Current minimum requirement is 3%*

**Reconcilition (Table 5)**

| Row # | Item | June 30, 2016<br>In SR 000's |
|---|---|---|
| 1 | Total Assets on Financial Statements | 227,775,688 |
| 2 | Total On balance sheet assets Row # 1 on Table 2 | 228,529,682 |
| **3** | **Difference between 1 and 2 above** | **(753,994)** |
| | **Explanation** | |
| | Positive Fair value of Derivatives being disclosed under Row # 4 | 318,355 |
| | Other adjustment represents Portfolio provision | (1,072,349) |
| | | **(753,994)** |

*Table 3, comprises of explanation of each row pertaining above Table 2*

*Table 4 providing explanations for significant variances in Leverage Ratio over previous quarter, being first disclosure have not been included above*