Bank AlBilad

Liquidity Coverage Ratio Disclosure

Dec 31, 2015

I. LIQUIDITY COVERAGE RATIO (LCR): QUANTITATIVE DISCLOSURE

Date: 31 Dec 2015

LCR Common Disclosure Template			
	(In SR 000`s)	Total UNWEIGHTED VALUE (average)	Total WEIGHTED VALUE (average)
	HIGH-QUALITY LIQUID ASSETS		
1	Total High-quality Liquid Assets (HQLA)		6,349,059
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business customers of which		
3	Stable deposits	-	-
4	Less stable deposits	26,941,315	2,694,132
5	Unsecured wholesale funding of which		
6	Operational deposits (all counterparties)	-	-
7	Non-operational deposits (all counterparties)	15,693,138	7,748,255
8	Unsecured debt	-	-
9	Secured wholesale funding		
10	Additional Requirement of which		
11	Outflows related to derivatives exposure and other collateral requirements	-	-
12	Outflow related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	1,487,410	148,741
14	Other contractual funding obligations	3,031	3,031
15	Other contingent funding obligations	4,730,658	94,613
16	**TOTAL CASH OUTFLOWS**		10,688,772
	CASH INFLOWS		
17	Secured lending (dg reverse repos)		-
18	Inflows from fully performing exposures	8,803,906	7,256,690
19	Other cash inflows		-
20	**TOTAL CASH INFLOWS**	8,803,906	7,256,690
			TOTAL ADJUSTED VALUE
21	TOTAL HQLA		6,349,059
22	TOTAL NET CASH OUTFLOWS		3,453,475
23	LIQUIDITY COVERAGE RATION (%)		183.85%

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

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

c) Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on Level 2B and Level 2 assets for HQLA and cap on inflows).

II. LIQUIDITY COVERAGE RATIO (LCR): QUALITATIVE DISCLOSURE

Liquidity Risk Governance

The Board of Directors has approved the limits for liquidity risk for the bank to be in line with the strategic risk exposure and risk appetite targets as per bank's liquidity risk policies. In addition, senior management, through the Asset & Liability Committee (ALCO)) regularly monitors and discusses issues on liquidity.

Several measures are used to assess liquidity risk , such as ,Liquidity Mis-matches, Major Depositors Concentration Limits, Loan to Deposit Ratio, Net Non-Core funding dependency ratio, Basel 3 – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)., Periodic and Cumulative Gaps are also studied to measure liquidity risk exposures. All these indicators are reported to:

- Board of Directors and senior management - on quarterly/monthly basis;
- SAMA - on quarterly basis; and
- Business units - on daily basis.

Funding Strategy

Under the funding strategy, the bank has implemented diversification policy that covers exposure to single customer, as well as exposure under gap mismatches. This is to ensure that the bank does not rely on specific depositors and is not over concentrated in a certain funding tenor.

The bank focuses on increasing the retail based non-profit bearing customer deposits which are more stable minimize dependence on wholesale funding.
Moreover, the Asset/Liability Committee continuously assesses changes in the Bank's liquidity and plans long-term funding.

The main controls for funding are centralized under Treasury Division with daily monitoring from Risk Division. These controls use various internal limits such as deposit concentration under single and major depositor, Liquidity Mismatches up to 1 month, in addition to LCR and NSFR, to ensure that the bank is operating within its Risk Appetite. The Bank manages its structural liquidity risk on the basis of a gap report. The gap report is based on a breakdown of the Bank's assets, liabilities and off-balance sheet items by maturity. For that purpose, the Bank uses the contractually fixed maturity dates for each product.

Liquidity Risk Mitigation

Liquidity management at the bank is based on monitoring and managing operational and structural liquidity risks in various scenarios and it aims primarily at ensuring that the Bank always has sufficient liquidity in the short term to absorb net effects of transactions made and expected.

The bank's liquidity policies have been defined with respect to how much negative funding the Bank wishes to accept. Separate limits have been set between liquidity in local, and foreign currencies. Any breach is escalated to senior management in a timely manner.

Managing Short-Term Liquidity Risk

Short-term liquidity is determined on the basis of cash flows relating to outstanding transactions while taking into account the availability of High Quality Liquid Assets (HQLA), as per the regulatory classification, to cover the short position.. This is essential to ensure that adequate liquidity buffer is available to absorb the net effects of transactions already made and expected changes.

Managing Long-Term Liquidity Risk

The bank's Structural liquidity risk is managed after taking into consideration the Bank's long-term liquidity mismatch. The management of this risk aims to ensure that the Bank does not build up an inexpediently large future funding requirement. Determining structural liquidity is important when the Bank plans its funding activities and pricing.

Stress Test

Bank AlBilad conducts stress tests to measure the Bank's immediate liquidity risk and to ensure that the Bank has a certain response time if a crisis occurs. The stress tests estimate the structural liquidity risk in various scenarios. In addition, the bank is monitoring Basel 3 – Net Stable Funding Ratio (NSFR) as one of the indicators in assessing the potential structural liquidity risk for the bank.

As part of stress test mechanism, the Bank monitors diversification of products, currencies, maturities, concentration of major depositors, and dependency of the volatile funding from interbank market. This is to ensure that the Bank has a funding base that will protect the Bank to the greatest possible extent if markets come under pressure.

A comprehensive stress test is conducted at regular intervals and the results are presented to the senior management. In addition, there are number of other qualitative requirements to ensure that the stress test model is completely up to date with respect to documentation, calculation methods and control measures.

Contingency Funding Plan

In addition, the liquidity contingency plan has been implemented aiming to ensure that Bank AlBilad is sufficiently prepared to take remedial action if an unfavorable liquidity situation occurs.

Under Contingency Funding Plan, the bank communicates to ALCO, on monthly basis, scenario analysis based on normal scenario and under stress scenario whereby stress is applied on deterioration of the quality of the asset and additional outflow from deposits.

The bank has also established Early Warning Indicators to monitor the inflow / outflow of deposits, with certain threshold, as part of the contingency funding plan activation.

Other Qualitative Information

The main contributors for the bank HQLA from CASH and reserves with SAMA and majority of the deposits coming from retail & SME depositors which is more stable compared with wholesale deposits.

As the bank are optimizing the source of funding and its usage of liquidity, the LCR is slightly lower at 184% (Dec '15) compared with 188% from previous quarter (Sep '15), which is at comfortable level and above 100% that is required by SAMA by 2019.

The main control for funding and liquidity is centralized under Treasury Division with monitoring by Market Risk Management (MRM) under Risk Division. These controls uses various internal limits such as LCR and NSFR which being complemented with other liquidity controls i.e. deposit concentration under single and major depositors, Liquidity Mismatch up to 1 month, Loan Deposit Ratio, Liquidity Reserve Ratio and others to ensure that the bank are within its Risk Appetite.

The tolerance limits for all liquidity and funding including LCR and NSFR are monitored by MRM under Risk Division. Any breaches will be reported to ALCO and the corrective action need to be implemented to rectify these breaches.