

Basel III Pillar 3 Disclosures

30 Sep 2019

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Part 2 – Overview of Risk Management and RWA

KM1 – Key metrics (at consolidated group level)

All figures are in SAR'000

		a	b	c	d	e
		Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	61,217,399	61,756,274	62,109,150	59,613,049	57,316,053
1a	Fully loaded ECL accounting model	60,669,889	61,208,764	61,561,640	58,240,455	55,943,458
2	Tier 1	68,217,399	68,756,274	69,109,150	66,613,049	64,316,053
2a	Fully loaded ECL accounting model Tier 1	67,669,889	68,208,764	68,561,640	65,240,455	62,943,458
3	Total capital	71,504,515	72,037,869	72,409,568	74,315,282	72,225,608
3a	Fully loaded ECL accounting model total capital	71,504,515	72,037,869	72,409,568	74,315,282	72,225,608
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	397,208,553	385,371,995	375,403,633	360,189,193	361,091,185
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	15.41%	16.03%	16.54%	16.55%	15.87%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	15.27%	15.88%	16.40%	16.17%	15.49%
6	Tier 1 ratio (%)	17.17%	17.84%	18.41%	18.49%	17.81%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.04%	17.70%	18.26%	18.11%	17.43%
7	Total capital ratio (%)	18.00%	18.69%	19.29%	20.63%	20.00%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.00%	18.69%	19.29%	20.63%	20.00%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	1.875%	1.875%
9	Countercyclical buffer requirement (%)	0.01%	0.01%	0.01%	0.01%	0.01%
10	Bank G-SIB and/or D-SIB additional requirements (%)	1.00%	1.00%	1.00%	1.00%	1.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.5%	3.5%	3.5%	2.9%	2.9%
12	CET1 available after meeting the bank's minimum capital requirements (%)	11.9%	12.5%	13.0%	13.7%	13.0%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	540,488,927	521,145,958	508,722,877	494,595,268	500,031,014
14	Basel III leverage ratio (%) (row 2 / row 13)	12.62%	13.19%	13.58%	13.47%	12.86%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	12.5%	13.09%	13.48%	13.19%	12.59%
	Liquidity Coverage Ratio					
15	Total HQLA	91,609,663	92,219,635	97,622,305	96,511,579	97,794,859
16	Total net cash outflow	52,883,976	49,708,918	53,071,320	54,827,652	53,043,589
17	LCR ratio (%)	173%	186%	184%	176%	184%
	Net Stable Funding Ratio					
18	Total available stable funding	334,262,482	329,763,773	319,017,669	319,978,643	323,720,535
19	Total required stable funding	271,241,832	262,837,913	256,474,196	249,781,659	246,325,387
20	NSFR ratio	123%	125%	124%	128%	131%

OV1 – Overview of RWA

		a	b	c
		RWA		Minimum capital Requirements
		T (Sep-19)	T-1 (Jun-19)	T (Sep-19)
<i>All figures are in SAR'000</i>				
1	Credit risk (excluding counterparty credit risk) (CCR)	310,589,472	302,629,869	24,847,158
2	Of which standardized approach (SA)	310,589,472	302,629,869	24,847,158
3	Of which foundation internal ratings-based (F-IRB) approach			
4	Of which supervisory slotting approach			
5	Of which advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk	10,984,934	10,127,241	878,795
7	Of which standardized approach for counterparty credit risk	10,984,934	10,127,241	878,795
8	Of which internal model method (IMM)			
9	Of which other CCR			
10	Credit valuation adjustment (CVA)	12,675,198	9,437,532	1,014,016
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach	8,910,508	9,200,941	712,841
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fallback approach	1,369,695	1,520,614	109,576
15	Settlement risk			
16	Securitization exposures in banking book	1,186,646	1,138,607	94,932
17	Of which securitization internal ratings-based approach (SEC-IRBA)			
18	Of which securitization external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which SA/simplified supervisory formula approach (SSFA)	1,186,646	1,138,607	94,932
20	Market risk	15,804,933	16,629,043	1,264,395
21	Of which standardized approach (SA)	15,804,933	16,629,043	1,264,395
22	Of which internal model approaches (IMM)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	35,687,167	34,688,148	2,854,973
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Floor adjustment			
27	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	397,208,553	385,371,995	31,776,684

* Increase in credit risk is due to growth in assets

Part 6 – Leverage ratio

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

All figures are in SAR'000

		a
1	Total consolidated assets as per published financial statements	498,045,248
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 recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	5,989,305
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)	36,454,374
7	Other adjustments	
8	Leverage ratio exposure measure	540,488,927

LR2 – Leverage ratio common disclosure template

<i>All figures are in SAR'000</i>		a	b
		T (Sep-19)	T-1 Jun-19)
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	491,706,225	473,263,987
2	(Asset amounts deducted in determining Basel III Tier 1 capital)		
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	491,706,225	473,263,987
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	6,339,023	5,379,307
5	Add-on amounts for PFE associated with all derivatives transactions	5,989,305	5,545,838
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 rows 4 to 10)	12,328,328	10,925,145
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	CCR exposure for SFT assets		
15	Agent transaction exposures		
16	Total securities financing transaction exposures (sum of rows 12 to 15)		
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	60,369,886	61,041,809
18	(Adjustments for conversion to credit equivalent amounts)	(23,915,512)	(24,084,983)
19	Off-balance sheet items (sum of rows 17 and 18)	36,454,374	36,956,826
Capital and total exposures			
20	Tier 1 capital	68,217,399	68,756,274
21	Total exposures (sum of rows 3, 11, 16 and 19)	540,488,927	521,145,958
Leverage ratio			
22	Basel III leverage ratio	12.62%	13.19%

Part 7 - Liquidity

LIQ1 – Liquidity Coverage Ratio (LCR)

All figures are in SAR'000

		a	b
		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		91,609,663
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	224,726,036	20,754,130
3	Stable deposits		
4	Less stable deposits	224,726,036	20,754,130
5	Unsecured wholesale funding, of which:	90,504,870	37,686,155
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	90,504,870	37,686,155
8	Unsecured debt		
9	Secured wholesale funding		4,462,377
10	Additional requirements, of which:	12,963,841	1,938,386
11	Outflows related to derivative exposures and other collateral requirements	949,393	949,393
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	12,014,447	988,993
14	Other contractual funding obligations		
15	Other contingent funding obligations	81,020,090	1,974,267
16	TOTAL CASH OUTFLOWS		66,815,315
Cash inflows			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	10,470,464	13,931,339
19	Other cash inflows		
20	TOTAL CASH INFLOWS	10,470,464	13,931,339
			Total adjusted value
21	Total HQLA		91,609,663
22	Total net cash outflows		52,883,976
23	Liquidity Coverage Ratio (%)		173%

During the period from July 2019 to September 2019, the Bank held an average of 94% of its High Quality Liquid Assets (HQLAs) in securities with a 0% risk weight, issued or guaranteed by sovereigns, central banks and supranational entities. The remaining 6% of HQLAs held a 20% risk weight from securities guaranteed by sovereigns and non-financial corporate bonds rated AA- or better.

The majority of the bank's weighted cash outflows are attributable to non-financial corporates at 56% of outflows. Whereas retail and small Businesses' deposits held 31%, and bank placements at 3%. NCB's derivatives positions are not significant, as most transactions are conducted on a back-to-back basis with limited open positions being taken. NCB's main activities are conducted in SAR and USD. The peg between both currencies enhances the funding ability and provides the flexibility to interchange between both currencies.

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

A comparison with last quarter of average LCR is presented in the following table:

Description	Q3-2019	Q2-2019
LCR (Average of 3 months)	173%	186%

The average Q3-2019 LCR was 173% compared to Q2-2019's 186%, a decrease of roughly 13%. The decrease in the average LCR between the two periods is primarily due to the increase in Net Cash Outflows mainly from Secured Wholesale Funding.

Appendix

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

Tables and templates	
Part 2 – overview of risk management, key prudential metrics and RWA	KM2 – Key metrics – TLAC requirements (at resolution group level)
Part 8 – Credit risk	CR8 – RWA flow statements of credit risk exposures under IRB
Part 9 – Counterparty credit risk	CCR7 – RWA flow statements of CCR exposures under the Internal Model Method (IMM)
Part 11 – Market risk	MR3 – IMA values for trading portfolios