

## Basel III Pillar 3 Disclosures

31 March 2020

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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
		Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	<b>Available capital (amounts)</b>					
1	Common Equity Tier 1 (CET1)	59,692,166	63,168,908	61,217,399	61,756,274	60,931,678
1a	Fully loaded ECL accounting model	57,942,738	62,621,398	60,669,889	61,208,764	60,384,169
2	Tier 1	66,692,166	70,168,908	68,217,399	68,756,274	67,931,678
2a	Fully loaded ECL accounting model Tier 1	64,942,738	69,621,398	67,669,889	68,208,764	67,384,169
3	Total capital*	70,289,317	73,183,036	71,504,515	72,037,869	71,232,096
3a	Fully loaded ECL accounting model total capital	68,539,889	73,183,036	71,504,515	72,037,869	71,232,096
	<b>Risk-weighted assets (amounts)</b>					
4	Total risk-weighted assets (RWA)	415,611,822	390,331,166	397,208,552	385,371,995	374,193,416
	<b>Risk-based capital ratios as a percentage of RWA</b>					
5	Common Equity Tier 1 ratio (%)	14.36%	16.18%	15.41%	16.03%	16.28%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	13.94%	16.04%	15.27%	15.88%	16.14%
6	Tier 1 ratio (%)	16.05%	17.98%	17.17%	17.84%	18.15%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.63%	17.84%	17.04%	17.70%	18.01%
7	Total capital ratio (%)	16.91%	18.75%	18.00%	18.69%	19.04%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.49%	18.75%	18.00%	18.69%	19.04%
	<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	0.00%	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%	3.5%	3.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.9%	12.7%	11.9%	12.5%	12.8%
	<b>Basel III leverage ratio</b>					
13	Total Basel III leverage ratio exposure measure	584,492,692	549,454,486	540,488,927	521,145,958	507,281,257
14	Basel III leverage ratio (%) (row 2 / row 13)	11.4%	12.8%	12.6%	13.2%	13.4%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	11.1%	12.7%	12.5%	13.1%	13.3%
	<b>Liquidity Coverage Ratio</b>					
15	Total HQLA	111,178,870	98,876,048	91,609,663	92,219,635	97,437,832
16	Total net cash outflow	62,177,323	58,550,407	52,883,976	49,708,918	49,062,910
17	LCR ratio (%)	179%	169%	173%	186%	199%
	<b>Net Stable Funding Ratio</b>					
18	Total available stable funding	354,051,396	342,545,016	334,262,482	329,763,773	312,407,805
19	Total required stable funding	309,405,721	275,461,787	271,241,832	262,837,913	248,820,463
20	NSFR ratio	114%	124%	123%	125%	126%

\*Effective Q1 2020, SAMA has allowed banks to add back up to 100% of IFRS9 transitional adjustment amount to Common Equity Tier 1 (CET1). The bank is applying this adjustment while computing the capital

## OV1 – Overview of RWA

*All figures are in SAR'000*

		a	b	c
		RWA		Minimum capital Requirements
		Q1 2020	Q4 2019	Q1 2020
1	Credit risk (excluding counterparty credit risk) (CCR)	324,884,457	305,292,102	25,990,757
2	Of which standardized approach (SA)	324,884,457	305,292,102	25,990,757
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	13,363,948	8,722,347	1,069,116
7	Of which standardized approach for counterparty credit risk	13,363,948	8,722,347	1,069,116
8	Of which internal model method (IMM)			
9	Of which other CCR			
10	Credit valuation adjustment (CVA)	13,892,133	12,080,409	1,111,371
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach	10,265,903	8,841,642	821,272
13	Equity investments in funds – mandate-based approach	0	0	0
14	Equity investments in funds – fallback approach	1,023,794	1,094,525	81,904
15	Settlement risk	0	0	0
16	Securitization exposures in banking book	1,202,177	1,187,098	96,174
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)	1,202,177	1,187,098	96,174
20	Market risk	14,667,593	17,039,531	1,173,407
21	Of which standardized approach (SA)	14,667,593	17,039,531	1,173,407
22	Of which internal model approaches (IMM)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	36,311,815	36,073,511	2,904,945
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Floor adjustment			
27	<b>Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)</b>	<b>415,611,822</b>	<b>390,331,166</b>	<b>33,248,946</b>

\* Increase in credit risk is mainly due to growth in Financing and Advances portfolio

## 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	535,006,597
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	13,755,805
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)	35,730,288
7	Other adjustments	
<b>8</b>	<b>Leverage ratio exposure measure</b>	<b>584,492,692</b>

## LR2 – Leverage ratio common disclosure template

All figures are in SAR'000

		a	b
		Q1 2020	Q4 2019
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	525,993,146	501,987,764
2	(Asset amounts deducted in determining Basel III Tier 1 capital)		
3	<b>Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of rows 1 and 2)	<b>525,993,146</b>	<b>501,987,764</b>
<b>Derivative exposures</b>			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	9,013,453	5,276,039
5	Add-on amounts for PFE associated with all derivatives transactions	13,755,805	5,678,378
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	<b>Total derivative exposures (sum of rows 4 to 10)</b>	<b>22,769,258</b>	<b>10,954,417</b>
<b>Securities financing transaction exposures</b>			
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	<b>Total securities financing transaction exposures (sum of rows 12 to 15)</b>		
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	60,199,570	60,990,302
18	(Adjustments for conversion to credit equivalent amounts)	-24,469,282	-24,477,997
19	<b>Off-balance sheet items (sum of rows 17 and 18)</b>	<b>35,730,288</b>	<b>36,512,305</b>
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	66,692,166	70,168,908
21	<b>Total exposures (sum of rows 3, 11, 16 and 19)</b>	<b>584,492,692</b>	<b>549,454,486</b>
<b>Leverage ratio</b>			
22	<b>Basel III leverage ratio</b>	<b>11.41%</b>	<b>12.77%</b>

## Part 7 - Liquidity

### LIQ1 – Liquidity Coverage Ratio (LCR)

All figures are in SAR'000

		a	b
		Total unweighted value (average)	Total weighted value (average)
<b>High-quality liquid assets</b>			
1	Total HQLA		111,178,870
<b>Cash outflows</b>			
2	<b>Retail deposits and deposits from small business customers, of which:</b>	220,908,358	20,997,647
3	Stable deposits		
4	Less stable deposits	220,908,358	20,997,647
5	<b>Unsecured wholesale funding, of which:</b>	107,091,476	46,189,602
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	107,091,476	46,189,602
8	Unsecured debt		
9	<b>Secured wholesale funding</b>		3,912,609
10	<b>Additional requirements, of which:</b>	14,531,640	2,934,284
11	Outflows related to derivative exposures and other collateral requirements	1,894,869	1,894,869
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	12,636,771	1,039,415
14	<b>Other contractual funding obligations</b>		
15	<b>Other contingent funding obligations</b>	82,296,076	2,013,260
16	<b>TOTAL CASH OUTFLOWS</b>		76,047,402
<b>Cash inflows</b>			
17	<b>Secured lending (e.g. reverse repos)</b>		
18	<b>Inflows from fully performing exposures</b>	10,493,016	13,870,080
19	Other cash inflows		
20	<b>TOTAL CASH INFLOWS</b>	10,493,016	13,870,080
			<b>Total adjusted value</b>
21	<b>Total HQLA</b>		111,178,870
22	<b>Total net cash outflows</b>		62,177,323
23	<b>Liquidity Coverage Ratio (%)</b>		178.8%

The average LCR is calculated by taking a simple average of monthly figures based on daily average balances beginning from January 1st, 2020 to March 31st, 2020.

During the period from January 2020 - March 2020, the Bank held an average of 89% 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 11% 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 53% of outflows. Whereas retail and small Businesses' deposits held 28%, and bank placements at 7%. 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.

The average Q1-2020 LCR was 179% compared to Q4-2019 169%, an increase of 10%. The increase in the average LCR between the two periods was primarily due to the increase in HQLA's.



## Appendix

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

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