

Basel III Pillar 3 Disclosures

31 March 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
		Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	62,109,150	59,613,049	57,316,053	58,488,827	57,979,658
1a	Fully loaded ECL accounting model	61,561,640	58,240,455	55,943,458	57,116,233	56,607,063
2	Tier 1	69,109,150	66,613,049	64,316,053	65,488,827	64,979,658
2a	Fully loaded ECL accounting model Tier 1	68,561,640	65,240,455	62,943,458	64,116,233	63,607,063
3	Total capital	72,409,568	74,315,282	72,225,608	73,465,542	72,969,345
3a	Fully loaded ECL accounting model total capital	72,409,568	74,315,282	72,225,608	73,465,542	72,969,345
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	375,403,632	360,189,193	361,091,185	361,095,830	357,953,966
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	16.5%	16.6%	15.9%	16.2%	16.2%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	16.4%	16.2%	15.5%	15.8%	15.8%
6	Tier 1 ratio (%)	18.4%	18.5%	17.8%	18.1%	18.2%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.3%	18.1%	17.4%	17.8%	17.8%
7	Total capital ratio (%)	19.3%	20.6%	20.0%	20.3%	20.4%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.3%	20.6%	20.0%	20.3%	20.4%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	1.875%	1.875%	1.875%	1.875%
9	Countercyclical buffer requirement (%)	0.01%	0.01%	0.01%	0.01%	0.00%
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%	2.9%	2.9%	2.9%	2.9%
12	CET1 available after meeting the bank's minimum capital requirements (%)	13.0%	13.7%	13.0%	13.3%	13.3%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	508,722,877	494,595,268	500,031,014	498,401,654	482,348,412
14	Basel III leverage ratio (%) (row 2 / row 13)	13.6%	13.5%	12.9%	13.1%	13.5%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	13.5%	13.2%	12.6%	12.9%	13.2%
	Liquidity Coverage Ratio					
15	Total HQLA	97,622,305	96,511,579	97,794,859	98,982,691	97,437,832
16	Total net cash outflow	53,071,320	54,827,652	53,043,589	46,710,452	49,062,910
17	LCR ratio (%)	184%	176%	184%	212%	199%
	Net Stable Funding Ratio					
18	Total available stable funding	319,017,669	319,978,643	323,720,535	301,562,144	312,407,805
19	Total required stable funding	256,474,196	249,781,659	246,325,387	248,576,883	248,820,463
20	NSFR ratio	124%	128%	131%	121%	126%

OV1 – Overview of RWA

All figures are in SAR'000

		a	b	c
		RWA		Minimum capital Requirements
		T (Mar-19)	T-1 (Dec-18)	T (Mar-19)
1	Credit risk (excluding counterparty credit risk) (CCR)	297,700,712	289,164,716	23,816,057
2	Of which standardized approach (SA)	297,700,712	289,164,716	23,816,057
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	8,217,229	7,726,061	657,378
7	Of which standardized approach for counterparty credit risk	8,217,229	7,726,061	657,378
8	Of which internal model method (IMM)			
9	Of which other CCR			
10	Credit valuation adjustment (CVA)	6,719,568	5,762,483	537,565
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach	8,487,831	6,269,454	679,026
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fallback approach	1,622,053	1,779,571	129,764
15	Settlement risk			
16	Securitization exposures in banking book	1,001,580	1,000,682	80,126
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)	1,001,580	1,000,682	80,126
20	Market risk	16,260,097	13,372,313	1,300,808
21	Of which standardized approach (SA)	16,260,097	13,372,313	1,300,808
22	Of which internal model approaches (IMM)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	35,394,562	35,113,912	2,831,565
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)	375,403,632	360,189,193	30,032,291

* Increase in credit risk and equity investments in funds is due to growth in assets

* Increase in market risk is due to increase in FX net open position

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	466,347,603
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	3,574,257
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)	38,801,017
7	Other adjustments	-
8	Leverage ratio exposure measure	508,722,877

LR2 – Leverage ratio common disclosure template

		a	b
		T (Mar-19)	T-1 (Dec-19)
<i>All figures are in SAR'000</i>			
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	461,961,874	449,476,848
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)	461,961,874	449,287,779
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,385,729	3,913,049
5	Add-on amounts for PFE associated with all derivatives transactions	3,574,257	3,427,710
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)	7,959,986	7,340,759
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	64,326,949	63,568,454
18	(Adjustments for conversion to credit equivalent amounts)	(25,525,932)	(25,790,793)
19	Off-balance sheet items (sum of rows 17 and 18)	38,801,017	37,777,661
Capital and total exposures			
20	Tier 1 capital	69,109,150	66,613,049
21	Total exposures (sum of rows 3, 11, 16 and 19)	508,722,877	494,595,268
Leverage ratio			
22	Basel III leverage ratio	13.6%	13.5%

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		97,622,305
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	216,438,940	19,708,853
3	Stable deposits	-	-
4	Less stable deposits	216,438,940	19,708,853
5	Unsecured wholesale funding, of which:	100,743,270	43,942,771
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	100,743,270	43,942,771
8	Unsecured debt	-	-
9	Secured wholesale funding		1,889,557
10	Additional requirements, of which:	12,903,132	747,973
11	Outflows related to derivative exposures and other collateral requirements	(394,737)	(394,737)
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	13,297,869	1,142,710
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	86,929,497	2,056,321
16	TOTAL CASH OUTFLOWS		68,345,474
Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	32,653,378	15,158,365
19	Other cash inflows	115,789	115,789
20	TOTAL CASH INFLOWS	32,769,167	15,274,154
			Total adjusted value
21	Total HQLA		97,622,305
22	Total net cash outflows		53,071,320
23	Liquidity Coverage Ratio (%)		184%

The average LCR is calculated by taking a simple average of monthly figures based on daily average balances for the period from January 2019 to March 2019.

During the period from January 2019- March 2019, the Bank held an average of 85% 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 15% 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 52% of outflows. Whereas retail and small Businesses' deposits held 29%, and bank placements at 5%. 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.

For the three months ending on March 31st, 2019, the average LCR was 184%, an increase of 8% over December 2018's 176% average balance. The increase in the average LCR between the two periods is primarily due to the increase in HQLAs.

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