

Basel III Pillar 3 Disclosures

31 March 2021

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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 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	73,761,823	71,716,210	67,770,211	65,027,161	59,246,737
1a	Fully loaded ECL accounting model	72,012,395	69,966,782	66,020,783	63,277,733	57,497,309
2	Tier 1	85,949,322	81,916,210	77,970,211	75,227,161	66,246,737
2a	Fully loaded ECL accounting model Tier 1	84,199,894	80,166,782	76,220,783	73,477,733	64,497,309
3	Total capital*	90,530,553	86,464,598	82,235,916	79,425,763	69,843,887
3a	Fully loaded ECL accounting model total capital	88,781,125	84,715,170	80,486,488	77,676,335	68,094,459
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	429,577,163	425,439,294	430,617,787	420,473,066	415,611,487
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	17.17%	16.86%	15.74%	15.47%	14.26%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	16.76%	16.45%	15.33%	15.05%	13.83%
6	Tier 1 ratio (%)	20.01%	19.25%	18.11%	17.89%	15.94%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.60%	18.84%	17.70%	17.48%	15.52%
7	Total capital ratio (%)	21.07%	20.32%	19.10%	18.89%	16.81%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.67%	19.91%	18.69%	18.47%	16.38%
	Additional CET1 buffer requirements as a percentage of RWA					
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%	0.00%	0.00%	0.00%	0.00%
10	Bank G-SIB and/or D-SIB additional requirements (%)	1.50%	1.50%	1.50%	1.00%	1.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	4.0%	4.0%	4.0%	3.5%	3.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	13.2%	12.9%	11.7%	12.0%	10.8%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	649,559,765	653,231,414	628,139,077	607,726,246	584,045,781
14	Basel III leverage ratio (%) (row 2 / row 13)	13.23%	12.54%	12.48%	12.38%	11.34%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	12.96%	12.27%	12.13%	12.09%	11.04%
	Liquidity Coverage Ratio					
15	Total HQLA	135,791,072	123,212,966	125,134,817	112,227,598	111,178,870
16	Total net cash outflow	73,944,671	71,450,070	67,663,645	68,013,211	62,177,323
17	LCR ratio (%)	184%	172%	185%	165%	179%
	Net Stable Funding Ratio					
18	Total available stable funding	421,157,715	414,085,356	405,343,820	383,894,406	354,051,396
19	Total required stable funding	346,095,989	337,978,879	334,297,272	318,637,927	309,405,721
20	NSFR ratio	122%	123%	121%	121%	114%

*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 2021	Q4 2020	Q1 2021
1	Credit risk (excluding counterparty credit risk) (CCR)	346,287,951	340,832,678	27,703,036
2	Of which standardized approach (SA)	346,287,951	340,832,678	27,703,036
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	10,888,705	13,181,493	871,096
7	Of which standardized approach for counterparty credit risk	10,888,705	13,181,493	871,096
8	Of which internal model method (IMM)			
9	Of which other CCR			
10	Credit valuation adjustment (CVA)	9,247,857	12,001,781	739,829
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach	11,056,800	9,353,053	884,544
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fallback approach	522,481	606,622	41,798
15	Settlement risk			
16	Securitization exposures in banking book	1,207,351	1,309,214	96,588
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)	1,207,351	1,309,214	96,588
20	Market risk	12,398,766	10,415,366	991,901
21	Of which standardized approach (SA)	12,398,766	10,415,366	991,901
22	Of which internal model approaches (IMM)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	37,967,252	37,739,086	3,037,380
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)	429,577,163	425,439,294	34,366,173

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	599,570,267
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	13,527,613
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)	36,461,885
7	Other adjustments	
8	Leverage ratio exposure measure	649,559,765

LR2 – Leverage ratio common disclosure template

All figures are in SAR'000

		a	b
		Q1 2021	Q4 2020
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	593,289,999	591,547,902
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)	593,289,999	591,547,902
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	6,280,268	7,898,096
5	Add-on amounts for PFE associated with all derivatives transactions	13,527,613	14,874,059
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)	19,807,881	22,772,155
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	61,813,662	64,602,143
18	(Adjustments for conversion to credit equivalent amounts)	-25,351,777	-25,690,786
19	Off-balance sheet items (sum of rows 17 and 18)	36,461,885	38,911,357
Capital and total exposures			
20	Tier 1 capital	85,949,322	81,916,210
21	Total exposures (sum of rows 3, 11, 16 and 19)	649,559,765	653,231,414
Leverage ratio			
22	Basel III leverage ratio	13.23%	12.54%

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		135,791,072
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	247,564,361	23,871,796
3	Stable deposits		
4	Less stable deposits	247,564,361	23,871,796
5	Unsecured wholesale funding, of which:	134,508,145	58,050,636
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	134,508,145	58,050,636
8	Unsecured debt		
9	Secured wholesale funding		1,366,813
10	Additional requirements, of which:	15,045,458	2,464,879
11	Outflows related to derivative exposures and other collateral requirements	1,266,943	1,266,943
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	13,778,515	1,197,935
14	Other contractual funding obligations		
15	Other contingent funding obligations	73,148,202	1,730,524
16	TOTAL CASH OUTFLOWS		87,484,648
Cash inflows			
17	Secured lending (e.g. reverse repos)		
18	Inflows from fully performing exposures	9,806,523	13,539,977
19	Other cash inflows		
20	TOTAL CASH INFLOWS	9,806,523	13,539,977
			Total adjusted value
21	Total HQLA		135,791,072
22	Total net cash outflows		73,944,671
23	Liquidity Coverage Ratio (%)		184%

The average LCR is calculated by taking a simple average of monthly figures based on daily average balances beginning from January 1st, 2021 to March 31st, 2021.

During the period, the Bank held an average of 91% 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 9% 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 57% of outflows. Whereas retail and small Businesses' deposits held 27%, and bank placements at 8%. NCB's derivatives positions are not significant, as most transactions are conducted on a back-to-back basis with limited open positions being taken. The Group's main activities are conducted in SAR USD, and TRY. The peg between SAR and USD 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, SAR, USD and TRY.

The average Q1-2021 LCR was 184% compared to Q4-2020 172%, an increase of 12%. The increase in the average LCR between the two periods was primarily due to the increase in the High Quality Liquid Assets (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