

PILLAR 3 DISCLOSURES

January 1, 2022 to September 30, 2022



The National Bank of Ras Al-Khaimah (P.S.C.)

1. Introduction

On 12th November 2020, the Central Bank of UAE published final Capital Adequacy Standards and Guidance along with Notice 4980/2020. This included revised Standards and Guidance with respect to Pillar 3 – Market Disclosures. The Standards prescribed the effective date of these disclosures to be 31st December 2021 and quarterly thereon. Further to this, the Central Bank of UAE provided explanatory notes and disclosure templates for Pillar 3 on 30th November 2021 as part of Notice 5508/2021 which was superseded by Notice 1887/2022 issued on 9th May 2022.

The Bank has a formal disclosure policy in place which highlights the roles and responsibilities of the management and Board of Directors with respect to internal controls and procedures for information reported under Pillar 3 disclosures.

The scope of consolidation for Pillar 3 disclosures is different compared to the scope of consolidation for financial reporting. Under the scope of regulatory consolidation, all subsidiaries of the Bank are consolidated with the exception of Ras Al Khaimah National Insurance Company PSC. All sections of the following document have been prepared under the scope of regulatory consolidation unless specifically mentioned.

2. Overview of risk management, key prudential metrics and RWA

Amounts in AED'000		<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>
		30 Sep'22	30 Jun'22	31 Mar'22	31 Dec'21	30 Sep'21
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	8,643,309	8,296,328	8,084,591	7,889,152	8,145,217
1a	Fully loaded ECL accounting model	8,643,309	8,296,328	8,084,591	7,889,152	8,060,377
2	Tier 1	8,643,309	8,296,328	8,084,591	7,889,152	8,145,217
2a	Fully loaded ECL accounting model Tier 1	8,643,309	8,296,328	8,084,591	7,889,152	8,060,377
3	Total capital	9,248,903	8,888,696	8,664,904	8,434,886	8,682,434
3a	Fully loaded ECL accounting model total capital	9,248,903	8,888,696	8,664,904	8,434,886	8,596,534
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	54,572,396	52,785,360	52,543,299	49,523,321	48,854,950
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	15.8%	15.7%	15.4%	15.9%	16.7%
5a	Fully loaded ECL accounting model CET1 (%)	15.8%	15.7%	15.4%	15.9%	16.5%
6	Tier 1 ratio (%)	15.8%	15.7%	15.4%	15.9%	16.7%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.8%	15.7%	15.4%	15.9%	16.5%
7	Total capital ratio (%)	16.9%	16.8%	16.5%	17.0%	17.8%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.9%	16.8%	16.5%	17.0%	17.6%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.4%	6.3%	6.0%	6.5%	7.3%

Leverage Ratio*						
13	Total leverage ratio measure	71,902,159	68,335,984	65,419,499	62,970,840	
14	Leverage ratio (%)	12.0%	12.1%	12.4%	12.5%	
14a	Fully loaded ECL accounting model leverage ratio (%)	12.0%	12.1%	12.4%	12.5%	
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	12.0%	12.1%	12.4%	12.5%	
Liquidity Coverage Ratio						
15	Total HQLA					
16	Total net cash outflow					
17	LCR ratio (%)					
Net Stable Funding Ratio						
18	Total available stable funding					
19	Total required stable funding					
20	NSFR ratio (%)					
ELAR						
21	Total HQLA	7,879,888	6,751,440	5,949,025	5,476,267	4,750,558
22	Total liabilities	54,431,931	51,769,205	49,892,014	47,259,760	45,720,359
23	Eligible Liquid Assets Ratio (ELAR) (%)	14.5%	13.0%	11.9%	11.6%	10.4%
ASRR						
24	Total available stable funding	48,731,592	48,167,572	47,129,654	45,274,400	44,291,396
25	Total Advances	41,181,766	39,475,792	40,980,578	37,500,815	37,145,903
26	Advances to Stable Resources Ratio (%)	84.5	82.0	87.0	82.8	83.9

*Leverage Ratio went live starting 31st December 2021 and hence, columns for previous periods have been left blank

Capital Adequacy Ratio has improved compared to the previous quarter due to an increase in capital from additional profits earned during the quarter. The increase in Credit RWA compared to 30th June 2022 comes from Due from Banks, Investments, Loans & Advances, Unutilized Limits and Counterparty Credit Risk. Market RWA has also increased due to increase in Foreign Exchange risk.

The increase in leverage ratio exposure measure is due to an increase in overall balance sheet size as well as from an increase in off balance sheet exposure. The increase in capital was not in line with increase in exposure and hence, the leverage ratio has reduced compared to 30th June 2022.

Higher increase in High Quality Liquid Assets (HQLA) compared to total liabilities has led to the overall improvement in ELAR.

Total eligible advances have increased compared to 30th June 2022. On the other hand, total stable resources have remained relatively flat. This has led to the overall increase in ASRR.

AED'000		<i>a</i>	<i>b</i>	<i>c</i>
		RWA		Minimum capital requirements
		30 Sep 2022	30 Jun 2022	30 Sep 2022
1	Credit risk (excluding counterparty credit risk)	47,788,733	46,821,626	5,017,817
2	Of which: standardised approach (SA)	47,788,733	46,821,626	5,017,817
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 (CCR)	366,370	308,615	38,469
7	Of which: standardised approach for counterparty credit risk	366,370	308,615	38,469
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	292,428	259,192	30,705
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	2,446,416	1,717,478	256,874
21	Of which: standardised approach (SA)	2,446,416	1,717,478	256,874
22	Of which: internal models approach (IMA)			
23	Operational risk	3,678,449	3,678,449	386,237
24	Amounts below thresholds for deduction (subject to 250% risk weight)			
25	Floor adjustment			
26	Total	54,572,396	52,785,360	5,730,102

3. Leverage ratio

		<i>a</i> 30 Sep 2022 AED'000
1	Total consolidated assets as per published financial statements	63,831,514
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	317,244
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	1,267,013
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	5,073,265
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	1,413,123
13	Leverage ratio exposure measure	71,902,159

Amounts in AED'000		<i>a</i> 30 Sep 2022	<i>b</i> 30 Jun 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	65,561,880	62,485,213
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	174,469	117,285
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	65,736,349	62,602,498
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	402,730	160,257
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	689,815	686,980
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures	1,092,545	847,237
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	16,032,373	15,091,508
20	(Adjustments for conversion to credit equivalent amounts)	(10,959,108)	(10,205,259)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items	5,073,265	4,886,249
Capital and total exposures			
23	Tier 1 capital	8,643,309	8,296,328
24	Total exposures	71,902,159	68,335,984
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	12.0%	12.1%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.0%	12.1%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	0.0%	0.0%

4. Liquidity

Amounts in AED'000			
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	5,808,280	
1.2	UAE Federal Government Bonds and Sukuks	1,069,693	
	Subtotal	6,877,973	6,877,973
1.3	UAE local governments publicly traded debt securities	609,225	
1.4	UAE Public sector publicly traded debt securities	-	
	Subtotal	609,225	609,225
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	392,690	392,690
1.6	Total	7,879,888	7,879,888
2	Total liabilities		54,431,931
3	Eligible Liquid Assets Ratio (ELAR)		14.5%

	Items	Amounts in AED'000
1	Computation of Advances	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	33,391,724
1.2	Lending to non-banking financial institutions	128,557
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	323,031
1.4	Interbank Placements	7,338,454
1.5	Total Advances	41,181,766
2	Calculation of Net Stable Resources	
2.1	Total capital + general provisions	9,729,883
	Deduct:	
2.1.1	Goodwill and other intangible assets	-
2.1.2	Fixed Assets	656,753
2.1.3	Funds allocated to branches abroad	-
2.1.5	Unquoted Investments	478,389
2.1.6	Investment in subsidiaries, associates and affiliates	325,819
2.1.7	Total deduction	1,460,961
2.2	Net Free Capital Funds	8,268,922
2.3	Other stable resources:	
2.3.1	Funds from the head office	-
2.3.2	Interbank deposits with remaining life of more than 6 months	2,626,175
2.3.3	Refinancing of Housing Loans	-
2.3.4	Borrowing from non-Banking Financial Institutions	658,828
2.3.5	Customer Deposits	34,278,420
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	2,899,247
2.3.7	Total other stable resources	40,462,670
2.4	Total Stable Resources	48,731,592
3	Advances To Stable Resources Ratio	84.5%