

PILLAR 3 DISCLOSURES

For the year ended 31 March, 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. 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. The Standards prescribed the effective date of these disclosures to be 31st December 2021 and quarterly thereon.

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		a	b	c	d	e
		31 Mar'22	31 Dec'21	30 Sep'21	30 Jun'21	31 Mar'21
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	8,084,591	7,889,152	8,145,217	7,954,695	7,787,899
1a	Fully loaded ECL accounting model	8,084,591	7,889,152	8,060,377	7,816,080	7,598,041
2	Tier 1	8,084,591	7,889,152	8,145,217	7,954,695	7,787,899
2a	Fully loaded ECL accounting model Tier 1	8,084,591	7,889,152	8,060,377	7,816,080	7,598,041
3	Total capital	8,664,904	8,434,886	8,682,434	8,490,887	8,301,074
3a	Fully loaded ECL accounting model total capital	8,664,904	8,434,886	8,596,534	8,350,540	8,108,843
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	52,543,299	49,523,321	48,854,950	47,731,422	45,941,944
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	15.4%	15.9%	16.7%	16.7%	17.0%
5a	Fully loaded ECL accounting model CET1 (%)	15.4%	15.9%	16.5%	16.4%	16.6%
6	Tier 1 ratio (%)	15.4%	15.9%	16.7%	16.7%	17.0%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.4%	15.9%	16.5%	16.4%	16.6%
7	Total capital ratio (%)	16.5%	17.0%	17.8%	17.8%	18.1%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.5%	17.0%	17.6%	17.5%	17.7%
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 (%)	6.0%	6.5%	7.3%	7.3%	7.6%
Leverage Ratio*						
13	Total leverage ratio measure	65,419,499	62,970,840			
14	Leverage ratio (%)	12.4%	12.5%			
14a	Fully loaded ECL accounting model leverage ratio (%)	12.4%	12.5%			
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	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	5,949,025	5,476,267	4,750,558	4,404,492	4,701,854
22	Total liabilities	49,892,014	47,259,760	45,720,359	45,749,164	44,737,329
23	Eligible Liquid Assets Ratio (ELAR) (%)	11.9%	11.6%	10.4%	9.6%	10.5%
ASRR						
24	Total available stable funding	47,129,654	45,274,400	44,291,396	43,697,981	43,372,769
25	Total Advances	40,980,578	37,500,815	37,145,903	36,570,176	37,076,796
26	Advances to Stable Resources Ratio (%)	87.0	82.8	83.9	83.7	85.5

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

Capital Adequacy Ratio has dropped due to increase in Total Risk Weighted Assets. The increase is driven by an increase in Total Assets of the Bank, particularly, due from other banks & loans and advances. Increase in exposure is also a reason for a slight reduction in Leverage Ratio. The rise in loans and advances, has also led to the increase in Advances to Stable Resources Ratio.

AED'000		<i>a</i>	<i>b</i>	<i>c</i>
		RWA		Minimum capital requirements
		31 Mar 2022	31 Dec 2021	31 Mar 2022
1	Credit risk (excluding counterparty credit risk)	46,103,315	43,393,647	4,840,848
2	Of which: standardised approach (SA)	46,103,315	43,393,647	4,840,848
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)	321,744	265,074	33,783
7	Of which: standardised approach for counterparty credit risk	321,744	265,074	33,783
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)			
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	2,439,790	2,186,151	256,178
21	Of which: standardised approach (SA)	2,439,790	2,186,151	256,178
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	52,543,298	49,523,321	5,517,046

3. Leverage ratio

		<i>a</i> 31 Mar 2022 AED'000
1	Total consolidated assets as per published financial statements	58,626,480
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	896,067
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)	4,261,296
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	1,318,412
13	Leverage ratio exposure measure	65,419,499

Amounts in AED'000		a 31 Mar 2022	b 31 Dec 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	60,262,136	57,993,701
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	95,926	62,607
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)	60,358,062	58,056,308
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)	123,600	108,656
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	676,540	535,010
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	800,141	643,666
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	-	220
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures	-	220
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	13,696,437	13,520,709
20	(Adjustments for conversion to credit equivalent amounts)	(9,435,141)	(9,250,064)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items	4,261,296	4,270,645
Capital and total exposures			
23	Tier 1 capital	8,084,592	7,889,153
24	Total exposures	65,419,499	62,970,840
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	12.4%	12.5%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.4%	12.5%
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	4,296,614	
1.2	UAE Federal Government Bonds and Sukuks	619,631	
	Subtotal	4,916,245	4,916,245
1.3	UAE local governments publicly traded debt securities	644,693	
1.4	UAE Public sector publicly traded debt securities	-	
	Subtotal	644,693	644,693
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	388,087	388,087
1.6	Total	5,949,025	5,949,025
2	Total liabilities		49,892,014
3	Eligible Liquid Assets Ratio (ELAR)		11.9%

Items		Amounts in AED'000
1	Computation of Advances	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	32,758,188
1.2	Lending to non-banking financial institutions	249,206
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	325,515
1.4	Interbank Placements	7,647,669
1.5	Total Advances	40,980,578
2	Calculation of Net Stable Resources	
2.1	Total capital + general provisions	9,574,573
	Deduct:	
2.1.1	Goodwill and other intangible assets	-
2.1.2	Fixed Assets	670,520
2.1.3	Funds allocated to branches abroad	-
2.1.5	Unquoted Investments	655,841
2.1.6	Investment in subsidiaries, associates and affiliates	318,044
2.1.7	Total deduction	1,644,405
2.2	Net Free Capital Funds	7,930,168
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	3,134,618
2.3.3	Refinancing of Housing Loans	-
2.3.4	Borrowing from non-Banking Financial Institutions	746,578
2.3.5	Customer Deposits	32,412,295
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	2,905,995
2.3.7	Total other stable resources	39,199,486
2.4	Total Stable Resources	47,129,654
3	Advances To Stable Resources Ratio	87.0%