

## **PILLAR 3 DISCLOSURES**

For the period ended 31 March, 2023



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

## 1. Introduction

On 30<sup>th</sup> December 2022, the Central Bank of UAE published final Capital Adequacy Standards and Guidance along with Notice 5280/2022 as an update to Notice 4980/2020. This included final Standards and Guidance with respect to Pillar 3 – Market Disclosures. The effective date of these disclosures was prescribed to be 31<sup>st</sup> December 2021 and quarterly thereon. Further to this, the Central Bank of UAE provided explanatory notes and disclosure templates for Pillar 3 on 30<sup>th</sup> November 2021 as part of Notice 5508/2021 which was superseded by Notice 1887/2022 issued on 9<sup>th</sup> May 2022.

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 in line with the Capital Adequacy Standards. 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>
		31 Mar'23	31 Dec'22	30 Sep'22	30 Jun'22	31 Mar'22
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	8,621,249	8,165,747	8,643,309	8,296,328	8,084,591
1a	Fully loaded ECL accounting model	8,481,042	8,059,100	8,643,309	8,296,328	8,084,591
2	Tier 1	8,621,249	8,165,747	8,643,309	8,296,328	8,084,591
2a	Fully loaded ECL accounting model	8,481,042	8,059,100	8,643,309	8,296,328	8,084,591
3	Total capital	9,230,686	8,766,941	9,248,903	8,888,696	8,664,904
3a	Fully loaded ECL accounting model total capital	9,088,727	8,658,961	9,248,903	8,888,696	8,664,904
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	54,798,525	53,374,252	54,572,396	52,785,360	52,543,299
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	15.7%	15.3%	15.8%	15.7%	15.4%
5a	Fully loaded ECL accounting model CET1 (%)	15.5%	15.1%	15.8%	15.7%	15.4%
6	Tier 1 ratio (%)	15.7%	15.3%	15.8%	15.7%	15.4%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.5%	15.1%	15.8%	15.7%	15.4%
7	Total capital ratio (%)	16.8%	16.4%	16.9%	16.8%	16.5%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.6%	16.3%	16.9%	16.8%	16.5%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
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 (%)	6.3%	5.9%	6.4%	6.3%	6.0%

<b>Leverage Ratio*</b>						
13	Total leverage ratio measure	75,825,185	72,486,864	71,902,159	68,335,984	65,419,499
14	Leverage ratio (%)	11.4%	11.3%	12.0%	12.1%	12.4%
14a	Fully loaded ECL accounting model leverage ratio (%)	11.2%	11.1%	12.0%	12.1%	12.4%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	11.4%	11.3%	12.0%	12.1%	12.4%
<b>Liquidity Coverage Ratio</b>						
15	Total HQLA					
16	Total net cash outflow					
17	LCR ratio (%)					
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding					
19	Total required stable funding					
20	NSFR ratio (%)					
<b>ELAR</b>						
21	Total HQLA	8,690,885	7,268,037	7,879,888	6,751,440	5,949,025
22	Total liabilities	58,768,508	56,682,456	54,431,931	51,769,205	49,892,014
23	Eligible Liquid Assets Ratio (ELAR) (%)	14.8%	12.8%	14.5%	13.0%	11.9%
<b>ASRR</b>						
24	Total available stable funding	55,500,851	54,036,137	48,731,592	48,167,572	47,129,654
25	Total Advances	45,407,627	42,882,194	41,181,766	39,475,792	40,980,578
26	Advances to Stable Resources Ratio (%)	81.8	79.4	84.5	82.0	87.0

Capital ratios of the Bank have improved due to an increase in the Tier 1 capital due to the inclusion of current year profits (for Q1 2023). The increase in prudential filter benefit has further driven the increase in capital ratios.

AED'000		<i>a</i>	<i>b</i>	<i>c</i>
		RWA		Minimum capital requirements
		31 Mar 2023	31 Dec 2022	31 Mar 2023
1	Credit risk (excluding counterparty credit risk)	48,317,149	47,582,760	5,073,301
2	Of which: standardised approach (SA)	48,317,149	47,582,760	5,073,301
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)	263,786	255,013	27,697
7	Of which: standardised approach for counterparty credit risk	263,786	255,013	27,697
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	174,016	257,784	18,272
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	1,765,115	1,649,697	185,337
21	Of which: standardised approach (SA)	1,765,115	1,649,697	185,337
22	Of which: internal models approach (IMA)			
23	Operational risk	4,278,459	3,628,998	449,238
24	Amounts below thresholds for deduction (subject to 250% risk weight)			
25	Floor adjustment			
26	<b>Total</b>	<b>54,798,525</b>	<b>53,374,252</b>	<b>5,753,845</b>

The decline in the Risk Weighted Assets for Credit Valuation Adjustment is caused by a reduction in the Single Name Exposures of the counterparties due to decline in residual maturities of few major counterparties.

### 3. Leverage ratio

		<i>a</i> 31 Mar 2023 AED'000
1	Total consolidated assets as per published financial statements	68,878,073
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	(523,382)
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	976,201
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)	4,429,307
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	1,747,742
13	<b>Leverage ratio exposure measure</b>	<b>75,825,185</b>

The difference between the total assets as per consolidated financial statements and the leverage ratio exposure measure is primarily on account of off balance sheet items including derivatives. Other adjustments mainly include adjustments for provisions and suspended interest, amongst others.

Amounts in AED'000		<i>a</i> 31 Mar 2023	<i>b</i> 31 Dec 2022
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	70,419,677	67,697,779
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	177,232	161,381
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	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>70,596,909</b>	<b>67,859,160</b>
<b>Derivative exposures</b>			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	268,409	213,702
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	530,560	480,240
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	<b>Total derivative exposures</b>	<b>798,969</b>	<b>693,942</b>
<b>Securities financing transactions</b>			
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	<b>Total securities financing transaction exposures</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	13,996,843	13,156,484
20	(Adjustments for conversion to credit equivalent amounts)	(9,567,536)	(9,222,722)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items</b>	<b>4,429,307</b>	<b>3,933,762</b>
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	<b>8,621,249</b>	<b>8,165,746</b>
24	<b>Total exposures</b>	<b>75,825,185</b>	<b>72,486,864</b>
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	<b>11.4%</b>	<b>11.3%</b>
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.4%	11.3%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	0.0%	0.0%

Off-balance sheet exposures have increased due to an increase in balances of loan commitments.

#### 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	5,643,089	
1.2	UAE Federal Government Bonds and Sukuks	2,460,199	
	<b>Subtotal</b>	<b>8,103,288</b>	<b>8,103,288</b>
1.3	UAE local governments publicly traded debt securities	587,597	
1.4	UAE Public sector publicly traded debt securities	-	
	<b>Subtotal</b>	<b>587,597</b>	<b>587,597</b>
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	<b>Total</b>	<b>8,690,885</b>	<b>8,690,885</b>
2	Total liabilities		58,768,508
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>14.8%</b>

Amounts in AED'000		
1	Items	Amount
1	<b>Computation of Advances</b>	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	36,681,298
1.2	Lending to non-banking financial institutions	128,564
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	252,033
1.4	Interbank Placements	8,345,732
1.5	<b>Total Advances</b>	<b>45,407,627</b>
2	<b>Calculation of Net Stable Resources</b>	
2.1	Total capital + general provisions	10,900,839
	<b>Deduct:</b>	
2.1.1	Goodwill and other intangible assets	198,412
2.1.2	Fixed Assets	462,646
2.1.3	Funds allocated to branches abroad	-
2.1.5	Unquoted Investments	295,723
2.1.6	Investment in subsidiaries, associates and affiliates	325,819
2.1.7	<b>Total deduction</b>	<b>1,282,600</b>
2.2	<b>Net Free Capital Funds</b>	<b>9,618,239</b>
2.3	<b>Other stable resources:</b>	
2.3.1	Funds from the head office	-
2.3.2	Interbank deposits with remaining life of more than 6 months	3,138,935
2.3.3	Refinancing of Housing Loans	-
2.3.4	Borrowing from non-Banking Financial Institutions	780,044
2.3.5	Customer Deposits	39,591,949
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	2,371,684
2.3.7	<b>Total other stable resources</b>	<b>45,882,612</b>
2.4	<b>Total Stable Resources</b>	<b>55,500,851</b>
3	<b>Advances To Stable Resources Ratio</b>	<b>81.8%</b>