

BASEL III- PILLAR 3 - REPORTING AS OF Q1- 2022

Capital Adequacy and Risk Management

**NBB, ABU
DHABI
BRANCH**

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1. ABOUT THE BANK

National Bank of Bahrain BSC - Abu Dhabi Branch (the “Bank” or the “Branch”) is registered in the Emirate of Abu Dhabi since 17 March 1992 under commercial License number CN-1002015 as a branch of National Bank of Bahrain BSC (the “Head Office”), a public shareholding company incorporated in the Kingdom of Bahrain. The registered office of the Bank is situated at Al Otaiba Tower, located on Sheikh Hamdan Street, P.O. Box 46080 Abu Dhabi, United Arab Emirates.

2. INTRODUCTION

1. This report provides Pillar 3 disclosures for National Bank of Bahrain Abu Dhabi Branch. The disclosures consist of both quantitative and qualitative information in compliance with the requirements of Central Bank of UAE (CBUAE). The Basel Committee on Banking Supervision (BCBS) Basel 3-capital adequacy framework consists of three pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market and operational risks faced by banks. Pillar 2 allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types and/or to cover other risks. Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage, liquidity and remuneration.
2. The report is prepared as per the enhanced Pillar 3 Disclosure requirements guidelines issued by CBUAE in November 2020 and are effective for the year ended 31st December 2021. The enhanced Pillar 3 disclosures focus on regulatory measures required under Pillar 1 of the Basel framework for measuring credit, market and operational risks and their associated resulting risk-weighted assets (RWA) and capital requirements. In some instances, Pillar 3 also requires supplementary information to be disclosed to improve the understanding of underlying risks.
3. The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital. Additional capital buffers (Capital Conservation Buffer and Countercyclical Capital Buffer -maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

4. In November 2020, CBUAE issued revised standards and guidelines for Capital Adequacy in UAE. The new version to the Standards also includes additional Guidance on the topics of Credit Risk, Market Risk, and Operational Risk.
5. Following are the changes in the revised standards, which have been, adopted either prior to or during 2021:
 - The Tier Capital Supply Standard
 - Tier Capital Instruments Standard
 - Pillar 2 Standard: Internal Capital Adequacy Assessment Process (ICAAP)
 - Credit Risk, Market Risk and Operational Risk
 - Equity Investment in Funds, Securitization, Counterparty Credit Risk, Leverage Ratio
6. In addition, Credit Value Adjustment (CVA) for Pillar 1 and 3 will be effective from 30 June 2022. CBUAE requires the Pillar 2 - Supervisory Review Process to focus on each bank's Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 Capital calculations. The ICAAP should include a risk based forward-looking view of, but not limited to, Credit, Market and Operational Risk Capital.
7. The purpose of Pillar 3 - Market Discipline is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The CBUAE supports the enhanced market discipline by developing a set of disclosure requirements which will allow market participants to assess key information on the scope of application, capital, risk exposure, risk assessment process and hence the capital adequacy of the Bank.
8. The revised Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by the Bank, and provide a consistent and understandable disclosure framework that enhances transparency and improves comparability and consistency.
9. In compliance with the CBUAE Basel III standards and guidelines, these disclosures include qualitative and quantitative information on the Bank's risk management objectives and policies, risk assessment processes, capital management and capital adequacy.
10. The management has appropriately reviewed the Pillar 3 Disclosures for Q1-2022.

3 Overview of risk management and RWA

3.1 Template KM1: Key metrics (at branch level)

AED 000's

		a	b
		T	T-1
	Available capital (amounts)	Mar-22	Dec-21
1	Common Equity Tier 1 (CET1)	319,995	321,249
1a	Fully loaded ECL accounting model	319,995	321,249
2	Tier 1	319,995	321,249
2a	Fully loaded ECL accounting model Tier 1	319,995	321,249
3	Total capital	322,670	325,043
3a	Fully loaded ECL accounting model total capital	322,670	325,043
	Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	320,896	421,141
	Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	99.72%	76.28%
5a	Fully loaded ECL accounting model CET1 (%)	99.72%	76.28%
6	Tier 1 ratio (%)	99.72%	76.28%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	99.72%	76.28%
7	Total capital ratio (%)	100.55%	77.18%
7a	Fully loaded ECL accounting model total capital ratio (%)	100.55%	77.18%
	Additional CET1 buffer requirements as a percentage of RWA		
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	90.05%	66.68%
	Leverage Ratio		
13	Total leverage ratio measure	633,253	695,823
14	Leverage ratio (%) (row 2/row 13)	50.53%	46.17%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	50.53%	46.17%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	50.53%	46.17%
	Liquidity Coverage Ratio		
15	Total HQLA	NA	NA

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For the quarter ended 31 March, 2022



16	Total net cash outflow	NA	NA
17	LCR ratio (%)	NA	NA
Net Stable Funding Ratio			
18	Total available stable funding	NA	NA
19	Total required stable funding	NA	NA
20	NSFR ratio (%)	NA	NA
ELAR			
21	Total HQLA	309,559	207,456
22	Total liabilities	223,341	160,512
23	Eligible Liquid Assets Ratio (ELAR) (%)	139%	129%
ASRR			
24	Total available stable funding	518,585	433,946
25	Total Advances	194,180	237,442
26	Advances to Stable Resources Ratio (%)	38%	55%

3.2. Template OV1: Overview of RWA

AED 000's

		a	b	c
		RWA		Minimum capital requirements
		Mar-22	Dec-21	T
1	Credit risk (excluding counterparty credit risk)	213,989	303,488	22,469
2	Of which: standardised approach (SA)	213,989	303,488	22,469
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)	0	0	0
7	Of which: standardised approach for counterparty credit risk	0	0	0
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	0	0	0
13	Equity investments in funds - mandate-based approach	0	0	0
14	Equity investments in funds - fall-back approach	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in the banking book	0	0	0
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			

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18	Of which: securitisation external ratings-based approach (SEC-ERBA)	0	0	0
19	Of which: securitisation standardised approach (SEC-SA)	0	0	0
20	Market risk	78,006	76,442	8,191
21	Of which: standardised approach (SA)	78,006	76,442	8,191
22	Of which: internal models approach (IMA)			
23	Operational risk	28,902	41,009	3,035
24	Amounts below thresholds for deduction (subject to 250% risk weight)			
25	Floor adjustment			
26	Total (1+6+10+11+12+13+14+15+16+20+23)	320,897	420,939	33,694

4. Leverage ratio

4.1 Template LR2: Leverage ratio common disclosure template

AED 000's

		a	b
		Mar-22	Dec-21
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	542,206	599,286
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
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) (sum of rows 1 to 6)	542,206	599,286
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)		
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions		
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 (sum of rows 8 to 12)		
Securities financing transactions			

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14	Gross SFT assets (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 (sum of rows 14 to 17)		
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	129,557	140,542
20	(Adjustments for conversion to credit equivalent amounts)	(38,510)	(44,005)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	Off-balance sheet items (sum of rows 19 to 21)	91,047	96,537
Capital and total exposures			
23	Tier 1 capital	319,995	321,363
24	Total exposures (sum of rows 7, 13, 18 and 22)	633,253	695,823
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	51%	46%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	51%	46%
26	CBUAE minimum leverage ratio requirement	3%	3%
27	Applicable leverage buffers	48%	43%

5. Template LIQ1: Liquidity Coverage Ratio (LCR)

Template LIQ1 is not applicable.

6. Template ELAR: Eligible Liquid Assets Ratio

AED 000's

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	309,559	
1.2	UAE Federal Government Bonds and Sukuks		
	Sub Total (1.1 to 1.2)	309,559	
1.3	UAE local governments publicly traded debt securities		
1.4	UAE Public sector publicly traded debt securities		
	Subtotal (1.3 to 1.4)	0	

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1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	Total	309,559	309,559
2	Total liabilities		223,341
3	Eligible Liquid Assets Ratio (ELAR)		1.39

7. Template ASRR: Advances to Stables Resource Ratio

AED 000's

		Items	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	145,698
	1.2	Lending to non-banking financial institutions	
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	52,536
	1.4	Interbank Placements	0
	1.5	Total Advances	198,234
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	325,601
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	1,196
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	
	2.1.6	Investment in subsidiaries, associates and affiliates	
	2.1.7	Total deduction	1,196
	2.2	Net Free Capital Funds	324,405
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	113,047
	2.3.2	Interbank deposits with remaining life of more than 6 months	
	2.3.3	Refinancing of Housing Loans	
	2.3.4	Borrowing from non-Banking Financial Institutions	
	2.3.5	Customer Deposits	81,133
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	2.3.7	Total other stable resources	194,180
	2.4	Total Stable Resources (2.2+2.3.7)	518,585
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	38.23