Al Hilal Bank PJSC

Pillar 3 Report

31 March 2022

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1. Key Prudential Regulatory Metrics (KM1)

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		31-Mar-22	31-Dec-21
	Available capital (amounts)		
1	Common Equity Tier 1 (CET1)	1,621,395	1,689,113
1a	Fully loaded ECL accounting model		
2	Tier 1	1,621,395	1,689,113
2a	Fully loaded accounting model Tier 1	1,621,395	1,689,113
3	Total capital	1,721,392	1,788,807
3a	Fully loaded ECL accounting model total capital		
	Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	8,909,426	9,041,638
	Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	18.20%	18.68%
5a	Fully loaded ECL accounting model CET1 (%)		
6	Tier 1 ratio (%)	18.20%	18.68%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)		
7	Total capital ratio (%)	19.32%	19.78%
7a	Fully loaded ECL accounting model total capital ratio (%)		
	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%	0%
10	Bank D-SIB additional requirements (%)	0%	0%
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 (%)	8.82%	9.28%
	Basel III Leverage Ratio		
13	Total Basel III leverage ratio measure	13,829,619	13,697,554
14	Basel III leverage ratio (%) (row 2/row 13)	11.72%	12.33%
	ELAR		
21	Total HQLA	1,926,088	1,647,361
22	Total liabilities	11,474,738	11,292,932
23	Eligible Liquid Assets Ratio (ELAR) (%)	16.79%	14.59%
	ASRR		
24	Total available stable funding	10,195,460	10,251,317
25	Total Advances	7,849,179	7,868,923
26	Advances to Stable Resources Ratio (%)	76.99%	76.76%

2. Overview of risk weighted assets (OV1)

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	RWA		Minimum capital requirements
	31-Mar-22	31-Dec-21	
Credit risk (excluding counterparty credit risk)	7,995,231	7,973,986	1,039,380
Of which: standardised approach (SA)	7,995,231	7,973,986	1,039,380
Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
Of which: supervisory slotting approach	-	-	-
Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
Counterparty credit risk (CCR)	4,520	1,523	475
Of which: standardised approach for counterparty credit risk	4,520	1,523	475
Of which: Internal Model Method (IMM)	-	-	-
Of which: other CCR	-	-	-
Credit valuation adjustment (CVA)	-	-	-
Equity positions under the simple risk weight approach	-	-	-
Equity investments in funds - look-through approach	-	-	-
Equity investments in funds - mandate-based approach	-	-	-
Equity investments in funds - fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the banking book	-	-	-
Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
including internal assessment approach	-	-	-
Of which: securitisation standardised approach (SEC-SA)	-	-	-
Market risk	94,148	101,602	9,886
Of which: standardised approach (SA)	94,148	101,602	9,886
Of which: internal model approaches (IMA)	-	-	-
Capital charge for switch between trading book and banking book	-	-	-
Operational risk	815,528	964,527	-
Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	**8,909,426**	**9,041,638**	**1,049,740**

3. Leverage Ratio

The Basel III leverage ratio is calculated by dividing the period-end tier 1 capital by the period-end leverage ratio denominator (LRD), as summarized in the table below.

3.1 Summary comparison of accounting assets versus leverage ratio exposure measure (LR1)

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March 2022	*Amount*
Total consolidated assets as per published financial statements	13,765,587
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
Adjustments for derivative financial instruments	30,556
Adjustment for securities financing transactions (ie repos and similar secured lending)	-
Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	51,892
Other adjustments	(18,416)
Leverage ratio exposure measure	13,829,619

The LRD consists of IFRS on-balance sheet assets and off-balance sheet items. Derivative exposures are adjusted for a number of items, including replacement value and eligible cash variation margin netting, the current exposure method add-on and net notional amounts for written credit derivatives.

The table on the next page shows the difference between total IFRS assets per IFRS consolidation scope and the BCBS total on-balance sheet exposures. Those exposures are the starting point for calculating the BCBS LRD, as shown in the LR2 table in this section. The difference is due to the application of the regulatory scope of consolidation for the purpose of the BCBS calculation. In addition, carrying amounts for derivative financial instruments and (SFTs) are deducted from IFRS total assets. They are measured differently under BCBS leverage ratio rules and are therefore added back in separate exposure line items in the LR2 table.

3.2 Leverage ratio common disclosure (LR2)

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		31-Mar-22	31-Dec-21
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	13,765,587	13,625,146
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(18,416)	(22,932)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	13,747,171	13,602,214
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with *all* derivatives transactions	30,556	32,999
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivable 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**	30,556	32,999
Securities financing transactions			
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**	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	443,941	571,135
18	(Adjustments for conversion to credit equivalent amounts)	(392,049)	(508,794)
19	**Off-balance sheet items**	51,892	62,341
Capital and total exposures			
20	**Tier 1 capital**	1,621,395	1,689,113
21	**Total exposures**	13,829,619	13,697,555
Leverage ratio			
22	**Basel III leverage ratio**	11.72%	12.33%

4. Funding and liquidity risk

The key measures used by the Group for managing liquidity risk are regulatory driven ratios which are Advance to stable ratio (“ASRR”), and Eligible Liquid Asset Ratio (ELAR). ASRR takes into consideration the extent of stable resources (stable funding sources) which are being utilized by the financing activities of the Bank. At 31 March 2022, the Bank’s ASRR was 76.99%.
The eligible liquid assets ratio is calculated as per the UAE Central Bank’s definition of liquid assets divided by total liabilities. The eligible liquid assets are defined by the Central Bank to include cash and cash equivalents including reserves, central bank certificates of deposits, federal government securities and issuances from local governments, non-commercial and foreign sovereign public sector entities subject to certain limits. As at 31 March 2022, this ratio stood at 16.79%.

High-quality liquid assets

HQLA must be easily and immediately convertible into cash at little or no loss of value, especially during a period of stress. HQLA are assets that are of low risk and are unencumbered. Other characteristics of HQLA are ease and certainty of valuation, low correlation with risky assets, listing of the assets on a developed and recognized exchange, existence of an active and sizeable market for the assets and low volatility. Our HQLA predominantly consist of assets that qualify as Level 1 in the Eligible Liquid Assets Ratio (ELAR) framework, including cash, central bank reserves and government bonds.

4.1 Eligible Liquid Assets Ratio (ELAR)

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High Quality Liquid Assets	**Nominal amount**	**Eligible Liquid Asset**
Physical cash in hand at the bank	223,128	
Statutory reserves with Central Bank	949,724	
Free and other account balances at the Central Bank (excluding statutory reserves)	-	
Central Bank CDs (unencumbered)	300,039	
UAE Federal Government Bonds and Sukuks	-	
Sub Total	1,472,891	1,472,891
UAE local governments publicly traded debt securities (0% Risk Weighted under BII Standardized Approach) Rated A+ and above	-	
UAE local governments publicly traded debt securities (0% Risk Weighted under BII Standardized Approach) Rated A and below or unrated	1,122,706	
UAE Public sector publicly traded debt securities (non-commercial, 0% Risk Weighted under BII Standardized Approach) Rated A+ and above	-	
UAE Public sector publicly traded debt securities (non-commercial, 0% Risk Weighted under BII Standardized Approach) Rated A and below or unrated	249,901	
Sub total	1,372,607	453,197
Foreign Sovereign debt instruments or instruments issued by their respective central banks (0% Risk Weighted under Basel II Standardized Approach)	-	-
Total	2,845,498	1,926,088
Total liabilities		11,474,738
Eligible Liquid Assets Ratio (ELAR)		**16.79%**

4.2 Advances To Stable Resources Ratio (ASRR)

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Items	Amount
Computation of Advances	
Net Lending (gross loans - specific and collective provisions + interest in suspense)	7,702,628
Lending to non-banking financial institutions	
Net Financial Guarantees & Stand-by LC (issued - received)	25,342
Interbank Placements	121,209
Total Advances	7,849,179
Calculation of Net Stable Resources	
Total capital + general provisions	1,793,667
Deduct:	
Goodwill and other intangible assets	18,004
Fixed Assets	525,989
Funds allocated to branches abroad	
Unquoted Investments	1,996
Investment in subsidiaries, associates and affiliates	83,046
Total deduction	629,035
Net Free Capital Funds	1,164,632
Other stable resources:	
Funds from the head office	
Interbank deposits with remaining life of more than 6 months	-
Refinancing of Housing Loans	-
Borrowing from non-Banking Financial Institutions	-
Customer Deposits	7,198,526
Capital market funding/ term borrowings maturing after 6 months from reporting date	1,832,302
Total other stable resources	9,030,828
Total Stable Resources	10,195,460
Advances To Stable Resources Ratio	**76.99%**