

DOHA BANK (Q.P.S.C)

UAE Branches

PILLAR 3 REPORT

Quarter 2 - 2022

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Overview

The following information is compiled in terms of the requirements of the Central Bank of the U.A.E. Banks are obliged to report certain qualitative and quantitative information with regards to their risk profile and capital adequacy on a regular basis to the public, which incorporates the revised Basel III Pillar 3 requirements on market discipline.

Reporting framework

The information disclosed in this report is based on the definitions, calculation methodologies and measurements as defined by the Amended Regulations. All tables, diagrams, quantitative information and commentary in this risk and capital management report are unaudited unless otherwise noted.

References to fixed format templates as required under the revised Pillar 3 disclosure requirements are made throughout this document and highlighted in the relevant sections.

Period of reporting

This report is in respect of the year ended 30 June 2022, including comparative information (where applicable).

Activities

The financial statements of Doha Bank (Q.P.S.C.) - United Arab Emirates (UAE) Branches (the “Branches”) relate to the activities of the Abu Dhabi and Dubai Branches of Doha Bank (Q.P.S.C.) (the “Head Office”). Doha Bank (Q.P.S.C.) is listed on the Doha Securities Market.

The Branches operate under separate licences issued by the UAE Central Bank and are engaged in banking activities. Dubai branch was incorporated on 18 July 2007 and Abu Dhabi branch started its operations from 27 November 2012.

The registered address of the Branches are as follows:

- Dubai Branch - P.O. Box 125465, Dubai, United Arab Emirates
- Abu Dhabi Branch - P.O. Box 27448, Abu Dhabi, United Arab Emirates

These financial statements reflect the activities of the Dubai and Abu Dhabi Branches only and exclude all transactions, assets and liabilities of the Head Office and other branches of the Head Office outside United Arab Emirates.

Overview of Risk Management & RWAs

Capital Adequacy (KM1)

The Branch's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- To comply with the capital requirements set by the Central Bank of U.A.E.,
- To safeguard the Branch's ability to continue as a going concern and increase the returns for the shareholders, and
- To maintain a strong capital base to support the development of its business.

The Central Bank of UAE ('CBUAE') supervises the Branches on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Branches as a whole. Effective from 2017, the capital is computed at the Branches level using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

The Branches' regulatory capital is analyzed into two tiers:

CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.

Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

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. The minimum capital adequacy requirements as set out by the Central Bank are as follows:

Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).

Minimum tier 1 ratio of 8.5% of RWAs.

Total capital adequacy ratio of 10.5% of RWAs.

Capital conservation buffer – 2.5% of RWAs.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Branches' management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a quarterly basis.

The UAE Central Bank issued Basel III capital regulation vide its notice no. CBUAE/BSN/N/2020/66 dated January 07, 2020 which was partially effective as at December 31, 2019 (as per the regulation, only Pillar II is applicable in December 2019 and the rest will be applicable from June 2020).

During the years ended 31 December 2021 and 2020, the Branches have complied in full with all its externally imposed capital requirements.

	Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
	AED '000				
Available capital (amounts)					
Common Equity Tier 1 (CET1)	280,206	280,206	280,206	416,637	416,637
Fully loaded ECL accounting model					
Tier 1	280,206	280,206	280,206	416,637	416,637
Fully loaded ECL accounting model Tier 1					
Total capital	298,195	299,251	300,705	439,073	441,034
Fully loaded ECL accounting model total capital					
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	1,554,899	1,637,589	1,784,335	1,926,190	2,083,237
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	18.02%	17.11%	15.70%	21.63%	20.00%
Fully loaded ECL accounting model CET1 (%)					
Tier 1 ratio (%)	18.02%	17.11%	15.70%	21.63%	20.00%
Fully loaded ECL accounting model Tier 1 ratio (%)					
Total capital ratio (%)	19.18%	18.27%	16.85%	22.79%	21.17%
Fully loaded ECL accounting model total capital ratio (%)					
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)					
Countercyclical buffer requirement (%)					
Bank D-SIB additional requirements (%)					
Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)					
CET1 available after meeting the bank's minimum capital requirements (%)	8.68%	7.77%	6.35%	12.29%	10.67%
Leverage Ratio					
Total leverage ratio measure	3,015,091	3,021,189	2,595,927	2,782,016	2,668,325
Leverage ratio (%) (row 2/row 13)	9.29%	9.27%	10.79%	14.98%	15.61%

As per CBUAE regulations, branches are not required to report LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). Branches reports ELAR (Eligible Assets Ratio) and ASRR (Advances to Stable Resources Ratio) as an alternative.

Overview of RWA (OV1)

Following metrics and RWA is calculated based on latest applicable CBUAE Capital Adequacy regulations for Banks operating in the UAE.

	Jun-22 AED '000	Mar-22 AED '000	at rate 10.50% AED '000
	a	b	c
	RWA		Minimum capital requirements
	T	T-1	T
Credit risk (excluding counterparty credit risk)	1,439,025	1,523,485	151,098
Of which: standardised approach (SA)	1,439,025	1,523,485	151,098
Counterparty credit risk (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			-
Market risk	1,791	21	188
Of which: standardised approach (SA)	1,791	21	188
Operational risk	114,083	114,083	11,979
Total (1+6+10+11+12+13+14+15+16+20+23)	1,554,899	1,637,589	163,264

Table: Composition of Capital CC1

	Jun-22 AED '000
Common Equity Tier 1 capital: instruments and reserves	
Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	-
Retained earnings	(520,347)
Accumulated other comprehensive income (and other reserves)	(19,987)
Common share capital issued by third parties (amount allowed in group CET1)	
Common Equity Tier 1 capital before regulatory deductions	382,248
Common Equity Tier 1 capital regulatory adjustments	
Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	140,266
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	102,041
Common Equity Tier 1 capital (CET1)	280,207
Additional Tier 1 capital: instruments	
Additional Tier 1 capital: regulatory adjustments	
Additional Tier 1 capital (AT1)	-
Tier 1 capital (T1= CET1 + AT1)	280,207
Tier 2 capital: instruments and provisions	
Tier 2 capital before regulatory adjustments	17,988
Tier 2 capital: regulatory adjustments	
Tier 2 capital (T2)	17,988
Total regulatory capital (TC = T1 + T2)	298,195
Total risk-weighted assets	1,554,899
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of risk-weighted assets)	18.02%
Tier 1 (as a percentage of risk-weighted assets)	18.02%
Total capital (as a percentage of risk-weighted assets)	19.18%
Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	8.68%

Table: Composition of Capital CC2

Dec-21 AED '000	a	b
	Balance sheet as in published financial statements As at period-end	Under regulatory scope of consolidation As at period-end
Assets		
Cash and balances at central banks	208,104	208,104
Items in the course of collection from other banks	745,316	745,316
Trading portfolio assets	258,378	258,378
Financial assets designated at fair value		
Derivative financial instruments		
Loans and advances to banks		
Loans and advances to customers	1,352,943	1,352,943
Reverse repurchase agreements and other similar secured lending		
Available for sale financial investments (Includes FVOCI)		
Current and deferred tax assets	140,266	140,266
Prepayments, accrued income and other assets	3,852	3,852
Investments in associates and joint ventures		
Goodwill and other intangible assets		
Of which: goodwill		
Of which: intangibles (excluding MSRs)		
Of which: MSRs		
Property, plant and equipment	10,701	10,701
Total assets	2,719,560	2,719,560
Liabilities		
Deposits from banks	471,452	471,452
Items in the course of collection due to other banks	604,854	604,854
Customer accounts	1,224,977	1,224,977
Repurchase agreements and other similar secured borrowing		
Trading portfolio liabilities		
Financial liabilities designated at fair value		
Derivative financial instruments		
Debt securities in issue		
Accruals, deferred income and other liabilities	31,073	31,073
Current and deferred tax liabilities		
Of which: DTLs related to goodwill		
Of which: DTLs related to intangible assets (excluding MSRs)		
Of which: DTLs related to MSRs		
Subordinated liabilities		
Provisions		
Retirement benefit liabilities		
Total liabilities	2,332,356	2,332,356
Shareholders' equity		
Paid-in share capital	900,000	900,000
Of which: amount eligible for CET1		
Of which: amount eligible for AT1		
Retained earnings (incl. statutory reserves)	(517,752)	(517,752)
Accumulated other comprehensive income	4,957	4,957
Total shareholders' equity	387,204	387,204

Leverage Ratio (LR2)

Leverage Position

		Jun-22 AED '000	Mar-22 AED '000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,216,585	3,109,695
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)	3,216,585	3,109,695
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			
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	383,905	415,452
20	(Adjustments for conversion to credit equivalent amounts)	(295,530)	(301,628)
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)	88,375	113,824
Capital and total exposures			
23	Tier 1 capital	280,206	280,206
24	Total exposures (sum of rows 7, 13, 18 and 22)	3,304,960	3,223,519
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.48%	8.69%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	CBUAE minimum leverage ratio requirement		
27	Applicable leverage buffers		

Liquidity

Eligible Liquid Assets Ratio (ELAR)

	Jun-22 AED '000
High Quality Liquid Assets	Eligible Liquid Asset
Physical cash in hand at the bank + balances with the CBUAE	238,022
UAE Federal Government Bonds and Sukuks	214,946
Sub Total (1.1 to 1.2)	452,968
UAE local governments publicly traded debt securities	-
UAE Public sector publicly traded debt securities	-
Sub total (1.3 to 1.4)	-
Foreign Sovereign debt instruments or instruments issued by their respective central banks	49,586
Total	502,554
Total liabilities	2,112,908
Eligible Liquid Assets Ratio (ELAR)	0.24

Advances to Stables Resource Ratio (ASRR)

Items	Jun-22
Computation of Advances	AED '000
Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,132,522
Lending to non-banking financial institutions	123,356
Net Financial Guarantees & Stand-by LC (issued - received)	32,660
Interbank Placements	387,011
Total Advances	1,675,549
Calculation of Net Stable Ressources	
Total capital + general provisions	423,305
Deduct:	
Goodwill and other intangible assets	
Fixed Assets	10,855
Funds allocated to branches abroad	
Unquoted Investments	
Investment in subsidiaries, associates and affiliates	
Total deduction	10,855
Net Free Capital Funds	412,450
Other stable resources:	
Funds from the head office	
Interbank deposits with remaining life of more than 6 months	496,222
Refinancing of Housing Loans	
Borrowing from non-Banking Financial Institutions	240,803
Customer Deposits	744,460
Capital market funding/ term borrowings maturing after 6 months from reporting date	
Total other stable resources	1,481,485
Total Stable Resources (2.2+2.3.7)	1,893,935
Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	88.47

Credit Quality of Assets (CR1)

Jun-22 AED '000	a	b	c	d		e	f
	Gross carrying values of		Allowances / Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Allocated in regulatory category of General	Net values (a+b-c)
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
Loans	848,945	1,125,648		737,122	18,608		1,974,593
Debt securities	-	264,392		-	6,702		264,392
Off-balance sheet exposures	-	319,699		-	187		319,699
Total	848,945	1,709,739		737,122	25,497		2,558,684

Standardized Approach - Credit Risk Exposures & CRM Impact (CR4)

The Branches has in place group standards, regulations of the U.A.E. Central Bank and policies and procedures dedicated to monitor and manage risk from such activities.

The Bank on an overall basis has adopted ICAAP as a strategic management tool in evaluating all its material risks inherent in its business portfolio and ensuring that appropriate capital buffers and risk mitigating actions are established for the management of these risks.

Jun-22 AED '000	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
Sovereigns and their central banks	477,461		477,461		58,733	
Public Sector Entities						
Multilateral development banks	967,036	173,792	967,036		484,439	
Banks						
Securities firms						
Corporates	598,518	210,114	808,632		572,810	
Regulatory retail portfolios	821		821		206	
Secured by residential property	19,266		19,266		19,243	
Secured by commercial real estate	94,212		94,212		94,212	
Equity Investment in Funds (EIF)						
Past-due loans	848,945		111,823		111,823	
Higher-risk categories						
Other assets	210,327		210,327		97,559	
Total	3,216,586	383,905	2,689,577	-	1,439,025	-

Standardized Approach - Exposures by Asset Classes & Risk Weights (CR5)

Jun-22 AED '000	a	b	c	d	e	f	g	h	i
Risk weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes									
Sovereigns and their central banks	418,728					58,733			477,461
Public Sector Entities									0
Multilateral development banks				420,240		1,842			422,083
Banks				544,953					544,953
Securities firms									0
Corporates	31,003					7,409		565,401	603,813
Regulatory retail portfolios	614				5	202			821
Secured by residential property			30		16	19,220			19,266
Secured by commercial real estate						94,212			94,212
Equity Investment in Funds (EIF)									0
Past-due loans						111,823			111,823
Higher-risk categories									0
Other assets	170,106					1,997		38,225	210,327
Total	620,450	-	30	965,194	21	295,438	-	603,626	2,484,759

Table: MR1

RWA	Jun-22 AED '000
General Interest rate risk (General and Specific)	-
Equity risk (General and Specific)	-
Foreign exchange risk	1,791
Commodity risk	-
Options	-
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitisation	-
Total	1,791