

DOHA BANK (Q.P.S.C)

UAE Branches

PILLAR 3 REPORT

Quarter 2 - 2023

Table of Contents

Overview	3
Overview of Risk Management & RWAs	4
Capital Adequacy (KM1)	4
Overview of RWA (OV1)	6
Table Composition of Capital (CC1)	7
Table Composition of Capital (CC2)	8
Leverage Ratio (LR2)	9
Eligible Liquid Assets Ratio (ELAR)	10
Advances to Stable Resource Ratio (ASRR)	11
Credit Quality of Assets (CR1)	12
Standardized Approach - Credit Risk Exposures & CRM Impact (CR4)	12
Standardized Approach - Exposures by Asset Class & Risk Weights (CR5)	13
Market Risk - (MR1)	13

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 quarter ended 30 June 2023, 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/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 2022 and 2021, the Branches have complied in full with all its externally imposed capital requirements.

	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
	AED '000				
Available capital (amounts)					
1	177,248	177,248	177,248	280,207	280,206
1a					
2	177,248	177,248	177,248	280,207	280,206
2a					
3	195,524	194,679	193,267	296,983	298,195
3a					
Risk-weighted assets (amounts)					
4	1,575,407	1,507,955	1,395,694	1,456,873	1,554,899
Risk-based capital ratios as a percentage of RWA					
5	11.25%	11.75%	12.70%	19.23%	18.02%
5a					
6	11.25%	11.75%	12.70%	19.23%	18.02%
6a					
7	12.41%	12.91%	13.85%	20.38%	19.18%
7a					
Additional CET1 buffer requirements as a percentage of RWA					
8					
9					
10					
11					
12	1.91%	2.41%	3.35%	9.88%	8.68%
Leverage Ratio					
13	2,567,269	2,598,023	2,945,002	2,944,782	3,015,091
14	6.90%	6.82%	6.02%	9.52%	9.29%
14a					
14b					
ELAR					
21	567,915	710,122	486,687	412,537	502,554
22	2,493,138	2,886,992	2,133,023	1,917,956	2,112,908
23	22.78%	24.60%	22.82%	21.51%	23.78%
ASRR					
24	1,870,098	2,083,333	1,788,687	1,782,527	1,893,935
25	1,814,156	1,584,903	1,524,871	1,676,235	1,675,549
26	97.01%	76.08%	85.25%	94.04%	88.47%

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-23 AED '000	Mar-23 AED '000	at rate 10.50% AED '000
	a	b	c
	RWA		Minimum capital requirements
	T	T-1	T
1 Credit risk (excluding counterparty credit risk)	1,462,114	1,394,497	153,522
2 Of which: standardised approach (SA)	1,462,114	1,394,497	153,522
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)	-	-	-
7 Of which: standardised approach for counterparty credit risk			
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	212	376	22
21 Of which: standardised approach (SA)	212	376	22
22 Of which: internal models approach (IMA)			
23 Operational risk	113,083	113,083	11,874
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)	1,575,409	1,507,956	165,418

Counterparty credit risk is defined as the risk when a counterparty involved in an OTC transaction of the bank default on its contractual obligations. The counterparty credit risk arises from the derivatives portfolio (currency – 100%). The total derivatives portfolio of the bank as at JUN 2023 was of FX Forward Contracts with nominal value of AED 334.8Mn (March 2023 424.47 Mn). As a policy, the bank only deals with reputed corporates and investment grade banks for OTC transactions. Based on the NIL o/s and historical small portfolio of counterparties of the banks, which were investment grade banks, DBUAE determines the materiality of Counterparty Credit Risk to be VERY LOW.

Table: Composition of Capital CC1

	a
	Jun-23 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	(717,704)
Accumulated other comprehensive income (and other reserves)	(24,578)
Common share capital issued by third parties (amount allowed in group CET1)	
Common Equity Tier 1 capital before regulatory deductions	184,891
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)	26,132
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	7,643
Common Equity Tier 1 capital (CET1)	177,248
Additional Tier 1 capital: instruments	
Additional Tier 1 capital: regulatory adjustments	
Additional Tier 1 capital (AT1)	-
Tier 1 capital (T1= CET1 + AT1)	177,248
Tier 2 capital: instruments and provisions	
Tier 2 capital before regulatory adjustments	18,276
Tier 2 capital: regulatory adjustments	
Tier 2 capital (T2)	18,276
Total regulatory capital (TC = T1 + T2)	195,524
Total risk-weighted assets	1,575,409
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of risk-weighted assets)	11.25%
Tier 1 (as a percentage of risk-weighted assets)	11.25%
Total capital (as a percentage of risk-weighted assets)	12.41%
Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	1.91%

Table: Composition of Capital CC2

Dec-22 AED '000	a	b
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at period-end	As at period-end
Assets		
Cash and balances at central banks	251,560	251,560
Items in the course of collection from other banks	702,440	702,440
Trading portfolio assets	299,549	299,549
Financial assets designated at fair value		
Derivative financial instruments		
Loans and advances to banks		
Loans and advances to customers	1,040,106	1,040,106
Reverse repurchase agreements and other similar secured lending		
Available for sale financial investments (Includes FVOCI)		
Current and deferred tax assets	26,132	26,132
Prepayments, accrued income and other assets	6,634	6,634
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	13,012	13,012
Total assets	2,339,433	2,339,433
Liabilities		
Deposits from banks	537,480	537,480
Items in the course of collection due to other banks	425,375	425,375
Customer accounts	1,127,102	1,127,102
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	88,908	88,908
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	2,178,866	2,178,866
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)	(715,109)	(715,109)
Accumulated other comprehensive income	(24,323)	(24,323)
Total shareholders' equity	160,568	160,568

Leverage Ratio (LR2)

Leverage Position

		Jun-23	Mar-23
		AED '000	AED '000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	2,787,466	3,158,106
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)	2,787,466	3,158,106
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	313,557	343,928
20	(Adjustments for conversion to credit equivalent amounts)	(227,836)	(258,590)
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)	85,721	85,338
Capital and total exposures			
23	Tier 1 capital	177,247	177,247
24	Total exposures (sum of rows 7, 13, 18 and 22)	2,873,187	3,243,444
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	6.17%	5.46%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	CBUAE minimum leverage ratio requirement	3%	3%
27	Applicable leverage buffers		

Liquidity

Eligible Liquid Assets Ratio (ELAR)

This ratio indicates the bank ability to meet short-term liquidity requirements, this ratio must never be less than 10%.

	Jun-23 AED '000
High Quality Liquid Assets	Eligible Liquid Asset
Physical cash in hand at the bank + balances with the CBUAE	304,785
UAE Federal Government Bonds and Sukuks	197,270
Sub Total (1.1 to 1.2)	502,055
UAE local governments publicly traded debt securities	47,495
UAE Public sector publicly traded debt securities	-
Sub Total (1.3 to 1.4)	47,495
Foreign Sovereign debt instruments or instruments issued by their respective central banks	18,365
Total	567,915
Total liabilities	2,493,138
Eligible Liquid Assets Ratio (ELAR)	0.23

Advances to Stables Resource Ratio (ASRR)

This ratio is the percentage of the total advances being funded by stable resources and must not exceed 100%.

	Items	Jun-23
1	Computation of Advances	AED '000
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,325,242
1.2	Lending to non-banking financial institutions	86,809
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	32,600
1.4	Interbank Placements	369,505
1.5	Total Advances	1,814,156
2	Calculation of Net Stable Resources	
2.1	Total capital + general provisions	233,959
	Deduct:	
2.1.1	Goodwill and other intangible assets	
2.1.2	Fixed Assets	12,450
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	12,450
2.2	Net Free Capital Funds	221,509
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	404,029
2.3.3	Refinancing of Housing Loans	
2.3.4	Borrowing from non-Banking Financial Institutions	210,472
2.3.5	Customer Deposits	1,034,088
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
2.3.7	Total other stable resources	1,648,589
2.4	Total Stable Resources (2.2+2.3.7)	1,870,098
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	97.01

Credit Quality of Assets (CR1)

Jun-23 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		Net values (a+b-c)	
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
Loans	111,707	1,710,558		82,744	11,183	1,822,265	
Debt securities	-	300,039		-	233	300,039	
Off-balance sheet exposures	-	312,437		51,077	119	312,437	
Total	111,707	2,323,034		133,821	11,535	2,434,741	

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

The Branch is implementing the regulations of the U.A.E. Central Bank along with the standards of the group, 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-23 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
1	Sovereigns and their central banks	725,947		725,947		28,459	2%
2	Public Sector Entities						
3	Multilateral development banks	425,916	173,792	425,916	84,150	242,526	17%
4	Banks						
5	Securities firms						
6	Corporates	1,092,269	139,765	1,094,909	1,570	931,821	64%
7	Regulatory retail portfolios	490		490		-245	0%
8	Secured by residential property	18,219		18,219		6,377	0%
9	Secured by commercial real estate	93,295		93,295		93,295	6%
10	Equity Investment in Funds (EIF)						
11	Past-due loans	111,707		94,308		108,648	7%
12	Higher-risk categories						
13	Other assets	319,623		319,623		51,234	4%
14	Total	2,787,466	313,557	2,772,708	85,720	1,462,114	100%

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

Jun-23 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										
1	Sovereigns and their central banks	697,488					28,459			725,947
2	Public Sector Entities									0
3	Multilateral development banks						1,835			1,835
4	Banks				366,781		57,300			424,081
5	Securities firms									0
6	Corporates	239,163					539,320	152,148	164,278	1,094,909
7	Regulatory retail portfolios					490				490
8	Secured by residential property			18,219						18,219
9	Secured by commercial real estate						93,295			93,295
10	Equity Investment in Funds (EIF)									0
11	Past-due loans						65,629	28,679		94,308
12	Higher-risk categories									0
13	Other assets	296,123					5,011		18,489	319,623
14	Total	1,232,774	-	18,219	366,781	490	790,850	180,827	182,767	2,772,708

Table: MR1

RWA	Jun-23
	AED '000
General Interest rate risk (General and Specific)	-
Equity risk (General and Specific)	-
Foreign exchange risk	212
Commodity risk	-
Options	-
Simplified approach	-
Delta-plus method	-
Scenario approach	-
Securitisation	-
Total	212