

DOHA BANK (Q.P.S.C)

UAE Branches

PILLAR 3 REPORT

Quarter 3 - 2023

Table of Contents

Overview	3
Overview of Risk Management & RWAs	4
Capital Adequacy (KM1)	4
Overview of RWA (OV1)	6
Leverage Ratio (LR2)	7
Eligible Liquid Assets Ratio (ELAR)	8
Advances to Stable Resource Ratio (ASRR)	9

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 September 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.

	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
	AED '000	AED '000	AED '000	AED '000	AED '000
Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	177,248	177,248	177,248	280,207
1a	Fully loaded ECL accounting model				
2	Tier 1	177,248	177,248	177,248	280,207
2a	Fully loaded ECL accounting model Tier 1				
3	Total capital	194,049	195,524	194,679	296,983
3a	Fully loaded ECL accounting model total capital				
Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,459,178	1,575,407	1,507,955	1,395,694
Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	12.15%	11.25%	11.75%	12.70%
5a	Fully loaded ECL accounting model CET1 (%)				
6	Tier 1 ratio (%)	12.15%	11.25%	11.75%	12.70%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)				
7	Total capital ratio (%)	13.30%	12.41%	12.91%	13.85%
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) (%)				
9	Countercyclical buffer requirement (%)				
10	Bank D-SIB additional requirements (%)				
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)				
12	CET1 available after meeting the bank's minimum capital requirements (%)	2.80%	1.91%	2.41%	3.35%
Leverage Ratio					
13	Total leverage ratio measure	2,339,433	2,567,269	2,598,023	2,945,002
14	Leverage ratio (%) (row 2/row 13)	7.58%	6.90%	6.82%	6.02%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)				
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)				
Liquidity Coverage Ratio					
15	Total HQLA				NIL
16	Total net cash outflow				
17	LCR ratio (%)				
Net Stable Funding Ratio					
18	Total available stable funding				NIL
19	Total required stable funding				
20	NSFR ratio (%)				
ELAR					
21	Total HQLA	551,012	567,915	710,122	486,687
22	Total liabilities	2,590,363	2,493,138	2,886,992	2,133,023
23	Eligible Liquid Assets Ratio (ELAR) (%)	21.27%	22.78%	24.60%	22.82%
ASRR					
24	Total available stable funding	1978431	1,870,098	2083333	1,788,687
25	Total Advances	1,787,007	1,814,156	1,584,903	1,524,871
26	Advances to Stable Resources Ratio (%)	90.32%	97.01%	76.08%	85.25%

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.

		Sep-23	Jun-23	at rate 10.50%
		AED '000	AED '000	AED '000
		a	b	c
		RWA		Minimum capital requirements
		T	T-1	T
1	Credit risk (excluding counterparty credit risk)	1,344,097	1,462,114	141,130
2	Of which: standardised approach (SA)	1,344,097	1,462,114	141,130
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	1,998	212	210
21	Of which: standardised approach (SA)	1,998	212	210
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)	1,459,177	1,575,409	153,214

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 Sep 2023 was of FX Forward Contracts with nominal value of AED 240.3 Mn (Jun 2023: AED 334.8 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.

Leverage Ratio (LR2)

This ratio measures the risk-taking capacity of the bank dividing the Tier1 Capital by its exposure, minimum requirement is 3%

	Sep-23 AED '000	Jun-23 AED '000
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	2,866,949	2,787,467
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)	2,866,949	2,787,467
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	305,552	312,438
20 (Adjustments for conversion to credit equivalent amounts)	(220,270)	(227,836)
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)	85,282	84,602
Capital and total exposures		
23 Tier 1 capital	177,248	177,247
24 Total exposures (sum of rows 7, 13, 18 and 22)	2,952,231	2,872,069
Leverage ratio		
25 Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	6.00%	6.17%
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%.

		Sep-23 AED '000
1	High Quality Liquid Assets	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	340,931
1.2	UAE Federal Government Bonds and Sukuks	194,221
	Sub Total (1.1 to 1.2)	535,152
1.3	UAE local governments publicly traded debt securities	-
1.4	UAE Public sector publicly traded debt securities	-
	Sub total (1.3 to 1.4)	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	15,860
1.6	Total	551,012
2	Total liabilities	2,590,363
3	Eligible Liquid Assets Ratio (ELAR)	0.21

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	Sep-23
1	Computation of Advances	AED '000
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,318,567
1.2	Lending to non-banking financial institutions	86,905
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	32,600
1.4	Interbank Placements	348,935
1.5	Total Advances	1,787,007
2	Calculation of Net Stable Ressources	
2.1	Total capital + general provisions	210,576
	Deduct:	
2.1.1	Goodwill and other intangible assets	
2.1.2	Fixed Assets	11,963
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	11,963
2.2	Net Free Capital Funds	198,613
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	422,396
2.3.3	Refinancing of Housing Loans	
2.3.4	Borrowing from non-Banking Financial Institutions	173,909
2.3.5	Customer Deposits	1,183,513
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
2.3.7	Total other stable resources	1,779,818
2.4	Total Stable Resources (2.2+2.3.7)	1,978,431
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	90.32