

DOHA BANK (Q.P.S.C)

UAE Branches

PILLAR 3 REPORT

Quarter 1 - 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 quarter ended 31 March 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 Branches 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.

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

	Mar-22	Dec-21	Sep-21	Jun-21	Mar-21
	AED '000	AED '000	AED '000	AED '000	AED '000
Available capital (amounts)					
Common Equity Tier 1 (CET1)	280,207	280,206	416,637	416,637	416,637
Fully loaded ECL accounting model					
Tier 1	280,207	280,206	416,637	416,637	416,637
Fully loaded ECL accounting model Tier 1					
Total capital	299,251	300,705	439,073	441,034	441,044
Fully loaded ECL accounting model total capital					
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	1,637,589	1,784,336	1,926,190	2,083,237	2,083,003
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	17.11%	15.70%	21.63%	20.00%	20.00%
Fully loaded ECL accounting model CET1 (%)					
Tier 1 ratio (%)	17.11%	15.70%	21.63%	20.00%	20.00%
Fully loaded ECL accounting model Tier 1 ratio (%)					
Total capital ratio (%)	18.27%	16.85%	22.79%	21.17%	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 (%)	7.77%	6.35%	12.29%	10.67%	10.67%
Leverage Ratio					
Total leverage ratio measure	3,021,189	2,595,927	2,782,016	2,668,325	2,594,117
Leverage ratio (%) (row 2/row 13)	9.27%	10.79%	14.98%	15.61%	16.06%

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.

	Mar-22 AED '000	Dec-21 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)	1,523,485	1,639,930	159,966
Of which: standardised approach (SA)	1,523,485	1,639,930	159,966
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	21	14,010	2
Of which: standardised approach (SA)	21	14,010	2
Operational risk	114,083	130,396	11,979
Total (1+6+10+11+12+13+14+15+16+20+23)	1,637,589	1,784,336	171,947

Leverage Ratio (LR2)

Leverage Position

		Mar-22 AED '000	Dec-21 AED '000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,109,695	3,217,045
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)	3,109,695	3,217,045
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	415,452	250,150
20	(Adjustments for conversion to credit equivalent amounts)	(301,628)	(134,544)
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)	113,824	115,606
Capital and total exposures			
23	Tier 1 capital	280,206	280,206
24	Total exposures (sum of rows 7, 13, 18 and 22)	3,223,519	3,332,651
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.69%	8.41%
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)

	Mar-22 AED '000
High Quality Liquid Assets	Eligible Liquid Asset
Physical cash in hand at the bank + balances with the CBUAE	173,995
UAE Federal Government Bonds and Sukuks	102,072
Sub Total (1.1 to 1.2)	276,067
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	31,221
Total	307,288
Total liabilities	2,037,497
Eligible Liquid Assets Ratio (ELAR)	0.15

Advances to Stables Resource Ratio (ASRR)

Items	Mar-22
Computation of Advances	AED '000
Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,129,492
Lending to non-banking financial institutions	123,849
Net Financial Guarantees & Stand-by LC (issued - received)	32,660
Interbank Placements	241,433
Total Advances	1,527,434
Calculation of Net Stable Ressources	
Total capital + general provisions	430,357
Deduct:	
Goodwill and other intangible assets	
Fixed Assets	11,438
Funds allocated to branches abroad	
Unquoted Investments	
Investment in subsidiaries, associates and affiliates	
Total deduction	11,438
Net Free Capital Funds	418,919
Other stable resources:	
Funds from the head office	
Interbank deposits with remaining life of more than 6 months	330,570
Refinancing of Housing Loans	
Borrowing from non-Banking Financial Institutions	286,916
Customer Deposits	753,268
Capital market funding/ term borrowings maturing after 6 months from reporting date	
Total other stable resources	1,370,754
Total Stable Resources (2.2+2.3.7)	1,789,673
Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	85.35