بـــنـــك الـــدوحـــة
DOHA BANK

# DOHA BANK (Q.P.S.C)

# UAE Branches

## PILLAR 3 REPORT

### As of 31 December 2023

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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 31 December 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.

# Financial Position

In terms of the requirements of the Banks Act and Regulations relating to Banks, the financial results presented below have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued from time-to-time, with additional disclosures where required.

Branches of Foreign Banks operating in the UAE are required to publish Annual Financial Statements on their website together with the independent external auditor's opinion.

## Statement of Financial Position

The statement of Financial Position reflects what the branches owns, owes and the equity that is attributable to shareholders as at 31 December 2023.

| | **2023** | 2022 |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| **ASSETS** | | |
| Cash and balances with U.A.E. Central Bank | **610,301** | 251,560 |
| Due from Head Office and overseas branches | **167,293** | 4,434 |
| Due from Banks and other financial institutions | **590,097** | 698,006 |
| Acceptances | **238,745** | - |
| Loans and advances | **1,674,788** | 1,040,106 |
| Investment securities | **295,013** | 299,549 |
| Deferred tax asset | **857** | 26,132 |
| Property and equipment | **11,613** | 13,012 |
| Other assets | **9,225** | 6,634 |
| **TOTAL ASSETS** | **3,597,932** | 2,339,433 |
| | | |
| **LIABILITIES AND HEAD OFFICE EQUITY** | | |
| | | |
| **LIABILITIES** | | |
| Due to Head Office and overseas branches | **545,232** | 425,375 |
| Due to Banks and other financial institutions | **405,867** | 537,480 |
| Acceptances | **238,745** | - |
| Customers' deposits | **2,040,222** | 1,127,102 |
| Other liabilities | **133,622** | 88,908 |
| **TOTAL LIABILITIES** | **3,363,688** | 2,178,865 |
| | | |
| **HEAD OFFICE EQUITY** | | |
| Allocated capital | **1,150,000** | 900,000 |
| Statutory reserve | **2,595** | 2,595 |
| Fair Value reserve | **(28,486)** | (24,323) |
| Accumulated losses | **(889,865)** | (717,704) |
| **TOTAL HEAD OFFICE EQUITY** | **234,244** | 160,568 |
| | **3,597,932** | |
| **TOTAL LIABILITIES AND HEAD OFFICE EQUITY** | **1,150,000** | 2,339,433 |

## Statement of Profit or Loss

The income statement reflects the revenue generated by the branches as well as the costs incurred in generating that revenue for the year ended 31 December 2023.

| | ***2023*** ***AED ’000*** | 2022 AED ’000 |
|---|---|---|
| Interest income | **150,054** | 88,795 |
| Interest expense | **(111,134)** | (38,220) |
| **NET INTEREST INCOME** | **38,920** | 50,575 |
| Net fees and commission income | **10,894** | 8,395 |
| Other income | **22,029** | (9,124) |
| **OPERATING INCOME** | **71,843** | 49,846 |
| Staff Costs | **(9,729)** | (10,069) |
| Other Operating Expenses | **(14,044)** | (10,460) |
| Depreciation | **(1,888)** | (2,315) |
| **TOTAL OPERATING EXPENSES** | **(163,019)** | (22,844) |
| | **(188,680)** | |
| **OPERATING PROFIT FOR THE YEAR BEFORE PROVISION FOR IMPAIRMENT AND TAXATION** | **(116,837)** | 27,002 |
| Impairment allowance on loans and advances, net | **(30,232)** | (116,558) |
| Impairment reversal on other financial assets, net | **183** | 6,333 |
| **LOSS FOR THE YEAR BEFORE TAX** | **(146,886)** | (83,223) |
| Tax for the year | **(25,275)** | (114,134) |
| **LOSS FOR THE YEAR** | **(172,161)** | (197,357) |

# 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 Branch follows the standardized approach for Credit, Market and Operational risk, as permitted by the UAE Central Bank and as per Pillar 1 of Basel III

The following information is compiled in terms of the requirements of the Central Bank of the UAE as per Notice No. CBUAE/BSD/N/2020/66 dated 6 January 2020. This notice requires bank to implement the "Standards for Capital Adequacy of Banks in the UAE, December 2020"

| | | Dec-23<br>AED '000 | Sep-23<br>AED '000 | Jun-23<br>AED '000 | Mar-23<br>AED '000 | Dec-22<br>AED '000 |
|---|---|---|---|---|---|---|
| | **Available capital (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) | **262,730** | 177,248 | 177,248 | 177,248 | 177,248 |
| 1a | Fully loaded ECL accounting model | - | - | - | - | - |
| 2 | Tier 1 | **262,730** | 177,248 | 177,248 | 177,248 | 177,248 |
| 2a | Fully loaded ECL accounting model Tier 1 | - | - | - | - | - |
| 3 | Total capital | **281,779** | 194,049 | 195,524 | 194,679 | 193,267 |
| 3a | Fully loaded ECL accounting model total capital | - | - | - | - | - |
| | **Risk-weighted assets (amounts)** | | | | | |
| 4 | Total risk-weighted assets (RWA) | **1,638,514** | 1,459,178 | 1,575,409 | 1,507,956 | 1,395,694 |
| | **Risk-based capital ratios as a percentage of RWA** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | **16.03%** | 12.15% | 11.25% | 11.75% | 12.70% |
| 5a | Fully loaded ECL accounting model CET1 (%) | - | - | - | - | - |
| 6 | Tier 1 ratio (%) | **16.03%** | 12.15% | 11.25% | 11.75% | 12.70% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | - | - | - | - | - |
| 7 | Total capital ratio (%) | **17.20%** | 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 (%) | **6.70%** | 2.80% | 1.91% | 2.41% | 3.35% |
| | **Leverage Ratio** | | | | | |
| 13 | Total leverage ratio measure | **3,819,856** | 2,339,433 | 2,567,269 | 2,598,023 | 2,945,002 |
| 14 | Leverage ratio (%) (row 2/row 13) | **6.88%** | 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 | **897,969** | 551,012 | 567,915 | 710,122 | 486,687 |
| 22 | Total liabilities | **3,363,688** | 2,590,363 | 2,493,138 | 2,886,992 | 2,178,865 |
| 23 | Eligible Liquid Assets Ratio (ELAR) (%) | **26.70%** | 21.27% | 22.78% | 24.60% | 22.82% |
| | **ASRR** | | | | | |
| 24 | Total available stable funding | **2,637,449** | 1,978,431 | 1,870,098 | 2,083,333 | 1,788,687 |
| 25 | Total Advances | **2,152,651** | 1,787,007 | 1,814,156 | 1,584,903 | 1,524,871 |
| 26 | Advances to Stable Resources Ratio (%) | **81.62%** | 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.

# Risk Management Overview (OVA)

## Scope and Coverage

The ICAAP submission document has been prepared at both UAE branches level and bank-wide level, however, this document would focus on capital requirement at the Doha Bank branches in UAE (Hereinafter called as "DBUAE").

## Summary of Key Findings

The section below provides a brief of the key findings of the ICAAP study conducted by the bank for UAE operations. Section 2 onwards provides detailed analysis of the ICAAP study.

## Analysis of material risks, periodic monitoring and reporting

The Bank periodically identifies key risk events, which may significantly impair Bank's UAE operations ability to achieve its strategic objectives. Based on the impact of the events, their likelihood of occurrence and the existing controls, the Bank identifies the level of material risks in the form of high, medium, and low risks.

Based on its study the following table provides a summary of material risks:

| Risk Type | Materiality |
|---|---|
| **Credit Risk** | **High** |
| **Market Risk** | **Low** |
| **Operational Risk** | **Low** |
| **Credit Concentration Risk** | **Medium** |
| **Liquidity Risk** | **Low** |
| **Interest Rate Risk in the Banking Book** | **High** |
| **Reputation Risk** | **Very Low** |
| **Business & Strategic Risk** | **Very Low** |
| **Model Risk** | **Medium** |
| **Climate Risk** | **Low** |
| **ESG Risk** | **Low** |
| **Counterparty Credit Risk** | **Very Low** |

The Bank conducts review and monitoring of all risks and exposures on a periodic basis and assesses the materiality of each risk on a continuous basis. The bank has put in place strong risk management framework for the management of all material risks with periodic monitoring and reporting of the material risks to the Senior Management and the Board. The process is also carried out uniformly for DB UAE operations. The Bank has kept aside capital for risks identified during materiality assessment process which have potential to affect banks' ability to handle shocks during stress.

### Risk Governance Framework

The Bank has sound risk governance set-up, with clearly acknowledged roles and responsibilities allocated to each of its stakeholders. The Risk governance is split into Strategy level; Policy level and Operational level with all strategic directions received from the Board of Directors, policy level directions provided by the Management committees and operational level monitoring conducted by Risk management department. The Risk Management group of the bank continuously monitors risks and processes across the organization to identify, assess, measure, monitor, control and report on potential threats that could impact the achievement of Bank's strategic objectives. UAE branches have risk management personnel who report to Risk management group of the bank..

## Key Prudential Metrics and RWA (OV1)

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

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| | | Dec-23 AED '000 | Sep-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) | **1,523,960** | **1,344,096** | **160,016** |
| 2 | Of which: standardised approach (SA) | 1,523,960 | 1,344,096 | 160,016 |
| 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 | **1,471** | **1,999** | **154** |
| 21 | Of which: standardised approach (SA) | 1,471 | 1,999 | 154 |
| 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)** | **1,638,513** | **1,459,177** | **172,044** |

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 Dec 2023 was of FX Forward Contracts with nominal value of AED 385.66 Mn (PY: AED 277.28 Mn). As a policy, the bank only deals with reputed corporates and investment grade banks for OTC transactions (Cleared SWAPs only).

Based on historical small FX interbank portfolio of counterparties of the banks, which were investment grade banks, and Cleared SWAP book, DBUAE determines the materiality of Counterparty Credit Risk to be VERY LOW.

## Linkage Between Financial Statements and Regulatory Exposures (LI2)

| | a | b | c | d | e |
|---|---|---|---|---|---|
| | | **Items subject to:** | | | |
| | **Total** | **Credit risk framework** | **Securitisation framework** | **Counterparty credit risk framework** | **Market risk framework** |
| **Asset carrying value amount under scope of regulatory consolidation (as per template LI1)** | **3,597,932** | 3,597,932 | | | |
| Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1) | **3,597,932** | | | | |
| Total net amount under regulatory scope of consolidation | - | | | | |
| Off-balance sheet amounts | **308,431** | 308,431 | | | |
| *Differences in valuations* | - | | | | |
| *Differences due to different netting rules, other than those already included in row 2* | | | | | |
| *Differences due to consideration of provisions* | | | | | |
| *Differences due to prudential filters* | | | | | |
| **Exposure amounts considered for regulatory purposes** | | | | | |

## Composition of Capital

### Capital Allocation

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.

## Table: Composition of Capital CC1

| | a |
|---|---|
| | **Dec-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 | **(889,865)** |
| Accumulated other comprehensive income (and other reserves) | **(4,163)** |
| Common share capital issued by third parties (amount allowed in group CET1) | **-** |
| **Common Equity Tier 1 capital before regulatory deductions** | **262,730** |
| **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) | **-** |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | **-** |
| **Common Equity Tier 1 capital (CET1)** | **262,730** |
| **Additional Tier 1 capital: instruments** | |
| **Additional Tier 1 capital: regulatory adjustments** | |
| **Additional Tier 1 capital (AT1)** | **-** |
| Tier 1 capital (T1= CET1 + AT1) | 262,730 |
| **Tier 2 capital: instruments and provisions** | |
| **Tier 2 capital before regulatory adjustments** | **19,049** |
| **Tier 2 capital: regulatory adjustments** | |
| **Tier 2 capital (T2)** | **19,049** |
| **Total regulatory capital (TC = T1 + T2)** | **281,779** |
| **Total risk-weighted assets** | **1,638,513** |
| **Capital ratios and buffers** | |
| **Common Equity Tier 1 (as a percentage of risk-weighted assets)** | **16.03%** |
| **Tier 1 (as a percentage of risk-weighted assets)** | **16.03%** |
| **Total capital (as a percentage of risk-weighted assets)** | **17.20%** |
| **Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.** | **6.70%** |

## Table: Composition of Capital CC2

| Dec-23<br>AED '000 | a<br>Balance sheet as in published financial statements<br>As at period-end | b<br>Under regulatory scope of consolidation<br>As at period-end |
|---|---|---|
| **Assets** | | |
| Cash and balances at central banks | 610,301 | 610,301 |
| Items in the course of collection from other banks | 757,390 | 757,390 |
| Trading portfolio assets | 295,013 | 295,013 |
| Financial assets designated at fair value | | |
| Derivative financial instruments | | |
| Loans and advances to banks | | |
| Loans and advances to customers | 1,674,788 | 1,674,788 |
| Reverse repurchase agreements and other similar secured lending | | |
| Available for sale financial investments (Includes FVOCI) | | |
| Current and deferred tax assets | 857 | 857 |
| Prepayments, accrued income and other assets | 247,969 | 247,969 |
| 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 | 11,614 | 11,614 |
| **Total assets** | 3,597,932 | 3,597,932 |
| **Liabilities** | | |
| Deposits from banks | 405,867 | 405,867 |
| Items in the course of collection due to other banks | 545,232 | 545,232 |
| Customer accounts | 2,040,222 | 2,040,222 |
| 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 | 372,367 | 372,367 |
| 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** | 3,363,688 | 3,363,688 |
| **Shareholders' equity** | | |
| Paid-in share capital | 1,150,000 | 1,150,000 |
| Of which: amount eligible for CET1 | | |
| Of which: amount eligible for AT1 | | |
| Retained earnings (incl. statutory reserves) | (887,270) | (887,270) |
| Accumulated other comprehensive income | (28,486) | (28,486) |
| **Total shareholders' equity** | 234,244 | 234,244 |

In 2023 the paid-up capital increased by AED 250Mn as our HO injected funds to strengthen our financial position and drive investment growth.

# Leverage Ratio (LR2)

## Leverage Position

| | | Dec-23 AED '000 | Sep-23 AED '000 |
|---|---|---|---|
| **On-balance sheet exposures** | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 3,640,799 | 2,866,949 |
| 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)** | 3,640,799 | 2,866,949 |
| **Derivative exposures** | | | |
| 8 | Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | | |
| 9 | Add-on amounts for PFE associated with *all* 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 | 308,431 | 305,552 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (221,924) | (220,270) |
| 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)** | **86,507** | 85,282 |
| **Capital and total exposures** | | | |
| 23 | **Tier 1 capital** | 262,730 | 177,248 |
| 24 | **Total exposures (sum of rows 7, 13, 18 and 22)** | **3,727,306** | 2,952,231 |
| **Leverage ratio** | | | |
| 25 | **Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)** | **7.05%** | 6.00% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) | | |
| 26 | CBUAE minimum leverage ratio requirement | **3.00%** | 3.00% |
| 27 | **Applicable leverage buffers** | | |

# Liquidity Risk (LIQA)

## Stressed Scenario based Approach

Bank has analyzed the multiple liquidity risk indicators to assess the Bank's liquidity risk and determine capital charge which includes maturity gaps up to 6 months, Lending to Stable Resource Ratio, HQLA to Total Deposits Ratio, Top 20 customer deposits to Total Customer Deposits and Eligible Liquid Asset Ratio. The Bank has been maintaining all liquidity indicators at comfortable levels and above limits, except for high top 20 deposits concentration ratio for which bank is maintaining HQLA to total deposit ratio of above 50%. Also, no shortfall in liquidity was experienced in the past, therefore no additional capital is required. However, liquidity risk is inherent in bank's operation, hence the Bank has kept aside capital charge for possible liquidity risk from market stress scenarios being a conservative approach for increased cost of funding on the different funding sources.

It is however possible that despite all the prudential and internal liquidity management measures being in place, temporary pressures on liquidity may arise from unexpected developments, either internal or from external factors affecting the bank specifically or the financial market as a whole. It is in the backdrop that the bank has developed Contingency Funding Plan to respond to situations beyond bank's control and perform stress tests on liquidity position of the bank based on extreme scenarios from time to time to assess liquidity risk proactively and take timely decision.

## Management of Liquidity Risk

The responsibility for liquidity risk management rests with the board of directors along with the executive management of the bank. The bank has a liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Asset and Liability committee sets the broad framework, which includes the Liquidity risk management policy, Contingency funding plan that guide the Treasury to operate effectively and to enable the bank to be able to meet its financial commitments.

DB UAE in coordination with HO treasury manages the liquidity risk and is working towards diversifying deposit base of the bank. The DB UAE has support from its HO for meeting any obligations towards its customers. The Bank carries good ratings and its assets are well collateralized and its exposure to real estate is low.

For liability concentration risk, DB UAE is working towards diversifying its deposits book. Nonetheless, the DB UAE monitors the Liability Concentration Risk via UAE ALCO and on a weekly basis circulates the results to the Head Office. DB UAE remains in touch with its depositors whose deposits are maturing soon to manage the funds at lowest possible cost at required time. It endeavors to manage the liquidity requirements independently without undue support from HO. DB UAE has identified this risk as one of the major risks and taken a Pillar 2 charge on capital.

While noting current liquidity risk framework, existing controls, and HO support, HQLA base and liquidity gaps, Bank has determined the level of liquidity risk to be LOW.

# Liquidity

## Eligible Liquid Assets Ratio (ELAR)

| | | Dec-23<br>AED '000 |
|---|---|---|
| **1** | **High Quality Liquid Assets** | **Eligible Liquid Asset** |
| 1.1 | Physical cash in hand at the bank + balances with the CBUAE | 610,302 |
| 1.2 | UAE Federal Government Bonds and Sukuks | 269,759 |
| | Sub Total (1.1 to 1.2) | **880,061** |
| 1.3 | UAE local governments publicly traded debt securities | - |
| 1.4 | UAE Public sector publicly traded debt securities | - |
| | Subtotal (1.3 to 1.4) | **-** |
| 1.5 | Foreign Sovereign debt instruments or instruments issued by their respective central banks | 17,908 |
| **1.6** | **Total** | **897,969** |
| **2** | Total liabilities | **3,353,900** |
| **3** | **Eligible Liquid Assets Ratio (ELAR)** | **0.27** |

## Advances to Stables Resource Ratio (ASRR)

| **Items** | **Dec-23** |
|---|---|
| **Computation of Advances** | **AED '000** |
| Net Lending (gross loans - specific and collective provisions + interest in suspense) | 1,699,232 |
| Lending to non-banking financial institutions | 71,884 |
| Net Financial Guarantees & Stand-by LC (issued - received) | 32,600 |
| Interbank Placements | 348,935 |
| **Total Advances** | **2,152,651** |
| **Calculation of Net Stable Ressources** | |
| Total capital + general provisions | 303,199 |
| **Deduct:** | |
| Goodwill and other intangible assets | |
| Fixed Assets | 11,614 |
| Funds allocated to branches abroad | |
| Unquoted Investments | |
| Investment in subsidiaries, associates and affiliates | |
| **Total deduction** | **11,614** |
| **Net Free Capital Funds** | **291,585** |
| **Other stable resources:** | |
| Funds from the head office | |
| Interbank deposits with remaining life of more than 6 months | 440,761 |
| Refinancing of Housing Loans | |
| Borrowing from non-Banking Financial Institutions | 808,747 |
| Customer Deposits | 1,096,356 |
| Capital market funding/ term borrowings maturing after 6 months from reporting date | |
| **Total other stable resources** | **2,345,864** |
| **Total Stable Resources (2.2+2.3.7)** | **2,637,449** |
| **Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)** | **81.62** |

# Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Branches manage credit risk by setting limits for individual borrowers and Branches of borrowers and for geographical and industry segments. The Branches also monitor credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Branches obtain security where appropriate; enter into master netting arrangements and collateral arrangements with counterparties and limits the duration of exposures.

The maximum exposure to credit risk, as at the reporting date, is represented by the carrying amount of each financial asset in the statement of financial position.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Branches' performance to developments affecting a particular industry or geographic location.

The Head Office has an internal committee which is composed of competent professional staff responsible for the study and evaluation of the existing credit facilities of each customer of the Bank. This committee is required to identify any abnormal situations and difficulties associated with a customer's position, which might cause the debt to be classified as irregular, and to determine an appropriate provisioning level.

## Credit Assessment Process

The Bank has a detailed due diligence process wherein review of each corporate facility is undertaken by the RMs and Senior RMs of the respective business unit which is independently reviewed by the Credit Risk Management department. Some of the analysis conducted as a part of due diligence includes but not limited to:

Credit assessment of the obligor's industry & macroeconomic factors.
The purpose of credit and source of repayment.
The track record/ repayment history of the obligor.
The repayment capacity of the borrower.
The proposed terms, conditions, and covenants.
Adequacy and enforceability of collaterals
Approval from various internal committees within the bank based on the delegation of authority

The term sheet is proposed by the Credit Risk Management, as per delegation after the satisfactory completion of the due diligence process and approval from the appropriate authority. Post approval the customer is allowed to draw the facility when the customer complies with the terms indicated in the term sheet. For retail financing, the Bank approves financing based on online credit checks made through the Government's Central Credit Bureau, ensuring compliance with CBUAE/QCB guidelines on consumer credit and salary assignments by any employer of the applicants.

## Limits Structure

One of the key objectives of Credit Risk Management within the bank is to maintain the exposures within the risk appetite limits established and approved by the Board of Directors. This cover:

Group and Single obligor limits
Sector Limits
Regulatory limits
Concentration limits

Exposures are regularly monitored against the limits set and any excess over limits are reported for necessary management action.

## Credit Monitoring

All facilities are reviewed at least annually. Moreover, the relationship managers or senior relationship managers closely monitor the customers and any indication of deterioration of the credit quality of the customer triggers additional reviews. The monitoring process includes:

Keeping a track of the obligor’s exposure within the credit limits and terms & conditions,
Identifying early signs of irregularity like a DPD analysis and other warning signals
Conducting periodic monitoring of collateral coverage
Monitoring timely repayments

## Portfolio Level Reporting

The Credit Risk Department produces monthly portfolio reports that reflect including but not limited to exposure to watch list accounts, NPL by exposures, DPD status, recovery reports etc. These reports are circulated to the MCC for assessing the portfolio quality, necessary risk mitigation plans can be implemented wherever required. At least quarterly, the Credit Risk Department at Head office produces reports on high-risk areas in the portfolio, management action to mitigate the risks, asset quality, portfolio concentration and presents to Audit, Risk & Compliance Committee for review.

## Stress Testing

The Credit Risk management also performs bank wide semi-annual regulatory stress testing as suggested by regulatory guidelines. Credit risk stress testing is one of the risk management tools that the bank uses for measurement and monitoring of credit risk within the Bank. Stress tests are performed based on both regulatory stress testing scenarios and internal stress tests. The Credit Risk Management continuously monitors the outcome of stress testing and any necessary management actions are taken for envisaged considered highly probable.

Going forward, as the bank has implemented rating models for its corporate portfolio; the Bank has plans in the future to adopt Foundation IRB approach for the measurement and quantification of credit risk capital requirements as the advanced approaches to credit risk will provide a more accurate estimate of capital requirement for credit exposures.

## Materiality

Based on the assessment of Credit Risk and the credit risk management framework in place, the Bank has determined the level of credit risk to be HIGH.

## Credit Quality of Assets (CR1)

| 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 | 44,885 | 1,671,566 | | 23,241 | 18,422 | 1,716,451 |
| Debt securities | - | 295,013 | | - | 40 | 295,013 |
| Off-balance sheet exposures | 71,877 | 236,554 | | 56,020 | 189 | 308,431 |
| **Total** | **116,762** | **2,203,133** | | **79,261** | **18,651** | **2,319,895** |

## Additional Details for Credit Quality of Exposures (CRB)

### Credit-impaired financial assets

At each reporting date, the Branches assess whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Branches on terms that the Branches would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- Write-off of loans and advances to customers

### Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment data where available.

LGD is the magnitude of the likely loss if there is a default. The Branches estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD estimates consider the forecasted collateral value and recovery costs of any collateral that is integral to the financial asset.

EAD – EAD represents the expected exposure in the event of a default. The Branches derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. EAD is determined by the exposure at reporting date.

***The analysis by economic segment is as follows;***

| | Dec-23 AED '000 | Dec-22 AED '000 |
|---|---|---|
| Wholesale and Retail trade | 350,000 | 548,590 |
| Services | 759,997 | 67,180 |
| Construction | 214,699 | 88,094 |
| Transport and Telecommunication | 146,654 | 184,102 |
| Personal Loans | 16,180 | 227,242 |
| Manufacturing | 83,838 | 23,881 |
| Government | 145,083 | - |
| | **1,716,451** | 1,139,089 |

***The analysis by geographical area is as follows;***

| | Dec-23 AED '000 | Dec-22 AED '000 |
|---|---|---|
| Within UAE | 975,485 | 667,834 |
| Outside UAE | 740,966 | 471,255 |
| | **1,716,451** | 1,139,089 |

## 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.

| AED '000 | a | b | c | d | e | f |
|---|---|---|---|---|---|---|
| | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
| Asset classes | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| Sovereigns and their central banks | 1,033,812 | - | 1,033,812 | - | 1,033,812 | - |
| Public Sector Entities | - | - | - | - | - | - |
| Multilateral development banks | - | - | - | - | - | - |
| Banks | 1,404,171 | 175,045 | 1,579,216 | 369,137 | 1,404,171 | 736,098 |
| Securities firms | - | - | - | - | - | - |
| Corporates | 777,422 | 133,138 | 910,560 | 360,185 | 780,108 | 419,923 |
| Regulatory retail portfolios | 217 | - | 217 | - | 217 | 163 |
| Secured by residential property | 15,826 | - | 15,826 | - | 15,826 | 5,539 |
| Secured by commercial real estate | 93,930 | - | 93,930 | - | 93,930 | 93,930 |
| Equity Investment in Funds (EIF) | - | - | - | - | - | - |
| Past-due loans | 44,885 | - | 21,645 | - | 21,645 | 21,645 |
| Higher-risk categories | - | - | - | - | - | - |
| Other assets | 270,536 | - | 270,536 | - | 270,536 | 246,662 |
| **Total** | **3,640,799** | **308,183** | **3,925,743** | **729,322** | **3,620,245** | **1,523,960** |

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

| AED ' 000 | a | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|---|
| Risk weight / Asset classes | 0% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total credit exposures amount (post CCF and post-CRM) |
| Sovereigns and their central banks | 1,033,812 | - | - | - | - | - | - | - | **1,033,812** |
| Public Sector Entities | - | - | - | - | - | - | - | - | **-** |
| Multilateral development banks | - | - | - | - | - | - | - | - | **-** |
| Banks | - | - | - | 994,887 | - | 381,405 | 27,878 | - | **1,404,171** |
| Securities firms | - | - | - | - | - | - | - | - | **-** |
| Corporates | - | - | - | - | - | 777,422 | - | - | **777,422** |
| Regulatory retail portfolios | - | - | - | - | 217 | - | - | - | **217** |
| Secured by residential property | - | - | 15,826 | - | - | - | - | - | **15,826** |
| Secured by commercial real estate | - | - | - | - | - | 93,930 | - | - | **93,930** |
| Equity Investment in Funds (EIF) | - | - | - | - | - | - | - | - | **-** |
| Past-due loans | - | - | - | - | - | 44,885 | - | - | **44,885** |
| Higher-risk categories | - | - | - | - | - | - | - | - | **-** |
| Other assets | 25,160 | - | - | - | - | 244,520 | - | 857 | **270,536** |
| **Total** | **1,058,971** | **-** | **15,826** | **994,887** | **217** | **1,542,162** | **27,878** | **857** | **3,640,799** |

# Market Risk

Market risk is defined as the risk of losses in on and off balance-sheet positions arising from movements in market prices. The risks comprising market risk include:

- Risks pertaining to changes in interest rate related instruments and equity, which are subject to market risk capital computation.
- Foreign exchange risk and commodities risk throughout the bank.

## Identification and Assessment of Market Risk

The various components of the market risks at the DB UAE are addressed to as under:

## Monitoring of Equity and Commodity Risk:

Investment activities of Doha Bank are centralized at Head office. Head office takes all the decisions in terms of equity investments through Investment committee. International operations are not permitted to maintain their independent investment portfolios in equity and commodities and do not have any as on date. Market risk for equity and commodity investment portfolio is measured and monitored at Head office and shared with Investment committee of the bank. Since there is no independent investment activity at the DB UAE, no market risk measurement reporting happens at DB-UAE level.

## Monitoring of interest rate risk in Fixed income securities:

The interest rate risk on the security is measured and monitored by Market and Liquidity Risk Department (MLRD) centralized in the HO and updated the management on weekly basis in Investment committee. Since FVOCI as at Dec 2023 was 8.20% of total assets (PY: 12.81%) and constitute the total investment book, the bank has not taken market risk charge for investment within the overall market risk weighted assets.

## Monitoring of Foreign Currency Risk:

## Currency open positions:

Doha Bank monitors its currency open positions at Head office level. Bank has limits on currency positions and these limits are monitored on consolidated basis at Head office level along with monitoring the NOP of the branches separately. Besides this, various stress tests are also conducted at Head Office to find out the impact of unfavorable movements of currency open position on bank's profitability.

## Trading positions:

Bank, through its Treasury and Investment manual, has permitted Head office and DB UAE to undertake proprietary trading of currencies. The risk in this activity is monitored/controlled through limits. The limits levied on this activity include stop loss limits, exposure per currency, exposure per trade, overall exposure limits etc. The limits monitoring happens at Head Office Market and Liquidity Risk Department (MLRD) for proprietary trading at HO as well as DB UAE Treasury Department.

## Limits Structure

The bank has an approved limit structure comprising of exposure, stop loss and risk limits for its trading and Foreign exchange exposures. The limits are monitored by Market and Liquidity Risk Department (MLRD) on daily basis. Limit breaches are reported by the Market and Liquidity Risk Department (MLRD) to the senior management and appropriate action is taken.

## Materiality

Considering the current portfolios exposure to Market risk and the Market risk management framework in place, the Bank has determined the level of market risk to be LOW.

## Market Risk: Risk Weighted Assets

| Market Risk: Risk Weighted Assets | Dec-23 AED '000 | Dec-22 AED '000 |
|---|---|---|
| **Risk Weighted Assets** | | |
| Outright Products | - | - |
| - *Interest rate risk* | - | - |
| - *Equity risk* | - | - |
| - *Foreign exchange risk* | 1,471 | 95 |
| - *Commodity risk* | - | - |
| Options | - | - |
| - *Simplified approach* | - | - |
| - *Delta-plus method* | - | - |
| - *Scenario approach* | - | - |
| - *Securitisation* | - | |
| | **1,471** | 95 |

## Table: MR1

| RWA | Dec-23 AED '000 |
|---|---|
| General Interest rate risk (General and Specific) | - |
| Equity risk (General and Specific) | - |
| Foreign exchange risk | 1,471 |
| Commodity risk | - |
| Options | - |
| Simplified approach | - |
| Delta-plus method | - |
| Scenario approach | - |
| Securitisation | - |
| **Total** | **1,471** |

# Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is the exposure of a bank's financial condition to adverse movements in interest rates.

IRRBB poses risk to the net interest margin due to mismatch in the duration of asset and liabilities. If the banking book is negatively gapped, an increase in interest rate will pose risk on the net interest margin whereas in case of a positively gapped banking book a decrease in the interest rate will pose risk to the net interest income.

## Identification of Interest Rate Risk

The bank is exposed to interest rate risk because of:

- Timing mismatch in the maturity and re-pricing of assets, liabilities and off-balance sheet short and long term positions
- Change in slope and shape of the yield curve affecting the earnings of the bank
- Change in benchmark rate indexes not the same for assets and liabilities priced with different benchmark indices

## Management of IRRBB

## Board & Senior Management Oversight

The Board has the overall responsibility of Interest Rate risk in the banking book and has authorized the Asset Liability Committee (ALCO) of the bank to manage the same on a periodic basis. The ALCO is an executive committee and assists the BOD in fulfilling its responsibility to oversee the bank's Asset and Liability management functions. Interest rate risk is monitored at consolidated bank level. Total assets of the branches account circa 3.5% of total balance sheet size of Doha Bank, hence the activity is carried out at consolidated level. However, DB UAE has identified this risk as one of the major risks and taken a Pillar 2 charge on capital.

## Monitoring & Control

The Market and Liquidity Risk Department (MLRD) performs a monthly interest rate sensitivity analysis and reports the same to ALCO.

## Materiality

Considering the current IRRBB risk management framework in place and existing controls, the DB UAE considers level of interest rate risk to be High.

The following table reflect the effect of 25 basis points change in interest rates, with all other variables held constant on the profit and loss statement.

| | ***2023 AED '000*** | *2022 AED '000* |
|---|---|---|
| All Currencies | 1,020 | 489 |

## Table: Interest Rate Risk in Banking Book

| **In reporting currency (AED)** | **∆EVE** | | **∆NII** | |
|---|---|---|---|---|
| **Period** | **T** | **T-1** | **T** | **T-1** |
| Parallel up | (9,656) | | 13,564 | |
| Parallel down | (10,464) | | (13,564) | |
| Steepener | (12,468) | | | |
| Flattener | - | | | |
| Short rate up | (10) | | | |
| Short rate down | (11,363) | | | |
| **Maximum** | (12,468) | | | |
| **Period** | **31-Dec-23** | | **31-Dec-23** | |
| **Tier 1 capital** | 262,730 | | 262,730 | |

# Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes Legal risk but excludes strategic & reputational risk.

## Identification and Assessment of Operational Risk

The key sources of operational risk that the bank faces areas follow:

- **People** (including insufficient staff, inaccuracy/delay in performance; also related with training quality and the lack of procedures, scope and responsibility).
- **System** (including failure, system limitations, downtime, phishing, etc.)
- **Processes** (including breach of authority limits, lack of policies & procedures etc.)
- **External** (Vendors/ Cards Fraud /Phishing/Skimming)

The bank follows the Basic Indicator Approach for measurement of Operational risk capital charge the branches minimize actual or potential losses (including near misses) arising from operational risk failures and performs regular monitoring and control of the operational risk events. Risk Management Framework has comprehensive guidelines for the operational risk management at the branches. Additionally, internal operational risk department conducts reviews of DB UAE to identify, assesses and submits reports on these risks.

The operational risk function at the branches is managed in coordination with the centralized Operational Risk Department at Head Office. Operational Risk Department and the Operations & Technology Department at the Head Office set the necessary framework, guidelines and policies and procedures for management of operational risk at the branches. The branches receive regular support from its HO in developing its Business Continuity Plan, Gap Analysis etc. The branches operate hand in hand with HO in managing the Operational Risk. The branches has designated an Operational Risk Liaison Officer (ORLO) in each of the branches, with the responsibility to report operational loss events including near misses and potential losses. The Branches have Branch Management Committee (BMC) which is comprised of the Head of Branch, Head of Risk & Credit, Head of Business Development and the Head of Operations with minimum quorum of 3 and mandatory presence of Head of Risk & Credit at the Branch.

## Materiality

Considering the current operational risk management framework in place and existing controls, the Bank has determined the level of operational risk to be LOW.

| Operational Risk: Risk Weighted Assets | Dec-23 AED '000 | Dec-22 AED '000 |
|---|---|---|
| Risk Weighted Assets | | |
| *- Operational risk* | 113,083 | 114,083 |
| | **113,083** | **114,083** |

# Remuneration

## Pay Structure

It is the Bank's policy to have a pay structure that is most competitive to attract the finest quality of manpower locally or abroad and to retain qualified competent and experienced manpower. The Bank sets its salary and benefits schemes based on market practice by participating in salary surveys with other banks operating in UAE.

It is an expressed policy of the Bank to keep confidential, any information pertaining to salary and other emoluments. Staff are not permitted to discuss or disclose such information with colleagues within the Bank or to anybody else outside.

The pay structure of the Bank comprises of the following:

a) A pay band for each job grade with a “Minimum – Maximum” pay range.
b) The following are the job grades:

## Positions

Subordinate Staff (Messengers, Drivers, etc.)
Clerk
Senior Clerk / Secretary
Supervisor / Senior Secretary
Officer / Executive Secretary
Assistant Manager
Deputy Manager
Manager
Senior Manager
Executive Manager / Country Head

| | | a | b |
|---|---|---|---|
| **Remuneration Amount** | | **Senior Management** | **Other Material Risk-takers** |
| Fixed Remuneration | Number of employees | 1 | |
| | Total fixed remuneration (3 + 5 + 7) | **968** | |
| | Of which: cash-based | 968 | |
| | Of which: deferred | | |
| | Of which: shares or other share-linked instruments | | |
| | Of which: deferred | | |
| | Of which: other forms | | |
| | Of which: deferred | | |
| Variable Remuneration | Number of employees | | |
| | Total variable remuneration (11 + 13 + 15) | - | |
| | Of which: cash-based | | |
| | Of which: deferred | | |
| | Of which: shares or other share-linked instruments | | |
| | Of which: deferred | | |
| | Of which: other forms | | |
| | Of which: deferred | | |
| **Total Remuneration (2+10)** | | | |