

Q3-2023

Disclosure - Pillar 3



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About This Document

This document is published as a regulatory supplement with an objective of increasing transparency in financial disclosure of Bank Saderat Iran – UAE which is a licensed financial Institution in the United Arab Emirates.

Endorsed by

Head of Risk Management

Chief Financial Officer

Validated by

Head of Compliance

Reviewed by

Head of Internal Audit

BASEL III - PILLAR 3 Disclosure September 2023 - (3rd Quarter)

Acknowledged by

Risk Management Committee

Regional Manager



Background

The Pillar-3 disclosure document is prepared in line with the CBUAE Regulations on Capital Adequacy Standards and Guidance along with Notice 4980/2020. This included revised Standards and Guidance with respect to Pillar 3 – Market Disclosures. Further to this, Central Bank of the UAE provided explanatory notes and disclosure templates for Pillar 3 on 30th November 2021 as part of Notice 5508/2021 and 9th May 2022 Notice 2022/1887. The Standards prescribed the effective date of these disclosures to be 31st December 2021 and quarterly thereon.

Entity Name	Registered Office Address
Bank Saderat Iran (UAE) Foreign Branch	UAE Regional Office: Bank Saderat Iran Building, Al Maktoum Street, Deira , Dubai, U.A.E., P.O. Box 4182
Bank Saderat Iran	Head Office: Bank Saderat Iran No. 43 Sepher Tower, Somayeh Str. Tehran, Iran P.O Box 1571838713 Tel: 009821 84761

Bank Saderat Iran -UAE (BSI) operate in the UAE as a branch of a foreign bank, the consolidation is done around Bank Saderat Iran, UAE Branches only. Bank Saderat Iran is an Iranian Private Sector Bank, with majority shareholding of Private constituting 76.72%. Being a branch, capital requirements of the bank's UAE operations are provided by the Head Office (Bank Saderat Iran- Tehran, Iran) by way of capital funds. The UAE capital includes Head Office allocated capital funds, reserves and surplus, retained profits etc.

The internal controls around Pillar 3 reporting are listed below:

- Maker and Checker controls: The pillar 3 disclosure processes undergo four eyes principle (maker and checker control).



- Data reconciliation – Data taken from various sources are compared and reconciled with the financial statements, before using the same for compiling Pillar 3 disclosures.
- Validation and Reviews – Pillar 3 report undergoes several rounds of reviews by Risk, Finance and other relevant functions.
- Assurance Internal audit – Independent and objective assurance of disclosures in Pillar 3 report is provided by Internal Audit.



Overview of Risk Management, Key Prudential Metrics and RWA

Key Prudential Metrics (KM1)

This section describes Key prudential metrics related to regulatory capital, leverage ratio and liquidity standards which are included in this table.

		AED 000s				
		Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	495,013	483,644	462,141	445,186	448,941
1a	Fully loaded ECL accounting model	495,013	483,644	462,141	445,186	448,941
2	Tier 1	495,013	483,644	462,141	445,186	448,941
2a	Fully loaded ECL accounting model Tier 1	495,013	483,644	462,141	445,186	448,941
3	Total capital	542,861	534,698	510,533	492,071	494,611
3a	Fully loaded ECL accounting model total capital	542,861	534,698	510,533	492,071	494,611
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	3,838,554	4,094,591	3,882,744	3,764,523	3,666,025
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	12.90%	11.81%	11.90%	11.83%	12.25%
5a	Fully loaded ECL accounting model CET1 (%)	12.90%	11.81%	11.90%	11.83%	12.25%
6	Tier 1 ratio (%)	12.90%	11.81%	11.90%	11.83%	12.25%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	12.90%	11.81%	11.90%	11.83%	12.25%
7	Total capital ratio (%)	14.14%	13.06%	13.15%	13.07%	13.49%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.14%	13.06%	13.15%	13.07%	13.49%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.64%	2.56%	2.65%	2.57%	2.99%
	Leverage Ratio					
13	Total leverage ratio measure	5,985,188	6,605,956	6,458,256	6,505,270	6,540,310
14	Leverage ratio (%) (row 2/row 13)	8.27%	7.32%	7.16%	6.84%	6.86%



14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.27%	7.32%	7.16%	6.84%	6.86%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.27%	7.32%	7.16%	6.84%	6.86%
Liquidity Coverage Ratio						
15	Total HQLA	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflow	N/A	N/A	N/A	N/A	N/A
17	LCR ratio (%)	N/A	N/A	N/A	N/A	N/A
Net Stable Funding Ratio						
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR ratio (%)	N/A	N/A	N/A	N/A	N/A
ELAR						
21	Total HQLA	786,988	817,068	956,560	1,046,979	1,078,858
22	Total liabilities	4,231,907	4,575,809	4,421,630	4,544,671	4,541,349
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.60%	17.86%	21.63%	23.04%	23.76%
ASRR						
24	Total available stable funding	4,098,449	4,467,890	4,465,942	4,554,160	4,580,454
25	Total Advances	2,520,412	2,568,858	2,527,552	2,500,823	2,486,291
26	Advances to Stable Resources Ratio (%)	61.50%	57.50%	56.60%	54.91%	54.28%



Overview of RWA (OV1)

The purpose of this metrics is to provide an overview of total risk weighted assets.

		AED 000s		
		RWA		Minimum capital requirements
		Sep-23	Jun-23	Sep-23
1	Credit risk (excluding counterparty credit risk)	3,827,836	4,084,355	401,923
2	Of which: standardised approach (SA)	3,827,836	4,084,355	401,923
3				
4				
5				
6	Counterparty credit risk (CCR)	0	0	0
7	Of which: standardised approach for counterparty credit risk	0	0	0
8				
9				
10				
11				
12	Equity investments in funds - look-through approach	0	0	0
13	Equity investments in funds - mandate-based approach	0	0	0
14	Equity investments in funds - fall-back approach	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in the banking book	0	0	0
17				
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	0	0	0
19	Of which: securitisation standardised approach (SEC-SA)	0	0	0
20	Market risk	10,718	10,236	1,125
21	Of which: standardised approach (SA)	10,718	10,236	1,125
22				
23	Operational risk	0	0	0
24				
25				
26	Total (1+6+10+11+12+13+14+15+16+20+23)	3,838,554	4,094,591	403,048



Leverage ratio

This section reconciles total assets in the published financial statements to the leverage ratio exposure measure.

Leverage ratio common disclosure (LR2)

This table detailed breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

		AED 000s	
		Sep-23	Jun-23
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	5,941,259	6,560,675
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)	5,941,259	6,560,675
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 <i>assets</i> (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	108,368	111,260
20	(Adjustments for conversion to credit equivalent amounts)	(64,439)	(65,979)
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)	43,929	45,281
Capital and total exposures			
23	Tier 1 capital	495,013	483,644
24	Total exposures (sum of rows 7, 13, 18 and 22)	5,985,188	6,605,956
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.27%	7.32%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.27%	7.32%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	0.00%	0.00%



Liquidity

This section demonstrates the soundness of a bank's liquidity risk management framework and liquidity position.

Liquidity Coverage Ratio (LIQ1)

This table shows breakdown of a bank's cash outflows and cash inflows, as well as its available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity standard.

Not Applicable

BSI is measuring liquidity by calculating Eligible Liquid Ratio (ELAR), that is, an alternate approach for measuring liquidity instead of calculating Liquidity Coverage Ratio (LCR) as per Liquidity Risk Regulation of CBUAE 2015.



Eligible Liquid Assets Ratio (ELAR)

This table provides the breakdown of a bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

		AED 000s	
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	786,988	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	786,988	786,988
1.3	UAE local governments publicly traded debt securities	0	
1.4	UAE Public sector publicly traded debt securities	0	
	Subtotal (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	Total	786,988	786,988
2	Total liabilities		4,231,907
3	Eligible Liquid Assets Ratio (ELAR)		18.60%

Figures presented above are as averages of daily observations over the previous quarter, that is, the average calculated over a period of 90 days.



Advances to Stables Resource Ratio (ASRR)

This table provides breakdown of a bank's advances to Stables Resource ratio as per the Liquidity regulations.

	Items	AED 000s Amount
1	Computation of Advances	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	2,615,240
1.2	Lending to non-banking financial institutions	60,002
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-154,830
1.4	Interbank Placements	0
1.5	Total Advances	2,520,412
2	Calculation of Net Stable Resources	
2.1	Total capital + general provisions	1,774,866
	Deduct:	
2.1.1	Goodwill and other intangible assets	0
2.1.2	Fixed Assets	44,051
2.1.3	Funds allocated to branches abroad	0
2.1.5	Unquoted Investments	0
2.1.6	Investment in subsidiaries, associates and affiliates	0
2.1.7	Total deduction	44,051
2.2	Net Free Capital Funds	1,730,815
2.3	Other stable resources:	
2.3.1	Funds from the head office	0
2.3.2	Interbank deposits with remaining life of more than 6 months	86,500
2.3.3	Refinancing of Housing Loans	0
2.3.4	Borrowing from non-Banking Financial Institutions	0
2.3.5	Customer Deposits	2,281,134
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
2.3.7	Total other stable resources	2,367,634
2.4	Total Stable Resources (2.2+2.3.7)	4,098,449
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	61.50



End of Pillar III Disclosure – (Q3 – September 2023)