

**Q1-2022**

# 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**

## **March 2022 - (1<sup>st</sup> 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	<b>UAE Regional Office:</b> Bank Saderat Iran Building, Al Maktoum Street, Deira , Dubai, U.A.E., P.O. Box 4182
Bank Saderat Iran	<b>Head Office: Bank Saderat Iran</b> 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				
		Mar-22	Dec-21	Sep-21	Jun-21	Mar-21
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	436,120	461,469	481,157	510,968	539,212
1a	Fully loaded ECL accounting model	436,120	461,469	481,157	510,968	539,212
2	Tier 1	436,120	461,469	481,157	510,968	539,212
2a	Fully loaded ECL accounting model Tier 1	436,120	461,469	481,157	510,968	539,212
3	Total capital	482,208	510,300	530,202	560,926	589,504
3a	Fully loaded ECL accounting model total capital	482,208	510,300	530,202	560,926	589,504
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	3,700,877	3,918,129	3,938,915	4,029,784	4,033,231
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	11.78%	11.78%	12.22%	12.68%	13.37%
5a	Fully loaded ECL accounting model CET1 (%)	11.78%	11.78%	12.22%	12.68%	13.37%
6	Tier 1 ratio (%)	11.78%	11.78%	12.22%	12.68%	13.37%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	11.78%	11.78%	12.22%	12.68%	13.37%
7	Total capital ratio (%)	13.03%	13.02%	13.46%	13.92%	14.62%
7a	Fully loaded ECL accounting model total capital ratio (%)	13.03%	13.02%	13.46%	13.92%	14.62%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
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 (%)	2.53%	2.52%	2.96%	3.42%	4.12%
<b>Leverage Ratio</b>						
13	Total leverage ratio measure	5,716,421	5,762,570	5,738,080	5,879,668	6,074,108
14	Leverage ratio (%) (row 2/row 13)	7.63%	8.01%	8.39%	8.69%	8.88%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	7.63%	8.01%	8.39%	8.69%	8.88%



14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	7.63%	8.01%	8.39%	8.69%	8.88%
<b>Liquidity Coverage Ratio</b>						
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
<b>Net Stable Funding Ratio</b>						
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
<b>ELAR</b>						
21	Total HQLA	1,252,411	1,404,419	1,237,233	1,051,086	1,001,326
22	Total liabilities	4,907,066	5,024,368	4,917,945	4,819,264	4,919,277
23	Eligible Liquid Assets Ratio (ELAR) (%)	25.52%	27.95%	25.16%	21.81%	20.36%
<b>ASRR</b>						
24	Total available stable funding	4,739,079	5,092,229	4,903,763	5,012,613	4,943,003
25	Total Advances	2,469,335	2,465,316	2,463,092	2,472,827	2,528,162
26	Advances to Stable Resources Ratio (%)	52.11%	48.41%	50.23%	49.33%	51.15%



### 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
		Mar-22	Dec-21	Mar-22
1	Credit risk (excluding counterparty credit risk)	3,687,025	3,906,456	387,138
2	Of which: standardised approach (SA)	3,687,025	3,906,456	387,138
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	13,852	11,673	1,454
21	Of which: standardised approach (SA)	13,852	11,673	1,454
22				
23	Operational risk	0	0	0
24				
25				
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>3,700,877</b>	<b>3,918,129</b>	<b>388,592</b>



## 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	
		Mar-22	Dec-21
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	5,681,368	5,725,921
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	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>5,681,368</b>	<b>5,725,921</b>
<b>Derivative exposures</b>			
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	<b>Total derivative exposures (sum of rows 8 to 12)</b>	<b>-</b>	<b>-</b>
<b>Securities financing transactions</b>			
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	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	-	-
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	73,185	78,059
20	(Adjustments for conversion to credit equivalent amounts)	(38,132)	(41,410)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>35,053</b>	<b>36,649</b>
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	<b>436,120</b>	<b>469,469</b>
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>5,716,421</b>	<b>5,762,570</b>
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	7.63%	8.15%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.63%	8.15%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	<b>Applicable leverage buffers</b>	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	1,252,411	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	1,252,411	1,252,411
1.3	UAE local governments publicly traded debt securities	0	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (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	<b>Total</b>	<b>1,252,411</b>	<b>1,252,411</b>
2	Total liabilities		4,907,066
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>25.52%</b>

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
<b>1</b>		<b>Computation of Advances</b>	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	2,592,472
	1.2	Lending to non-banking financial institutions	94,029
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-217,166
	1.4	Interbank Placements	0
	<b>1.5</b>	<b>Total Advances</b>	<b>2,469,335</b>
<b>2</b>		<b>Calculation of Net Stable Resources</b>	
	2.1	Total capital + general provisions	1,876,465
		<b>Deduct:</b>	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	19,638
	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
	<b>2.1.7</b>	<b>Total deduction</b>	<b>19,638</b>
	<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>1,856,827</b>
	<b>2.3</b>	<b>Other stable resources:</b>	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	75,600
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	72,300
	2.3.5	Customer Deposits	2,734,352
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	<b>2.3.7</b>	<b>Total other stable resources</b>	<b>2,882,252</b>
	<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>4,739,079</b>
<b>3</b>		<b>Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)</b>	<b>52.11</b>



## End of Pillar III Disclosure – (Q1 – March 2022)