PILLAR 3 DISCLOSURES REPORT

For the year ended 31 December 2023

بنك دبي الإسلامي

Dubai Islamic Bank

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1. Overview and Introduction

This document (as 'Pillar III disclosures report'), in line with the requirements and guidelines of Central Bank of UAE (the 'CBUAE'), presents Pillar III disclosures of Dubai Islamic Bank PJSC including its banking subsidiaries (as the "Bank") and all other subsidiaries (as the "Group").

Pillar III report provides both qualitative and quantitative information about the risk profile of the Bank. It provides comprehensive information about the Group's regulatory and accounting reporting framework, respective numbers, linkages and variances under both frameworks. Pillar 3 report also provides in-depth information about the Group's regulatory capital structure, sources and its adequacy, risk exposures, Liquidity position, risk management objectives, policies and assessment processes.

Pillar 3 report is framed by the regulator in such a way that it provides information, to the users of this report, in a clear, concise, and consistent manner. Not only does it enable market users to access key information about the Group, but it also does that in a very transparent manner that can be easily compared with other market participants. However, the information in this report is supplementary in nature, therefore it is advised to read this report in conjunction with the published financial statements of the Group for the year ended 31 December 2023.

1.1. Basel Regulatory Framework

The Basel Regulatory Accord framework consists of the following three main pillars:

- Pillar I - defines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk.
- Pillar II - addresses the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") for assessing the overall capital adequacy in addition to Pillar I. Pillar II also introduces the Supervisory Review and Evaluation Process ("SREP"), which is used as a tool to assess the internal capital adequacy of banks; and
- Pillar III - complements the other two pillars and focuses on enhanced transparency in information disclosure, covering risk and capital management, including capital adequacy which encourages market discipline and allows market participants to assess specific information.

CBUAE has established regulatory thresholds for Common Equity Tier 1, Tier 1 and overall regulatory Capital.

- CET1 must be at least 7.0% of risk weighted assets (RWA).
- Tier 1 Capital must be at least 8.5% of RWA.
- Total Capital must be at least 10.5% of RWA.

On top of this minimum capital requirement, CBUAE has also mandated the Bank to keep additional buffers i.e., capital conservation buffer (CCB) of 2.5% of RWAs and D-SIB buffer is 0.5% of RWA.

1.2. Approach to Calculate Pillar I Risk Weighted Assets (RWA)

Credit Risk: The Bank uses the standardized approach to calculate RWA for credit risk. It uses risk weights to convert exposures into RWA as per the CBUAE guidelines for capital adequacy. Under this approach, the assets are classified into different asset types to enable better risk sensitivity.

Market risk: The Bank uses the standardized approach for computing regulatory market risk capital requirements.

Operational risk: The Bank uses the standardized approach for computing capital requirements for operational risk.

1.3. Implementation and Compliance of Basel Framework

The Bank has been in compliance with Basel Accord guidelines since December 2007, in accordance with CBUAE directives on the Standardised Approach for Credit, Market and Operational Risk.

In compliance with the CBUAE guidelines and Basel accords, these disclosures include information on the Bank's risk management objectives and policies, risk assessment processes and computation, capital management and capital adequacy.

Bank will ensure the smooth implementation of any forthcoming new guidelines and disclosure requirements from the regulator.

1.4. Internal Review & Verification

Pillar III disclosures report for the year ended 31 December 2023 has undergone several rounds of reviews by Finance and Risk functions. In addition, Group Internal Audit has provided independent and objective assurance of disclosures in Pillar III report.

2. Group Structure - Information on Subsidiaries and Significant Investments

Dubai Islamic Bank (Public Joint Stock Company) (the "Bank") was incorporated by an Amiri Decree issued on 29 Safar 1395 Hijri, corresponding to 12 March 1975 by His Highness, the Ruler of Dubai, to provide banking and related services based on Islamic Sharia'a principles. It was subsequently registered under the Commercial Companies Law number 8 of 1984 (as amended) as a Public Joint Stock Company. The Bank is listed on the Dubai Financial Market (Ticker: "DIB").

Below is the list of entities directly or indirectly held by the Bank in the form of subsidiaries. The Group is primarily engaged in corporate, retail and investment banking activities and carries out its operations through its local branches and overseas subsidiaries.

S. No.	Name of subsidiary *	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
				31 Dec 2023	31 Dec 2022
1	Dubai Islamic Bank Pakistan Ltd.	Banking	Pakistan	100.0%	100.0%
2	Noor Bank P.J.S.C.	Banking	U.A.E.	100.0%	100.0%
3	Tamweel P.S.C	Financing	U.A.E.	92.0%	92.0%
4	DIB Bank Kenya Ltd.	Banking	Kenya	100.0%	100.0%
5	Dubai Islamic Financial Services LLC.	Brokerage services	U.A.E.	99.0%	99.0%
6	Deyaar Development P.J.S.C.	Real estate development	U.A.E.	44.9%	44.9%
7	Dar Al Sharia Islamic Finance Consultancy LLC.	Islamic finance advisory	U.A.E.	100.0%	100.0%
8	Al Tanmyah Services LLC.	Labour services	U.A.E.	99.0%	99.0%
9	Al Tatweer Al Hadith Real Estate	Real estate development	Egypt	100.0%	100.0%
10	Al Tameer Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
11	Al Tanmia Modern Real Estate Investment	Real estate development	Egypt	100.0%	100.0%
12	Naseej Private Property Management Services	Property management	U.A.E.	99.0%	99.0%
13	Dubai Islamic Bank Printing Press L.L.C.	Printing	U.A.E.	99.5%	99.5%
14	Al Islami Real Estate Investments Ltd.	Investments	U.A.E.	100.0%	100.0%
15	Dubai Islamic Trading Center L.L.C.	Trading in vehicles	U.A.E.	99.0%	99.0%
16	Creek Union Limited FZ L.L.C	Investments	U.A.E.	100.0%	100.0%
17	Madinat Bader Properties Co. L.L.C.	Real estate development	U.A.E.	99.0%	99.0%

** In addition to the registered ownership described above, the remaining equity in the entities 5, 8, 12, 13, 15 and 17 are also beneficially held by the Bank through nominee arrangements*

In addition to above, below is the list of Special Purpose Vehicles (SPV) which were formed to manage specific transactions including funds, and are expected to be closed upon completion of the related transactions:

S. No.	Name of SPV *	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
				31 Dec 2023	31 Dec 2022
18	HoldInvest Real Estate Sarl	Investments	Luxembourg	100.0%	100.0%
19	France Invest Real Estate SAS	Investments	France	100.0%	100.0%
20	SARL Barbanniers	Investments	France	-	100.0%
21	SCI le Sevine	Investments	France	-	100.0%
22	Al Islami Trade Company Limited	Investments	U.A.E.	100.0%	100.0%
23	Levant One Investment Limited	Investments	U.A.E.	100.0%	100.0%
24	Petra Limited	Investments	Cayman Islands	-	100.0%
25	Deyaar Investments L.L.C	Investments	U.A.E.	Controlling Interest	Controlling Interest
26	Deyaar Funds L.L.C	Investments	U.A.E.	Controlling Interest	Controlling Interest
27	Sequia Investments L.L.C.	Investments	U.A.E.	100.0%	100.0%
28	Blue Nile Investments L.L.C.	Investments	U.A.E.	100.0%	100.0%
29	DIB FM Limited	Investments	Cayman Islands	100.0%	100.0%
30	Noor Sukuk Company Limited	Investments	Cayman Islands	100.0%	100.0%
31	Noor Structured Certificates Limited.	Investments	Cayman Islands	-	100.0%
32	Star Digital Investments SPV Limited	Investments	U.A.E.	100.0%	--

** In addition to the registered ownership described above, the remaining equity in the entities 25 and 26 are also beneficially held by the Bank through nominee arrangements. The entities 20, 21, 24 and 31 have been liquidated.*

3. Overview of Risk Management and RWA

3.1. Bank risk management approach (OVA)

The Bank has maintained a pro-active risk management strategy and prudent culture as a foundation for achieving its vision and ensured that the risks associated with the Bank strategy are identified, understood, quantified (to the best extent) and mitigated in order to achieve its vision and objectives. The Bank has ensured compliance with the regulatory guidelines through effective and pro-active risk management practices. The risk appetite is embedded in the strategic and financial planning processes to ensure that risk management forms an integral part of the strategic objectives and decision-making process.

Risk management involves setting the best course of action under uncertainty by identifying, prioritizing, managing, measuring, mitigating and monitoring risk and risk issues. The following are the objectives of risk management practice in the Bank:

- Individuals who take or manage risks fully understand them in order to protect the Bank from avoidable risks, otherwise such individuals are responsible for engaging the Group Risk Management for guidance or advice.
- The Banks risk exposure shall always be maintained within the risk appetite/ limits as defined by the Board (or otherwise mandated) and shall be reported and any revision shall be ratified by the BRCGC.
- The key risk metrics e.g. Capital Adequacy, Liquidity etc. shall be treated as the ultimate threshold for risk appetite in addition to other thresholds set by the Central Bank. Risk management approach shall remain aligned with the regulatory requirements.
- Risk-taking decisions shall remain in line with the corporate goals and the Bank-wide strategy set by the Board, and allow the Bank to undertake more productive risk-taking activities or restrict high risk/ low return activities.
- All risk-taking decisions shall be explicit, clear and as per delegations.
- As a policy, sufficient capital shall always be available as a buffer to absorb risk.
- Efforts to ensure that Shareholders’ value is enhanced.

The Banks risk management approach shall at all times be underpinned by an appropriate risk management structure. This structure will be represented by three lines of defense in order to ensure that the risks are managed effectively at every level.

Three lines of defense: The Bank implements the following three lines of defense approach under the Risk Governance Structure. Three lines of defense approach enables the Bank to ensure risks are properly understood at each level, and controls and mitigations are executed at appropriate levels without any compromise due to conflict of interest, and the same is monitored at different levels with more focus and precise MIS.

- The first line of defense is business units and other functions engaged in, or supporting revenue generating activities that own and manage the risks, are the first line of defense which manage customer relationships and other activities. They are responsible for conducting their business to maximize the risk-return and new business strategies, whilst ensuring that they operate in line with the risk appetite and corresponding risk limits set by the Board. All Functions/ Departments shall be responsible for risk recognition /identification and development of controls in their respective areas. First line of defense is responsible for compliance with applicable laws and regulations and to make sure that they have processes / systems to meet risk data aggregation, risk reporting and data quality requirements set by the second line.
- The second line of defense is the control functions which include Group Risk Management, Internal Sharia Control Department, Legal Department and Group Compliance. They are responsible for establishing a robust risk management and control framework, conducting independent assessments, oversight and challenges to the first line of defense teams and activities. They propose Risk Appetite to the Board, monitor and report adherence to Risk Appetite and set risk data aggregation, risk reporting and data quality requirements. Ensure that there are appropriate controls to comply with Sharia, applicable laws and regulations, and escalate significant non-compliance matters to senior management and the appropriate committees.
- The third line of defense is the independent assurance functions, namely Group Internal Audit and Group Internal Sharia Audit. They are responsible for checking and reporting compliance with Sharia and regulatory requirements and internal policies, or identifying weaknesses in those internal policies or operating models.

a) Overall risk profile and risk tolerance

Risk appetite is articulated via a set of qualitative and quantitative measures or indicators, along with corresponding thresholds (which includes limits and tolerances), in relation to inherent risks such as Credit, Market, Operational, Liquidity, Strategic, Conduct, Reputational, Sharia Non-compliance Risk etc. Risk appetite cannot exceed risk capacity.

Risk capacity is the maximum level of risk the Bank can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators.

The Board has set the highest standards to ensure that Bank Corporate Governance environment enshrines the principles of ethical behavior, transparency and commitment to protect the best interests of the Bank and its stakeholders. Successful risk governance is contingent on how effectively the Board and Management are able to work together in managing risks. The role of Management lies primarily in the design and execution of the risk management and internal controls system in accordance with the risk policies and direction set by the Board.

The Bank is exposed to various risks including but not limited to:

- Credit risk
- Liquidity risk
- Market risk
- Profit rate risk in the banking nook (“PRRBB”)
- Operational risk
- Reputational risk
- Model Risk
- Financial Crime Risk
- Regulatory / compliance risk
- Cyber and information security risk
- Sharia Non-compliance risk
- Conduct risk; and
- Environment, sustainability and governance risk

Risk Appetite: The Board has approved Risk Appetite Statement. The Banks Risk Appetite is defined in accordance with risk management principles and the Banks risk culture. The Bank follows the highest ethical standards and ensures a fair outcome for its clients, as well as facilitating the effective operation of financial markets, while at the same time meeting expectations of regulators. The Bank has defined Risk Appetite in a way to grow sustainably and to avoid shocks to earnings or general financial health, as well as manage Reputational Risk in a way that does not materially undermine the confidence of investors and all internal and external stakeholders.

The Bank will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns. The Bank Risk Appetite is supplemented by risk control tools such as granular level limits, policies, standards and other operational control parameters that are used to keep the Bank’s risk profile within Risk Appetite. The Banks risk profile is its overall exposure to risk at a given point in time, covering all applicable risk types. Status against Risk Appetite is reported to the relevant stakeholder within the Bank.

b) Risk Governance Structure

The Board of Directors, supported by, the Board Risk Compliance and Governance Committee (BRCGC), Risk Management Committee (RMC) and Group Risk Management Department (GRM), is ultimately responsible for identifying, monitoring and controlling risks.

For effective implementation of the risk management framework, the Board has constituted an independent Group Risk Management function within the Bank. This Department is responsible to perform the risk measurement and monitoring activities, as set out in this framework document, or to be assigned from time to time for ensuring compliance with the local regulations, implementation of guidance issued by Basel committee and/or other generally accepted risk management practices within the banking industry.

The Risk Management function is independent of the Banks risk-taking functions and plays a pivotal role in monitoring the risks associated with all the activities of the Bank. The function is headed by a designated GCRO and is involved in strategic planning and monitoring of risk-taking actions of the Senior Management. The role of the risk managers is both as a strategic partner to the business units advising them on risk issues and on the best ways to identify and manage these issues as well as a risk controller setting parameters for risk activities and reviewing compliance with these parameters in order to ensure that the Bank does not incur any undue risk without adequate return and/or mitigation.

i) Board of Directors (BOD)

The overall responsibility of risk management rests with the Board. Therefore, it is the duty of the Board to recognize the risks to which the Bank is exposed and to ensure the Implementation of a risk management framework and maintaining adequate and capable infrastructure to support the framework through BRCGC/Senior Management.

ii) Board Risk Compliance and Governance Committees (BRCGC)

The Board Risk Compliance and Governance Committee is a Board committee to assist the Board in fulfilling its responsibilities with respect to the:

- Implementation of the Group governance, enterprise risk management and internal control frameworks and their related operations.
- Enabling a group-wide view of current and future risk position relative to its risk appetite and capital strength;
- Groups compliance-related obligations.

iii) Risk Management Committee (RMC)

Risk Management Committee is a Tier 1 management committee which has been constituted to provide oversight in the area of risk management and implementation of the Board-approved Risk Management Framework (RMF) and related policies while guiding the risk management culture within the Group.

iv) Model Risk Management Committee (MRMC)

Model Risk Management Committee is a sub-committee of the RMC, chaired by the Group Chief Risk Officer (“**GCRO**”), with the Chief Financial Officer (“**CFO**”) as a vice chair and consisting of representatives from Group Risk Management and Finance departments as members, as well as representatives of development, validation and or business as invitees. The MRMC is responsible for all significant modelling decisions related to each step of the model life-cycle, ensuring that these decisions are transparent, justified and documented. Its scope covers all models under the scope of the DIB Model Governance Policy with a view to mitigate model risk in its entirety.

v) Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee is a management committee which has been constituted to provide oversight of asset and liability management within the Bank. The Committee:

- Act as guardian in overseeing all matters that impact the Banks asset and liability structure, including but not limited to management of liquidity, profit rate risk in the banking book (PRRBB), market risk, and management of related internal and regulatory limits and guidelines.
- Oversee liquidity management of the Bank, develop strategies, operating policies and practices to manage liquidity risk in accordance with Board approved policies and risk tolerance/limits to ensure the Bank maintains sufficient liquidity at all times.
- Ensure adequate systems and capabilities are in place to identify, measure, monitor, control and report on liquidity, ALM, PRRBB and market risk exposures and related risks.

vi) Provision and Impairment Review Committee (PIRC)

Provision and impairment review committee (PIRC) is established to assist management in fulfilling their responsibilities with respect to the following:

- Compliance with IFRS 9 standards, related CBUAE applicable regulatory rules, and the Bank's policies;
- that the DIB Group prudently recognizes significant deterioration in credit quality and non-performance and carries appropriate level of expected credit loss; and
- Review and consider impairment and fair value considerations for other classes of assets such as investments in subsidiaries, associates, investment properties and other investments.

The Committee's primary responsibility comprises supervising, monitoring, application and review of all impairment models in respect of use of expected credit losses and related central bank guidelines including monitoring of staging of exposures and considering ordinary and extraordinary circumstances in determining ECL stage and ECL levels. The Committee meets regularly and reports to Risk Management Committee (RMC).

vii) Compliance Committee (CC)

The Committee is a management committee which has been constituted to assist management in fulfilling their responsibilities with respect to compliance, which particularly include:

- Promote accountability and ownership for compliance risk, oversee initiatives for fostering a strong compliance culture and assist in promoting staff awareness with respect to compliance.
- Ensure that the organizational objectives for the governance of compliance related matters are achieved.
- Understand the drivers/ sources of compliance risk and ensure appropriate response and mitigation plans are instituted.
- Oversee the development, implementation and effectiveness of compliance related processes, procedures and systems, including in relation to the identification, assessment, management, monitoring and reporting of compliance related risk and controls.
- Oversee adherence to the approved risk appetite and review related reports on any material breaches and adequacy of proposed action.

viii) Group Risk Management Department (GRM)

The Group Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure risk remains within the acceptable range as approved by the Board Risk Compliance and Governance Committee and the Board of Directors. The department is responsible for credit administration, portfolio management, credit risk, liquidity risk, market risk, operational risk, conduct risk and overall risk control.

ix) Group Internal Audit Department (GIA)

The Group Internal Audit is an independent and objective function which is designed to support the Group to accomplish its objectives by bringing a systematic auditing approach to evaluate the effectiveness of risk management, control, and governance processes. Group Internal Audit, as a third line of defense, is organizationally independent from all other functions in the Bank, and accountable to provide independent assurance to the Board of Directors through the Board Audit Committee (BAC).

x) Group Internal Sharia Audit Department (GISA)

The Group Internal Sharia is an independent function, its purpose and objective is to review the compliance to Sharia and the Fatwas issued by the Internal Sharia Supervision committee (ISSC) of the Group in all the business matters of the Group including the execution of the transactions. The Internal Sharia Audit Department examines the adequacy of the procedures and the Groups compliance with the Fatwas and guidance of the ISSC. Internal Sharia Audit Department discusses the findings of their assessments with the management and submits the findings along with responses of the relevant departments and its recommendations to the ISSC then to the Board Audit Committee.

c) Sharia Non-Compliance Risk

Sharia non-compliance risk in the bank is managed through Group Risk Management Department (GRM) in consultation with ISSC and Internal Sharia Control Department.

The ISSC issues fatwas and resolutions and shall monitor compliance with Sharia through Internal Sharia Control Department ensuring that the Bank's approach to compliance with principles of Sharia (as defined in Sharia Governance Standard) incorporates appropriate measures to comply with Sharia guidance issued by the ISSC and the Higher Sharia Authority (HSA) from time to time.

The board with a focus on BRCGC, ensures the presence of 'Sharia Governance Framework' duly approved by the board, to effectively manage the risk associated with Sharia non-compliance. Simultaneously, it overseas the establishment of an Islamic Supervisory Sharia Compliance (ISSC) unit, responsible for the comprehensive supervision of all business activities, products, services, contracts, documents, and the code of conduct ensuring strict adherence to Sharia principles.

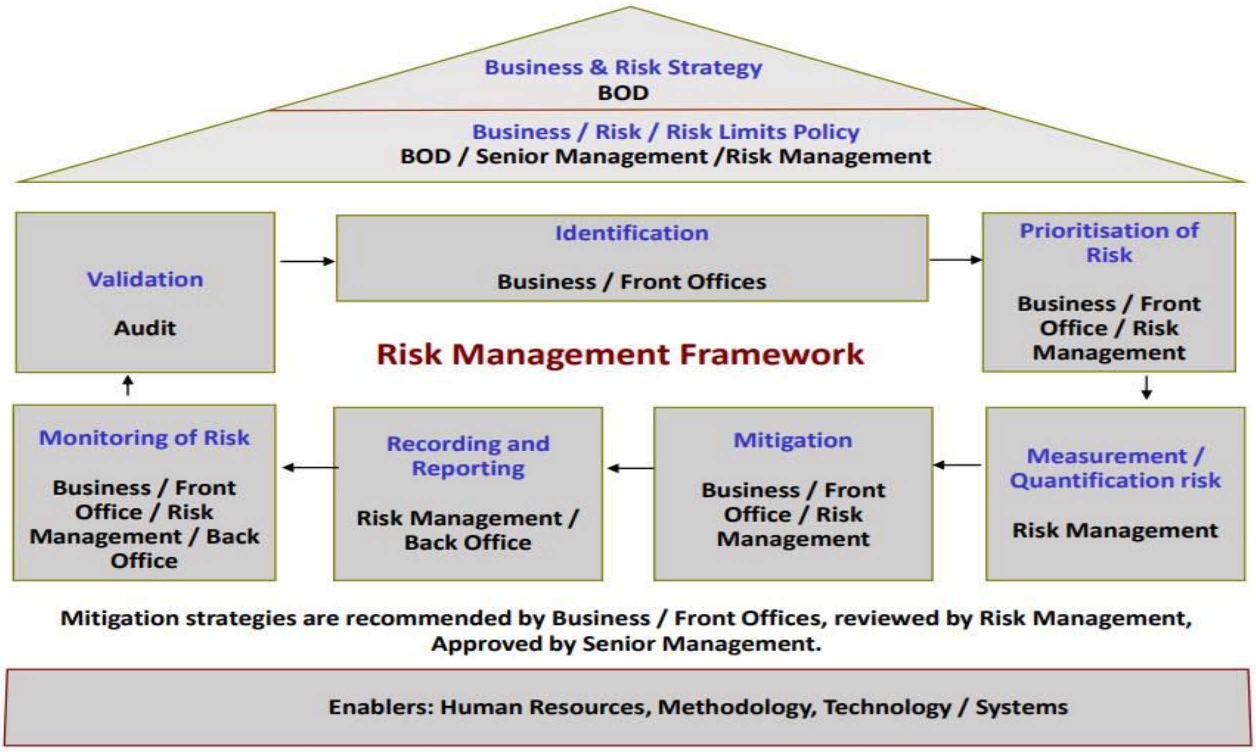
Moreover, the Sharia Compliance function of Internal Sharia Control is responsible to continuously monitor the compliance of the Bank's businesses and activities with resolutions, fatwas, regulations and standards which are issued by the HSA.

d) The scope and main features of risk measurement systems

The Group Risk Management shall prepare MIS reports specifically for Credit, Market, Liquidity, Operational and other key risks to monitor and evaluate the extent of risks to which the Bank is exposed and review/ recommend controls that can be developed by business groups/ departments in order to mitigate identified risks.

e) The process of risk information reporting provided to the board and senior management

The architecture of the Bank's risk management process is briefly explained as per the below pictogram:



Risk Management activities of different levels simultaneously take place at the following levels:

Strategic level: To encompass risk management functions performed by the Board, BRCGC, RMC and Senior Management including instituting a risk management framework, ensuring provision of all resources, i.e. human resources, systems, etc., and support required for effective risk management on a Bank-wide basis.

Macro Level: To encompass risk management within a business area or across business lines. The risk management activities performed by middle management or units devoted to risk reviews fall into this category.

Micro Level: To involve 'On-the-line' risk management where risks are actually created. These are the risk management activities performed by individuals who take risk on the Bank's behalf such as front office and facility origination functions etc. The risk management in those areas is confined to following operational policies, procedures and guidelines set by management.

The strategies and processes to manage, hedge, and mitigate risks

As part of its overall risk management, the Bank uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, market risks (including profit rate risk, foreign exchange risk, and equity price risk), and operational risks.

The Bank seeks to manage its credit risk exposures through diversification of financing and investing activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. Name and sector specific concentration is managed via risk appetite also. The Bank actively uses collaterals to mitigate its credit risk.

In order to guard against liquidity risk, the Bank has diversified funding sources and assets, which are managed with overall liquidity in consideration of maintaining a healthy quality of liquid assets (i.e. cash and cash equivalents).
The market risks are managed on the basis of predetermined asset allocation across various asset categories and continuous appraisal of market conditions for movement and expectation of foreign currencies rate, benchmark profit rates and equity prices. To manage all other risks, the Bank has developed a detailed risk management framework to identify and apply resources to mitigate the risks through adequate mitigation strategies and governance.

3.2. Key metrics of the Group (KM1)

The below table provides an overview of the Banks key prudential regulatory metrics related to regulatory capital, capital adequacy, minimum capital ratio requirement, additional buffers, leverage ratio and liquidity standards.

AED '000'

S. No	Particulars	31 Dec 2023	30 Sept 2023	30 June 2023	31 Mar 2023	31 Dec 2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	31,826,709	33,683,795	32,328,243	31,043,486	29,847,004
1a	Fully loaded ECL accounting model	-	-	-	-	-
2	Tier 1	40,090,959	41,948,045	40,592,493	39,307,736	38,111,254
2a	Fully loaded ECL accounting model Tier 1	-	-	-	-	-
3	Total capital	42,936,482	44,777,013	43,345,158	41,973,353	40,744,441
3a	Fully loaded ECL accounting model total capital	-	-	-	-	-
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	248,623,493	246,835,156	242,020,731	233,879,967	231,586,329
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	12.8%	13.6%	13.4%	13.3%	12.9%
5a	Fully loaded ECL accounting model CET1 (%)	-	-	-	-	-
6	Tier 1 ratio (%)	16.1%	17.0%	16.8%	16.8%	16.5%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	-	-	-	-	-
7	Total capital ratio (%)	17.3%	18.1%	17.9%	17.9%	17.6%
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) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.5%	0.5%	0.5%	0.5%	0.5%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3.0%	3.0%	3.0%	3.0%	3.0%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.8%	6.6%	6.4%	6.3%	5.9%
	Leverage Ratio					
13	Total leverage ratio measure	330,007,584	329,378,100	315,120,674	306,549,278	301,961,810

AED '000'

S. No	Particulars	31 Dec 2023	30 Sept 2023	30 June 2023	31 Mar 2023	31 Dec 2022
14	Leverage ratio (%) (row 2/row 13)	12.1%	12.7%	12.9%	12.8%	12.6%
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	51,813,392	54,103,296	54,734,386	54,888,785	49,887,975
16	Total net cash outflow	27,673,363	32,582,900	34,350,766	35,092,323	33,169,573
17	LCR ratio (%)	187.2%	166.1%	159.3%	156.4%	150.4%
	Net Stable Funding Ratio*					
18	Total available stable funding	211,434,553	211,926,514	206,550,432	201,902,421	196,717,444
19	Total required stable funding	199,985,374	199,873,865	191,494,778	187,412,902	186,129,813
20	NSFR ratio (%)	105.7%	106.0%	107.9%	107.7%	105.7%
	ELAR **					
21	Total HQLA	-	-	-	-	-
22	Total liabilities	-	-	-	-	-
23	Eligible Liquid Assets Ratio (ELAR) (%)	-	-	-	-	-
	ASRR ***					
24	Total available stable funding	-	-	-	-	-
25	Total Advances	-	-	-	-	-
26	Advances to Stable Resources Ratio (%)	-	-	-	-	-

** LCR and NSFR are calculated as at the end of each period rather than using average values. For average LCR, refer to table LIQ1.*
*** ELAR is not applicable.*
**** ASRR is not applicable.*

3.3. Overview of RWA (OV1)

The below table provides an overview of the total RWA(s) (forming the denominator of the risk-based capital requirements).

AED '000'

S. No	Particulars	Risk weighted assets (RWA)			Minimum capital requirements *		
		31 Dec 2023	30 Sept 2023	31 Dec 2022	31 Dec 2023	30 Sept 2023	31 Dec 2022
1	Credit risk (excluding counterparty credit risk) **	225,508,737	224,314,616	208,545,071	23,678,417	23,553,035	21,897,232
2	Of which: standardised approach (SA) ***	225,508,737	224,314,616	208,545,071	23,678,417	23,553,035	21,897,232
3							
4							
5							
6	Counterparty credit risk (CCR)	1,286,364	1,001,477	902,988	135,068	105,155	94,814
7	Of which: standardised approach for counterparty credit risk	1,286,364	1,001,477	902,988	135,068	105,155	94,814
8							
9							
10							
11							
12	Equity investments in funds - look-through approach	-	-	-	-	-	-
13	Equity investments in funds - mandate-based approach	479,084	633,763	801,226	50,304	66,545	84,129
14	Equity investments in funds - fallback approach	367,618	367,618	405,656	38,600	38,600	42,594
15	Settlement risk	-	-	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-	-	-
17							
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-	-	-
20	Market risk	2,292,207	2,479,077	2,618,334	240,682	260,303	274,925
21	Of which: standardised approach (SA)	2,292,207	2,479,077	2,618,334	240,682	260,303	274,925
22							
23	Operational risk	18,689,483	18,038,605	18,313,054	1,962,396	1,894,054	1,922,871
24							
25							
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**248,623,493**	**246,835,156**	**231,586,329**	**26,105,467**	**25,917,692**	**24,316,565**

** The minimum capital requirement applied is 10.5% in line with the guidance of Pillar 3 disclosures (in addition to this, the Bank is required to maintain a combined buffer of 3% from CET 1).*
*** Including CVA but excluding equity investment in funds.*
**** Credit risk weighted assets increased, in 'Dec 2023' from 'Sept 2023', mainly due to increase in Interbank and Sukuk exposure.*

4. Linkages between financial statements and regulatory exposures

4.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

The variance between the amounts as reported in columns (a) and (b) is due to the difference in the scope of consolidation for accounting and regulatory purposes. For regulatory purposes, only financial entities are being considered and hence the line items exclude the balances held with non-financial subsidiaries.

31 December 2023 - AED '000'

Particulars	Carrying values as reported in published financial statements (a)	Carrying values under scope of regulatory consolidation (b)	Carrying values of items				
			Subject to credit risk framework (c)	Subject to counterparty credit risk framework (d)	Subject to the securitisation framework (e)	Subject to market risk framework (f)	Not subject to capital requirements or subject to deduction from capital (g)
Assets							
Cash and balances with the Central Bank	24,019,524	24,019,011	24,019,011	-	-	-	-
Due from banks and financial institutions	4,483,687	3,455,910	3,455,910	-	-	-	-
Islamic financing and investing assets, net	199,453,349	199,268,246	199,268,246	-	-	-	-
Investments in Sukuk	68,172,165	68,172,165	68,172,165	-	-	-	-
Other investments measured at fair value	846,510	842,470	842,470	-	-	-	-
Investments in associates and joint ventures	2,431,828	3,691,284	3,691,284	-	-	-	-
Properties held for development and sale	1,050,081	32,056	32,056	-	-	-	-
Investment properties	5,625,224	3,460,376	3,460,376	-	-	-	-
Receivables and other assets*	6,324,139	6,697,633	5,314,615	1,171,475	-	1,171,475	211,543
Property and equipment	1,884,996	1,258,808	1,258,808	-	-	-	-
Total Assets	**314,291,503**	**310,897,959**	**309,514,941**	**1,171,475**	**-**	**1,171,475**	**211,543**
Liabilities							
Customer's deposits	222,054,207	222,634,462	-	-	-	-	222,634,462
Due to banks and financial institutions	12,966,965	12,804,460	-	-	-	-	12,804,460
Sukuk issued	20,480,977	20,480,977	-	-	-	-	20,480,977
Payables and other liabilities*	10,863,851	9,739,933	-	1,057,385	-	1,057,385	8,682,548
Zakat payable	491,370	491,370	-	-	-	-	491,370
Total Liabilities	**266,857,370**	**266,151,202**	**-**	**1,057,385**	**-**	**1,057,385**	**265,093,817**

31 December 2022 - AED '000'

Particulars	Carrying values as reported in published financial statements (a)	Carrying values under scope of regulatory consolidation (b)	Carrying values of items				
			Subject to credit risk framework (c)	Subject to counterparty credit risk framework (d)	Subject to the securitisation framework (e)	Subject to market risk framework (f)	Not subject to capital requirements or subject to deduction from capital (g)
Assets							
Cash and balances with the Central Bank	26,489,144	26,488,587	26,488,587	-	-	-	-
Due from banks and financial institutions	4,606,943	4,021,411	4,021,411	-	-	-	-
Islamic financing and investing assets, net	186,042,557	186,192,297	186,192,297	-	-	-	-
Investments in Sukuk	52,228,362	52,228,362	52,228,362	-	-	-	-
Other investments measured at fair value	1,024,759	1,098,672	1,098,672	-	-	-	-
Investments in associates and joint ventures	1,948,841	2,823,620	2,823,620	-	-	-	-
Properties held for development and sale	1,488,079	30,828	30,828	-	-	-	-
Investment properties	5,261,871	3,072,503	3,072,503	-	-	-	-
Receivables and other assets*	7,489,845	8,093,163	6,120,834	1,830,844	-	1,830,844	141,485
Property and equipment	1,658,090	1,072,042	1,072,042	-	-	-	-
Total Assets	**288,238,491**	**285,121,484**	**283,149,155**	**1,830,844**	**-**	**1,830,844**	**141,485**
Liabilities							
Customer's deposits	198,636,903	199,248,348	-	-	-	-	199,248,348
Due to banks and financial institutions	12,809,480	12,669,106	-	-	-	-	12,669,106
Sukuk issued	22,339,696	22,339,696	-	-	-	-	22,339,696
Payables and other liabilities*	10,048,147	8,943,480	-	1,578,082	-	1,578,082	7,365,398
Zakat payable	429,297	429,297	-	-	-	-	429,297
Total Liabilities	**244,263,523**	**243,629,927**	**-**	**1,578,082**	**-**	**1,578,082**	**242,051,845**

The 'Carrying values under scope of regulatory consolidation' under column (b) and sum of amounts under column (c) to (g) are different because 'Derivatives' in these columns are subjected to both credit risk and market risk framework.

4.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

31 December 2023 - AED '000'

Particulars	Total	Items subject to:			
		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) *	310,686,416	309,514,941	-	1,171,475	1,171,475
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	1,057,385	-	-	1,057,385	1,057,385
Total net amount under regulatory scope of consolidation **	**309,629,031**	**309,514,941**	**-**	**114,090**	**114,090**
Off-balance sheet amounts	32,718,355	32,718,355	-	-	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions and PIS	10,082,904	10,082,904	-	-	-
Differences due to prudential filters	-	-	-	-	-
Derivatives	1,502,628	-	-	1,502,628	-
Exposure amounts considered for regulatory purposes	**353,932,918**	**352,316,200**	**-**	**1,616,718**	**114,090**

31 December 2022 - AED '000'

Particulars	Total	Items subject to:			
		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) *	284,979,999	283,149,155	-	1,830,844	1,830,844
Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	1,578,082	-	-	1,578,082	1,578,082
Total net amount under regulatory scope of consolidation **	283,401,917	283,149,155	-	252,762	252,762
Off-balance sheet amounts	28,379,921	28,379,921	-	-	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions and PIS	11,436,811	11,436,811	-	-	-
Differences due to prudential filters	-	-	-	-	-
Derivatives	1,151,459	-	-	1,151,459	-
Exposure amounts considered for regulatory purposes	**324,370,108**	**322,965,887**	**-**	**1,404,221**	**252,762**

**Excluding amounts 'Not subject to capital requirements' or 'Are subject to deduction from capital'.*
***Excluding derivatives.*

4.3. Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LIA)

a) Significant differences between ‘Carrying values as reported in published financial statements’ and ‘Carrying values under scope of regulatory consolidation’.

The variance is due to the difference in scope of consolidation for accounting and regulatory purposes. For regulatory purposes, only financial entities are being considered for consolidation and hence the line items exclude the balances held with non-financial subsidiaries.

b) Origins of differences between ‘Carrying values under scope of regulatory consolidation’ and ‘Exposure amounts considered for regulatory purposes’.

The variance between the carrying values and exposure amount is due to the ‘Provision’ and ‘Off balance sheet’ items.

5. Composition of capital

5.1. Composition of regulatory capital (CC1)

S. No	Particulars	31 Dec 2023 AED '000'	31 Dec 2022 AED '000'	Reference to CC2
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	7,240,744	7,240,744	a
2	Retained earnings	14,088,870	11,604,509	c - Dividend
3	Accumulated other comprehensive income (and other reserves)	10,739,953	11,174,551	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**32,069,567**	**30,019,804**	
Common Equity Tier 1 capital regulatory adjustments				
7	Prudent valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	-	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	127,048	83,614	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	84,495	57,871	
11	Cash flow hedge reserve	-	-	
12	Securitisation gain on sale	-	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
14	Defined benefit pension fund net assets	-	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	31,315	31,315	
16	Reciprocal cross-holdings in common equity	-	-	
17	Investments in the capital of banking, financial and Insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	
18	Significant investments in the common stock of banking, financial and Insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	
20	Amount exceeding 15% threshold	-	-	
21	Of which: significant investments in the common stock of financials	-	-	
22	Of which: deferred tax assets arising from temporary differences	-	-	
23	CBUAE specific regulatory adjustments	-	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	**242,858**	**172,800**	
25	**Common Equity Tier 1 capital (CET1)**	**31,826,709**	**29,847,004**	
Additional Tier 1 capital: instruments				
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	8,264,250	8,264,250	b
27	OF which: classified as equity under applicable accounting standards	8,264,250	8,264,250	
28	Of which: classified as liabilities under applicable accounting standards	-	-	
29	Directly issued capital instruments subject to phase-out from additional Tier 1	-	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	-	
31	Of which: instruments issued by subsidiaries subject to phase-out	-	-	
32	Additional Tier 1 capital before regulatory adjustments	8,264,250	8,264,250	
Additional Tier 1 capital: regulatory adjustments				
33	Investments in own additional Tier 1 instruments	-	-	
34	Investments in capital of banking, financial and Insurance entities that are outside the scope of regulatory consolidation	-	-	
35	Significant investments in the common stock of banking, financial and Insurance entities that are outside the scope of regulatory consolidation	-	-	
36	CBUAE specific regulatory adjustments	-	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	-	
38	**Additional Tier 1 capital (AT1)**	**8,264,250**	**8,264,250**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**40,090,959**	**38,111,254**	

S. No	Particulars	31 Dec 2023 AED '000'	31 Dec 2022 AED '000'	Reference to CC2
Tier 2 capital: instruments and provisions				
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	
41	Directly issued capital instruments subject to phase-out from Tier 2	-	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-	
43	Of which: instruments issued by subsidiaries subject to phase-out	-	-	
44	Provisions	2,845,523	2,633,187	
45	**Tier 2 capital before regulatory adjustments**	**2,845,523**	**2,633,187**	
Tier 2 capital: regulatory adjustments				
46	Investments in own Tier 2 instruments	-	-	
47	Investments in capital, financial and Insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	
48	Significant investments in the capital and other TLAC liabilities of banking, financial and Insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
49	CBUAE specific regulatory adjustments	-	-	
50	**Total regulatory adjustments to Tier 2 capital**	-	-	
51	**Tier 2 capital (T2)**	**2,845,523**	**2,633,187**	
52	**Total regulatory capital (TC = T1 + T2)**	**42,936,482**	**40,744,441**	
53	**Total risk-weighted assets**	**248,623,493**	**231,586,330**	
Capital ratios and buffers				
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	12.8%	12.9%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	16.1%	16.5%	
56	**Total capital (as a percentage of risk-weighted assets)**	17.3%	17.6%	
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	3.0%	3.0%	
58	**Of which: capital conservation buffer requirement**	2.5%	2.5%	
59	**Of which: bank-specific countercyclical buffer requirement**	0%	0%	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.5%	0.5%	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	5.8%	5.9%	
The CBUAE Minimum Capital Requirement				
62	Common Equity Tier 1 minimum ratio	7.0%	7.0%	
63	Tier 1 minimum ratio	8.5%	8.5%	
64	Total capital minimum ratio	10.5%	10.5%	
66	Significant investments in common stock of financial entities	-	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	
Applicable caps on the inclusion of provisions in Tier 2				
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	-	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)				
73	Current cap on CET1 instruments subject to phase-out arrangements	-	-	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
75	Current cap on AT1 instruments subject to phase-out arrangements	-	-	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-	-	
77	Current cap on T2 instruments subject to phase-out arrangements	-	-	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	-	

5.2. Reconciliation of regulatory capital to balance sheet (CC2)

S. No	Particulars	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		31 Dec 2023 AED '000'		31 Dec 2022 AED '000'		
Assets						
1	Cash and balances with the Central Banks	24,019,524	24,019,011	26,489,144	26,488,587	
2	Due from banks and financial institutions	4,483,687	3,455,910	4,606,943	4,021,411	
3	Islamic financing and investing assets, net	199,453,349	199,268,246	186,042,557	186,192,297	
4	Investments in Sukuk	68,172,165	68,172,165	52,228,362	52,228,362	
5	Other investments measured at fair value	846,510	842,470	1,024,759	1,098,672	
6	Investments in associates and joint ventures	2,431,828	3,691,284	1,948,841	2,823,620	
7	Properties held for development and sale	1,050,081	32,056	1,488,079	30,828	
8	Investment properties	5,625,224	3,460,376	5,261,871	3,072,503	
9	Receivables and other assets	6,324,139	6,697,633	7,489,845	8,093,163	
10	Property and equipment	1,884,996	1,258,808	1,658,090	1,072,042	
	Total assets	**314,291,503**	**310,897,959**	**288,238,491**	**285,121,485**	
Liabilities						
1	Customer's deposits	222,054,207	222,634,462	198,636,903	199,248,348	
2	Due to banks and financial institutions	12,966,965	12,804,460	12,809,480	12,669,106	
3	Sukuk issued	20,480,977	20,480,977	22,339,696	22,339,696	
4	Payables and other liabilities	10,863,851	9,739,934	10,048,147	8,943,480	
5	Zakat payable	491,370	491,370	429,297	429,297	
	Total liabilities	**266,857,370**	**266,151,203**	**244,263,523**	**243,629,927**	
Shareholders' equity						
1	Share capital	7,240,744	7,240,744	7,240,744	7,240,744	a
2	Tier 1 sukuk	8,264,250	8,264,250	8,264,250	8,264,250	b
3	Other reserves and treasury shares	14,784,668	14,784,668	14,654,668	14,654,668	
4	Investments fair value reserve	(1,331,986)	(1,331,986)	(1,062,927)	(1,062,927)	
5	Exchange translation reserve	(1,741,437)	(1,741,437)	(1,565,666)	(1,565,666)	
6	Retained earnings	17,341,070	17,341,070	13,772,643	13,772,643	c
7	Non-controlling interests	2,876,824	189,447	2,671,256	187,846	
	Total shareholders' equity	**47,434,133**	**44,746,756**	**43,974,968**	**41,491,558**	
	Total Liabilities and Shareholders' equity	**314,291,503**	**310,897,959**	**288,238,491**	**285,121,485**	

5.3. Main features of regulatory capital instruments (CCA)

S. No.	Particulars	Quantitative / qualitative information			
1	Issuer	Dubai Islamic Bank PJSC			
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	AED000201015	XS1935140068	XS2258453443	XS2330535381
3	Governing law(s) of the instrument	The instrument is governed by the laws of United Arab Emirates			
	Regulatory treatment				
4	Transitional arrangement rules (i.e. grandfathering)	NA	NA	NA	NA
5	Post-transitional arrangement rules (i.e. grandfathering)	NA	NA	NA	NA
6	Eligible at solo/group/group and solo	Group	Group	Group	Group
7	Instrument type (types to be specified by each jurisdiction)[1]	Ordinary Shares	Sukuk	Sukuk	Sukuk
8	Amount recognised in regulatory capital (currency in thousands, as of most recent reporting date)	7,240,744	2,754,750	3,673,000	1,836,500
9	Nominal amount of instrument	NA	2,754,750	3,673,000	1,836,500
9a	Issue price	NA	2,754,750	3,673,000	1,836,500
9b	Redemption price	As per Market Value	2,754,750	3,673,000	1,836,500
10	Accounting classification	Shareholder's equity	Tier 1 sukuk	Tier 1 sukuk	Tier 1 sukuk
11	Original date of issuance	Multiple	Jan - 2019	Nov - 2020	Apr - 2021
12	Perpetual or dated	NA	Perpetual	Perpetual	Perpetual
13	Original maturity date	NA	NA	NA	NA
14	Issuer call subject to prior supervisory approval	NA	NA	NA	NA
15	Optional call date, contingent call dates and redemption amount	-	On or after Jan - 2025	On or after May - 2026	On or after Oct - 2026
16	Subsequent call dates, if applicable	NA	Yes	Yes	Yes
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Dividend	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	6.25%	4.63%	3.38%
19	Existence of a dividend stopper	NA	Yes	Yes	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretionary	Full discretionary	Full discretionary	Full discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretionary	Full discretionary	Full discretionary	Full discretionary
21	Existence of step-up or other incentive to redeem	NA	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Non-convertible	Non-convertible	Non-convertible
24	Write down feature	NA	NA	NA	NA
25	If write-down, write down trigger(s)	NA	NA	NA	NA
26	If write-down, full or partial	NA	NA	NA	NA
27	If write down, permanent or temporary	NA	NA	NA	NA
28	If temporary write-own, description of writeup mechanism	NA	NA	NA	NA
28a	Type of subordination	NA	Structural subordination		
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA	Senior only to Share Capital	Senior only to Share Capital	Senior only to Share Capital
30	Non-compliant transitioned features	NA	No	No	No
31	If yes, specify non-compliant features	NA	NA	NA	NA

[1] https://www.dib.ae/about-us/investor-relations/share-information.
https://www.dib.ae/about-us/investor-relations/disclosures-publications.

6. Leverage ratio

6.1. Summary comparison of accounting assets vs leverage ratio exposure measure (LR1)

The below table provides reconciliation of the total assets in the published financial statements to the leverage ratio exposure measure.

AED '000'

S. No.	Particulars	31 Dec 2023	30 Sept 2023	31 Dec 2022
1	Total consolidated assets as per published financial statements	314,291,503	313,380,067	288,238,491
2	Adjustments for investments in banking, financial, Insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(3,393,544)	(3,224,180)	(3,117,006)
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-	-	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-	-	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-	-	-
7	Adjustments for eligible cash pooling transactions	-	-	-
8	Adjustments for derivative financial instruments	671,799	297,129	(426,623)
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-	-
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	15,595,779	15,835,294	14,050,647
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-
12	Other adjustments	2,842,047	3,089,790	3,216,301
13	**Leverage ratio exposure measure**	**330,007,584**	**329,378,100**	**301,961,810**

6.2. Leverage ratio common disclosure template (LR2)

The below table provides a detailed breakdown of the components of the leverage ratio exposure (denominator), as well as information on the actual leverage ratio, minimum requirements and buffers.

AED '000'

S. No.	Particulars	31 Dec 2023	30 Sept 2023	31 Dec 2022
On-balance sheet exposures				
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) *	312,780,075	312,158,824	286,648,427
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)	(211,544)	(230,277)	(141,485)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**312,568,531**	**311,928,547**	**286,506,942**
Derivative exposures				
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	612,180	450,444	699,251
9	Add-on amounts for PFE associated with *all* derivatives transactions	1,231,094	1,163,814	704,970
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)**	**1,843,274**	**1,614,258**	**1,404,221**
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	33,746,218	34,100,792	29,249,660
20	(Adjustments for conversion to credit equivalent amounts)	(18,150,439)	(18,265,497)	(15,199,013)
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)**	**15,595,779**	**15,835,295**	**14,050,647**
Capital and total exposures				
23	**Tier 1 capital**	**40,090,959**	**41,948,045**	**38,111,255**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**330,007,584**	**329,378,100**	**301,961,810**
Leverage ratio				
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**12.1%**	**12.7%**	**12.6%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.1%	12.7%	12.6%
26	CBUAE minimum leverage ratio requirement	3.5%	3.5%	3.5%
27	**Applicable leverage buffers**	-	-	-

** The On-balance sheet exposures increased in 'Dec 2023 from 'Sept 2023'', mainly due to increase in Interbank and Sukuk exposure.*

7. Liquidity Risk

7.1. Liquidity risk management (LIQA)

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances (funding liquidity risk) and that liquidity in financial markets, such as the market for Sharia-Compliant securities (Sukuk), may reduce significantly (market liquidity risk).

a) Governance

Liquidity Risk Management in the Bank is governed by the Liquidity Risk Management policy and the Group Risk Appetite Statement approved by the Bank's Board of Directors. The Board has delegated the responsibility of managing the liquidity risk of the Bank to the Board Risk Compliance and Governance Committee (BRCGC). BRCGC & Risk Management Committee (RMC) review liquidity risk policy, liquidity risk appetite and tolerance limits proposed by Group Risk Management for the Bank in line with the Bank's objectives, strategy and overall risk appetite. RMC annually reviews the risk policies to manage and monitor liquidity risk in the Bank and recommend them to the BRCGC for approval. Treasury ALM is primarily responsible for managing liquidity for the Bank. Accordingly, it is important to consolidate all funding activities in Treasury enabling it to monitor, plan and execute effectively. Risk Management and Finance teams are responsible for the measurement and monitoring of liquidity metrics stipulated in the policy and updating ALCO, RMC and BRCGC on issues pertaining to liquidity risk.

b) Monitoring and Management

The key measurement tools for liquidity Risk monitoring in the Bank are Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"), which are based on regulatory requirements as per the CBUAE. These regulatory metrics are complemented by internal metrics such as liquidity stress testing, funding concentration metrics, evaluation of available unencumbered Assets and Liquidity Pool, cumulative maturity mismatch analyses as well as monitoring of Bank Specific and Market Wide Early Warning Indicators ("EWIs").

Liquidity Risk policy includes the Contingency Funding Plan ("CFP") which can be triggered in the event of a major liquidity problem, either due to bank specific or market wide/systematic triggers.

The Bank recognizes that each subsidiary is an independent legal entity with distinct accountability to their respective regulator(s) and that liquidity is not considered fungible across borders, particularly in the event of market stress. Therefore, as a Bank, it is expected that each subsidiary, particularly those operating in different jurisdictions, operate in a self-sufficient manner. Hence, except to the extent required under applicable regulations, liquidity measurement and monitoring to be carried out on a standalone basis.

c) Funding strategy

The Bank has adopted a conservative strategy to manage its liquidity and funding positions - maintaining a higher than required level of liquidity as measured by the regulatory liquidity ratios of LCR, NSFR and CBUAE reserve requirements. Group Treasury in coordination with the annual business planning / budgeting exercise, analyzes overall funding requirements for the coming year(s) and provides funding strategy / fund raising plans to the ALCO before the beginning of each year. The funding strategy considers normal projected flows as well as the potential buffers for alternative scenarios, funding diversification, growth of operating accounts, CASA accounts & management of upcoming sukuk issuance.

d) Liquidity risk mitigation

The Bank has adopted a pro-active approach in identifying, assessing, measuring and monitoring liquidity risks. Group Risk Management conducts regular and ad-hoc risk analyses (such as stress tests) and reports, findings and recommendations, to Bank's ALCO, RMC and BRCGC.

Following are some of the key controls and risk management strategies for Liquidity Risk:

- Review of comprehensive Liquidity Risk Management policy and Group Risk Appetite Statement covering Liquidity Risk tolerances approved by the Board.
- Maintaining a diverse, yet stable pool of potential funding sources with appropriate risk limits for monitoring concentration risk.
- Maintaining sufficient liquidity buffers, pool of readily saleable and repo-eligible liquid assets regular monitoring of liquidity risk exposures including regulatory LCR and NSFR, internal liquidity metrics as well as early warning indicators.

e) Liquidity stress testing

Liquidity Stress Testing is a core part of the Bank's Liquidity Risk Management process, which helps identify sources of potential liquidity strain under regular and adhoc scenarios and potential adequacy of Bank's liquidity buffer under such scenarios.

Based on Stress Test results, ALCO, RMC and the BRCGC can assess if any adjustment is required to liquidity risk management strategies, policies, and positions and the contingency funding plan. Group Risk Management ("GRM") department conducts Liquidity stress tests and reports results to ALCO, RMC and BRCGC.

Group Risk Management ("GRM") department conducts Liquidity stress tests and reports results to ALCO, RMC and BRCGC. Based on the results of stress tests, GRM provides its feedback on the following:

- if there are any vulnerabilities in the liquidity structure of the Bank.
- if any revision is required to the Bank's liquidity strategy and/or risk tolerance limits.
- Assessment of impacts, if any, on Contingency Funding Plan. Consideration is given as to whether any revision is required in the design of liquidity stress scenarios to ensure that the nature and severity of the tested scenarios remain appropriate and relevant to the Bank.

f) Contingency funding plan

The Bank has a robust and comprehensive contingency funding plan ("CFP") in place to deal with extraordinary or crisis liquidity situations. The Bank's CFP provides a comprehensive framework which links the activation of CFP to monitoring of a list of Early Warning Indicators ("EWIs") such as; deterioration of key ratios below their internal risk appetite, significant deposit withdrawals, significant deterioration in key financial metrics, deterioration of macro-economic variables etc. to name a few. In addition, ALCO Committee may identify and consider any additional situation or circumstance (whether specific to Bank or systemic), which, in their opinion, may result in a liquidity contingency event.

Upon advice from ALCO, GCEO can decide to invoke CFP and form a Liquidity Crisis Management Team ("LCMT"). There is clear articulation of roles and responsibilities, communication plan and related protocols in a CFP situation. The CFP plan is reviewed and tested on a yearly basis.

7.2. Liquidity Coverage Ratio – LCR (LIQ1)

31 December 2023 – AED '000'

S. No	Particulars	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	**Total HQLA**		**51,210,277**
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**52,363,031**	**4,266,478**
3	Stable deposits	19,396,512	969,826
4	Less stable deposits	32,966,519	3,296,652
5	**Unsecured wholesale funding, of which:**	**68,360,044**	**28,073,147**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	12,010,566	3,002,641
7	Non-operational deposits (all counterparties)	56,349,478	25,070,506
8	Unsecured debt	-	-
9	**Secured wholesale funding**		-
10	**Additional requirements, of which:**	**39,343,043**	**4,269,995**
11	Outflows related to derivative exposures and other collateral requirements	6,268,466	1,253,693
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	33,074,577	3,016,302
14	**Other contractual funding obligations**	-	-
15	**Other contingent funding obligations**	-	-
16	**TOTAL CASH OUTFLOWS**		**36,609,620**
Cash inflows			
17	**Secured lending (e.g. reverse repo)**	-	-
18	**Inflows from fully performing exposures**	3,105,401	1,552,700
19	**Other cash inflows**	1,883,440	1,883,440
20	**TOTAL CASH INFLOWS**	**4,988,841**	**3,436,140**
Total adjusted value			
21	**Total HQLA**		**51,210,277**
22	**Total net cash outflows**		**33,173,480**
23	**Liquidity coverage ratio (%)**		**155.57%**

31 December 2022 – AED '000'

S. No	Particulars	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	**Total HQLA**		**40,203,215**
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**50,167,896**	**4,079,738**
3	Stable deposits	18,741,032	937,052
4	Less stable deposits	31,426,864	3,142,686
5	**Unsecured wholesale funding, of which:**	**62,189,229**	**25,679,462**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	10,005,650	2,501,413
7	Non-operational deposits (all counterparties)	52,183,579	23,178,049
8	Unsecured debt	-	-
9	**Secured wholesale funding**		-
10	**Additional requirements, of which:**	**35,278,835**	**4,010,650**
11	Outflows related to derivative exposures and other collateral requirements	7,607,122	1,521,424
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	27,671,713	2,489,226
14	**Other contractual funding obligations**	-	-
15	**Other contingent funding obligations**	-	-
16	**TOTAL CASH OUTFLOWS**		**33,769,850**
Cash inflows			
17	**Secured lending (e.g. reverse repo)**	-	-
18	**Inflows from fully performing exposures**	3,984,832	1,992,416
19	**Other cash inflows**	2,739,198	2,739,198
20	**TOTAL CASH INFLOWS**	**6,724,030**	**4,731,614**
			Total adjusted value
21	**Total HQLA**		**40,203,215**
22	**Total net cash outflows**		**29,038,236**
23	**Liquidity coverage ratio (%)**		**138.25%**

The LCR is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 calendar days. LCR ratio as at 31st December 2023 was 187.23% (31st December 2022 was 150.4%) whereas the average LCR ratio for the quarter ended 31st December 2023 was 155.57% (31st December 2022 was 138.25%). LCR both spot and average are higher than CBUAE current minimum requirement of LCR 100%.

7.3. Net Stable Funding Ratio – NSFR (LIQ2)

31 December 2023 – AED '000'

S. No	Particulars	Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
	Available stable funding (ASF) item					
1	**Capital:**					
2	*Regulatory capital*	43,179,341	-	-	-	43,179,341
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	*Stable deposits*	19,927,325	1,568,294	315,529	9,206	20,729,796
6	*Less stable deposits*	25,788,077	20,008,087	13,923,555	2,215,113	55,962,860
7	Wholesale funding:					
8	*Operational deposits*	26,947,714	-	-	-	13,473,857
9	*Other wholesale funding*	8,743,483	100,954,870	12,644,224	22,805,125	76,821,622
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	*NSFR derivative liabilities*				1,080,859	
13	*All other liabilities and equity not included in the categories*	-	9,750,505	2,109,124	212,514	1,267,076
14	**Total ASF**					**211,434,552**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)	17,053,750	11,791,918	974,428	36,811,769	12,232,593
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:					
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	3,651,292	1,287,227	-	1,191,307
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	21,890,035	20,654,207	116,550,048	120,339,662
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	18,119,616	11,777,750
22	*Performing residential mortgage, of which:*					
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	19,307,911	12,550,142
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	1,768,163	844,623	22,921,664	20,789,807
25	Assets with matching interdependent liabilities					
26	Other assets:					
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*				962,877	-
30	*NSFR derivative liabilities before deduction of variation margin posted*				1,080,859	216,172
31	*All other assets not included in the above categories*	17,350,559	-	-	242,859	17,593,418
32	Off-balance sheet items					3,294,522
33	***Total RSF***					**199,985,374**
34	***Net Stable Funding Ratio (%)***					**105.73%**

31 December 2022 - AED '000'

S. No	Particulars	Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
	Available stable funding (ASF) item					
1	**Capital:**					
2	*Regulatory capital*	40,917,243	-	-	-	40,917,243
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	*Stable deposits*	19,916,940	88,890	47,895	159,489	19,210,529
6	*Less stable deposits*	27,890,888	3,451,945	2,974,975	20,042,994	50,929,021
7	Wholesale funding:					
8	*Operational deposits*	13,496,304	260,012	-	-	6,878,157
9	*Other wholesale funding*	21,023,202	82,705,682	18,788,995	22,835,257	76,532,490
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	*NSFR derivative liabilities*					
13	*All other liabilities and equity not included in the categories*	-	8,645,273	1,298,967	1,600,521	2,250,004
14	**Total ASF**					**196,717,444**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)	8,021,829	20,123,146	856,055	27,968,708	6,923,204
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:					
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	3,885,758	2,917,096	-	2,613,481
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	20,770,182	12,305,979	114,845,744	114,156,963
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	18,298,643	11,894,118
22	*Performing residential mortgage, of which:*					
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	16,831,837	10,940,694
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	2,966,125	558,100	16,051,706	16,625,499
25	Assets with matching interdependent liabilities					
26	Other assets:					
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*	19,571,763	-	-	172,801	19,744,564
32	Off-balance sheet items					3,231,291
33	***Total RSF***					**186,129,813**
34	***Net Stable Funding Ratio (%)***					**105.69%**

Note: Items reported in the "no maturity" time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits and non-HQLA equities.

8. Credit Risk

8.1. General qualitative information about credit risk (CRA)

Credit risk is considered to be the most significant and pervasive risk for the Bank. The Bank takes on exposure to credit risk, which is the risk that the counterparty to a financial transaction will fail to discharge an obligation causing the Bank to incur a financial loss.

Credit risk monitoring and control is performed by the Credit & Risk Management Group (CRM) which sets parameters and thresholds for the Bank's financing activities.

a) Credit risk management approach and policies

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Risk Appetite Statement of the Bank which is approved by the Board via the Board Risk Compliance and Governance Committee (BRCGC) reflects the Risk Strategy translated to the Business Strategy to manage growth and profile of the portfolio within acceptable tolerances.

Approval, disbursement, administration, classification, recoveries and write-offs for Wholesale & SME and Retail credits are governed by the Bank's Wholesale Credit Policy, SME Credit Policy and Retail Credit Policy respectively. The policy is drafted by GRM and approved by the Board via the BRCGC. The policy covers all lines of business that the Bank engages in. The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual customers and groups, and to industries and countries. The underwriting standards also define the minimum quality (ascertained by the obligor credit risk rating models) for new on-boarding of customers.

The policies, guidelines and processes outlined in the Credit Policy Manual (CPM) cover the entire spectrum of the Bank's credit/assets portfolio i.e. small to medium enterprise (SME), corporate financing activities including middle market, contracting, financial institutions, monitoring of cross border exposure and sukuk. The policy applies to all Business Units/Departments which are engaged in the process of originating; maintaining, managing and/or reviewing the related credit portfolio(s).

Identifying the credit approval authorities and the scope of delegated authorities for approval of credits, is based on a matrix approach; dependent on the obligor risk rating and the size of the exposure.

All Corporate, Middle Market, Contracting, Real Estate, SME (Small and Medium Enterprise), FI (Financial Institutions) and sukuk credit proposals are independently reviewed by the Credit Approval Department and recommended to appropriate approval authority as defined in the Credit Policies of the Bank. For Retail, the Bank has in place comprehensive product program manuals highlighting requirements for every product and aspect of retail lending.

The underwriting and risk control functions are separated from each other. Risk management is responsible for credit risk policy and portfolio management, together with credit administration. Risk Management functions together with special assets management report to the GCRO. The GCRO reports to the BRCGC.

Underwriting, engaged in credit approval, is headed by the CCO, who reports independently to the GCEO.

b) Credit Due Diligence and the Second and Third lines of defense

All Corporate Credit proposals submitted by Corporate Banking Group, are independently reviewed by Credit Risk Managers in the Credit Approval Department, before they are approved by the department or escalated with a recommendation to the appropriate level committee for final approval.

Compliance team ensures that guidelines are complied with, in the due diligence process for KYC and AML among others, such as dealing with PEPs and related parties or insider trading. This is done by following the strict guidelines in-place for all these aspects.

Only after final approval and fulfillment of documentation and conditions precedent, that Credit Administration makes the limits available for utilization by the customer. At this point, transactions can be executed by the customer through operations.

As part of Internal Audit plan, Internal Audit team acting as the verification unit (third line of defense) reviews the Credit Approval Process and submits its findings to Board Audit Committee (BAC) for its review. Although they work very closely with Risk Management, Compliance and Internal Audit are both independent from Risk Management and report to the Board Risk Compliance and Governance Committee and Board Audit Committee respectively.

c) Internal reporting and disclosures

Comprehensive Portfolio reports include but are not limited to: financing, sukuk and investments book size trends, risk rating-based trends, sector and geographic concentrations, retail product-wise exposures and performance, large exposure concentrations, top watch list exposures, top NPL exposures, write-offs etc. This is presented to the Risk Management Committee, Board Risk Compliance and Governance Committee and the Board of Directors on a regular basis. The report highlights the status of the exposure, recoveries, if any, collaterals, provisions held against these accounts and the action plan to regularize/recover the dues from these accounts.

At the Board level, the Board Risk Compliance and Governance Committee has oversight of Risk Management function across the Bank. The Risk Management Committee, Early Alert Committee, Collection & Remedial Management Committee, Provision and Impairment Review Committee and Model Risk Management Committee ensures the smooth working between Business, Underwriting and Risk Control functions.

8.2. Quality of assets

a) Definition of Default

The Bank considers a financial asset to be in default when:

- It is established that due to financial or non-financial reasons the customer is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held); or
- The customer is past due 90 days or more on any material credit obligation to the Bank.

In assessing whether a customer is in default, the Bank considers indicators that are:

- qualitative - e.g. material breaches of covenant.
- quantitative - e.g. overdue status and non-payment on another obligation of the same customer / customer group to the banks; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financing exposure is in default and their significance may vary over time to reflect changes in circumstances and regulatory regime shift.

b) Impairment of Financial Assets

For information on policies and methodologies related to the impairment of financial assets, please refer to Note 5.3.9 of the Group’s Financial statements.

8.2.1.Credit quality of assets (CR1)

31 December 2023 – AED '000'

S. No	Particulars	Gross carrying values of		Allowances/ Impairments (c)	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a + b - c)
		Defaulted exposures** (a)	Non-defaulted exposures (b)		Allocated in regulatory category of Specific (d)	Allocated in regulatory category of General (e)	
1	Financing and investing assets	10,365,963	197,803,892	8,901,609	6,676,924	2,224,685	**199,268,246**
2	Sukuks	72,918	68,400,693	301,446	37,816	263,630	**68,172,165**
3	Off-balance sheet exposures*	1,141,403	34,221,533	40,913	-	40,913	**35,322,023**
4	**Total**	**11,580,284**	**300,426,118**	**9,243,968**	**6,714,740**	**2,529,228**	**302,762,434**

** Including derivatives*
***The exposures as reported above are in-line with regulatory reporting i.e. past due by more than 90 days.*

31 December 2022 – AED '000'

S. No	Particulars	Gross carrying values of		Allowances/ Impairments (c)	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a + b - c)
		Defaulted exposures** (a)	Non-defaulted exposures (b)		Allocated in regulatory category of Specific (d)	Allocated in regulatory category of General (e)	
1	Financing and investing assets	11,568,697	183,416,454	8,792,854	6,692,895	2,099,959	186,192,297
2	Sukuks	265,593	52,339,681	376,912	214,327	162,585	52,228,362
3	Off-balance sheet exposures*	837,182	29,816,699	40,913	-	40,913	30,612,968
4	**Total**	**12,671,472**	**265,572,833**	**9,210,679**	**6,907,222**	**2,303,457**	**269,033,627**

** Including derivatives*
***The defaulted exposures as reported above are in-line with regulatory reporting i.e. past due by more than 90 days.*

8.2.2.Changes in the stock of defaulted financing and sukuks (CR2)

S. No	Particulars	31 Dec 2023 AED '000'	30 June 2023 AED '000'
1	**Defaulted financing and sukuks at the end of the previous reporting period (30 June 2023 and 31 Dec 2022)**	**11,783,862**	11,834,290
2	Financing and sukuks that have defaulted since the last reporting period	810,032	1,480,132
3	Returned to non-default status	(484,523)	(497,698)
4	Amounts written off	(643,401)	(566,826)
5	Other changes	(1,027,089)	(466,036)
6	**Defaulted financing and sukuks at the end of the reporting period (1+2-3-4-5)**	**10,438,881**	11,783,862

8.2.3. Additional disclosure related to the credit quality of assets (CRB)

a) Breakdown of exposures by geographical areas, industry and maturity

Please refer to Note 47.2.2 of financial statements for geographical area and industry, and Note 47.3.3 of financial statements for maturity analysis.

b) Impaired exposures and related allowances

Please refer to Note 9.2 of the financial statements.

c) Ageing analysis of the past-due financing and sukuks

31 December 2023 - AED '000'

S. No	Segment*	Ageing of Past Due Accounts (days)			Total
		90 - 180	181 - 360	Above 360	
1	Corporate Banking	487,560	116,777	5,109,112	**5,713,448**
2	Consumer Banking	342,467	428,737	653,972	**1,425,178**
3	Contracting Finance	24,724	261,244	1,647,170	**1,933,138**
4	Real Estate Finance	6,292	-	569,120	**575,412**
5	Home Finance	62,741	107,577	549,817	**720,135**
6	Treasury	-	-	71,571	**71,571**
	Total	**923,784**	**914,335**	**8,600,762**	**10,438,881**

31 December 2022 - AED '000'

S. No	Segment*	Ageing of Past Due Accounts (days)			Total
		90 - 180	181 - 360	Above 360	
1	Corporate Banking	527,768	75,278	5,606,122	6,209,168
2	Consumer Banking	210,166	369,281	826,481	1,405,928
3	Contracting Finance	-	1,630,470	163,021	1,793,491
4	Real Estate Finance	115,893	-	1,141,719	1,257,612
5	Home Finance	142,277	77,901	608,320	828,498
6	Treasury	74,000	-	265,593	339,593
	Total	1,070,104	2,152,930	8,611,256	11,834,290

**Islamic financing and sukuks exposure as per CR2 table.*

d) Restructured exposures

Rescheduling or restructuring of obligations and financing is a process used by companies, individuals, and even countries to avoid the risk of defaulting on their existing debts/payment obligations such as by negotiating lower profit rates or lowering installments by extending tenor. Restructuring provides a less expensive alternative to bankruptcy when a debtor is in financial turmoil, and it can work to the benefit of both obligor and financer .

Rescheduled are facilities with renegotiated terms that do not result in NPV loss to the Bank as compared to the original financing facility.

Restructured are facilities with renegotiated terms that result in NPV loss to the Bank as compared to the original financing facility. This NPV loss can occur due to various reasons, such as: a haircut of the principal, reduction in the profit rate, extension in the tenor or such other consequential terms and conditions.

Restructured accounts are totaling of AED 19.05 Bn (Dec 2022 AED 19.25 Bn), of which impaired is AED 5.59 Bn (Dec 2022 AED 5.93 Bn) and performing is AED 13.46 Bn (Dec 2022 AED 13.32 Bn). The total restructured amount is 6.5% (Dec 2022 6.8%) of total gross financing.

8.3. Credit risk mitigation (CRM)

Security is defined as all cash or near cash items, such as cash margin, fixed deposits under lien, unconditional financial guarantees from acceptable banks, negotiable instruments like bankers' check, demand draft, bills of exchange issued by prime banks and certain government securities.

Collateral means additional security, which secures the bank's exposure in case the primary source of payment and liquidity of security stated above is not sufficient to settle in full the bank's exposure. Example of such collaterals is mortgage of property, pledge of blue-chip quoted and listed company shares, mortgage of plant, machinery and vehicles etc.

a) On and off-balance sheet netting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognised amounts and when the Bank intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank trading activity.

The Bank is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

b) Collateral evaluation and management

Policy clearly defines the acceptable practice for valuation and frequency based on the type of asset. A list of approved valuation firms is maintained to conduct such valuation.

8.4.1. Credit risk mitigation techniques – overview (CR3)

31 December 2023 - AED '000'

Particulars	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Financing and investing assets	158,112,002	40,270,005	5,415,819	886,239	593,314	-	-
Sukuks	68,172,165	-	-	-	-	-	-
Total	**226,284,167**	**40,270,005**	**5,415,819**	**886,239**	**593,314**	**-**	**-**
Of which defaulted	3,724,141	14,351	6	-	-	-	-

31 December 2022 - AED '000'

Particulars	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Financing and investing assets	150,052,325	35,907,522	3,299,173	232,450	29,519	-	-
Sukuks	52,228,362	-	-	-	-	-	-
Total	**202,280,687**	**35,907,522**	**3,299,173**	**232,450**	**29,519**	**-**	**-**
Of which defaulted	4,927,069	1,298,435	27,963	-	-	-	-

8.5. Banks' use of external credit ratings under the standardised approach for credit risk (CRD)

As per the CBUAE guidelines, banks may use external ratings, as provided by External Credit Assessment Institutions (ECAIs) that have been recognized by CBUAE, to determine the risk weights under the Standardised Approach.

In line with the above CBUAE guidelines, the Bank may use the following rating agencies for this purpose;

- Moody's Investors Services (Moody's)
- Fitch Ratings, and/or
- Capital Intelligence (CI)

The Bank uses the external rating, if available, for the following classes of exposure to assign the risk weights;

- Sovereigns
- Public sector entities
- Banks, and
- Corporates

Use of multiple rating:

- If there is only one rating by any of the above agency, that rating is used to determine the risk weight of the exposure.
- If there are two ratings by any of the two agencies, that map to different risk weights, the higher risk weight is applied.
- If there are three or more ratings with different risk weights, the ratings corresponding to the second lowest risk weights are referred to. If these give rise to the same risk weight, that risk weight is applied. If different, the higher risk weight is applied.

The below table provides the equivalent rating matrix across different ECAI's:

Moody's	Fitch	CI
Aaa to Aa3	AAA to AA-	AAA to AA-
A1 to A3	A+ to A-	A+ to A-
Baa1+ to Baa3	BBB+ to BBB-	BBB+ to BBB-
Ba1 to Ba3	BB+ to BB-	BB+ to BB-
B1 to B3	B+ to B-	B+ to B-
Below B3	Below B-	Below B-
Unrated	Unrated	Unrated

8.6. Standardised approach - credit risk exposure and CRM effects (CR4)

31 December 2023 - AED '000'

Asset class *	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA **	RWA density
Sovereigns and their central banks	89,386,610	-	89,386,610	-	27,338,424	30.6%
Public Sector Entities	37,164,764	4,022,878	37,164,457	1,114,966	35,129,548	91.8%
Multilateral development banks	375,351	-	375,351	-	-	0.0%
Banks	8,889,697	577,274	8,889,697	564,011	4,662,033	49.3%
Securities firms	-	-	-	-	-	0.0%
Corporates	95,316,680	25,026,414	95,112,224	10,229,829	97,390,577	92.5%
Regulatory retail portfolios	30,940,134	4,413,508	30,881,201	250,043	23,547,148	75.6%
Secured by residential property	22,923,891	-	22,885,914	-	9,128,497	39.9%
Secured by commercial real estate	6,539,563	114,000	6,459,475	22,800	6,396,431	98.7%
Equity Investment in Funds (EIF)	358,005	-	358,005	-	846,703	236.5%
Past-due financing	10,931,588	1,141,403	4,177,310	1,141,403	5,880,562	110.6%
Higher-risk categories	1,616,694	-	1,616,694	-	2,425,040	150.0%
Other assets	14,127,004	67,459	14,127,004	67,459	13,610,215	95.9%
Total	**318,569,981**	**35,362,936**	**311,433,942**	**13,390,511**	**226,355,178**	**69.7%**

31 December 2022 - AED '000'

Asset class *	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA **	RWA density
Sovereigns and their central banks	87,169,248	113,587	87,169,248	22,717	26,838,374	30.8%
Public Sector Entities	34,610,026	2,091,446	34,609,720	498,086	31,004,721	88.3%
Multilateral development banks	101,401	-	101,401	-	-	0%
Banks	7,632,278	857,034	7,632,278	844,428	4,153,751	49.0%
Securities firms	-	-	-	-	-	-
Corporates	78,857,427	22,490,203	78,663,242	10,240,672	87,916,422	98.9%
Regulatory retail portfolios	27,498,916	4,076,585	27,452,998	159,001	20,913,448	75.7%
Secured by residential property	21,227,056	-	21,158,860	-	8,865,598	41.9%
Secured by commercial real estate	7,887,706	187,844	7,813,835	37,569	7,784,760	99.2%
Equity Investment in Funds (EIF)	576,762	-	576,762	-	1,206,883	209.3%
Past-due financing	14,226,004	837,182	5,920,315	837,182	7,518,403	111.3%
Higher-risk categories	732,385	-	732,385	-	1,098,578	150.0%
Other assets	13,197,017	-	13,197,017	-	12,451,014	94.3%
Total	**293,716,226**	**30,653,881**	**285,028,061**	**12,639,655**	**209,751,952**	**70.5%**

** Including derivatives*
*** Excluding CVA charge*

8.7. Standardised approach - exposures by asset classes and risk weights (CR5)

31 December 2023 - AED '000'

Asset class	---------- Risk weight ----------								
	0%	20%	35%	50%	75%	100%	150%	Others	Total *
Sovereigns and their central banks	51,903,571	10,240,806	-	6,789,152	-	17,567,871	2,885,210	-	**89,386,610**
Public Sector Entities	-	-	-	4,274,542	-	32,992,277	-	-	**37,266,819**
Multilateral development banks	375,351	-	-	-	-	-	-	-	**375,351**
Banks	-	4,890,803	-	1,862,231	-	2,596,504	104,169	-	**9,453,707**
Securities firms	-	-	-	-	-	-	-	-	**-**
Corporates	-	14,145	-	10,921,773	-	85,258,060	4,445,868	-	**100,639,846**
Regulatory retail portfolios	-	-	-	-	30,297,825	823,780	-	-	**31,121,605**
Secured by residential property	-	-	20,710,977	-	1,181,125	993,811	-	-	**22,885,913**
Secured by commercial real estate	-	20,400	-	14,000	-	6,385,351	-	-	**6,419,751**
Equity Investment in Funds (EIF)	-	-	-	-	-	-	319,390	38,615	**358,005**
Past-due financing	-	-	-	-	-	4,185,496	1,130,044	-	**5,315,540**
Higher-risk categories	-	-	-	-	-	-	1,616,694	-	**1,616,694**
Other assets	2,220,944	-	-	-	-	10,751,864	195,785	1,025,869	**14,194,462**
Total	**54,499,866**	**15,166,154**	**20,710,977**	**23,861,698**	**31,478,950**	**161,555,014**	**10,697,160**	**1,064,484**	**319,034,303**

31 December 2022 - AED '000'

Asset class	---------- Risk weight ----------								
	0%	20%	35%	50%	75%	100%	150%	Others	Total *
Sovereigns and their central banks	55,074,663	6,665,142	-	4,335,641	-	16,674,509	4,442,011	-	87,191,966
Public Sector Entities	-	-	-	4,054,206	-	28,977,618	-	-	33,031,824
Multilateral development banks	101,401	-	-	-	-	-	-	-	101,401
Banks	-	4,030,088	-	2,646,974	-	1,336,131	458,744	-	8,471,937
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	6,000	-	2,389,689	-	81,430,270	3,526,738	-	87,352,697
Regulatory retail portfolios	-	-	-	-	26,740,977	857,716	-	-	27,598,693
Secured by residential property	-	-	18,337,007	-	1,496,831	1,325,023	-	-	21,158,861
Secured by commercial real estate	-	-	-	-	-	7,784,760	-	-	7,784,760
Equity Investment in Funds (EIF)	-	-	-	-	-	-	534,151	42,611	576,762
Past-due financing	-	-	-	-	-	5,146,010	1,581,596	-	6,727,606
Higher-risk categories	-	-	-	-	-	-	732,385	-	732,385
Other assets	1,882,244	-	-	-	-	10,075,696	722,375	516,702	13,197,017
Total	**57,058,308**	**10,701,230**	**18,337,007**	**13,426,510**	**28,237,808**	**153,607,733**	**11,998,000**	**559,313**	**293,925,909**

** Total credit exposure (post CCF and post CRM)*

9. Counterparty credit risk (CCR)

9.1. Analysis of counterparty credit risk exposure by approach (CCR1)

Counterparty credit risk (CCR) is the risk that a counterparty in a foreign exchange, profit rate, commodity, equity or credit derivative or repo contract defaults prior to the maturity date of the contract, and that the Group at the time has a claim on the counterparty. Bank's CCR primarily relates to Banking book activities.

a) Risk mitigation

The Bank has collateral management agreements i.e. Collateral Support Annexure (CSA) with most of the counterparties, which defines type of eligible collateral, currencies, thresholds, minimum transfer amounts and rounding conventions. Exposures under CSA are subject to daily variation margining and are closely monitored against mark to market valuations of underlying transactions.

CCR is managed within the overall credit risk appetite for corporate and financial institutions. CCR limits are set for individual counterparties. Individual limits are calibrated to the credit grade and business model of the counterparties, and are set on Exposure at Default (EAD).

b) Wrong-way risk exposures

The Bank employs various policies and procedures to ensure that wrong-way risk exposures are recognised upfront, monitored, and where required, contained by individual CCR limits.

31 December 2023 - AED '000'

Particulars	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives)	437,271	717,527		1.4	1,616,718	1,286,364
Internal Model Method (for derivatives and SFTs)			-	-	-	-
Simple Approach for credit risk mitigation (for SFTs)					-	-
Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
VaR for SFTs					-	-
Total						**1,286,364**

31 December 2022 - AED '000'

Particulars	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives)	503,550	499,465		1.4	1,404,221	902,988
Internal Model Method (for derivatives and SFTs)			-	-	-	-
Simple Approach for credit risk mitigation (for SFTs)					-	-
Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
VaR for SFTs					-	-
Total						**902,988**

9.2. Credit valuation adjustment capital charge (CCR2)

Credit valuation adjustments (CVA) represent the risk of loss as a result of adverse changes to the credit quality of counterparties in derivative transactions.

AED '000'

S. No	CVA capital charge computation approach	*31 Dec 2023*		*31 Dec 2022*	
		EAD post CRM	RWA	EAD post CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge	-	-	-	-
2	All portfolios subject to the Simple alternative CVA capital charge	1,616,718	1,286,364	1,404,221	902,988

9.3. Standardised approach - CCR exposures by regulatory portfolio and risk weights (CCR3)

31 December 2023 - AED '000'

Asset class	---------- Risk weight ----------							
	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	9,362	-	145,777	-	-	155,139
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	215,427	316,635	-	606	9,179	-	541,847
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	918,939	793	-	919,732
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**-**	**215,427**	**325,997**	**-**	**1,065,322**	**9,972**	**-**	**1,616,718**

31 December 2022 - AED '000'

Asset class	---------- Risk weight ----------							
	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	19,414	-	-	19,414
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	374,334	420,561	-	236	16,394	-	811,525
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	572,646	636	-	573,282
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**-**	**374,334**	**420,561**	**-**	**592,296**	**17,030**	**-**	**1,404,221**

9.4. Composition of collateral for CCR exposure (CCR5)

31 December 2023 - AED '000'

Collaterals	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash – other currencies	429,814	-	211,308	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Foreign sovereign sukuks	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**429,814**	-	**211,308**	-	-	-

31 December 2022 - AED '000'

Collaterals	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash – other currencies	1,013,675	-	102,293	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Foreign sovereign sukuks	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**1,013,675**	**-**	**102,293**	**-**	**-**	-

10. Market risk

10.1. General qualitative disclosure requirements related to market risk (MRA)

Market Risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as foreign exchange rates, profit rates, credit spreads, equity and sukuk market prices etc.

a) Strategies and processes for the management of market risk

Since the Bank is an Islamic Financial institution, hence it does not encourage proprietary trading activities. The Bank has a low appetite for market risk exposure(s) guided by approved tolerances. The Bank provides hedging solutions to its customers to mitigate their market risk on their underlying commitments and not for any speculative purposes. The Bank allows limited products for hedging purposes. These positions are monitored and reported on a regular basis. The Bank squares off its customer deals with the interbank counterparties in order to not carry any significant market risk on these positions.

b) Structure and organization of the market risk management function

Market Risk Management in the Bank is governed by the Group Risk Management Framework and Risk Appetite Framework approved by the Bank's Board of Directors. The Board has delegated the responsibility of managing Market risk of the Bank to the Board Risk Compliance and Governance Committee (BRCGC). BRCGC & Risk Management Committee (RMC) reviews Market risk framework, Market risk appetite and tolerance limits proposed by Group Risk Management for the Bank in line with the Bank's objectives, strategy and overall risk appetite.

RMC reviews annually the Risk framework to manage and monitor Market risk in the Bank and makes recommendations to BRCGC for approval. Risk Limits are approved by the Asset and Liability Committee (ALCO) of the Bank based on the recommendation of the Risk Management Department, which are subsequently ratified by the RMC and BRCGC.

The Bank has an independent Market & Liquidity Risk Management Department (MLRM) within its Group Risk Management Division which is responsible for identification, measurement, monitoring and reporting of market risk. The function closely monitors and reports inherent market risks in all trading and non-trading activities of the Bank. All FX and Listed Equity positions are monitored and reported on a regular basis.

c) Scope and nature of market risk reporting

Market risk management in the Bank is administered on the basis of clearly delegated authorities and responsibilities that reflect the appropriate segregation of duties, trading environments with enabling technology and competent personnel with the relevant skill and experience.

Following are the key types of market risks for the Bank:

- **Profit rate risk:** results from exposures to changes in the level, slope and curvature of yield curves, the volatilities of profit rates, prepayment speeds/optionality and credit spreads.
- **Currency rate risk:** results from exposures to changes in spot prices, forward promise prices and volatilities of currency rates.
- **Equity price risk:** results from exposures to changes in prices and volatilities of individual equities, baskets of equities and equity funds (Traded and Non-Traded), the equity investment portfolio represents a very small percentage of the Bank's overall investments. Furthermore, it is being maintained on a rundown basis.

Quantitative and qualitative information is used to identify, assess and respond to market risk. The actual format and frequency of risk disclosure depends on the audience and purpose. For example, front office and risk functions receive a full range of daily control and activity, valuation, sensitivity and risk measurement reports and dashboards, while ALCO, RMC and BRCGC receive monthly/periodical reporting and updates.

10.2. Market risk under the standardised approach (MR1)

S. No	Particulars	31 Dec 2023	31 Dec 2022
		RWA	RWA
		AED '000'	AED '000'
1	General interest rate risk (General and Specific)	955,751	923,152
2	Equity risk (General and Specific)	-	-
3	Foreign exchange risk	1,336,456	1,695,182
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7			
8	Securitisation	-	-
9	**Total**	**2,292,207**	**2,618,334**

11. Profit rate risk in the banking book (PRRBB)

11.1. PRRBB risk management objectives and policies (PRRBBA)

a) Overview

Profit Rate Risk in the Banking Book ("PRRBB") refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in profit rates that affect the Bank's banking book positions. Key constituents of PRRBB include gap risk, basis risk and optionality (wherever applicable).

The Bank has adopted a comprehensive and proactive approach in managing PRRBB. The key elements of this approach comprise the following core elements:

- Governance, Policies and Procedures.
- Risk Identification, Assessment, Measurement and Monitoring.
- Risk Management and Mitigation.
- Comprehensive PRRBB Reporting and Disclosure.

i) Governance, Policies and Procedures

The governance of PRRBB is integrated with the overall risk governance structure of the Bank. Board, BRCGC, Risk Management Committee along with Asset and Liability Management Committee ("ALCO") are responsible for defining and establishing policies around prudent management of PRRBB based on risk appetite of the Bank. Furthermore, the Bank has a PRRBB policy in place which sets out key principles, articulates key roles and responsibilities to effectively manage PRRBB risk across the Bank.

ii) Risk Identification, Assessment, Measurement and Monitoring

Bank has adopted a pro-active approach in identifying and assessing, measuring and monitoring PRRBB. Bank employs the following key metrics for measurement of PRRBB:

- ΔEVE- Economic value of Equity change under various BCBS prescribed rate shocks.
- ΔNPI for 12-month horizon - Net Profit Income change under upward and downward parallel rate shocks.
- Net-repricing GAP positions.

Bank considers modelling of material PRRBB risk profile drivers based on the BCBS IRRBB Standards like behavioral bucketing of Non-maturing deposits. Assessment of materiality of optionality elements are also considered. Furthermore, Group Risk Management conducts regular and ad-hoc risk analyses (such as scenario analysis and stress tests) and reports findings and recommendations to RMC and ALCO.

All new product structures and any changes to existing products in terms of re-pricing tenors, benchmarks, rate floors offered, maturity and pricing is reviewed from a PRRBB perspective by Group Risk Management department for its impact on earnings and economic value sensitivities. Profit rate risk is monitored on a regular basis and appropriate measures are taken to mitigate any excess risks.

iii) Risk Management and Mitigation

The objective of managing PRRBB is to manage the exposure to profit rate risk in the Banking Book within acceptable limits. Primary responsibility of managing PRRBB lies with Treasury. Measurement of PRRBB metrics is done by Group Risk Management. BRCGC, RMC and ALCO monitor the PRRBB risk profile of the Bank on a regular basis and review the position against the approved limits. Risk Appetite Statement ("RAS") of the Bank sets out PRRBB limits for economic value approach in line with CBUAE and Basel Standards.

As per the directives of the Bank's ISSC, Bank doesn't currently engage in hedging activities.

iv) Comprehensive PRRBB Reporting and Disclosure

PRRBB measures are reported on a monthly basis to ALCO, RMC and quarterly to BRCGC. The impact of profit rate shocks is also factored as part of the Bank's formal Stress Tests and within ICAAP framework and the results are presented to senior management.

b) Periodicity of the calculation of the bank's IRRBB/PRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB/PRRBB.

The Bank has instituted Economic Value of Equity (EVE) and Net Profit Income (NPI) for a 12-month horizon related measures for PRRBB being prescribed as primary measures for PRRBB by Basel's BCBS 368 guidelines. Bank measures EVE and NPI on a monthly basis.

c) Profit rate shock and stress scenarios that the bank uses to estimate changes in the economic value of earnings.

The Bank uses profit rate shocks as prescribed by CBUAE and Basel's BCBS 368, for assessing impacts on EVE (6 regulatory Shocks are applied) and NPI (2 Regulatory Shocks are applied). In addition, alternative/higher stress impacts are also considered as part of the ICAAP assessment process.

d) High-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNPI in Table B, which includes:

- The approach to modelling assumptions for the purpose of evaluating ΔEVE and ΔNPI in consistent with the guidelines set out by the CBUAE Model Management guidelines /Basel 2016 IRRBB guidelines. The average repricing maturity of non-maturing deposits ("NMD") has been determined based on behavioural analysis, using Bank's historical data.
- Currently ΔEVE and ΔNPI figures are being computed for significant currencies which include AED and USD. Bank considers netting of EVE impact of the pegged currencies due to high correlation between these currencies.
- For estimation of PRRBB, the bank assumes a floor of zero for downward shocks.
- Product margins are added to risk free rate (discount rate) for computation of both ΔEVE and ΔNPI.
- Models are subject to independent validation oversight from Model Risk Management Committee.

e) Computation of PRRBB for Pillar II capital adequacy assessment:

- Impact of forward-looking behavioural assumptions - In line with CBUAE MMSG requirements, the bank calculates an "add- on" reflecting the potential future migration impact of CASA to Term deposits and its potential impact on EVE and NPI sensitivity for purposes of Pilar-II capital computation.
- Impact of AT-1 is excluded from base line EVE and NPI loss and Basis risk are added for both ΔEVE and ΔNPI.

11.2. Quantitative information on Profit rate risk in the banking book (PRRBB1)

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In reporting currency	ΔEVE*		ΔNPI*	
Period	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Parallel up	(2,508,194)	(626,902)	162,021	812,548
Parallel down	2,869,849	746,280	(460,366)	(1,127,803)
Steepener	(841,733)	(379,924)		
Flattener	278,591	240,983		
Short rate up	(833,674)	(60,655)		
Short rate down	871,137	66,035		
Maximum	**(2,508,194)**	(626,902)	-	-
Period	**31 Dec 2023**		**31 Dec 2022**	
Tier 1 capital	**40,090,959**		**38,111,254**	

* Standardized EVE and NPI numbers which are used for limit management are presented in this table and include the AT1 contribution to PRRBB.

- Average repricing maturity assigned to Non-maturing deposits is 2.01 years (Dec 2022 was 1.97 years).
- Longest repricing maturity assigned to Non-maturing deposits is 10 years (Dec 2022 was 10 years).

Note: Negative numbers represent decrease in economic value of equity. Since Bank has significant exposures only in AED and USD currency, and the AED currency is pegged to USD, losses and gains across the different currencies, including less significant currencies, are aggregated.

12. Operational risk

12.1. Qualitative disclosures on operational risk (OR1)

a) Banks policies, frameworks and guidelines for the management of operational risk

Operational risk is "the risk of loss resulting from inadequate or failed internal processes, people and system or from external events". This definition includes legal risk but excludes strategic and reputational risk. Bank's framework design is primarily based on Basel framework which is further attuned in line with regulatory guidance. Banks risk management Framework (which is at Group Level) sets the tone and approach in managing risks. Under the risk management framework, Bank has an Operational Risk Policy which articulates the approach and controls adopted in managing risks in day to day operations. Key elements of Banks Operational Risk framework include:

- Risk Appetite limits and tolerances
- Risk Control Self-Assessment and Key Risk Indicators
- Incident Management
- Fraud Monitoring and Investigation
- Business Continuity Management
- Crisis Management
- Risk Transfer and Outsourcing
- Risk reporting to the senior management and Board.

Further, Bank also has in place other dedicated policies for Conduct Risk, Outsourcing, Business Continuity Management and other supporting elements to achieve a business as well as risk objectives in a controlled and consistent manner.

b) Structure and organisation of operational risk management and control function

The Banks Operational Risk Framework follows the three lines of defense methodology. The framework clearly defines roles and responsibilities of individuals/units (across the three lines) that are involved in identifying, assessing, controlling, mitigating, monitoring and reporting of operational risk. Operational risk management department being part of Group Risk Management (which reports directly to the Board Risk Compliance and Governance Committee) is independent of business and operations and ensures that the practices remain compliant with the approved framework.

c) Operational risk measurement system

To support measurement of operational risks, Bank has put in place a dedicated operational risk system that allows maintenance of incident database and risk assessment tools like Risk Control Self-Assessment and Key Risk Indicators. The Bank presently follows the Standardised Approach in calculating capital requirements for operational risk in line with CBUAE requirements. Further, operational risk limits are defined in the banks risk appetite statement document which supports risk measurement and provides Board and Management objective view of Banks operational risk profile. In addition, to manage fraud risk, the Bank has put in place systems which enable monitoring of transactions allowing bank to proactively detect unusual or suspicious patterns for further investigation and remedy.

d) Reporting framework on operational risk to executive management and to the Board of directors

Operational risk reports are shared with relevant Business lines / function and senior management on a monthly basis and further key operational risk matters are also presented to the Banks Risk Management Committee. Such reporting includes a detailed analysis of the Banks operational risk profile in context of the approved risk appetite. Additionally, on a minimum quarterly basis, operational risk matters are also reported to Board Risk, Compliance and Governance committee.

e) Risk mitigation used in the management of operational risk

Bank adopts a proactive strategy to manage operational risk whereby active engagement with internal stakeholders is ensured during decision making (formulation and design of policy, process, product, etc.) and controlled management of deviation and circumstances beyond policy control. To mitigate fraud risk, the Bank uses tools to strengthen its anti-fraud activities and to proactively detect and minimize the impact of emerging fraud trends. The Bank is also committed to increase fraud awareness and educate customers against potential frauds. Moreover, the Bank manages and mitigates information security and cyber risk while adopting industry best practices and standards, where required testing is performed on critical banking channels and systems to ensure that system vulnerabilities (if any) are promptly identified and mitigated. While the Bank is committed to have effective risk management practices in place, it also maintains an effective risk transfer methodology by procuring Takaful policies. The Bank actively engages with the Takaful provider for timely policy renewal and claim management.

13. Remuneration policy (REMA)

The purpose of the remuneration policy is to guide the development and implementation of the remuneration and recognition programs of the Bank, with the objective of supporting the attraction, retention and engagement of talent required to deliver the business strategy of the Bank, in line with prudent risk measures and CBUAE compensation rules, principles and standards. The scope of the policy covers all permanent and full-time employees of the Bank and its local subsidiaries.

a) Composition and mandate of the Board Nomination & Remuneration Committee

The Board of Directors (the "Board") has established the Committee comprise of 3 Board members (including one as Chairman of the Committee) to assist the Board in fulfilling its oversight responsibilities with respect to:

- Matters relating to the composition, nomination, succession, remuneration and assessment of the Board and its committees; and
- Oversight of strategic human resource matters and the remuneration system.

Below is the mandate of the committee;

- Review, approve and oversee the implementation of the overall compensation framework and system ensuring alignment with Bank's long-term interests, sustainability and financial soundness.
- Review the rewards plans, processes and outcomes at least annually, ensuring an independent assessment by an external third party at least once every five years.
- Make recommendations to the Board concerning the specific remuneration packages for the Directors and Board committees' Chairman and members.
- Review and approve the remuneration for the Group Chief Executive Officer, Senior Management, Board Secretary and any other roles reporting to the Board or any of its committees.
- Annually review and approve the strategic human resources policy.

b) Senior Management and Material risk-takers

i) **Senior Management:** The executive management of the Bank, who is responsible and accountable to the Board for the sound and prudent day-to-day management of the Banks operations and processes.

ii) **Material Risk Takers:** Tier 1 committee members, Staff defined as "Senior Management, CEO of entity (Tanmyah), Few staff that report to the direct reports of GCEO – These are largely based on the ticket size as well as the complexity of the transactions / deals that they oversee.

c) Design and structure of remuneration policy

i) Overview

The Banks remuneration policies are built on the "Pay for Performance" theme and is linked to a robust Performance Management System based on the Balance Scorecard focusing on four key areas i.e. Financials, Customers, Processes and Learning & Growth. This enables the Bank to achieve and sustain high standards of performance. The Banks remuneration policies are prudently governed by the Board Nomination & Remuneration Committee who ensure that the Bank adopts market driven remuneration practices. The committee also plays a key role in safeguarding the bank by ensuring adherence to the regulatory requirements and encouraging sound remuneration practices. The main objectives of the remuneration policy include;

- Aligning the remuneration practices with the Banks strategy to support the successful execution of the strategy in a risk aware manner.
- Ensuring remuneration payments are sensitive to the time horizon of risks and, that the variable component of remuneration is deferred where risks are realized over long periods.
- Manage Total Rewards such that Reward decisions consider the balance between external competitiveness and affordability, the external business environment, Banks financial health, risk factors affecting the sustainability of the Bank

- Ensure that variable pay plays an important part of its pay for performance approach and helps the Bank focus on a total remuneration approach. Pay structures at the Bank should drive desired behaviors and expected conduct by employees.
- Ensure that a meaningful proportion of remuneration is variable in nature in line with CBUAE regulations/standards and BNRC approval, wherein annual bonus (a component of variable pay) is derived from the value creation driven by the bank and individual employees' performance to the extent that it may not be paid at all if bank and individual employees' performance is below a certain threshold.
- Ensure the Banks practices are designed to be fair and equitable. Benchmarks are used to establish external remuneration references, alongside other relevant internal and external inputs.

ii) Topics of the HR policies reviewed during the past year

- Introduced a section on Reward philosophy that acts as a foundation for the reward program.
- Introduced a section on Reward governance that highlights roles and responsibilities of the various stakeholders such as Board Remuneration Committee, HR, governance mechanism in case of senior management pay and public disclosures.
- Revised salary scale.
- Created a Promotion policy that specified what cases are considered a promotion and consolidated all cases of promotion (regrading etc.) under one head. This also clearly specified that employee promotions may be done periodically or ad-hoc basis at any time during the year.
- Created a section on salary management that includes all types of salary increase and also lays out clearly the guidelines on hiring salaries that enables DIB adequate flexibility in hiring. This also specifies that employees may be below min or above max of the salary range.
- Introduced a consolidated section on variable pay that includes annual bonus, incentives, bonus deferral and long-term incentives.
- ESOPs has been revised Long term Incentives (LTIPs).
- Enhanced education assistance to cover children from 18 months until 21 years with an updated amount.
- Enhanced LTA with updated fares for those grades that are paid lump sum, recommended that the airfare schedule is updated periodically with IATA fares or any other recognized source, review the airfare schedule for employees from Far East, cover employees between the age of 2 and 12 years on adult fare and children are covered until the age of 21.
- Updated medical coverage to cover at least 3 children for all employees until the age of 21.
- Updated BYOD policy with higher amounts in line with market norms, for nominees only based on job role.
- Updated residency policy to cover a lump sum amount including medical, Emirates ID, residency stamping inclusive of the typing fees for self, spouse and up to 3 children unless explicitly stated for distinct grades.
- Eligibility for compensation for in-house trainer policy updated to exclude those who core duties are training. However, DIB recommends to discontinue this policy.
- Enhanced per diem amounts in case of business travel policy in line with market norms.
- Enhanced business travel within UAE.
- Enhanced hotel accommodation amounts in case of business travel policy in line with market norms.
- Relocation policy updated:
  - Joining airfare will be extended to family across all grades.
  - Class of travel for those joining DIB in line with business travel policy.
  - Temporary accommodation for grades A to D to cover family.
  - Per-diem as per temporary accommodation in line with business travel policy.

iii) Review of Human Resources Policy in line with the New Labor Law.

There is no change in UAE labor law during the year which will affect the Rewards policy. Hence there is no change in Rewards policy based on UAE labor law.

d) Linkage between the performance with levels of remuneration

- At the beginning of the performance cycle, the Banks leadership sets organizational and function-specific objectives and goals for the performance year.
- Each Functional Head is responsible for setting and communicating the functional goals and objectives.
- A top-down approach is adopted to cascade organizational goals down to divisional/departmental/unit goals and then further down to individual objectives
- Each employee has a balanced scorecard that incorporates objectives/KPIs among four (4) quadrants: 1. Customer, 2. Financial, 3. Learning and Growth, and 4. Process. A minimum of two (2) and a maximum of four (4) objectives/KPIs is set per quadrant.
- The objectives/KPIs for each employee have the level definition of what is required to obtain an objective/KPI rating on a scale of 1 to 5.
- The overall rating derived from the PM process, using the balanced scorecard, is a balanced assessment of the individual's performance across the key result areas. This performance rating is then linked to the Remuneration.

e) Individual remuneration linkage with the bank-wide and individual performance

- The overall banks corporate plan is discussed and made at the management level.
- Based on these corporate plans and business plans are made.
- Business plans are cascaded down to department plans then to team goals and to individual goals.
- The individual goals or KPI are transformed into the 4 quadrants of performance management.
- The assessment of KPI through performance management results in performance ratings and the individual employee is rewarded based on the performance ratings.

f) Remuneration of Risk and Compliance employees

The revised pay structure for control functions in the Bank to align with Central Bank's requirements is approved by the BNRC. We have implemented the new pay structure for control functions wherein we pay Control Function Allowances for the all the staff in control functions department with the objective of aligning to the Central Bank regulations in terms of quantum and mix of pay. The Bank currently adopts a pay for performance methodology. A balanced scorecard approach is followed to assess the individual performance of the staff. This ensures that we are not rewarding for financial achievements only, but all other areas (process, customer, learning & growth) which are important for the bank. Hence, the overall rating derived from the Performance Management (PM) process, using the balanced scorecard, is a balanced assessment of the individual's performance across the key result areas. This performance rating is then linked to the rewards applicable.

i) Deferred remuneration policy

The Bank has a deferred remuneration policy in terms of bonus awarded to the Senior management, Material risk takers and other identified roles. The policy has been designed and implemented in the line with the requirement of CBUAE. The Bank reserves the right to apply, at its discretion, the malus and claw back policies taking into consideration an individual's proximity to, and responsibly for, and the event in question.

ii) Variable remuneration

The Bank has a policy of variable remuneration in the form of annual discretionary performance bonus and incentive payments, in line with the market practices. The Bank believes such variable remuneration helps to attract as well as retain the best talent. The variable pay structure of the staff in Control Functions is in process of implementation.

The Bank has bonus scheme based on the performance of the employees. A brief description in this regard as follows;

- Employees with a performance rating of 1 and 2 on a performance rating scale of 5 will be generally not qualified for a performance bonus. However, the management may exceptionally consider employees with rating 2 for a performance bonus.
- In a 5-point rating scale, rating 2 and 1 is considered as "poor" performance.

g) Engagement of external consultants

The Bank engages various external consultants, such as Korn Ferry and Aon, specialized in the HR to review the remuneration policies and help to further improve and comply with regulatory requirements and general industry practices specially to review the remuneration of GCEO, senior management and Board secretary.

13.1. Remuneration awarded during the financial year (REM1)

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S. No	Remuneration Amount		31 Dec 2023 Senior Management	31 Dec 2023 Other Material Risk-takers	31 Dec 2022 Senior Management	31 Dec 2022 Other Material Risk-takers
1	Fixed Remuneration	Number of employees	19	37	19	38
2		Total fixed remuneration (3 + 5 + 7)	40,014	41,898	35,811	40,631
3		Of which: cash-based	40,014	41,898	35,811	40,631
4		Of which: deferred	-	-	-	-
5		Of which: shares or other share-linked instruments	-	-	-	-
6		Of which: deferred	-	-	-	-
7		Of which: other forms	-	-	-	-
8		Of which: deferred	-	-	-	-
9	Variable Remuneration	Number of employees	19	36	19	38
10		Total variable remuneration (11+13 +15)	44,900	27,015	40,700	25,220
11		Of which: cash-based	44,900	27,015	40,700	25,220
12		Of which: deferred	22,450	13,455	-	-
13		Of which: shares or other share-linked instruments	-	-	-	-
14		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2+10)**		**84,914**	**68,913**	**76,511**	**65,851**

13.2. Special payments (REM2)

31 December 2023 – AED '000'

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	19	3,845	-	-	-	-
Other material risk-takers	37	1,799	-	-	1	767

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Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	19	3,707	-	-	-	-
Other material risk-takers	38	1,934	-	-	-	-

13.3. Deferred remuneration (REM3)

31 December 2023 – AED '000'

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	**22,450**	**-**	**-**	**-**	**-**
Cash	22,450	-	-	-	-
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risk-takers	**13,455**	**-**	**-**	**-**	**-**
Cash	13,455	-	-	-	-
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Total	**35,905**	-	-	-	-