بنك دبي الإسلامي

Dubai Islamic Bank

Pillar 3 Report

For the year ended 31 December 2022

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1. Overview and Introduction

This document (as 'Pillar III 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 2022.

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 report for the year ended 31 December 2022 has been 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[1]	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
				31 Dec 222	31 Dec 2021
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 L.L.C.	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 L.L.C.	Islamic finance advisory	U.A.E.	**100.0%**	100.0%
8	Al Tanmyah Services L.L.C.	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%
18	Premium Marketing Services L.L.C	Outsourcing and Marketing activities	U.A.E.	-	100.0%
19	Noor BPO L.L.C	Outsourcing and Consultancy services	U.A.E.	-	100.0%
20	Zawaya Realty L.L.C	Real estate Management Services	U.A.E.	-	100.0%

[1] 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. During current year, Deyaar Development P.J.S.C., has reduced its share capital by 24.3%. The reduction in share capital has no impact on the ownership interest held by the Bank. The entities 18, 19 and 20 have been liquidated.

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 [1]	Principal activity	Place of incorporation and operation	Ownership interest and voting power	
				31 Dec 222	31 Dec 2021
21	HoldInvest Real Estate Sarl	Investments	Luxembourg	**100.0%**	100.0%
22	France Invest Real Estate SAS	Investments	France	**100.0%**	100.0%
23	SARL Barbanniers	Investments	France	**100.0%**	100.0%
24	SCI le Sevine	Investments	France	**100.0%**	100.0%
25	Al Islami Trade Company Limited	Investments	U.A.E.	**100.0%**	100.0%
26	MESC Investment Company	Investments	Jordan	**-**	40.0%
27	Levant One Investment Limited	Investments	U.A.E.	**100.0%**	100.0%
28	Petra Limited	Investments	Cayman Islands	**100.0%**	100.0%
29	Deyaar Investments L.L.C	Investments	U.A.E.	**Controlling Interest**	Controlling Interest
30	Deyaar Funds L.L.C	Investments	U.A.E.	**Controlling Interest**	Controlling Interest
31	Sequia Investments L.L.C.	Investments	U.A.E.	**99.0%**	99.0%
32	Blue Nile Investments L.L.C.	Investments	U.A.E.	**99.0%**	99.0%
33	DIB FM Limited	Investments	Cayman Islands	**100.0%**	100.0%
34	Noor Sukuk Company Limited	Investments	Cayman Islands	**100.0%**	100.0%
35	Noor Tier 1 Sukuk Limited	Investments	Cayman Islands	**-**	100.0%
36	Noor Structured Certificates Limited.	Investments	Cayman Islands	**100.0%**	100.0%
37	Noor Derivatives Limited	Investments	Cayman Islands	**-**	100.0%

[1] In addition to the registered ownership described above, the remaining equity in the entities 29, 30, 31 and 32 are also beneficially held by the Bank through nominee arrangements. The entities 26, 35 and 37 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 mission and goals and ensured that the risks associated with the Bank's strategy are identified, understood, quantified (to the best extent) and mitigated in order to achieve the Bank's mission and value proposition. 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 Bank's 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 matrices 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, mission 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 Shareholder's value is enhanced.

The Bank's 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.

Senior management has ensured that the control environment provides for appropriate independence and separation of duties. This shall be achieved via a "three lines of defense" approach.

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 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 of Risk Management, Internal Sharia Control Department, Legal Department and 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 contains the independent assurance functions, namely Internal Audit and 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 and law enforcement agencies.

The Board has set the highest standards to ensure that Bank's Corporate Governance environment that enshrines the principals 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 book
- Operational risk
- Reputational risk
- Regulatory / compliance risk
- Information Security
- Sharia Non-compliance risk; and
- Conduct risk

The Board has approved Risk Appetite Statement. The Bank's Risk Appetite is defined in accordance with risk management principles and the Bank's 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 and law enforcement agencies. 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 Bank's 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. Additionally, there are other independent bodies / functions responsible for managing and monitoring risks.

For effective implementation of the risk management framework, the Board has constituted a dedicated Group Risk Management 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 Bank's 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

The overall responsibility of risk management (will be executed via pertinent committees/ Management/Risk Management Function) 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 BRCGC is constituted by the Board to assist the Board in fulfilling its oversight responsibilities with respect to:

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

iii) Risk Management Committee

The Committee is a Tier 1 management committee which has been established 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 DIB.

iv) Asset and Liability Management Committee

Asset and Liability Management Committee (ALCO) has been established to provide oversight of asset and liability management within the Bank, ensuring the following:

- Act as guardian in overseeing all matters that impact DIB’s 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 for DIB, develop strategies, operating policies and practices to manage liquidity risk in accordance with Board approved policies and risk tolerance/limits to ensure DIB 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.

v) IFRS 9 Committee

The Committee is established to assist management in fulfilling their responsibilities with respect to ensure the following:

- Approve macroeconomic scenarios and their probabilities considering assurance from Group Risk Management Department and Finance Department that these scenarios are used consistently.
- Review and approve ECL computations and its adequacy for various exposures and overall portfolios.
- Review and confirm validation and monitoring reports.

vi) Compliance Committee

The Committee is established to assist management in fulfilling their responsibilities with respect to compliance, particularly:

- 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.

vii) Group Risk Management Department

Group Chief Risk Officer (GCRO) shall have a direct reporting line to the BRCGC and appropriate reporting lines to the management with right of direct access to the Board/BRCGC. Moreover, GCRO shall not have a decision-making role in bank's risk-taking functions including credit underwriting and finance functions and shall have no revenue generating responsibilities.

viii) Internal Audit Department

Group Internal Audit is an independent, objective assurance and consulting function designed to support the Bank 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).

ix) Internal Sharia Audit Department

Compliance to Sharia and the Fatawa issued by the Internal Sharia Supervision committee (ISSC) of the Bank in all the matters of the Bank including the execution of the transactions, are audited periodically by the Internal Sharia Audit Department which examines the adequacy of the procedures and the Group's compliance with the Fatawa 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

The Board/ BRCGC ensures the availability of Board approved 'Sharia Governance Framework' for managing Sharia non-compliance risk, as well as an established ISSC to undertake Sharia supervision of all businesses, activities, products, services, contracts, documents and code of conduct.

The ISSC issues fatwas and resolutions and shall monitor compliance with Sharia through Internal Sharia Control Department ensuring that the Bank's approach to Sharia Non-Compliance risk management incorporates appropriate measures to comply with Sharia guidance and addresses potential exposure against failure to adhere to Sharia guidance issued by the ISSC and the Higher Sharia Authority (HSA) from time to time.

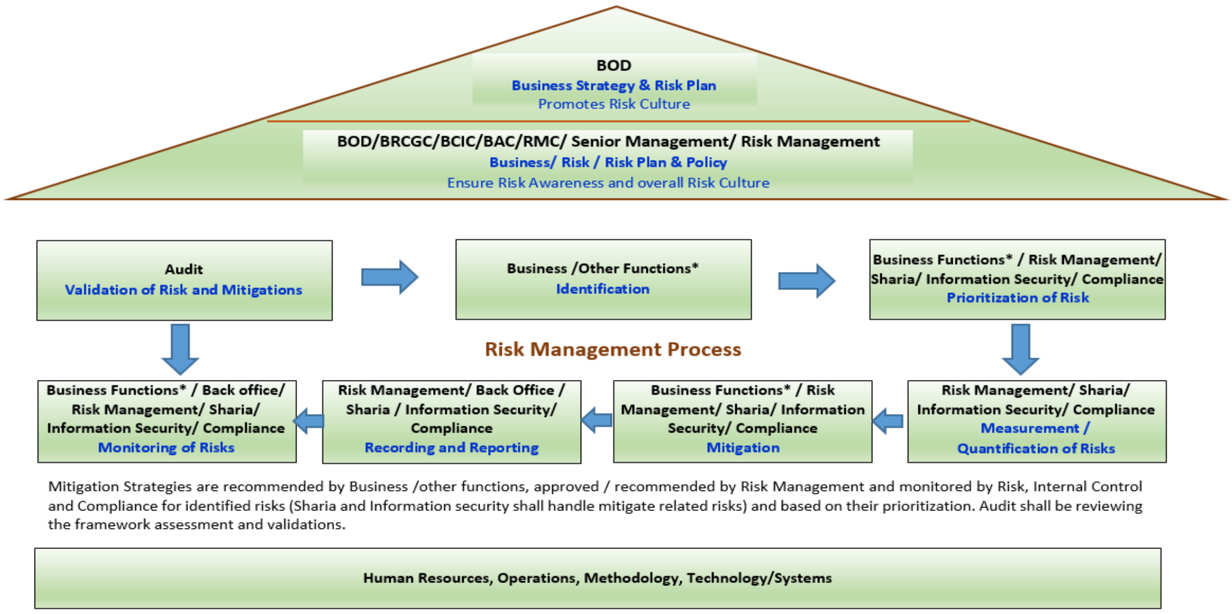
Moreover, there is a Sharia Compliance Unit under Internal Sharia Control Department of the Bank which constantly monitors Sharia Non-compliance Risk and Sharia compliance level of the Bank and submits its quarterly reports to the ISSC and the management.

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:



**Functions identified as First Line of Defense*

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.

f) 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. The Bank actively uses collaterals to mitigate its credit risks.
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, bench mark 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)

AED '000'

S. No	Particulars	31 Dec 2022	30 Sept 2022	30 June 2022	31 Mar 2022	31 Dec 2021
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	29,847,004	31,660,335	30,435,830	29,438,196	28,265,092
1a	Fully loaded ECL accounting model	-	-	-	-	-
2	Tier 1	38,111,254	39,924,585	38,700,080	37,702,446	36,529,342
2a	Fully loaded ECL accounting model Tier 1	-	-	-	-	-
3	Total capital	40,744,441	42,498,741	41,334,015	40,318,287	39,138,463
3a	Fully loaded ECL accounting model total capital	-	-	-	-	-
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	231,586,330	228,307,477	230,689,350	230,369,457	228,820,246
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	12.9%	13.9%	13.2%	12.8%	12.4%
5a	Fully loaded ECL accounting model CET1 (%)	-	-	-	-	-
6	Tier 1 ratio (%)	16.5%	17.5%	16.8%	16.4%	16.0%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	-	-	-	-	-
7	Total capital ratio (%)	17.6%	18.6%	17.9%	17.5%	17.1%
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 (%)	5.9%	6.9%	6.2%	5.8%	5.4%
	Leverage Ratio					
13	Total leverage ratio measure	301,961,810	286,989,028	294,098,198	302,409,283	291,419,143
14	Leverage ratio (%) (row 2/row 13)	12.6%	13.9%	13.2%	12.5%	12.5%
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)	-	-	-	-	-

AED '000'

S. No	Particulars	31 Dec 2022	30 Sept 2022	30 June 2022	31 Mar 2022	31 Dec 2021
	Liquidity Coverage Ratio [1]					
15	Total HQLA	49,887,975	37,080,862	41,008,546	49,005,274	49,002,374
16	Total net cash outflow	33,169,573	30,139,264	35,034,818	39,810,481	35,923,392
17	LCR ratio (%)	150.4%	123.0%	117.1%	123.1%	136.4%
	Net Stable Funding Ratio					
18	Total available stable funding	196,717,443	189,202,035	194,378,921	193,821,280	187,935,313
19	Total required stable funding	186,130,058	184,212,254	187,744,057	186,732,730	184,134,134
20	NSFR ratio (%)	105.7%	102.7%	103.5%	103.8%	102.1%
	ELAR [2]					
21	Total HQLA	-	-	-	-	-
22	Total liabilities	-	-	-	-	-
23	Eligible Liquid Assets Ratio (ELAR) (%)	-	-	-	-	-
	ASRR [3]					
24	Total available stable funding	-	-	-	-	-
25	Total Advances	-	-	-	-	-
26	Advances to Stable Resources Ratio (%)	-	-	-	-	-

[1] *LCR and NSFR are calculated as at the end of each period rather than using average values. For average LCR, refer to table LIQ1.*

[2] *ELAR is not applicable.*

[3] *ASRR is not applicable.*

3.3. Overview of RWA (OV1)

AED '000'

S. No	Particulars	RWA		Minimum capital requirements [1]	
		31 Dec 2022	30 Sept 2022	31 Dec 2022	30 Sept 2022
1	Credit risk (excluding counterparty credit risk) [2]	208,545,071	202,915,878	21,897,232	21,306,167
2	Of which: standardised approach (SA)[3]	208,545,071	202,915,878	21,897,232	21,306,167
3					
4					
5					
6	Counterparty credit risk (CCR)	902,988	1,006,791	94,814	105,713
7	Of which: standardised approach for counterparty credit risk	902,988	1,006,791	94,814	105,713
8					
9					
10					
11					
12	Equity investments in funds - look-through approach	-	-	-	-
13	Equity investments in funds - mandate-based approach	801,226	782,214	84,129	82,132
14	Equity investments in funds - fallback approach	405,656	1,227,575	42,594	128,895
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[4]	2,618,334	4,303,083	274,925	451,824
21	Of which: standardised approach (SA)	2,618,334	4,303,083	274,925	451,824
22					
23	Operational risk	18,313,055	18,071,936	1,922,871	1,897,553
24					
25					
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**231,586,330**	**228,307,477**	**24,316,565**	**23,972,285**

[1] *The minimum capital requirements applied is 10.5%.*

[2] *Including CVA but excluding equity investments in funds.*

[3] *Credit risk weighted assets has increased, in 'Dec 2022' from 'Sept 2022', mainly due to the downgrade in the credit rating of Gov't of Pakistan and increase in sukuks.*

[4] *Market risk weighted assets decreased in 'Dec 2022' from 'Sept 2022', due to decline in both profit rate risk and FX exposures.*

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.

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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**

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

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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) [1]	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[2]	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**

[1] *Excluding amounts 'Not subject to capital requirements or subject to deduction from capital'.*
[2] *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 as reported in published financial statements' and 'Carrying values under scope of regulatory consolidation'.

Differences arise due to the fact that balances are shown net of provision in accounting consolidation whereas they are shown gross in regulatory consolidation.

5. Composition of capital

5.1. Composition of regulatory capital (CC1)

		31 Dec 2022
S. No	**Particulars**	**Amount AED '000'**
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
2	Retained earnings	11,604,509
3	Accumulated other comprehensive income (and other reserves)	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**	**30,019,804**
Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-
8	Goodwill (net of related tax liability)	83,614
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	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
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**	**172,800**
25	**Common Equity Tier 1 capital (CET1)**	**29,847,004**
Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	8,264,250
27	OF which: classified as equity under applicable accounting standards	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
Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-

31 Dec 2022

S. No	Particulars	Amount AED '000'
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**
39	**Tier 1 capital (T1= CET1 + AT1)**	**38,111,254**
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	2,633,187
45	**Tier 2 capital before regulatory adjustments**	**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)**	**2,633,187**
52	**Total regulatory capital (TC = T1 + T2)**	**40,744,441**
53	**Total risk-weighted assets**	**231,586,330**
Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	12.9%
55	**Tier 1 (as a percentage of risk-weighted assets)**	16.5%
56	**Total capital (as a percentage of risk-weighted assets)**	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%
58	**Of which: capital conservation buffer requirement**	2.5%
59	**Of which: bank-specific countercyclical buffer requirement**	0%
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.5%
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	5.9%
The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.0%
63	Tier 1 minimum ratio	8.5%
64	Total capital minimum ratio	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	

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S. No	Particulars	Amount AED '000'
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
		31 Dec 2022 – AED '000'	
Assets			
1	Cash and balances with the Central Banks	26,489,144	26,488,587
2	Due from banks and financial institutions	4,606,943	4,021,411
3	Islamic financing and investing assets, net	186,042,557	186,192,297
4	Investments in Sukuk	52,228,362	52,228,362
5	Other investments measured at fair value	1,024,759	1,098,672
6	Investments in associates and joint ventures	1,948,841	2,823,620
7	Properties held for development and sale	1,488,079	30,828
8	Investment properties	5,261,871	3,072,503
9	Receivables and other assets	7,489,845	8,093,163
10	Property and equipment	1,658,090	1,072,042
	Total assets	**288,238,491**	**285,121,484**
Liabilities			
1	Customer's deposits	198,636,903	199,248,348
2	Due to banks and financial institutions	12,809,480	12,669,106
3	Sukuk issued	22,339,696	22,339,696
4	Payables and other liabilities	10,048,147	8,943,480
5	Zakat payable	429,297	429,297
	Total liabilities	**244,263,523**	**243,629,927**
Shareholders' equity			
1	Share capital	7,240,744	7,240,744
2	Tier 1 sukuk	8,264,250	8,264,250
3	Other reserves and treasury shares	14,654,668	14,654,668
4	Investments fair value reserve	(1,062,927)	(1,062,927)
5	Exchange translation reserve	(1,565,666)	(1,565,666)
6	Retained earnings	13,772,643	13,772,643
7	Non-controlling interests	2,671,256	187,846
	Total shareholders' equity	**43,974,968**	**41,491,557**
	Total Liabilities and Shareholders' equity	**288,238,491**	**285,121,484**

5.3. Main features of regulatory capital instruments (CCA)

S. No.	Particulars	Quantitative / qualitative information			
1	Issuer	Dubai Islamic Bank & Subsidiaries			
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 millions, 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	NA	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	NA	Fixed	Fixed	Fixed
19	Coupon rate and any related index	Dividend	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)

AED '000'

S. No.	Particulars	31 Dec 2022
1	Total consolidated assets as per published financial statements	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	(3,117,007)
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	(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)	14,050,647
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	3,216,301
13	**Leverage ratio exposure measure**	**301,961,810**

6.2. Leverage ratio common disclosure template (LR2)

AED '000'

S. No.	Particulars	31 Dec 2022	30 Sept 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)[1]	279,408,850	265,803,412
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)	(141,485)	(143,270)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**279,267,365**	**265,660,142**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	699,251	668,811
9	Add-on amounts for PFE associated with *all* derivatives transactions	704,970	906,158
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)**	**1,404,221**	**1,574,969**
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	7,239,577	7,239,577
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)**	**7,239,577**	**7,239,577**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	29,249,660	27,930,824
20	(Adjustments for conversion to credit equivalent amounts)	(15,199,013)	(15,416,483)
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)**	**14,050,647**	**12,514,341**
Capital and total exposures			
23	**Tier 1 capital**	**38,111,255**	**39,924,585**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**301,961,810**	**286,989,028**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**12.6%**	**13.9%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.6%	13.9%
26	CBUAE minimum leverage ratio requirement	3.5%	3.5%
27	**Applicable leverage buffers**	-	-

[1] *The On-balance sheet exposures has increased in Dec 2022 due to increase in the Banks total assets.*

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 (Sukuks), may reduce significantly (market liquidity risk).

a) Governance

Liquidity Risk Management in the Bank is governed by the Liquidity Risk Management policy and the Risk Appetite Framework 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 reviews annually 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 commercial banks 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. Consolidation of commercial banking funding/lending creates a consolidated position that enables better liquidity and spread management.

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 (Contractual and behavioral) 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 Ratios. 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 ALCO.

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

- Comprehensive Risk Appetite Framework and Policy.
- 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 different 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 plans. 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 extra-ordinary or crisis liquidity situations. The Bank's CFP provides a comprehensive framework which links the activation of CFP to monitoring of a list of Bank-Specific and Market-Wide (or Systemic) Early Warning Indicators ("EWIs") such as; deterioration of key ratios below their regulatory limits, 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)

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 Dec 2022 was 150.4% whereas the average LCR ratio for the quarter ended 31st Dec 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 – NSRF (LIQ2)

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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 Risk Committee 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 RMG 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) 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 and monitoring of cross border exposure. 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, SME (Small and Medium Enterprise) and FI (Financial Institutions) 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) Re 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 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 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 Management Risk Committee, Board Risk 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 Committee has oversight of Risk Management function across the Bank. The Risk Management Committee, Early Alert Committee, Collection & Remedial Management Committee and IFRS-9 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.

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)

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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	183,416,453	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[1]	837,182	29,816,699	40,913	-	40,913	30,612,968
4	**Total**	**12,671,472**	**265,572,833**	**9,210,678**	**6,907,222**	**2,303,456**	**269,033,627**

[1] *Including derivatives.*

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

S. No	Particulars	31 Dec 2022 AED '000'
1	**Defaulted financing and sukuks at the end of the previous reporting period (30 June 2022)**	**12,596,332**
2	Financing and sukuks that have defaulted since the last reporting period	1,240,591
3	Returned to non-default status	(855,253)
4	Amounts written off	(921,535)
5	Other changes	(225,845)
6	**Defaulted financing and sukuks at the end of the reporting period (1+2-3-4-5)**	**11,834,290**

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

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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	**1,070,105**	**2,152,929**	**8,611,256**	**11,834,290**

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

d) Restructured exposures

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

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

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

Restructured accounts are totaling of AED 19.25 Bn (Dec 2021 AED 19.33 Bn), of which impaired is AED 5.93 Bn (Dec 2021 AED 5.89 Bn) and performing is AED 13.32 Bn (Dec 2021 AED 13.44 Bn). The total restructured amount is 6.8% (Dec 2021 6.9%) 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)

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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	150,284,775	35,907,522	3,299,173	232,450	29,519	-	-
Sukuks	52,228,362	-	-	-	-	-	-
Total	**202,513,136**	**35,907,522**	**3,299,173**	**232,450**	**29,519**	**-**	**-**
Of which defaulted	11,834,290	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 two lowest risk weights is 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)

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Asset class[1]	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[2]	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	78,857,428	22,490,202	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%**

[1] *Including derivatives*
[2] *Excluding CVA charge*

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

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Asset class	---------- Risk weight ----------								
	0%	20%	35%	50%	75%	100%	150%	Others	Total[1]
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	-	-	21,158,860
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	1,581,595	-	6,727,605
Higher-risk categories	-	-	-	-	-	-	732,385	-	732,385
Other assets	1,882,245	-	-	-	-	10,075,696	722,375	516,702	13,197,018
Total	**57,058,308**	**10,701,230**	**18,337,007**	**13,426,510**	**28,237,808**	**153,607,733**	**11,998,000**	**559,313**	**293,925,908**

[1] *Total credit exposure amount (post CCF and post CRM)*

9. Counterparty credit risk (CCR)

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. CCR arises predominantly in the trading book, but also arises in the non-trading book when hedging with external counterparties is required.

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 trade risk appetite for corporate and financial institutions. CCR limits are set for individual counterparties, including central clearing counterparties, and for specific portfolios. Individual limits are calibrated to the credit grade and business model of the counterparties, and are set on Potential Future Exposure (PFE).

Portfolio limits are set to contain concentration risk across multiple dimensions and are set on PFE or other equivalent measures.

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 limits on country, tenor, collateral type and counterparty.

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

31 Dec 2022
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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						-

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.

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S. No	CVA capital charge computation approach	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	1,404,221	902,988

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

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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	-	573,281
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 Dec 2022
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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	-	-	282,970
Domestic sovereign debt	-	-	-	-	-	-
Foreign sovereign sukuks	-	-	-	-	-	2,452,775
Corporate bonds	-	-	-	-	-	5,170,052
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**1,013,675**	**-**	**102,293**	**-**	**-**	**7,905,797**

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 Equity positions are subject to Value-at-Risk and exposures against limits 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 and quarterly reporting and updates respectively.

10.2. Market risk under the standardised approach (MR1)

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S. No	Particulars	RWA
1	General interest rate risk (General and Specific)	923,152
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	1,695,181
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7		
8	Securitisation	-
9	**Total**	**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 repricing risk, basis risk, yield curve 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 recently adopted PRRBB policy which sets out key principles, articulates key roles and responsibilities to effectively manage PRRBB across the Bank.

ii) Risk Identification, Assessment, Measurement and Monitoring

The Bank has adopted a pro-active approach in identifying and assessing, measuring and monitoring PRRBB. The 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.

The 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 Group 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. Prime responsibility of managing PRRBB lies with Treasury. BRCGC, RMC and ALCO monitor the PRRBB risk profile of the Bank on a regular basis and review the position against the approved limits. The limit management framework of the Bank sets out PRRBB limits for economic value approach in line with Basel Standards which are covered under the Risk appetite policy statement of the Bank.

As per the directives of the Bank's ISSC, Bank doesn't engage in hedging due to lack of available qualifying Sharia compliant derivatives.

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 Test and within ICAAP and the results are presented to senior management. These numbers are also reported on the same basis as part of the Bank's Pillar III disclosures.

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 IRRBB/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/Basel. Currently ΔEVE 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.
- The average repricing maturity of non-maturity deposits has been determined based on behavioural analysis, using Bank's historical data.
- For estimation of PRRBB, the bank assumes a floor of zero for downward shocks.

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 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Parallel up	(626,902)	(2,196,324)	812,548	427,464
Parallel down	746,280	2,731,246	(1,127,803)	(171,988)
Steepener	(379,924)	(1,073,685)		
Flattener	240,983	749,485		
Short rate up	(60,655)	(305,735)		
Short rate down	66,035	567,643		
Maximum	(626,902)	(2,196,324)	-	-

Period	**31 Dec 2022**	**31 Dec 2021**
Tier 1 capital	**38,111,254**	**36,529,342**

- Average repricing maturity assigned to NMD is 1.97 years (Dec 2021 was 0.61 years).
- Longest repricing maturity assigned to NMD is 10 years (Dec 2021 was 6 years).

Note: Negative numbers represent decrease in economic value of equity. Gains and losses across currencies are aggregated. Bank has reviewed its Non-maturing deposits models and associated behavioural assumptions during the year and this impact is reflected in the change in ΔEVE and ΔNPI as compared to the previous year.

12. Operational risk

12.1. Qualitative disclosures on operational risk (OR1)

a) Bank's 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. Operational risk events mainly include internal fraud, external fraud, employment practices and workplace safety, clients, products and business practices, damage to physical assets, business disruption and system failure, execution, delivery and process management. Key elements of the framework include:

- Risk Control Self-Assessment.
- Incident Management where all loss events and relevant incidents are captured in an incident database.
- Risk identification and setting up of Key Risk Indicators for new or enhanced processes; and
- Risk reporting to the senior management and Board.

The day-to-day management of operational risk is through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedures to monitor transaction positions and documentation, as well as business continuity planning and disaster recovery process.

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

The Bank's 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 reports to Group Risk Management, 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 operational risk capital requirements in line with CBUAE requirements.

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. Additionally, quarterly reporting to senior management and board of directors includes a detailed analysis of the Bank's operational risk profile.

e) Risk mitigation used in the management of operational risk

To mitigate fraud risk, the Bank uses tools available 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's 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 has established the Committee comprise of 3 Board members (including one as Chairman the of 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 remuneration framework and system ensuring alignment with Bank's long-term interests, sustainability and financial soundness.
- Review the remuneration 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 one of its committees.
- Annually review and approve the strategic human resources policy.

b) Senior managers 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 bank.

ii) **Material Risk Takers:** Tier 1 committee members, Staff defined as "Senior Management, CEO's of entities (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 Bank's 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 DIB's 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, DIB's financial health, risk factors affecting the sustainability of the Bank and CBUAE.

- Ensure that variable pay plays an important part of its pay for performance approach and helps DIB focus on a total remuneration approach. Pay structures at DIB 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 DIB's 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

Leave encashment: The leave balance carryforward to the next anniversary year has been revoked. If the exigencies of work necessitate that the employee requires to carry forward annual leave balance in whole or in part to next calendar year where it is not permitted, the Bank may compensate employee in lieu for the days of annual leave which he/she has not availed. Exceptional approval by GCEO will be considered on a case-by-case basis. GCEO can further delegate leave encashment approval authority.

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

Policy Clause	Existing	New Labour Law 2022	Proposed Key changes	Status
Maternity Leave	1. Full-time married female employees. 2. Forty-five (45) calendar days maternity leave with full pay. 3. Maternity leave shall be granted with half-pay if she has worked for less than one year. 4. One nursing hour per day for 18 months.	1. She shall be entitled to the maternity leave if the delivery took place (6) six months or more after pregnancy with alive or dead child. 2. Maternity Leave can start from the last day of the month preceding immediately the month, in which she is expected to give birth. 3. 60 days Maternity Leave (45 days full pay & 15 days half pay). 4. 45 days without pay due to her sickness or her child's sickness resulting from pregnancy. 5. 30 days full pay & can be extend to 30 days unpaid leave starting after the end of the maternity leave if the child is sick or the child of determination, whose health condition requires a constant companion. 6. Employee has the right to obtain the other leaves. 7. deprive the employee of her wages for the leave period if she worked for another employer. 8. One nursing hour for not more than (6) six month.	1. Removed full-time married condition. 2. Entitlement changed from 45 days full pay to 45 days full pay and 15 days half pay. 3. Additional 45 days without pay in case of mother/child sickness. 4. Additional 30 days full pay and 30 days without pay in case of other disabilities (sick child / child with special needs where condition requires a constant companion). 5. Reduce the service period term from one year to six months. 6. Staff can avail maternity leave if the delivery took place (6) six months or more after pregnancy. 7. Combine maternity with other approved leaves. 8. Nursing hours from 18 months to 6 months.	1. Revised 2. Revised 3. New Clause 4. New Clause 5. Revised 6. New Clause 7. New Clause 8. Revised
Paternity Leave	1. Applicable to male employees. 2. 5 consecutive working days	1. Paternal leave. 2. Applicable to male employees.	1. Changed from paternity to Paternal leave. 2. Applicable to male staff only.	1. Revised 2. Revised 3. Revised 4. Unchanged

Policy Clause	Existing	New Labour Law 2022	Proposed Key changes	Status
	can be availed within six 6 months from the birth date. 3. On the occasion of the birth of a child in UAE.	3. 5 working Days paid leave successively or otherwise. 4. Can be availed during the period of 6 months following the date of birth.	3. (5) working Days paid leave successively or otherwise. 4. Can be availed during the period of 6 months following the date of birth. 5. On the occasion of the birth of a child inside or outside the UAE.	5. Revised
Compassionate leave	1. 3 days inside the UAE & 7 days outside the UAE in the case of death of husband/wife, children, parents, brothers and sisters. 2. One day in the case of death of grandparents, uncles and aunts, father and mother in-law).	1. 5 days in case of death of spouse. 2. 3 days in case of death of mother, father, son, brother, sister, grandson, grandfather or grandmother. 3. Starting from the date of death.	1. 5 days If the death and burial take place inside the UAE for first degree relative (defined as being spouse, parent, child, sibling, grandchild or grandparent). 2. 7 days If the death and burial take place outside the UAE and for first degree relative (defined as being spouse, parent, child, sibling, grandchild or grandparent) provided that employee will travel abroad. 3. One day Compassionate leave for second degree family members (defined as being uncles and aunts, father and mother in-law).	1. Revised 2. Revised 3. Revised
Further Education	1. The employee will be eligible for examination leave on the day of examination as per provided official schedule.	1. Study leave for a period of (10) ten working days per year. 2. The service term at the employer is not less than two years.	1. Change it to “Examination Leave”. 2. Applicable for UAE nationals only. 3. Examination leave up to (30) thirty days per year supported by examination schedule from educational institution.	1. New clause 2. New clause 3. New clause
Study Leave	Not applicable	**Study Leave:** 1. Optional law 2. Study leaves for a period of (10) ten working days per year. 3. The service term at the employer is not less than two years.	Not applicable	Unchanged
Sabbatical leave for national or reserve service	NA	**Sabbatical leave:** 1. Applicable for UAE nationals only. 2. Paid sabbatical leave for national or reserve service.	**Sabbatical leave:** 1. Applicable for UAE nationals only. 2. paid Sabbatical leave for national or reserve service.	1. New clause 2. New clause

d) Linkage between the performance with levels of remuneration

- The PM team works with each of the senior management staff in preparing their scorecard in line with the strategy that the GCEO has set for the performance cycle. Each of the scorecards is designed into 4 quadrants i.e., finance, process, customer and learning and growth. Each stakeholder has been assigned a minimum of 2 and maximum of 4 KPIs that are assigned to him by his manager and each of these are designed to meet the objectives of that department which is in turn aligned to meet the overall goals set by our GCEO for the bank. Once the scorecard for each key stakeholder is finalized, the same is cascaded to their teams by the relevant people managers and in line with the planning phase guidelines.
- 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 rewards applicable.

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

- The overall bank's corporate plan is discussed and made at the management level.
- Based on these corporate plans, 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 are in the process of implementation. 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 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 Mclagan/Aon, specialized in the HR to review the remuneration policies and help to further improve and comply with regulatory requirements and general industry practices especially 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		Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	19	38
2		Total fixed remuneration (3 + 5 + 7)	35,811	40,631
3		Of which: cash-based	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	38
10		Total variable remuneration (11 + 13 + 15)	40,700	25,220
11		Of which: cash-based	40,700	25,220
12		Of which: deferred	-	-
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)**		**76,511**	**65,851**

13.2. Special payments (REM2)

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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	-	-	-	-