

PILLAR 3 DISCLOSURES REPORT

For the three-month period ended 31 Mar 2024



بنك دبي الإسلامي
Dubai Islamic Bank

Dubai Islamic Bank PJSC

Pillar 3 Disclosures Report

For the three-month period ended 31 March 2024

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1. Overview and Introduction

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

The 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.

The 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 three-month period ended 31 March 2024.

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 banks to keep additional buffers i.e., capital conservation buffer (CCB) of 2.5% of RWAs and D-SIB buffer is 0.5% of RWA. The banks are also subject to counter-cyclical buffer (CCyB) that varies between zero and 2.5% of total risk weighted assets. CCyB is currently at 0.0002% for DIB with respect to credit exposures in jurisdictions attracting counter-cyclical buffer.

1.2. 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.

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

1.3. Internal Review & Verification

This document, Pillar III disclosures report for the three-month period ended 31 March 2024, has been audited by Group Internal Audit .

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2. Overview and Introduction

2.1. Key metrics of the Group (KM1)

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

AED '000'

S. No	Particulars	31 Mar 2024	31 Dec 2023	30 Sept 2023	30 June 2023	31 Mar 2023
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	32,903,768	31,826,709	33,683,795	32,328,243	31,043,486
1a	Fully loaded ECL accounting model	-	-	-	-	-
2	Tier 1	41,168,018	40,090,959	41,948,045	40,592,493	39,307,736
2a	Fully loaded ECL accounting model Tier 1	-	-	-	-	-
3	Total capital	44,042,827	42,936,482	44,777,013	43,345,158	41,973,353
3a	Fully loaded ECL accounting model total capital	-	-	-	-	-
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	251,743,668	248,623,493	246,835,156	242,020,731	233,879,967
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	13.1%	12.8%	13.6%	13.4%	13.3%
5a	Fully loaded ECL accounting model CET1 (%)	-	-	-	-	-
6	Tier 1 ratio (%)	16.4%	16.1%	17.0%	16.8%	16.8%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	-	-	-	-	-
7	Total capital ratio (%)	17.5%	17.3%	18.1%	17.9%	17.9%
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 (%) ¹	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 (%)	6.1%	5.8%	6.6%	6.4%	6.3%

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AED '000'

S. No	Particulars	31 Mar 2024	31 Dec 2023	30 Sept 2023	30 June 2023	31 Mar 2023
Leverage Ratio						
13	Total leverage ratio measure	342,959,047	330,007,584	329,378,100	315,120,674	306,549,278
14	Leverage ratio (%) (row 2/row 13)	12.0%	12.1%	12.7%	12.9%	12.8%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2a/row 13)	-	-	-	-	-
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
Liquidity Coverage Ratio ²						
15	Total HQLA	60,088,225	51,813,392	54,103,296	54,734,386	54,888,785
16	Total net cash outflow	35,840,527	27,673,363	32,582,900	34,350,766	35,092,323
17	LCR ratio (%)	167.7%	187.2%	166.1%	159.3%	156.4%
Net Stable Funding Ratio ²						
18	Total available stable funding	219,827,960	211,434,553	211,926,514	206,550,432	201,902,421
19	Total required stable funding	207,020,685	199,985,374	199,873,865	191,494,778	187,412,902
20	NSFR ratio (%)	106.2%	105.7%	106.0%	107.9%	107.7%
ELAR ³						
21	Total HQLA	-	-	-	-	-
22	Total liabilities	-	-	-	-	-
23	Eligible Liquid Assets Ratio (ELAR) (%)	-	-	-	-	-
ASRR ⁴						
24	Total available stable funding	-	-	-	-	-
25	Total Advances	-	-	-	-	-
26	Advances to Stable Resources Ratio (%)	-	-	-	-	-

¹ CCyB is at 0.0002% for 31 Mar 2024.

² LCR and NSFR are calculated as at the end of each period rather than using average values. For average LCR, refer to table LIQ1.

³ ELAR is not applicable.

⁴ ASRR is not applicable.

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2.2. Overview of RWA (OV1)

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

AED '000'

S. No	Particulars	Risk weighted assets (RWA)		Minimum capital requirements ¹	
		31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
1	Credit risk (excluding counterparty credit risk) ²	227,978,255	225,508,737	23,937,717	23,678,417
2	Of which: standardised approach (SA) ³	227,978,255	225,508,737	23,937,717	23,678,417
3					
4					
5					
6	Counterparty credit risk (CCR)	1,171,200	1,286,364	122,976	135,068
7	Of which: standardised approach for counterparty credit risk	1,171,200	1,286,364	122,976	135,068
8					
9					
10					
11					
12	Equity investments in funds - look-through approach	-	-	-	-
13	Equity investments in funds - mandate-based approach	467,637	479,084	49,102	50,304
14	Equity investments in funds - fallback approach	367,618	367,618	38,600	38,600
15	Settlement risk	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-
17					
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	2,418,032	2,292,207	253,893	240,682
21	Of which: standardised approach (SA)	2,418,032	2,292,207	253,893	240,682
22					
23	Operational risk	19,340,926	18,689,483	2,030,797	1,962,396
24					
25					
26	Total (1+6+10+11+12+13+14+15+16+20+23)	251,743,668	248,623,493	26,433,085	26,105,467

¹ The minimum capital requirement applied is 10.5% in line with the guidance of Pillar 3 disclosures. In addition to this, the Bank is required to maintain a combined buffer of 3% (including CCyB) to CET 1.

² Including CVA but excluding equity investment in funds.

³ Credit risk weighted assets increased, in 'Mar 2024' from 'Dec 2023', mainly due to increase in 'Financing' and 'Sukuk' exposure.

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3. Leverage ratio

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

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

<i>AED '000'</i>			
S. No.	Particulars	31 Mar 2024	31 Dec 2023
1	Total consolidated assets as per published financial statements	327,314,235	314,291,503
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(3,500,347)	(3,393,544)
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	898,927	671,799
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	15,853,009	15,595,779
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	2,393,223	2,842,047
13	Leverage ratio exposure measure	342,959,047	330,007,584

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3.2. Leverage ratio common disclosure template (LR2)

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

AED '000'			
S. No.	Particulars	31 Mar 2024	31 Dec 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) ¹	325,410,250	312,780,075
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)	(226,845)	(211,544)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	325,183,405	312,568,531
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	356,096	612,180
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	1,566,537	1,231,094
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)	1,922,633	1,843,274
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	34,139,645	33,746,218
20	(Adjustments for conversion to credit equivalent amounts)	(18,286,636)	(18,150,439)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items (sum of rows 19 to 21)	15,853,009	15,595,779
Capital and total exposures			
23	Tier 1 capital	41,168,018	40,090,959
24	Total exposures (sum of rows 7, 13, 18 and 22)	342,959,047	330,007,584
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	12.0%	12.1%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.0%	12.1%
26	CBUAE minimum leverage ratio requirement	3.5%	3.5%
27	Applicable leverage buffers	-	-

¹ The On-balance sheet exposures increased in 'Mar 2024' from 'Dec 2023', mainly due to increase in 'Financing' and 'Sukuk' exposure.

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4. Liquidity Risk

4.1. Liquidity Coverage Ratio – LCR (LIQ1)

31 March 2024 – AED '000'

S. No	Particulars	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		55,726,313
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	51,908,154	4,209,868
3	Stable deposits	19,618,949	980,947
4	Less stable deposits	32,289,205	3,228,921
5	Unsecured wholesale funding, of which:	70,886,597	27,326,337
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	27,057,534	6,764,383
7	Non-operational deposits (all counterparties)	43,829,063	20,561,954
8	Unsecured debt	-	-
9	Secured wholesale funding		-
10	Additional requirements, of which:	38,713,449	4,225,718
11	Outflows related to derivative exposures and other collateral requirements	6,461,252	1,292,251
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	32,252,197	2,933,467
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS		35,761,923
Cash inflows			
17	Secured lending (e.g. reverse repo)	-	-
18	Inflows from fully performing exposures	3,665,800	1,832,900
19	Other cash inflows	1,993,661	1,993,661
20	TOTAL CASH INFLOWS	5,659,461	3,826,561
Total adjusted value			
21	Total HQLA		55,726,313
22	Total net cash outflows		31,935,362
23	Liquidity coverage ratio (%)		176.8%

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31 December 2023 – AED '000'

S. No	Particulars	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		51,210,277
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	52,363,031	4,266,478
3	Stable deposits	19,396,512	969,826
4	Less stable deposits	32,966,519	3,296,652
5	Unsecured wholesale funding, of which:	68,360,044	28,073,147
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	12,010,566	3,002,641
7	Non-operational deposits (all counterparties)	56,349,478	25,070,506
8	Unsecured debt	-	-
9	Secured wholesale funding		-
10	Additional requirements, of which:	39,343,043	4,269,995
11	Outflows related to derivative exposures and other collateral requirements	6,268,466	1,253,693
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	33,074,577	3,016,302
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS		36,609,620
Cash inflows			
17	Secured lending (e.g. reverse repo)	-	-
18	Inflows from fully performing exposures	3,105,401	1,552,700
19	Other cash inflows	1,883,440	1,883,440
20	TOTAL CASH INFLOWS	4,988,841	3,436,140
Total adjusted value			
21	Total HQLA		51,210,277
22	Total net cash outflows		33,173,480
23	Liquidity coverage ratio (%)		155.6%

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 liquidity stress lasting 30 calendar days. LCR ratio as at 31st Mar 2024 was 167.7% (LCR at 31st December 2023 was 187.2%) whereas the average LCR ratio for the quarter ended 31st Mar 2024 was 176.8% (average LCR for quarter ended 31st December 2023 was 155.6%). Both spot and average LCR ratios are higher than CBUAE's current minimum requirement of 100%.