بنك دبي الإسلامي

Dubai Islamic Bank

Pillar 3 Disclosures Report

For the nine-month period ended 30 September 2023

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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 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. It enables the market users to access key information about the Group in a very transparent manner and 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 for the nine-month period ended 30 September 2023.

1.1. Basel Regulatory Framework

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

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

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

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

On top of this minimum capital requirement, CBUAE has also mandated the Bank to keep additional buffers i.e., capital conservation buffer (CCB) of 2.5% of RWAs and D-SIB buffer is 0.5% of RWA (with a consolidated buffer of 3%).

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

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

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

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

1.3. Implementation and Compliance of Basel Framework

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

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

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

1.4. Internal Review & Verification

Pillar III disclosures report for the nine-month period ended 30 September 2023 has undergone several rounds of reviews by Finance and Risk functions. In addition, Group Internal Audit has provided independent and objective assurance of this report.

2. Overview of Risk Management and RWA

2.1. Key metrics of the Group (KM1)

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

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S. No	Particulars	30 Sept 2023	30 June 2023	31 Mar 2023	31 Dec 2022	30 Sept 2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	33,683,795	32,328,243	31,043,486	29,847,004	31,660,335
1a	Fully loaded ECL accounting model	-	-	-	-	-
2	Tier 1	41,948,045	40,592,493	39,307,736	38,111,254	39,924,585
2a	Fully loaded ECL accounting model Tier 1	-	-	-	-	-
3	Total capital	44,777,013	43,345,158	41,973,353	40,744,441	42,498,741
3a	Fully loaded ECL accounting model total capital	-	-	-	-	-
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	246,835,156	242,020,731	233,879,967	231,586,329	228,307,477
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	13.6%	13.4%	13.3%	12.9%	13.9%
5a	Fully loaded ECL accounting model CET1 (%)	-	-	-	-	-
6	Tier 1 ratio (%)	17.0%	16.8%	16.8%	16.5%	17.5%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	-	-	-	-	-
7	Total capital ratio (%)	18.1%	17.9%	17.9%	17.6%	18.6%
7a	Fully loaded ECL accounting model total capital ratio (%)	-	-	-	-	-
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.5%	0.5%	0.5%	0.5%	0.5%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3.0%	3.0%	3.0%	3.0%	3.0%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.6%	6.4%	6.3%	5.9%	6.9%

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S. No	Particulars	30 Sept 2023	30 June 2023	31 Mar 2023	31 Dec 2022	30 Sept 2022
	Leverage Ratio					
13	Total leverage ratio measure	329,378,100	315,120,674	306,549,278	301,961,810	286,989,028
14	Leverage ratio (%) (row 2/row 13)	12.7%	12.9%	12.8%	12.6%	13.9%
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 [1]					
15	Total HQLA	54,103,296	54,734,386	54,888,785	49,887,975	37,080,862
16	Total net cash outflow	32,582,900	34,350,766	35,092,323	33,169,573	30,139,264
17	LCR ratio (%)	166.05%	159.3%	156.4%	150.4%	123.0%
	Net Stable Funding Ratio [1]					
18	Total available stable funding	211,926,514	206,550,432	201,902,421	196,717,443	189,202,035
19	Total required stable funding	199,873,865	191,494,778	187,412,902	186,130,058	184,212,254
20	NSFR ratio (%)	106.0%	107.9%	107.7%	105.7%	102.7%
	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..*

2.2. Overview of RWA (OV1)

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

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S. No	Particulars	RWA		Minimum capital requirements [1]	
		30 Sept 2023	30 June 2023	30 Sept 2023	30 June 2023
1	Credit risk (excluding counterparty credit risk) [2]	224,314,616	218,083,779	23,553,035	22,898,797
2	Of which: standardised approach (SA)[3]	224,314,616	218,083,779	23,553,035	22,898,797
3					
4					
5					
6	Counterparty credit risk (CCR)	1,001,477	1,025,057	105,155	107,631
7	Of which: standardised approach for counterparty credit risk	1,001,477	1,025,057	105,155	107,631
8					
9					
10					
11					
12	Equity investments in funds - look-through approach	-	-	-	-
13	Equity investments in funds - mandate-based approach	633,763	736,784	66,545	77,362
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[4]	2,479,077	3,796,928	260,303	398,677
21	Of which: standardised approach (SA)	2,479,077	3,796,928	260,303	398,677
22					
23	Operational risk	18,038,605	18,010,565	1,894,054	1,891,109
24					
25					
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**246,835,156**	**242,020,731**	**25,917,691**	**25,412,177**

[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% from CET 1).*

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

[3] *Credit risk weighted assets increased, in 'Sept 2023' from 'June 2023', mainly due to increase in financing and sukuks exposure.*

[4] *Market risk weighted assets decreased, in 'Sept 2023' from 'June 2023', mainly due to decrease in NOP.*

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.

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S. No.	Particulars	30 Sept 2023	30 June 2023
1	Total consolidated assets as per published financial statements	313,380,067	299,762,327
2	Adjustments for investments in banking, financial, Insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(3,224,181)	(3,548,377)
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	297,129	307,437
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)	15,835,294	15,268,465
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	3,089,790	3,330,822
13	**Leverage ratio exposure measure**	**329,378,100**	**315,120,674**

3.2. Leverage ratio common disclosure template (LR2)

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

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S. No.	Particulars	30 Sept 2023	30 June 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)[1]	312,158,824	298,424,418
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)	(230,277)	(173,411)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**311,928,547**	**298,251,007**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	450,444	523,976
9	Add-on amounts for PFE associated with *all* derivatives transactions	1,163,814	1,077,226
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)**	**1,614,259**	**1,601,202**
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	**-**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	34,100,792	31,418,555
20	(Adjustments for conversion to credit equivalent amounts)	(18,265,497)	(16,150,090)
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)**	**15,835,294**	**15,268,465**
Capital and total exposures			
23	**Tier 1 capital**	**41,948,045**	**40,592,493**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**329,378,100**	**315,120,674**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**12.7%**	**12.9%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.7%	12.9%
26	CBUAE minimum leverage ratio requirement	3.5%	3.5%
27	**Applicable leverage buffers**	-	-

[1] *The On-balance sheet exposures increased in 'Sept 2023', mainly due to increase in financing and sukuks exposure.*

4. Liquidity Risk

4.1. Liquidity Coverage Ratio – LCR (LIQ1)

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S. No	Particulars	Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	**Total HQLA**		**52,504,478**
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**50,002,262**	**4,036,376**
3	Stable deposits	19,277,003	963,850
4	Less stable deposits	30,725,259	3,072,526
5	**Unsecured wholesale funding, of which:**	**70,770,830**	**29,184,678**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,929,576	2,232,394
7	Non-operational deposits (all counterparties)	61,841,254	26,952,284
8	Unsecured debt	-	-
9	**Secured wholesale funding**		-
10	**Additional requirements, of which:**	**36,437,080**	**3,874,806**
11	Outflows related to derivative exposures and other collateral requirements	5,090,588	1,018,118
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	31,346,492	2,856,688
14	**Other contractual funding obligations**	-	-
15	**Other contingent funding obligations**	-	-
16	**TOTAL CASH OUTFLOWS**		**37,095,860**
Cash inflows			
17	**Secured lending (e.g. reverse repo)**	-	-
18	**Inflows from fully performing exposures**	3,162,610	1,581,305
19	**Other cash inflows**	1,627,474	1,627,474
20	**TOTAL CASH INFLOWS**	**4,790,084**	**3,208,779**
Total adjusted value			
21	**Total HQLA**		**52,504,478**
22	**Total net cash outflows**		**33,887,081**
23	**Liquidity coverage ratio (%)**		**158.00%**

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 30th September 2023 was 166.05% whereas the average LCR ratio for the quarter ended 30th September 2023 was 158.00%. LCR both spot and average are higher than CBUAE current minimum requirement of LCR 100%.