

بنك دبي التجاري
Commercial Bank of Dubai



Basel III – Pillar III Disclosures

For The Period Ended 31 March 2024

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1. Introduction

Commercial Bank of Dubai PSC (“the Bank”) was incorporated in Dubai, United Arab Emirates (U.A.E.) in 1969 and is registered as a Public Joint Shareholding Company (PJSC) in accordance with Federal Law No. 32 of 2021. The Bank is listed on the Dubai Financial Market. The Bank’s principal activity is commercial and retail banking. The registered address of the Bank is CBD Head Office, Al Ittihad Street, P.O. Box 2668, Dubai, United Arab Emirates.

2. Purpose and basis of preparation

The Central Bank of the UAE (“CBUAE”) supervises the Bank and its subsidiaries (together referred as the “Group”) on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. The capital requirements are computed at Group level using the Basel III framework of the Basel Committee on Banking Supervision (“Basel Committee”), after applying the amendments advised by the CBUAE within national discretion. The Basel framework is structured around three pillars as follows:

- Pillar I prescribes the minimum capital requirements;
- Pillar II addresses the associated supervisory review process; and
- Pillar III specifies further public disclosure requirements in respect of the Group’s capital and risk profile.

The disclosures have been prepared in line with the disclosure templates introduced by the CBUAE guidelines on disclosure requirements (CBUAE/BSD/N/2020/4980, CBUAE/BSD/N/2021/5508 and CBUAE/BSD/2022/5280) published in November 2020, November 2021 and December 2022 respectively.

The Pillar III report of the Group for the period ended 31 March 2024 comprises condensed information on the underlying drivers of risk-weighted assets (RWA), capital of the Bank, its wholly owned subsidiaries and the Group’s interest in an associate. The report should be read in conjunction with the Group’s reviewed Financial Statements as at 31 March 2024. The direct subsidiaries and associate of the Group are as follows:

Name of Subsidiary	Ownership Interest	County of Incorporation	Principle activities
<i>Subsidiary</i>			
CBD Financial Services LLC	100%	UAE	Providing brokerage facilities for local shares and bonds.
CBD Employment Services One Person Company LLC	100%	UAE	Supply of manpower services.
Attijari Properties LLC	100%	UAE	Self-owned property management services as well as buying and selling of real estate.
Noor Almethaq Real Estate Development LLC	100%	UAE	Development of real estate.
<i>Special Purpose Entity</i>			
CBD (Cayman) Limited	100%	Cayman Islands	Issuance of debt securities.
CBD (Cayman II) Limited	100%	Cayman Islands	Transact and negotiate derivative agreements.
VS 1897 (Cayman) Limited	100%	Cayman Islands	Manage investment acquired in the settlement of debt.
CBD Digital Lab Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	UAE	Technology research and development.

Name of Subsidiary	Ownership Interest	County of Incorporation	Principle activities
Hortin Holding Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Lodge Hill Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Westdene Investment Limited [Subsidiary of VS 1897 (Cayman) Limited]	100%	British Virgin Islands	Manage real estate related investment acquired in the settlement of debt.
Associate National General Insurance Co. (PJSC)	17.8%	UAE	Life and general insurance business as well as certain reinsurance business.

3. Overview of Pillar III

Pillar III complements the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing disclosure requirements which allow market participants to access specified information on the scope of application of Basel III, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the institution. Disclosures comprises of quantitative and qualitative information and are provided at the consolidated level.

The CBUAE issued Basel III capital regulations, which came into effect from February 1st, 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (“CET1”), Tier 1 and Total Capital. Additional capital buffers (Capital Conservation Buffer and Countercyclical Capital Buffer – maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

In November 2020, CBUAE issued revised standards and guidelines for Capital Adequacy in UAE. The new version to the Standards includes additional Guidance on the topics of Credit Risk, Market Risk and Operational Risk. Following are the changes in the revised standards which have been adopted:

- The Tier Capital Supply Standard
- Tier Capital Instruments Standard
- Pillar II Standard: Internal Capital Adequacy Assessment Procedures (ICAAP)
- Credit Risk, Market Risk and Operational Risk
- Equity Investments in Funds, Securitization, Counterparty Credit Risk and Leverage Ratio
- Credit Value Adjustment (CVA) for Pillar I and III

CBUAE requires the Pillar 2 - Supervisory Review Process to focus on each bank’s Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 Capital calculations. The ICAAP should include a risk based forward looking view of, but not limited to, Credit, Market and Operational Risk Capital.

The purpose of Pillar III – Market Discipline is to complement the minimum Capital requirements (Pillar I) and the supervisory review process (Pillar II). The revised Pillar III disclosures, based on the common framework, are an effective means of informing the market about the risks faced by the Bank, and provide a consistent and understandable disclosure framework that enhances transparency and improve comparability and consistency.

In compliance with the CBUAE Basel III standards and guidelines, these disclosures include qualitative and quantitative information of the Group's risk management objectives and policies, risk assessment process, capital management and capital adequacy. The Group's Pillar III disclosures are governed by the disclosure policy framework in line with CBUAE Basel III standards.

3.1 Policy and verification

The Bank has operated within a framework of internal controls and procedures for accessing the appropriateness of Pillar III market disclosure for period ended 31 March 2024.

These Pillar III disclosures have been subject to review from internal auditors and appropriate senior management within the Group and attested by the Board Audit Committee.

We confirm that the Bank's Pillar III disclosures, to the best of our knowledge, comply with the revised CBUAE Pillar III market disclosures requirements and have been prepared in compliance with the Bank's internal control framework.

3.2 Implementation of Basel III standards and guidelines

The Group has adopted the standardized approach for Credit Risk, Counterparty Credit Risk, Credit Valuation Adjustment (CVA) and Market Risk, mandate-based approach (MBA) for equity investments in funds held in the banking book and the basic indicator approach for Operational Risk (Pillar I) for regulatory reporting purposes.

The Group also assigns capital on other than Pillar I risk categories, for example 'Interest rate risk in the banking book' and for 'Concentration risk', within the Pillar II framework.

4. Highlights

In line with Article 2.2. of Capital Adequacy Regulation, CBUAE requires banks to apply the following minimum requirement:

1. CET1 must be at least 7% of risk weighted assets (RWA);
2. Tier 1 Capital must be at least 8.5% of RWA;
3. Total Capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA.
4. In addition to the minimum CET1 capital of 7% of RWA, banks must maintain a capital conservation buffer (CCB) and Countercyclical Capital Buffer (CCyB), each a maximum of 2.5% of RWAs in the form of CET1 capitals.
5. All banks must maintain a leverage ratio of at least 3.0%.

The Group has complied with all the externally imposed capital requirements and is well capitalized with low leverage and high levels of loss-absorbing capacity. As at 31 March 2024:

- The Group's Common Equity Tier 1 (CET1) ratio of 12.41% (31 December 2023: 12.54%), Tier 1 capital Ratio of 14.54% (31 December 2023: 14.81%), Capital Adequacy Ratio of 15.67% (31 December 2023: 15.95%), are all above the regulatory requirements.
- The Group's leverage ratio of 10.22% (31 December 2023: 9.97%) is above the current regulatory requirement.
- The Group continues to manage its balance sheet proactively, with focus on sound RWA management.

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5. Key Metrics (KM1)

Key prudential metrics related to regulatory capital have been included in the following table:

		Mar'24	Dec'23	Sep'23	Jun'23	Mar'23
	Available capital (amounts)	(AED '000s)				
1	Common Equity Tier 1 (CET1)	12,847,161	12,203,222	12,705,960	12,066,821	11,478,911
1a	Fully loaded ECL accounting model	12,773,630	12,094,797	12,599,023	11,984,233	11,421,845
2	Tier 1	15,050,961	14,407,022	14,909,760	14,270,621	13,682,711
2a	Fully loaded ECL accounting model Tier 1	14,977,430	14,298,597	14,802,823	14,188,033	13,625,645
3	Total capital	16,222,228	15,517,077	16,007,085	15,346,074	14,716,322
3a	Fully loaded ECL accounting model total capital	16,148,697	15,408,652	15,900,148	15,263,486	14,659,256
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	103,535,259	97,300,973	95,280,172	93,429,931	90,119,130
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	12.41%	12.54%	13.34%	12.92%	12.74%
5a	Fully loaded ECL accounting model CET1 (%)	12.34%	12.43%	13.22%	12.83%	12.67%
6	Tier 1 ratio (%)	14.54%	14.81%	15.65%	15.27%	15.18%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14.47%	14.70%	15.54%	15.19%	15.12%
7	Total capital ratio (%)	15.67%	15.95%	16.80%	16.43%	16.33%
7a	Fully loaded ECL accounting model total capital ratio (%)	15.60%	15.84%	16.69%	16.34%	16.27%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.17%	5.45%	6.30%	5.92%	5.74%
	Leverage Ratio					
13	Total leverage ratio measure	147,306,539	144,437,305	140,264,456	137,014,819	132,591,794
14	Leverage ratio (%) (row 2/row 13)	10.22%	9.97%	10.63%	10.42%	10.32%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.17%	9.90%	10.55%	10.36%	10.28%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.22%	9.97%	10.63%	10.42%	10.32%
	Liquidity Coverage Ratio					
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-
	Net Stable Funding Ratio					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	ELAR					
21	Total HQLA	20,959,946	22,975,374	21,448,358	19,815,907	20,973,020
22	Total liabilities	115,273,562	113,094,418	111,073,278	108,814,581	105,784,429
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.18%	20.31%	19.31%	18.21%	19.83%
	ASRR					
24	Total available stable funding	102,988,492	101,299,524	100,473,742	98,972,555	94,846,361
25	Total Advances	91,907,018	88,384,200	87,640,901	85,298,646	80,413,439
26	Advances to Stable Resources Ratio (%)	89.24%	87.25%	87.23%	86.18%	84.78%

"Fully Loaded" means bank's regulatory capital compared with a situation where the transitional arrangement had not been applied. CBUAE introduced transitional arrangements as per circular no. 04/2020 "Regulation Regarding Accounting Provisions and Capital Requirements - Transitional Arrangements".

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6. Overview of Risk Weighted Assets (OV1)

The following table provides an overview of RWAs, calculated in accordance with Basel III, by risk type and calculation approach.

(AED '000s)		RWA		Minimum capital requirements
		Mar'24	Dec'23	Mar'24
1	Credit risk (excluding counterparty credit risk)	92,811,911	87,871,210	9,745,251
2	Of which: standardised approach (SA)	92,811,911	87,871,210	9,745,251
3				
4				
5				
6	Counterparty credit risk (CCR)	482,694	474,420	50,683
7	Of which: standardised approach for counterparty credit risk	482,694	474,420	50,683
8				
9				
10	Credit valuation adjustment (CVA)	231,510	281,971	24,309
11				
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	175,253	176,771	18,402
14	Equity investments in funds - fall-back approach	-	-	-
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	1,162,614	1,038,385	122,074
21	Of which: standardised approach (SA)	1,162,614	1,038,385	122,074
22				
23	Operational risk	8,671,277	7,458,217	910,484
24				
25				
26	Total (1+6+10+11+12+13+14+15+16+20+23)	103,535,259	97,300,973	10,871,202

During Q1 2020, the CBUAE issued a regulation for a 'Prudential Filter' that permits Banks to add back increase in IFRS 9 stage 1 and stage 2 provisions to the regulatory capital over a transition period of 5 years on proportionate basis. The increase in IFRS 9 provision requirements is determined by calculating the difference between the IFRS 9 provision as at December 31, 2019 and the IFRS 9 provision as of the respective reporting date. The proportion of the increase in IFRS 9 provisions that is permitted to be added-back to regulatory capital from 1 January 2020 onwards will be phased out over a 5-year transition period as follows:

Years	2020	2021	2022	2023	2024
Proportion of Provision	100%	100%	75%	50%	25%

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7 Leverage Ratio

7.1 Summary comparison of accounting assets vs leverage ratio exposure (LR1)

The following table reconciles the total assets in the published financial statements to the leverage ratio exposure measure.

		31 Mar 2024 (AED 000s)	31 Dec 2023 (AED 000s)
1	Total consolidated assets as per published financial statements	130,976,428	128,987,491
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	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	684,032	656,051
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	15,807,303	14,953,666
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	(161,224)	(159,903)
13	Leverage ratio exposure measure	147,306,539	144,437,305

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7.2 Leverage ratio common disclosure template (LR2)

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

		31 March 2024 AED 000s	31 December 2023 AED 000s
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	130,976,428	128,987,491
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)	(161,224)	(159,903)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	130,815,204	128,827,588
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)	284,431	309,530
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	399,601	346,521
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)	684,032	656,051
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	49,372,887	46,871,050
20	(Adjustments for conversion to credit equivalent amounts)	(33,565,584)	(31,917,384)
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)	15,807,303	14,953,666
Capital and total exposures			
23	Tier 1 capital	15,050,961	14,407,022
24	Total exposures (sum of rows 7, 13, 18 and 22)	147,306,539	144,437,305
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	10.22%	9.97%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.22%	9.97%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	7.22%	6.97%

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8 Liquidity Risk

8.1 Eligible Liquid Assets Ratio (ELAR)

The following table presents the breakdown of the Bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

1	High Quality Liquid Assets	31 Mar 2024		31 Dec 2023	
		Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset
(AED 000s)					
1.1	Physical cash in hand at the bank + balances with the CBUAE	11,556,618		15,133,339	
1.2	UAE Federal Government Bonds and Sukuks	7,355,801		5,621,204	
	Sub Total (1.1 to 1.2)	18,912,419	18,912,419	20,754,543	20,754,543
1.3	UAE local governments publicly traded debt securities	1,550,711		1,554,630	
1.4	UAE Public sector publicly traded debt securities	-		-	
	Subtotal (1.3 to 1.4)	1,550,711	1,550,711	1,554,630	1,554,630
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	496,816	496,816	666,201	666,201
1.6	Total	20,959,946	20,959,946	22,975,374	22,975,374
2	Total liabilities		115,273,562		113,094,418
3	Eligible Liquid Assets Ratio (ELAR)		18.18%		20.31%

8.2 Advances to Stables Resource Ratio (ASRR)

The following table presents the breakdown of the Bank's Advances to Stables Resource ratio as per the Liquidity regulations.

Items		31 Mar 2024	31 Dec 2023
1	Computation of Advances	(AED 000s)	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	85,603,180	82,061,841
1.2	Lending to non-banking financial institutions	2,383,944	2,390,221
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	1,838,401	1,864,999
1.4	Interbank Placements	2,081,493	2,067,139
1.5	Total Advances	91,907,018	88,384,200
2	Calculation of Net Stable Resources		
2.1	Total capital + general provisions	16,560,813	17,126,845
	Deduct:		
2.1.1	Goodwill and other intangible assets	161,224	159,903
2.1.2	Fixed Assets	1,814,662	1,617,391
2.1.3	Funds allocated to branches abroad	-	-
2.1.5	Unquoted Investments	312,887	280,590
2.1.6	Investment in subsidiaries, associates and affiliates	105,112	102,390
2.1.7	Total deduction	2,393,885	2,160,274
2.2	Net Free Capital Funds	14,166,928	14,966,571
2.3	Other stable resources:		
2.3.1	Funds from the head office	-	-
2.3.2	Interbank deposits with remaining life of more than 6 months	7,688,353	7,100,680
2.3.3	Refinancing of Housing Loans	-	-
2.3.4	Borrowing from non-Banking Financial Institutions	4,493,498	3,547,418
2.3.5	Customer Deposits	74,527,988	73,573,130
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	2,111,725	2,111,725
2.3.7	Total other stable resources	88,821,564	86,332,953
2.4	Total Stable Resources (2.2+2.3.7)	102,988,492	101,299,524
3	Advances to stable resources ratio (1.5 / 2.4*100)	89.24%	87.25%

9 Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in these Basel III – Pillar III disclosures, the effect of which are considered immaterial.

10 Acronyms

ALCO	Assets & Liabilities Committee	IRR	Interest Rate Risk
ALM	Asset and Liability Management	LCR	Liquidity Coverage Ratio
AT1	Additional Tier 1	LGD	Loss Given Default
CBUAE	Central Bank United Arab Emirates	MRT	Material Risk Takers
CCF	Credit Conversion Factor	NIM	Net Interest Margin
CCP	Central Counterparty	NSFR	Net Stable Funding Ratio
CCR	Counterparty Credit Risk	ORM	Operational Risk Management
CCyB	Countercyclical Capital buffer	OTC	Over the Counter Derivatives
CET1	Common Equity Tier 1	PD	Probability of Default
CRM	Credit Risk Mitigation	PFE	Potential Future Exposure
CRO	Chief Risk Officer	PRA	Prudential Regulation Authority
CVA	Credit Value Adjustment	PSE	Public Sector Entity
DVA	Debit Value Adjustment	RWA	Risk Weighted Asset
EAD	Exposure at Default	SA	Standardized Approach
ECAI	External Credit Assessment Institutions	T1	Tier 1 Capital
EL	Expected Loss	T2	Tier 2 Capital
HQLA	High Quality Liquid Assets	TC	Total Capital
IFRS	International Financial Reporting Standards	TESS	Target Economic Support Scheme
ICAAP	Internal Capital Adequacy Assessment Process	VaR	Value at Risk