SHARJAH ISLAMIC BANK

Pillar 3 Disclosure

30th June 2024

Contents

1) Overview of Risk Management and RWA

1.1. Introduction & Basis of Preparation

The purpose of the document is to fulfil regulatory disclosure requirements based on the revised Basel Banking framework commonly known as "International regulatory framework or Basel 3 Accord". The "Basel 3" framework contains capital requirements for credit risk (including credit risk mitigation techniques), operational risk and market risk.

1.2. Scope of pillar 3 disclosures:

The Basel banking framework contains three main pillars:

- Pillar 1 -Minimum quantitative (capital) requirements
- Pillar 2- Supervisory Review Process.
- Pillar 3-Disclosure requirements in order to reach market discipline by transparency to the public

The Bank complies with the Basel III standards and guidance notes, which have been implemented in the UAE. Basel regulation has evolved to comprise three pillars concerned with minimum capital requirements (Pillar 1), supervisory review (Pillar 2), and market discipline (Pillar 3).

Pillar 1: The first Pillar deals, amongst other things, with the minimum capital requirements. Capital requirements are to be calculated for credit risk, market risk and operational risk. The capital charge for each risk category has to be calculated using an approach that is suitable and sufficient for the individual bank.

Pillar 2: Pillar 2 constitutes risks that are not covered under Pillar 1 assessment. Risk management best practices are at the heart of Pillar 2. Banks must undertake an ICAAP (Internal Capital Adequacy Assessment Process) that looks at all risks to which the bank is exposed. ICAAP allows bank and supervisors to assess on whether the bank is required to hold additional capital to cover the three Pillar 1 risk types or to cover other risks.

Pillar 3: Pillar 3 includes a set of disclosure requirements, which are intended to improve the ability of market participants to assess banks' risk management processes, capital structures & adequacy, and exposures. This transparency is designed to incentivize banks to implement sound and robust risk management frameworks.

1.3. Significant capital adequacy, liquidity and funding related disclosure requirements

Capital adequacy, funding, liquidity and related disclosures in Pillar 3 report has been prepared in accordance with Central Bank of UAE Pillar 3 disclosure requirements as stipulated in Standards and Guidance re Capital Adequacy in the UAE (Notice CBUAE/BSD/N/2022/5280 dated 30 December 2022) and Explanatory Notes on Pillar 3 Disclosure requirements, the underlying BCBS guidance "updated Pillar 3 disclosure requirements" issued in May 9 2022.

This report should be read in conjunction with the risk disclosures in audited financial statements.

1.4. Sharjah Islamic Bank (SIB) approach to pillar 1.

- **Credit risk:** the Bank uses the standardised approach for calculating its capital requirements for credit risk. This approach allows the use of external ratings from designated credit-rating agencies wherever available in determining the appropriate risk weights. The risk weights are determined by the asset class and the external rating of the counterparty. The net exposure incorporates off-balance-sheet exposures after applying the credit conversion (CCF) and credit risk mitigation (CRM) factors.

- **Market risk:** the Bank uses the standardised approach for calculating regulatory market risk capital requirements.

- **Operational risk:** the Bank uses basic Indicator approach (BIA) for computing capital requirements for operational risk. Bank's operational risk is estimated as a percentage (alpha factor 15%) of the gross income (calculated as the average of the previous three financial years).

1.5. Minimum capital requirement

CBUAE Requirement
CET 1 must be at 7.0% of Risk Weighted Assets (RWA)
Tier 1 Capital must be at least 8.5% of RWA
Total capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA
In addition to the minimum CET1 capital of 7.0% of RWA, bank must maintain a Capital Conservative Buffer (CCB) of 2.5% of RWAs in the form of CET1 capital
Countercyclical Buffer (CCyB) requirement will vary between 0% to 2.5% of RWA and be communicated by the Central Bank with an adequate notice period.
Minimum Capital Required (Total Capital + Capital Conservative Buffer) =13% (10.5% + 2.5%)

1.6. Basis of Consolidation

The Bank's Pillar 3 disclosures are presented on a consolidated basis incorporating all its subsidiaries excluding commercial entities (ASAS and SNH).

1.7. Internal Controls and Verification

The key features of internal controls around Pillar 3 reporting are as follows:

a) Segregation of duties – maker-checker process is strictly followed in compiling Pillar 3 report;
b) Data-sourcing and reconciliation – data is sourced from multiple systems which are reconciled with the general ledger, sub ledgers and audited financial statements;
c) Reviews – Pillar 3 report undergoes several rounds of reviews by Finance and Risk functions;
d) Internal audit – Internal audit provides independent and objective assurance of disclosures in Pillar 3 report.

e) Attestation is obtained from Senior Management that Pillar 3 report has been prepared in accordance with the board-agreed internal control policies and procedures.
f) External audit will be conducted as per regulatory requirement.

1.8. Ownership

Some of the major shareholders above 5% mentioned below

Shareholder	Percentage
Sharjah Asset Management LLC	28.46
Kuwait Finance House	18.18
Sharjah Social Security Fund	9.09

1.9. Board

The Board of Directors (' the Board") is responsible for the overall framework of the risk governance and management. The Board is responsible for determining risk strategy, setting the Group's risk limits and ensuring that risk exposure is monitored, controlled effectively and kept within the set limits. It is also responsible for establishing a clearly defined risk management structure and for approval of the risk policies and procedures, infrastructure and management of all risks related to the Group.

In order to effectively discharge this responsibility, the Board is assisted by Board Committees and Management Committees.

1.10. Executive Committee (EC) of the Board of Directors

The Executive Committee is one of the Board committees formed to assist the Board in achieving its strategic and operational objectives. The Committee assists the Board of Directors in fulfilling its responsibilities as follows:

- The Committee has the power to approve credit and investment facilities, within the financing authority delegated to it by the Board.
- To appoint independent legal and financial advisors as needed.
- Approve the Bank’s IT Budget, Capital expenditure, and financial facilities within the limits delegated to it.
- Presenting issues to the Board of Directors based on the recommendations of senior management in addition to submitting relevant proposals to the Board of Directors when necessary to obtain the necessary approvals.

1.11. Group Audit Committee (GAC)

The Board of Directors is responsible for adopting and applying the prudent governance approach of the Bank and its subsidiaries. To achieve these objectives, the board has formed the Group Audit Committee and set the general framework for that committee to enable it to effectively exercise its duties and supervisory role.

This committee reports directly to the Board of Directors and submits the necessary reports to it as a supportive function to the Bank's Board of Directors with regard to its supervisory responsibility towards financial reports, the internal control system, the group's internal audit, external audit, Sharia audit, compliance with laws, legislation, and rules of professional and ethical conduct.

1.12. Group Board Risk Committee (GBRC)

The GBRC consists of Board Members and its purpose is to assist the Board in fulfilling its oversight responsibility by:

- Overseeing the risks inherent in the businesses of the Group and the control processes with respect to such risks;
- Reviewing the risk profile of the Group;
- Oversight by Risk Management on Compliance and control activities of the Group;
- Providing a critical assessment of the organisation's business strategies and plans from an Enterprise risk perspective; and
- Ensuring that appropriate policies and procedures are in place for managing risks to which the Group is exposed.

1.13. Board Nomination & Compensation Committee (BNCC)

The Nominations and Compensation Committee is one of the committees emanating from the Bank's Board of Directors. The following are the main tasks entrusted to the Nominations and Remunerations Committee:

- Oversee the process of appointing qualified individuals to become members of the Board of Directors at the annual general meeting of shareholders and assist the Board of Directors in selecting candidates for senior management positions.

- Assist the Board of Directors in approving remunerations for senior management and oversee the development and operation of the remuneration policies, system and related oversight process.

- Assisting the Board of Directors in the annual self-evaluation of the Board and the independent evaluation by an external party, which includes the performance of the Board of Directors, its members and committees in the Bank and the Bank's remuneration system.

1.14. Management Committee (MANCOM)

The purpose of the Management Committee (MANCOM) is to:

- Act as a management tool and decision making executive body of the Bank, involving the requirements and development relating to all areas across the Bank.

- Facilitate in reviewing, formulating, evaluating and providing meaningful decisions on critical issues, which are or may impact our organization.

- Monitor timely execution of all such mandated initiatives and problem resolutions so as to periodically measure our collective success.
- Ensuring every member actively participates in cross-functional discussions on issues not directly related to one's own area of operation with a basic purpose of raising and addressing issues, which are important from a group wide perspective.

1.15. Investment Committee (IC)

The purpose of the IC is to review the quality of the Group's Investment portfolio on behalf of the Board of Directors, trends affecting the portfolio, the administration of investment related policies, as well as the approval of Investment proposals, including Sukuks and Syndicate Finance within the approval limit set by the BOD.

1.16. IT Steering Committee (ITSC)

The ITSC provides strategic and tactical guidance for managing the Group's overall technology systems in the long and short term, to ensure that Information Technology (IT) initiatives are consistent with the strategic business goals of the Group. The ITSC is charged with assisting the Board in:

- Providing guidance in the prioritization and implementation of technology initiatives and projects (including those related to infrastructure);
- Reviewing IT operations
- Reviewing IT Security plans, policies and reports relating to the effectiveness of information security, their implementation and measures taken to address any residual risks
- Reviewing Business Continuity plans, policies and reports relating to the effectiveness of business continuity, their implementation and measures taken to address any residual risks
- Reviewing the Group's IT development, strategic opportunities and plans

1.17. Asset and Liability Committee (ALCO)

The objective of ALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of profit rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. The ALCO is also responsible to ensure that all strategies conform to the Group's risk appetite and levels of exposure as determined by the Board of Directors.

1.18. Information Security Working Group Committee (ISWGC)

The purpose of the Information Security Working Group Committee (ISWGC) is to ensure that there is clear direction and visible management support for information security initiatives. The committee shall be responsible for the following:

- To provide oversight of information security policies, procedures, plans, and execution intended to provide confidentiality, availability, and integrity of the information.

- To formulate the tasks related to Information Security Management System (ISMS) rollout like Risk Management, Policy and Procedure Deployment, Information Security Awareness, Information Security Incident Monitoring, Measurement of control effectiveness, etc.

- To oversee the effectiveness of the information security controls with respect to its information systems, including network security and data security.

- To monitor the significant development in information security related projects, incidents handling and risk mitigation.

- To review the changes to significant threats and exposures of information assets against cyberattacks, insider activity, error or control failure.

1.19. Credit Committee (CC)

CC manages the credit risk of the Group by continuous review of credit limits, policies and procedures, the approval of specific exposures and work out situation, constant revaluation of the finances portfolio and the sufficiency of provisions thereof.

1.20. Disciplinary Committee (DC)

DC reviews all the cases in the bank and its subsidiaries of alleged misconduct of staff members and to endorse disciplinary action in the event of any violation.

1.21. Group Risk Management (GRM)

In order to manage credit, market, operational and IT security risks,model, GRM is in place. Its role includes, but not limited to the following:

- Develop a strategy, policy framework for risk management such that these are aligned with business requirements;

- Provide support to the Group in implementation of the framework;

- Bring together analysis of risk concentrations and sensitivities across the Group;

- Act as a point of reference for risk and control matters, providing advice to management, sharing best practices and carrying out special reviews as directed by ALCO; and Provide independent assessment of, and challenge to the business areas' risk management and profiles to ensure that they are maintained in a robust manner.

1.22. Compliance

Compliance is an independent control function headed by Head of Compliance and constitutes the second line of defense. The main role of Compliance is to ensure that bank operates with integrity and adhere to applicable laws, regulations and internal policies. Moreover, Compliance function mitigates risks related to misconduct, money laundering and other forms of non-compliance. The overall role of compliance is to:

- Ensure compliance risks are adequately identified, assessed, monitored and controlled in conjunction with Business and other control functions;

- Ensure senior management is fully informed of significant compliance issues including "KYC" and " AML", and plans for their resolution;

- Contribute to a "no surprise" compliance culture by educating and communicating compliance awareness throughout the Group;

- Align annual compliance plans with business strategies and goals; and meet regulatory expectations.

1.23. Group Internal Audit (GIA)

The role of the internal audit department within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group' s policies and procedures.

It is led by the head of internal audit who reports to the Audit Committee of the Board of Directors, with administrative reporting to the Chief Executive Officer ("CEO"). To perform its role effectively, internal audit has organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

1.24. Group Internal Shari'ah Control (GISC)

The GISC bridges the gap between the ISSC (internal Shari'ah Supervisory Committee) and the bank by coordinating for, clarifying and interpreting to the ISSC, from business technical perspective, all queries raised by the bank and subsidiaries.

1.25. Group Internal Shari'ah Audit (GISA)

Group Internal Sharia Audit is an independent third line of defense function within SIB headed by the Head of Group Internal Shari'a Audit (HGISA). The Objective of GISA is to provide independent assurances to Board of Directors through Board Audit Committee and the Internal Shari'ah Supervisory Committee that the Bank and all its subsidiaries comply with;

1. AAOIFI Shari'ah Standards,
2. The Shari'ah guidelines issued by the Higher Shari'ah Authority of the UAE Central Bank, and
3. The Fatwas and resolutions of Internal Shari'ah Supervisory Committee of the Bank.

2) Key Metrics (at Consolidated Group Level) and RWA – (KM1)

In accordance with CBUAE regulatory requirements, we are presenting our key prudential metrics related to regulatory capital, leverage ratio and liquidity ratio.

		a	b	c	d	e
	30-June-24	**Q2/2024**	**Q1 / 2024**	**Q4 / 2023**	**Q3/2023**	**Q2 / 2023**
	Available capital (amounts) -					**AED 000**
1	Common Equity Tier 1 (CET1)	6,192,836	5,992,786	5,832,745	6,010,969	5,759,622
1a	Fully loaded ECL accounting model	6,156,717	5,961,084	5,763,000	5,938,567	5,690,783
2	Tier 1	8,029,336	7,829,286	7,669,245	7,847,469	7,596,122
2a	Fully loaded ECL accounting model Tier 1	7,993,217	7,797,584	7,599,500	7,775,067	7,527,283
3	Total capital	8,607,969	8,376,573	8,192,069	8,345,008	8,083,830
3a	Fully loaded ECL accounting model total capital	8,571,850	8,344,871	8,122,324	8,272,606	8,014,991
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	49,981,504	47,433,811	45,124,274	42,551,202	41,772,380
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	12.39%	12.63%	12.93%	14.13%	13.79%
5a	Fully loaded ECL accounting model CET1 (%)	12.32%	12.57%	12.77%	13.96%	13.62%
6	Tier 1 ratio (%)	16.06%	16.51%	17.00%	18.44%	18.18%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.99%	16.44%	16.84%	18.27%	18.02%
7	Total capital ratio (%)	17.22%	17.66%	18.15%	19.61%	19.35%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.15%	17.59%	18.00%	19.44%	19.19%
	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%
10	Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.39%	5.63%	5.93%	7.13%	6.79%
	Leverage Ratio					
13	Total leverage ratio measure	79,023,712	74,384,526	70,006,586	67,231,633	64,964,216
14	Leverage ratio (%) (row 2/row 13)	10.16%	10.53%	10.96%	11.67%	11.69%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.11%	10.48%	10.86%	11.56%	11.59%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
	Liquidity Coverage Ratio					
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-

		a	b	c	d	e
	30-June-24	**Q2/2024**	**Q1 / 2024**	**Q4 / 2023**	**Q3/2023**	**Q2 / 2023**
17	LCR ratio (%)	-	-	-	-	-
	Net Stable Funding Ratio					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	ELAR					
21	Total HQLA	10,115,019	9,655,906	8,405,318	10,548,453	8,913,861
22	Total liabilities	66,203,510	62,300,830	57,840,238	55,485,266	53,367,131
23	Eligible Liquid Assets Ratio (ELAR) (%)	15.28	15.50	14.53	19.01	16.70
	ASRR					
24	Total available stable funding	50,085,605	45,465,554	44,541,559	44,863,893	42,871,130
25	Total Advances	37,665,264	36,103,814	35,950,325	34,773,726	33,618,961
26	Advances to Stable Resources Ratio (%)	75.20	79.41	80.71	77.51	78.42

Fully Loaded – means banks regulatory capital compared with a situation where the transitional arrangements had not been applied. As per CBUAE circular no. 04/2020 Regulation Regarding Accounting Provisions and Capital Requirements - Transitional Arrangements

As per CBUAE regulation, Prudential filter that permits Banks to add back increase in IFRS 9 provisions (stage 1 and stage 2) to the regulatory capital over a transition period of 5 years, on a proportionate basis. The increase in IFRS 9 provision requirement is determined by calculating difference between IFRS 9 provision as 31 December 2019 and IFRS9 provision as at the reporting date. The proportion of the increase in the IFRS 9 provision 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. (100%, 100%, 75%, 50% and 25% from FY 2020 TO 2024)

- Q2 2024 saw a 5.37% increase in Total RWA by AED 2.5 billion as compared to Q1 2024, due to growth in corporate sector and investment in securities.
- CET 1 ratio as of Q2 2024 stands at 12.39% VS 12.63% Q1 2024, decline in ratio seen due to growth in corporate sector and investment securities.
- Tier 1 ratio as of Q2 2024 stands at 16.06% VS 16.51% Q1 2024, decline in ratio seen due to growth in corporate sector and investment securities.
- Total Capital ratio as of Q2 2024 stands at 17.22% VS 17.66% Q1 2024, decline in ratio seen due to growth in corporate sector and investment securities.

3) Overview of Risk Management, Key Prudential Metrics and RWA (OV1)

The table from the Pillar 3 Disclosure document offers an overview of Risk-Weighted Assets (RWA) and minimum capital requirements for various risk categories as of Q2 2024. It breaks down the RWA into different risk categories, including credit risk (excluding counterparty credit risk), counterparty credit risk (CCR), various approaches to equity investments in funds, and market risk, as well as operational risk. The majority of RWA is attributed to credit risk, followed by operational risk and market risk. This data is critical for understanding the bank's exposure to different types of risks and its corresponding capital requirement to cover potential losses. The table helps in assessing the bank's risk management effectiveness and capital adequacy

Minimum capital requirement 13%

		a	b	c
	30-June-24	RWA		Minimum capital requirements
		Q2/2024	Q1/2024	Q2/2024
1	Credit risk (excluding counterparty credit risk)	46,281,297	43,782,968	6,017,780
2	Of which: standardised approach (SA)	46,281,297	43,782,968	6,017,780
3				
4				
5				
6	Counterparty credit risk (CCR)	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-
8				
9				
10				
11				
12	Equity investments in funds - look-through approach	9,319	9,319	1,211
13	Equity investments in funds - mandate-based approach	-	-	-
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	176,054	163,303	22,887
21	Of which: standardised approach (SA)	176,054	163,303	22,887
22				

23	Operational risk	3,514,834	3,487,541	456,928
24				
25				
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**49,981,504**	**47,433,811**	**6,497,596**

Credit Risk Weighted Assets (CRWAs) increased by AED 2.4 billion in Q2 2024 due to an overall increase in the volume of financing receivables, due from banks, and investment in securities.

Market Risk Weighted Assets (MRWAs) increased due to increase in exposure to the USD, Euro, CHF, JPY and BHD.

Operation Risk Weighted Asset (ORWAs) Bank uses basic indicator approach for ORWAs calculation. For Q2 2024 gross income considered is of previous Quarters i.e. Q2 -2024, Q1- 2024, Q4-2023, Q3-2023 & FY 2023, FY 2022. Increased in ORWAs seen due to increase in Net profit income and Net non-profit income.

4) Composition of Capital

The Bank's capital management aims to guarantee solvency and maximise profitability, while complying with regulatory requirements and risk appetite of the bank. It is a key strategic tool for decision making, enabling us to set a common framework of actions, criteria, policies, functions, metrics and processes.

a. Composition of regulatory capital – (CC1)

	30th June 2024	**a**	**b**
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
	Common Equity Tier 1 capital: instruments and reserves		**AED 000**
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,235,678	Same as (a) from CC2 template
2	Retained earnings	1,474,377	CC2 (C)
3	Accumulated other comprehensive income (and other reserves)	1,503,899	
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**	**6,231,444**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-38,608	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	

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)	-	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	
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**	-	
25	**Common Equity Tier 1 capital (CET1)**	6,192,836	
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	1,836,500	CC2 (b)
27	OF which: classified as equity under applicable accounting standards	1,836,500	
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	1,836,500	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	**1,836,500**	CC2 (b)
39	**Tier 1 capital (T1= CET1 + AT1)**	**8,029,336**	
	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 30) 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	578,633	
45	**Tier 2 capital before regulatory adjustments**	**578,633**	
	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, 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)**	**578,633**	
52	**Total regulatory capital (TC = T1 + T2)**	**8,607,969**	
53	**Total risk-weighted assets**	**49,981,504**	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	12.39%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	16.06%	
56	**Total capital (as a percentage of risk-weighted assets)**	17.22%	
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)**	2.50%	
58	**Of which: capital conservation buffer requirement**	2.50%	
59	**Of which: bank-specific countercyclical buffer requirement**	0.00%	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.00%	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	5.39%	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)	-	

68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	578,633	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based 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)*	-	

Increase in CET Capital seen as compared to Q1 2024. Increase in CET 1 seen, due to increase in profit.

b. Reconciliation of regulatory capital to balance sheet – (CC2)

The table below shows a breakdown of the bank's capital between Balance Sheet as published in financial statements and the regulatory capital.

AED 000

30-June-24	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	**As at period-end**	
Assets			
Cash and balances with banks & financial institutions	4,226,599	4,226,357	
Murabaha & Wakalah with financial institutions	12,790,006	12,790,006	
Investment securities measured at fair value	3,763,521	4,513,521	
Investment securities measured at amortised cost	12,363,457	12,363,457	
Investments in Islamic financing	35,198,673	35,729,957	
Acceptances	201,461	201,461	
Properties held-for-sale	630,251	462,799	
Investment properties	2,971,126	2,111,156	
Other assets	1,149,847	1,179,211	
Property and equipment	883,300	734,734	
Intangible assets	58,530	58,473	
Total assets	**74,236,771**	**74,371,132**	
Liabilities			

Customers' deposits	49,461,891	49,872,254	
Due to banks	12,623,027	12,623,027	
Acceptances	201,634	201,634	
Sukuk payable	1,835,409	1,835,409	
Other liabilities	1,760,055	1,541,291	
Zakat payable	21,896	21,896	
Total liabilities	**65,903,912**	**66,095,511**	
Shareholders' equity			
Share capital	3,235,678	3,235,678	(a)
Tier 1 sukuk	1,836,500	1,836,500	(b)
Legal reserve	1,617,838	1,617,838	(i)
Statutory reserve	89,008	89,008	
General impairment reserve	243,797	243,797	
Fair value reserve	(164,339)	(164,339)	
Retained earnings	1,474,377	1,417,139	(c)
Total shareholders' equity	**8,332,859**	**8,275,621**	
Total Liabilities & Shareholders' Equity	**74,236,771**	**74,371,132**	

Variance between Balance sheet in financial statement and under regulatory scope of consolidation arise primarily from difference in basis of consolidation.

c. Main features of regulatory capital instruments – (CCA)

	30-June-24	Quantitative / qualitative information
1	**Issuer**	**SIB Tier 1 Sukuk Company**
2	**Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)**	**XS2010323009**
3	**Governing law(s) of the instrument**	English Law
	Regulatory treatment	Tier 1 Capital
4	**Transitional arrangement rules (i.e. grandfathering)**	Additional Tier 1
5	**Post-transitional arrangement rules (i.e. grandfathering)**	Additional Tier 1
6	**Eligible at solo/group/group and solo**	Solo and group
7	**Instrument type (types to be specified by each jurisdiction)**	Perpetual additional Tier 1 sukuk
8	**Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)**	AED 1,836 Mio
9	**Nominal amount of instrument**	USD 500,000,000
9a	**Issue price**	USD 100
9b	**Redemption price**	USD 100
10	**Accounting classification**	Tier 1 Equity
11	**Original date of issuance**	2nd July, 2019
12	**Perpetual or dated**	Perpetual
13	**Original maturity date**	Perpetual
14	**Issuer call subject to prior supervisory approval**	Yes

15	**Optional call date, contingent call dates and redemption amount**	02/07/2025 (1st Call Date), At Par
16	**Subsequent call dates, if applicable**	Every 6th Anniversary after 1st call date
	Coupons / dividends	Dividends
17	**Fixed or floating dividend/coupon**	fixed
18	**Coupon rate and any related index**	5.000 per cent
19	**Existence of a dividend stopper**	Yes
20a	**Fully discretionary, partially discretionary or mandatory (in terms of timing)**	Partially Discretionary
20b	**Fully discretionary, partially discretionary or mandatory (in terms of amount)**	NA
21	**Existence of step-up or other incentive to redeem**	NO
22	**Non-cumulative or cumulative**	Non-Cumulative
23	**Convertible or non-convertible**	Non-convertible
24	**Writedown feature**	YES
25	**If writedown, writedown trigger(s)**	Non-Viability Event
26	**If writedown, full or partial**	Partial
27	**If writedown, permanent or temporary**	Permanent
28	**If temporary write-own, description of writeup mechanism**	NA
28a	**Type of subordination**	Structural
29	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).**	Subordinated in right of payment to Senior Obligations, pari passu with all Pari Passu Obligations and subject to the Solvency Conditions and no bankruptcy order, in priority to Junior Obligations. To the extent the Solvency Conditions are not satisfied or if a bankruptcy order in respect of SIB has been issued by a court in the UAE, claims shall be extinguished
30	**Non-compliant transitioned features**	NO
31	**If yes, specify non-compliant features**	NA

5) Leverage Ratio

Basel III introduced a 3% minimum leverage ratio which is calculated on quarterly basis. The bank does not see any material changes for this reporting period which remained stable and above the CBUAE minimum requirement.

a. Summary comparison of accounting assets vs leverage ratio exposure LR1

	30-June-24	AED 000
		a
1	Total consolidated assets as per published financial statements	74,236,771
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	134,361
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	-
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	134
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,634,949
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	2,017,497
13	**Leverage ratio exposure measure**	**79,023,712**

b. Leverage ratio common disclosure template – (LR2)

		a 30-June-24 AED-000	b 31-March-24 AED -000
On-balance sheet exposures AED 000			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	67,861,235	64,399,189
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)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	67,861,235	64,399,189
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for PFE associated with *all* derivatives transactions	96	-
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) * 1.4 (Beta factor)**	134	-
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	7,577,481	6,918,884
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	949,913	917,808
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	8,527,394	7,836,692
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	4,400,122	3,842,525
20	(Adjustments for conversion to credit equivalent amounts)	(1,765,173)	(1,693,880)
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)**	2,634,949	2,148,645
Capital and total exposures			
23	**Tier 1 capital**	8,029,336	7,829,286
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	79,023,714	74,384,526
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	10.16%	10.53%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.16%	10.53%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	-	-

Change in exposure by 4.6 billion from Q1 2024 to Q2 2024. Due to which ratio decline from 10.53% to 10.16%.

6) Liquidity

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate timeframe and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

The Group's approach for managing liquidity risk is to ensure that, management has diversified funding sources and closely monitors liquidity to ensure adequate funding.

1. Governance of liquidity risk management: The board of directors set the Group's and delegates responsibility to ALCO for the oversight of the liquidity risk management. Group's Risk management develops the liquidity risk related policies and internal control framework and define the risk appetite statements which are reviewed by ALCO and approved by BRC. Furthermore, risk management is responsible for monitoring the liquidity ratios, performing the stress testing and evaluating the effectiveness of the contingency funding plan. Treasury department manages the liquidity on a day-to-day basis and reviews daily reports covering the liquidity positions.

2. Funding strategy: The Bank's liquidity and funding positions are supported by the Bank's significant government and retail deposit base, accompanied by funding from wholesale markets. The Bank's retail deposit base comprises current and savings deposits which, although payable on demand, have traditionally in aggregate provided stable sources of funding. The Bank's reputation, earnings generation capacity, strong credit rating, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity. The Bank accesses the wholesale markets through the issuance of sukuk instruments, time deposits to meet short-term obligations.

3. An explanation of how stress testing is used. A liquidity stress test program is in place to ensure liquidity stress tests are systematically performed to determine the impact on the counterbalancing capacity under the "bank-specific" and "market wide" scenarios and the possible sources of funding to meet the shortfalls during a liquidity crisis.

4. An outline of the bank's contingency funding plans. Contingency funding plan is in place to identify early warning signals of a liquidity problem. The contingency funding plan also sets out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem.

5. Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to the bank. The primary tools for monitoring liquidity and funding positions are the maturity mismatch analysis, assessment on the concentration of funding, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity and funding positions are reported to the ALCO on a monthly basis and to BRMC on a quarterly basis.

a. Eligible Liquid Assets Ratio (ELAR)

The table presents the calculation of the Eligible Liquid Assets Ratio (ELAR) for a bank as of Q2 2024. It lists the High Quality Liquid Assets (HQLA) and their nominal amounts, including physical cash, balances with the Central Bank of the UAE (CBUAE), and various sukuk securities. The total HQLA amount is AED 9.7 billion against total liabilities of AED 66 billion. The ELAR, calculated as the ratio of eligible liquid assets to total liabilities, is reported as 15.28%. This ratio is a key indicator of the bank's liquidity position, reflecting its capacity to meet short-term obligations with high-quality liquid assets.

1	30-June-24 High Quality Liquid Assets	Nominal amount – AED 000	Eligible Liquid Asset –AED 000
1.1	Physical cash in hand at the bank + balances with the CBUAE	9,666,525	
1.2	UAE Federal Government Bonds and Sukuks	107,741	
	Sub Total (1.1 to 1.2)	**9,774,266**	**9,774,266**
1.3	UAE local governments publicly traded sukuk	64,350	-
1.4	UAE Public sector publicly traded sukuk	-	
	Subtotal (1.3 to 1.4)	**64,350**	**64,350**
1.5	Foreign Sovereign sukuk or instruments issued by their respective central banks	276,403	276,403
1.6	**Total**	**10,115,019**	**10,115,019**
2	Total liabilities		**66,203,510**
3	Eligible Liquid Assets Ratio (ELAR)		**0.1528**

b. Advances to Stables Resource Ratio (ASRR)

The table shows the computation of the Advances to Stable Resources Ratio (ASRR) to the bank as of Q2 2024. It details the calculation of total advances, which include net financing, financing to non-banking financial institutions, financial guarantees, standby letters of credit, and interbank placements, resulting in a total advance amount of AED 37.6 billion.

The table also outlines the calculation of net stable resources, including total capital and general provisions, adjusted for deductions like fixed assets and investments. The ASRR, calculated as the ratio of total advances to total stable resources, stands at 75.20%. This ratio is an important liquidity measure, indicating the proportion of advances funded by stable resources.

	30-June-24 Items	Amount AED 000
1	Computation of Advances	
1.1	Net Lending (gross financing - specific and collective provisions + interest in suspense)	35,776,884
1.2	Lending to non-banking financial institutions	567,334
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	603,938
1.4	Interbank Placements	717,108
1.5	**Total Advances**	**37,665,264**
2	**Calculation of Net Stable Resources**	
2.1	Total capital + general provisions	8,680,475
	Deduct:	
2.1.1	Goodwill and other intangible assets	58,210
2.1.2	Fixed Assets	734,615
2.1.3	Funds allocated to branches abroad	
2.1.4	Unquoted Investments	4,207,053
2.1.5	Investment in subsidiaries, associates and affiliates	850,000
2.1.6	**Total deduction**	**5,849,878**
2.2	Net Free Capital Funds	**2,830,597**
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	969,843
2.3.3	Refinancing of Housing financing	-
2.3.4	Borrowing from non-Banking Financial Institutions	524,602
2.3.5	Customer Deposits	43,925,154
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	1,835,409
2.3.7	Total other stable resources	**47,255,008**
2.4	Total Stable Resources (2.2 +2.3.7)	**50,085,605**
3	Advances TO STABLE RESOURCES RATIO	**75.20%**

7) Credit Risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's investment in Islamic financing receivables, murabaha and wakala with financial institutions, international murabaha and wakalah with financial institutions, other assets (except prepayments and assets available for sale) and investments in sukuk. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposures into different sectors.

The Group manages its credit risk exposure through diversification of its financing activities and investments to avoid concentration of risk with individuals or group of customers in specific location or business.

In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

Regular audits of business units and Group credit processes are undertaken by the internal audit division.

The Governance Structure at SIB, comprise of five levels with the Board and Board Committees at Level 1 and 2 respectively, followed by the three Lines of Defence.

1. 1st Line of Defence - The business line is the first line of defence and has ‘ownership’ of risk that it incurs in conducting its activities

2. 2nd Line of Defence - The compliance and risk management functions are deemed part of the second line of defence and are in charge of overseeing the risk exposure of the bank along with various Support Divisions

3. 3rd Line of Defence - The internal audit along with Shari’ah Audit provides independent assurance to the board that the overall governance framework is effective and that policies and processes are in place and consistently applied.

Regular reporting to the Senior Management and the Board Risk Committee is done by the CRO including credit risk top exposures, NPL, breaches (if any), etc.

1.The Group considers a financial asset to be in default when:

1. The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising collateral (if any is held);

2. It is becoming probable that the customer will restructure the asset as a result of bankruptcy due to the customer’s inability to pay its credit obligations.

2.In assessing whether a customer is in default, the Group considers indicators that are:

1. Qualitative**:** e.g. breaches of covenant;

2. Quantitative**:** e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
3. Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

3.The key inputs into the measurement of ECL are the term structure of the following variables:

a) Probability of Default (PD);
b) Loss Given Default (LGD); and
c) Exposure at Default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financings secured by retail and commercial property, CBUAE haircuts are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective price rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For financing commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by computing credit conversion factors through modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any customer 's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of a finance or terminate a finance commitment or guarantee.

However, for retail and credit card facilities that include both a financing and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group ' s exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

a) Instrument type;
b) Credit risk grading;
c) Date of initial recognition;
d) Remaining term to maturity;
e) Industry; and Geographic location of the customer.

4.Financial assets with renegotiated terms

For the purposes of disclosures in these consolidated financial statements, 'Investment in Islamic financing with renegotiated terms' are defined as investment in Islamic financing that have been restructured due to a deterioration in the customer's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favorable for the customer than the Group had provided initially and that it would not otherwise consider.

The Group renegotiates investment in Islamic financing to customers in financial difficulties (referred to as ' forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, forbearance is granted on a selective basis if the customer is currently in default on its liability or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

a. Credit quality of assets – (CR1)

30-June-24		Gross carrying values of		Allowances/Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values AED - 000
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Customer Financing	2,002,466	34,846,116	1649909	1,235,682	414,227	35,198,673
2	SUKUK Amortised Cost	60,309	12,372,021	68873	60,309	8,564	12,363,457
3	Off-balance sheet exposures	1,065	959,590	2,545	63	2,482	958,110
4	Total	**2,063,840**	**48,177,727**	**1,721,327**	**1,296,054**	**425,273**	**48,520,240**

Defaulted Exposures – Past due for more than 90 days is considered as defaulted exposure.

b. Changes in the stock of defaulted customer financing and sukuk (CR2)

The following table outlines the changes in the bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

	30-June-24	AED-000
1	**Defaulted customer financing and sukuk at the end of the previous reporting period**	1,951,989
2	Customer financing and sukuk that have defaulted since the last reporting period	170,632
3	Returned to non-default status	(14,832)
4	Amounts written off	(61,029)
5	Other changes	16,015
6	**Defaulted customer financing and sukuk at the end of the reporting period**	2,062,775

c. Credit risk mitigation techniques – overview (CR3)

The below table is prepared based on eligible collateral as per CRM technique of basel.

	30-June-24 AED 000	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
1	Customer Financing	35,198,673	6,494,994	967,465	53,425	53,425	-	-
2	SUKUK Amortised Cost	12,363,457	-	-	0	0	-	-
3	**Total**	47,562,130	6,494,994	967,465	53,425	53,425	-	-
4	Of which defaulted	2,062,775					-	-

d. Standardised approach - Credit risk Exposure and CRM effects – (CR4)

	30-June-24	a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	22,637,821	19	22,637,821	-	3,381,517	15%
2	Public Sector Entities	7,586,402	473,726	7,586,402	452,879	7,108,585	88%
3	Multilateral development banks	1,206,857	-	1,206,857	-		
4	Banks	12,060,214	134,347	12,060,214	133,752	3,791,631	31%
5	Securities firms	-	-				
6	Corporates	19,549,842	3,335,374	19,549,842	1,886,515	19,559,879	91%
7	Regulatory retail portfolios	3,889,191	421,517	3,889,191	100,870	2,612,848	65%
8	Secured by residential property	1,379,462	1,404	1,379,462	1,404	1,236,354	90%
9	Secured by commercial real estate	-	-	-	-	-	
10	Equity Investment in Funds (EIF)	6,281	-	6,281	-	9,319	148%
11	Past-due financing	2,463,722	33,736	1,167,918	33,736	1,551,539	129%
12	Higher-risk categories	-	-	-	-		
13	Other assets	6,877,424	-	6,877,424	-	6,910,243	100%
14	**Total**	**77,657,217**	**4,400,122**	**76,361,412**	**2,609,155**	**46,161,915**	58%

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

The below reflects the breakdown of credit risk exposures under the standardised approach by asset class and risk weight.

30th June 2024										AED 000
Risk weight Asset classes		**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	18,258,486	1,344,190		317715		2,244,647	472,783	0	22,637,821
2	Public Sector Entities	26,930			1,807,531		6,204,819	0	0	8,039,280
3	Multilateral development banks	1,206,857								1,206,857
4	Banks		8,352,277		3,441,128		400,461	100		12,193,966
5	Securities firms									-
6	Corporates	373,497	183,650		1,429,264		12,896,814	525,448	6,027,685	21,436,358
7	Regulatory retail portfolios	620,371				3,027,368	342,322			3,990,061
8	Secured by residential property	93				577,676	803,097			1,380,866
9	Secured by commercial real estate									-
10	Equity Investment in Funds (EIF)								6,281	6,281
11	Past-due financing						501,883	699,771		1,201,654
12	Higher-risk categories									-
13	Other assets	648,065					4,867,592	1,361,767		6,877,424
14	**Total**	**21,134,299**	**9,880,117**	**-**	**6,995,638**	**3,605,044**	**28,261,635**	**3,059,869**	**6,033,966**	**78,970,568**

8) Counterparty credit risk (CCR)

Counterparty Credit Risk (CCR) refers to the potential for a transaction's counterparty to default before its final settlement. This risk is inherent in derivative transactions, which are sensitive to fluctuations in factors like interest rates, foreign exchange rates, equities, and commodities. The Group manages its exposure to CCR through the Counterparty Credit Risk Policy and methodology framework.

Oversight and Management of Counterparty Credit Risk:

- At the board level, the Board Risk Committee (BRC) oversees counterparty credit risk.
- Sharjah Islamic Bank Market Risk & Treasury Department operates independently, reporting directly to the SIB Chief Risk Officer (CRO) and Head of Investment, Treasury & Financial Institutions respectively, and is tasked with measuring, monitoring, and assisting in managing counterparty credit risk.

Identification:

- The Bank employs existing credit underwriting processes, New Products and Process Approvals, and ongoing discussions with business units and customers to manage CCR.

Measurement:

- Various metrics, including Mark-to-Market, Potential Future Exposure, Issuer (Risk) Exposure, Repo Exposure, and Settlement (Risk) Exposure, are assed using approved risk measurement methodologies.

Monitoring, Control, and Reporting:

- Authorized sales activities and risk types are strictly adhered to within the Sharjah Islamic Bank Treasury Department.

- Regular monitoring against approved CCR limits is conducted, with any exceptions reported and escalated to relevant authority

- CCR limits are reviewed annually and adjusted as necessary based on changes in counterparty creditworthiness and business plans.

- Collateral agreements may be utilized to cover mark-to-market exposures, with provisions for additional collateral if exposures exceed agreed thresholds.

Counterparty Credit Risk Limits:

- The Bank credit policy emphasizes core credit principles, financing guidelines, control, monitoring, and reporting requirements, including provisioning for high-risk customers.

Counterparty Credit Risk Capital Calculation:

- The Bank calculates capital adequacy requirements for Over the Counter (OTC) Islamic derivatives using the Standardized Approach to Counterparty Credit Risk Capital Calculation (SA-CCR), transitioning from the current exposure method.

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

	30-June-24	a	b	c	d	e	f
		Replacement cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
1	SA-CCR (for derivatives)	0	96		1.4	135	68
2							
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5							
6	**Total**						**68**

b. Credit Valuation Adjustment (CVA) Capital Charge (CCR2)

AED 000

	Details	a EAD post-CRM	b RWA
1	All portfolios subject to the Standardised CVA capital charge*	949,913	128,700
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

The table presents the Credit Valuation Adjustment (CVA) Capital Charge as of Q2 2024. It shows the Exposure at Default (EAD) post-Credit Risk Mitigation (CRM) and the corresponding Risk-Weighted Assets (RWA) for portfolios subject to the Standardised CVA capital charge. This information is essential in understanding the bank's capital requirements related to the risk of counterparty default in derivatives transactions.

c. Standardised approach – (CCR3) exposures by regulatory portfolio and risk weights

Regulatory Portfolio / Risk weight	a	b	c	d	e	f	g	h
30-June-24	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns								
Public Sector Entities (PSEs)								
Multilateral development banks (MDBs)								
Banks			96					96
Securities firms								
Corporates								
Regulatory retail portfolios								
Secured by residential property								
Secured by commercial real estate								
Equity Investment in Funds (EIF)								
Past-due financing								
Higher-risk categories								
Other assets								
Total			**96**					**96**

d. Composition of collateral for CCR exposure (CCR5)

AED000

	a	b	c	d	e	f
	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						5,753,779
Domestic sovereign sukuk						672,724
Government agency sukuk						1,951,146
Corporate bonds						
Equity securities						
Other collateral						
Total						**8,377,650**

Collateralized (Repo) Murhaba / Wakala under the Murhaba / Wakala structure is a product intended to mobilize funds for Sharjah Islamic Bank up to 3 months which is referred as short-term transaction and more than 1 year and up to 5 years which is referred as long-term transaction from other banks. The product shall require SIB to pledge or offer bank's sukuk investments in the held to maturity (HTM) or other comprehensive income (OCI) portfolio as collateral to the other banks These sukuks will be held under the custody of these other banks in their custody accounts and can be replaced anytime during the period of financing with mutual consent. The financing value will be based on the fund-to-value (FTV) or Loan -to-Value (LTV) of individual sukuks which was selected or chosen for pledge as collateral.

9) Market Risk

Market risk is the risk that the Group's income and / or value of a financial instrument will fluctuate because of changes in market prices such as profit rates, foreign exchange rates and market prices of equity.

Market risk under the standardised approach – (MR1)

AED 000

	30-June-24	RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	176,054
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7		
8	Securitisation	-
9	**Total**	**176,054**

10) Details of Not Applicable Tables

Sl. No	Topic	Information	Table	Details
01.	Overview of risk management and RWA	Bank risk management approach	OVA	Not Applicable
02.	Macro prudential Supervisory measures	Geographical distribution of credit exposures used in the countercyclical buffer	CCyB1	
03.	Liquidity	Liquidity Coverage Ratio	LIQ1	
		Net Stable Funding Ratio	LIQ2	
04.	Counterparty credit risk (CCR)	Credit derivatives exposures	CCR6	
		Exposures to central counterparties	CCR8	
05.	Securitisation	Securitisation exposures in the banking book	SEC1	Not Applicable
		Securitisation exposures in the trading book	SEC2	
		Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor	SEC3	

11) Abbreviation

ALCO – Asset Liability Committee
ASRR – Advance to Stable Resource Ratio
BIA – Basic Indicator Approach
BRMC – Board Risk Management Committee
CCB – Capital Conservative Buffer
CCF – Credit Conversion Factor
CCP – Central Counterparty
CCyB – Countercyclical Buffer
CET – Common Equity
CRM – Credit Risk Mitigation
CVA – Credit Valuation Adjustment
EAD – Exposure at Default
EIF – Equity Investment in Funds
ELAR – Eligible Liquid Assets Ratio
EVE – Economic Value of Equity
FCD – Financial Control Division
ICAAP –Internal Capital Adequacy Assessment Process
ILAA – Internal Liquidity Adequacy Assessment
IRB – Internal Rating Based
LCR – Liquidity Coverage Ratio
LGD – Loss Given Default
PD – Probability of Default
PRRBB – Profit Rate Risk in the Banking Book
RWA –Risk weighted assets
SIB –Sharjah Islamic Bank
SRP – Supervisory Review Process