SHARJAH ISLAMIC BANK

Pillar 3 Disclosure

31st December 2022

Contents

1) Overview of Risk Management

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 III Accord". The "Basel III" 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

1.3. Summary of Basel 3 requirements

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: Bolster market discipline through public disclosure Under Pillar 3, banks are required to disclose information regarding their capital structure and adequacy as well as their risk management. 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.

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

Capital adequacy, funding, liquidity and remuneration 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.

1.5. 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).

1.6. Minimum capital requirement

CBUAE Requirement	CBUAE Requirement
CET 1 must be at 7.0% of Risk Weighted Assets (RWA)	7.0%
Tier 1 Capital must be at least 8.5% of RWA	8.5%
Total capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA	10.5%
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	2.5%
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.	0 to 2.5%
Minimum Capital Required (Total Capital + Capital Conservative Buffer) = 10.5% + 2.5%	13%

1.7. Basis of Consolidation

The Bank's Pillar 3 disclosures are presented on a consolidated basis incorporating all its subsidiaries excluding commercial entities. In accordance with paragraph 825 of International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee, general disclosures of credit risk provided in this report have a wide range of information about overall credit exposure and may not be necessarily based on information prepared for regulatory purposes.

1.8. 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.

1.9. 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

1.10. 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.

1.11. Risk Management Group (RMG)

In order to manage credit, market, operational and IT security risks, RMG is in place. Its role includes 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.

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

1.12. Executive Committee (EC)

The objective of the committee is to assist the Board in fulfilling its oversight responsibilities including

- Approve investment facilities within the prescribed financing authority delegated by the Board.
- Recommend matters to the Board based on the CEO's recommendation and where deemed necessary submit to the BOD all relevant proposals for further approval or ratification.
- Approve the Bank's IT Budget, capital expenditure, and financial facilities (within delegated limits).
- Approve Credit facilities within the prescribed financing authority delegated by the Board.

1.13. Group Audit Committee (AC)

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

- Overseeing the Group's financial reporting processes, maintaining accounting policies, reviewing and approving the financial information; and
- Reviewing reports on the internal controls.
- Managing the relationship with the Group's external auditors; and
- Reviewing the internal audit reports and monitors control issues of major significance of the Group.

1.14. Board Risk Committee (BRC)

The BRC 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;
- Managing the Risk Management 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.

1.15. Board Nomination & Compensation Committee (BNCC)

The basic purpose of the Board Nomination & Compensation Committee (BNCC) is to lead the process for Board and Senior Management appointments, compensation, and make recommendations to the Board. This committee shall also recommend the appointment of Internal Shari'ah Supervisory Committee members to the Board for approval.

1.16. Management Committee (MANCOM)

The committee facilitates in reviewing, formulating, evaluating and providing meaningful decisions on critical issues which are or may impact the organization. Typically, MANCOM covers the areas like strategic, policies, human resources, marketing and administrative processes. In addition, the MC is also responsible to liaise with all other units/divisions across the Group.

1.17. 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.

1.18. 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; and
- Reviewing the Group's IT development, strategic opportunities and plans

1.19. 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.

1.20. 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.

1.21. 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.

1.22. 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.

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

		a	b	c	d	e
	31-December-22	**Q4 /2022**	**Q3 / 2022**	**Q2 / 2022**	**Q1 / 2022**	**Q4 / 2021**
	Available capital (amounts) -					**AED 000**
1	Common Equity Tier 1 (CET1)	5,525,983	5,788,412	5,768,210	5,713,225	5,651,211
1a	Fully loaded ECL accounting model	5,368,690	5,692,429	5,682,028	5,597,112	5,506,611
2	Tier 1	7,362,483	7,624,912	7,604,710	7,549,725	7,487,711
2a	Fully loaded ECL accounting model Tier 1	7,205,190	7,528,929	7,518,528	7,433,612	7,343,111
3	Total capital	7,841,322	8,084,473	8,072,803	8,022,068	7,931,263
3a	Fully loaded ECL accounting model total capital	7,684,029	7,988,490	7,986,621	7,905,955	7,786,663
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	41,074,599	39,311,052	40,136,118	40,347,007	38,065,929
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	13.45%	14.72%	14.37%	14.16%	14.85%
5a	Fully loaded ECL accounting model CET1 (%)	13.07%	14.48%	14.16%	13.87%	14.47%
6	Tier 1 ratio (%)	17.92%	19.40%	18.95%	18.71%	19.67%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.54%	19.15%	18.73%	18.42%	19.29%
7	Total capital ratio (%)	19.09%	20.57%	20.11%	19.88%	20.84%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.71%	20.32%	19.90%	19.59%	20.46%
	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 (%)	6.45%	7.72%	7.37%	7.16%	7.85%
	Leverage Ratio					
13	Total leverage ratio measure	62,925,786	57,922,992	59,404,842	57,903,198	58,056,689
14	Leverage ratio (%) (row 2/row 13)	11.70%	13.16%	12.80%	13.04%	12.90%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	11.45%	13.00%	12.66%	12.84%	12.65%
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	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-
	Net Stable Funding Ratio					

		a	b	c	d	e
	31-December-22	**Q4 /2022**	**Q3 / 2022**	**Q2 / 2022**	**Q1 / 2022**	**Q4 / 2021**
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	ELAR					
21	Total HQLA	9,414,770	6,888,095	7,099,705	7,633,357	10,243,993
22	Total liabilities	51,567,536	47,023,820	48,480,351	47,223,236	47,303,483
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.26%	14.65%	14.64%	16.16%	21.66%
	ASRR					
24	Total available stable funding	43,028,794	43,087,148	44,156,127	44,966,679	45,290,482
25	Total Advances	33,222,529	32,403,645	30,249,688	31,197,809	30,265,830
26	Advances to Stable Resources Ratio (%)	77.21%	75.20%	68.51%	69.38%	66.83%

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

31-December-22		a	b	c
		RWA –AED000		Minimum capital requirements
		Q4/2022	Q3/2022	Q4/2022
1	Credit risk (excluding counterparty credit risk)	38,307,142	36,764,930	4,979,928
2	Of which: standardised approach (SA)	38,298,469	36,764,899	4,619,032
3	Counterparty credit risk (CCR)	0.00	30.86	0.00
4	Of which: standardised approach for counterparty credit risk	0.00	30.86	0.00
5	Equity investments in funds - look-through approach	8,673	14,847	1,127
6	Equity investments in funds - mandate-based approach	-	-	-
7	Equity investments in funds - fall-back approach	-	-	-
8	Settlement risk	-	-	-
9	Securitisation exposures in the banking book	-	-	-
10	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
11	Of which: securitisation standardised approach (SEC-SA)	-	-	-
12	Market risk	183,688	179,739	23,879
13	Of which: standardised approach (SA)	183,688	179,739	23,879
14	Operational risk	2,583,769	2,366,383	335,890
	Total	**41,074,599**	**39,311,052**	**5,340,825**

4) Linkages Between Financial Statements and Regulatory Exposures (LI1)

31-December-22	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk frame work	Subject to the securitisation frame work	Subject to market risk frame work	Not subject to capital requirements or subject to deduction from capital
Assets –AED 000							
Cash and balances with banks and financial institutions	3,261,402	3,259,874	3,259,874	-	-	-	-
Murabaha and wakalah with financial institutions	10,848,181	10,848,181	10,848,181	-	-	-	-
Investment securities measured at fair value	3,950,587	5,070,587	5,070,587	-	-	-	-
Investment securities measure at amortised cost	4,594,791	4,594,791	4,594,791	-	-	-	-
Investments in Islamic financing	30,671,517	31,283,195	31,283,195	-	-	-	-
Investment properties	3,085,729	2,157,276	2,157,276	-	-	-	-
Properties held-for-sale	335,617	310,193	310,193	-	-	-	-
Other assets	1,401,128	1,242,476	1,242,476	-	-	-	-
Intangible assets	61,988	61,896	61,896	-	-	-	-
Property and equipment	911,949	272,912	272,912	-	-	-	-
Total Assets	**59,122,889**	**59,101,381**	**59,101,381**	-	-	-	-
Liabilities							
Customers' deposits	39,529,231	39,861,577	-	-	-	-	-
Due to banks	6,664,385	6,664,385	-	-	-	-	-
Sukuk payable	3,669,693	3,669,693	-	-	-	-	-
Other liabilities	1,546,480	1,230,439	-	-	-	-	-
Zakat payable	80,692	80,692	-	-	-	-	-

31-December-22	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Shareholders' equity:							
Share capital	3,081,598	3,081,598	-	-	-	-	-
Tier 1 sukuk	1,836,500	1,836,500	-	-	-	-	-
Legal reserve	1,541,200	1,541,200	-	-	-	-	-
Statutory reserve	89,008	89,008	-	-	-	-	-
General impairment reserve	41,602	41,602	-	-	-	-	-
Fair value reserve	(305,576)	(305,576)	-	-	-	-	-
Retained earnings	1,348,076	1,310,263	-	-	-	-	-
Total Liabilities & Shareholders' equity	**59,122,889**	**59,101,381**	-	-	-	-	-

5) Linkages between Financial Statements and Regulatory Exposures (LI2)

1. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The below table shows the effect of regulatory adjustments required to derive the Bank's exposure at default (EAD) for the purposes of calculating its capital requirements. The difference between the carrying values under regulatory scope of consolidation and amount considered for regulatory purposes shown below are mainly provisions, off-balance sheet exposures and netting benefits as detailed below.

31-December-22	Total AED 000	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
Total assets amount under regulatory scope of consolidation	59,101,381	59,101,381	-	-	-
Off-balance sheet amounts recognised in regulatory exposure (post-ccf) including acceptances	1,875,592	1,875,592	-	-	-
Differences due to consideration of provisions and IIS	1,927,914	1,927,914	-	-	-
Other			-	-	-
Gross exposures before credit risk mitigation	**62,904,887**	**62,904,887**	-	-	-
Credit risk mitigation excluding guarantees	(1,261,399)	(1,261,399)	-	-	-
Gross regulatory exposures at default	61,643,488	61,643,488	-	-	-

6) Differences in Regulatory Exposure & Carrying values in Financials (LIA)

Difference between accounting carrying value and amounts considered for regulatory purposes is consolidation of non-financial subsidiaries in financial reporting, whereas, for regulatory purposes only financial subsidiaries are consolidated.

Valuation of all instruments classified as fair value through PL or OCI are mark to market on a frequent basis as all of the instruments are quoted. Unless a conclusion is drawn that a quoted price is not the fair value of an instrument, fair value is considered to be the market traded price generally available on Bloomberg. Once, an instrument is not traded in the market, market quoted price is disregarded for mark to market and investment front office computes a fair value based on various valuation methodologies available i.e. NAV, DCF, CAPM etc. Usage of other valuation methodologies than market available quoted price is seldom. Market available prices are interlinked with the core banking system and market prices are updated at least on a monthly basis. In case where investment front office rejects market price to be fair value, alternate valuation methodology is computed and submitted to FCD for independent price verification. FCD reviews the working, challenges the assumptions and forecasts, corroborates market information and amends or discounts the front office price computation to remain prudent. Entire trading portfolio is fair valued regularly at the market available quoted price. None of the trading portfolio instruments are unquoted, hence no valuation methodologies are applied, thus no price adjustment is done. All instruments are mark to market

7) Composition of Capital

The Bank's capital management aims to guarantee solvency and maximize 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.

1.Composition of Regulatory Capital – (CC1)

		a	b
	31-December-22	31-Dec-22	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	3,081,598	CC2(a)
2	Retained earnings	1,159,396	CC2(g)-Proposed Dividend + IFRS 9 Prudential Filter
3	Accumulated other comprehensive income (and other reserves)	1,324,632	CC2(c)+CC2(d)+CC2(f)
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**	**5,565,626**	
	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)	39,643	Intangible Software deduction
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	-	

		a	b
	31-December-22	31-Dec-22	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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)**	**5,525,983**	
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	1,836,500	
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**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**7,362,483**	
	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	478,836	
45	**Tier 2 capital before regulatory adjustments**	**478,836**	

		a	b
	31-December-22	31-Dec-22	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	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)**	478,836	
52	**Total regulatory capital (TC = T1 + T2)**	7,841,322	
53	**Total risk-weighted assets**	41,074,599	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	13.45%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	17.92%	
56	**Total capital (as a percentage of risk-weighted assets)**	19.09%	
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.**	6.45%	
	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)	-	

		a	b
	31-December-22	31-Dec-22	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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)	-	
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)*	-	

2.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.

31-December-22 –AED 000	Balance sheet as in published financial statements (a)	Under regulatory scope of consolidation (b)	Reference (c)
	As at period-end	As at period-end	
Assets			
Cash and balances at central banks	3,261,402	3,259,874	
Murabaha and wakalah with financial institutions	10,848,181	10,848,181	
Investment securities measured at fair value	3,950,587	5,070,587	
Investment securities measure at amortised cost	4,594,791	4,594,791	
Investments in Islamic financing	30,671,517	31,283,195	
Investment properties	3,085,729	2,157,276	
Properties held-for-sale	335,617	310,193	
Other assets	1,401,128	1,242,476	
Intangible assets	61,988	61,896	
Property and equipment	911,949	272,912	
Total assets	**59,122,889**	**59,101,381**	
Liabilities			
Customers' deposits	39,529,231	39,861,577	
Due to banks	6,664,385	6,664,385	
Sukuk payable	3,669,693	3,669,693	
Other liabilities	1,546,480	1,230,439	
Zakat payable	80,692	80,692	
Total liabilities	**51,490,481**	**51,506,786**	
Shareholders' equity			
Share capital	3,081,598	3,081,598	(a)
Tier 1 sukuk	1,836,500	1,836,500	(b)
Legal reserve	1,541,200	1,541,200	(c)
Statutory reserve	89,008	89,008	(d)
General impairment reserve	41,602	41,602	(e)
Fair value reserve	(305,576)	(305,576)	(f)
Retained earnings	1,348,076	1,310,263	(g)
Total shareholders' equity	**7,632,408**	**7,594,595**	
Total Liabilities & Shareholders' Equity	**59,122,889**	**59,101,381**	

3.Main Features of Regulatory Capital Instruments – (CCA)

31-December-22	Quantitative / qualitative information	
1	Issuer	**SIB Tier 1 Sukuk Company**
2	Unique identifier (eg 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)	N / A
5	Post-transitional arrangement rules (i.e. grandfathering)	N / A
6	Eligible at solo/group/group and solo	At all levels
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	02/07/2025 (1st Call Date)
15	Optional call date, contingent call dates and redemption amount	-
16	Subsequent call dates, if applicable	every 6th Anniversery 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	restrictions on distribution on redemptions, or repurchase of share capital , equity securities and parity securities untill the following profit payment has been paid in full (or set aside)
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	-
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	-
21	Existence of step-up or other incentive to redeem	-
22	Non-cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible
24	Writedown feature	-
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	-
28a	Type of subordination	-
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	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	-
31	If yes, specify non-compliant features	-

8) Leverage Ratio

Basel III introduced a 3% minimum leverage ratio. The bank does not see any material changes for this reporting period.

Summary comparison of accounting assets vs leverage ratio exposure LR1

	31-December-22	AED 000
		a
1	Total consolidated assets as per published financial statements	59,122,889
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(21,508)
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)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,896,491
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	1,927,914
13	**Leverage ratio exposure measure**	**62,925,786**

Leverage ratio common disclosure template – (LR2)

		a 31-Dec-22	b 31-Dec-21
On-balance sheet exposures AED 000			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	57,345,232	54,610,138
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)**	57,345,232	54,610,138
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	-	-
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)**	-	-
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	3,001,950	1,716,282
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	682,113	400,177
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	3,684,063	2,116,459
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	3,000,081	2,593,943
20	(Adjustments for conversion to credit equivalent amounts)	(1,103,590)	(1,263,851)
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)**	1,896,491	1,330,092
Capital and total exposures			
23	**Tier 1 capital**	7,362,483	7,487,711
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	62,925,786	58,056,689
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	11.70%	12.90%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	-	-

9) 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.

The Group's board of directors set the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Group's liquidity policies and procedures. Treasury department manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Group and operating subsidiaries. All liquidity policies and procedures are subject to review and approval by ALCO.

1. Governance of liquidity risk management: ALCO is the primary committee responsible for liquidity and funding risk management based on guidelines approved by the Board Risk Committee (BRC). Liquidity policies and framework are reviewed by the ALCO and approved by the BRC prior to implementation.

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 debt 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 BRC on a quarterly basis.

1. Eligible Liquid Assets Ratio (ELAR)

31-December-22 High Quality Liquid Assets	Nominal amount – AED 000	Eligible Liquid Asset –AED 00
Physical cash in hand at the bank + balances with the CBUAE	8,690,469	
UAE Federal Government Bonds and Sukuks		
Sub Total	**8,690,469**	**8,690,469**
UAE local governments publicly traded debt securities	724,301	-
UAE Public sector publicly traded debt securities		
Subtotal	**724,301**	**724,301**
Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
Total	**9,414,770**	**9,414,770**
Total liabilities		**51,567,536**
Eligible Liquid Assets Ratio (ELAR)		**0.18**

2. Advances to Stables Resource Ratio (ASRR)

31-December-22 Items	Amount AED 000
Computation of Advances	
Net Lending (gross loans - specific and collective provisions + interest in suspense)	31,580,635
Lending to non-banking financial institutions	257,464
Net Financial Guarantees & Stand-by LC (issued - received)	594,735
Interbank Placements	789,695
Total Advances	**33,222,529**
Calculation of Net Stable Resources	
Total capital + general provisions	8,034,739
Deduct:	
Goodwill and other intangible assets	-
Fixed Assets	334,773
Funds allocated to branches abroad	
Unquoted Investments	1,628,294
Investment in subsidiaries, associates and affiliates	1,150,000
Total deduction	**3,113,067**
Net Free Capital Funds	**4,921,672**
Other stable resources:	
Funds from the head office	-
Interbank deposits with remaining life of more than 6 months	1,587,659
Refinancing of Housing Loans	-
Borrowing from non-Banking Financial Institutions	644,993
Customer Deposits	34,040,788
Capital market funding/ term borrowings maturing after 6 months from reporting date	1,833,682
Total other stable resources	**38,107,122**
Total Stable Resources	**43,028,794**
Advances TO STABLE RESOURCES RATIO	**77.21%**

10) 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 risk and compliance 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. Risk Management

2.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.

3.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.

4.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.

5.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.

1. Credit Quality of Assets – (CR1)

31-December-22	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**	
Loans	1,943,974	30,876,642	1,537,421	1,102,742	434,679	31,283,195
Debt securities	62,337	7,662,216	149,828	62,337	87,491	7,574,725
Off-balance sheet exposures	91	834,234	1942	60	1,882	832,383
Total	2,006,402	39,373,092	1,689,191	1,165,139	524,052	39,690,303

2. Changes in The Stock of Defaulted Loans and Debt Securities (CR2)

31-December-22	AED-000
Defaulted loans and debt securities at the end of the previous reporting period	1,520,659
Loans and debt securities that have defaulted since the last reporting period	612,651
Returned to non-default status	(1,766)
Amounts written off	(71,170)
Other changes	(54,063)
Defaulted loans and debt securities at the end of the reporting period	**2,006,311**

3.The Breakdown of Exposures by Geographical Areas (CRB).

31-December-22	GCC	Other Arab Countries	North America	USA	Europe	Asia	Other	Total AED 000
Cash and balances with banks and financial institutions	2,993,651	1,814	4,226	134,878	123,618	3,215	-	**3,261,402**
Murabaha and wakalah with financial institutions	10,462,516	-	-	-	183,650	202,015	-	**10,848,181**
Investment securities measured at fair value	3,242,466	-	-	-	-	708,121	-	**3,950,587**
Investment securities measure at amortised cost	4,178,823	396,211	-	-	-	415,968	-	**4,594,791**
Investments in Islamic financing	30,040,110	-	-	69	2,708	232,419	-	**30,671,517**
Investment properties	3,085,729	-	-	-	-	-	-	**3,085,729**
Properties held-for-sale	335,617	-	-	-	-	-	-	**335,617**
Other assets	1,357,061	5,695	-	21	2,560	35,791	-	**1,401,128**
Intangible Assets	61,988	-	-	-	-	-	-	**61,988**
Property and equipment	911,949	-	-	-	-	-	-	**911,949**
Total assets	**56,669,910**	**403,720**	**4,226**	**134,968**	**312,536**	**1,597,529**	**-**	**59,122,889**

4.The Breakdown of Exposures by Sector (CRB).

Sector 31-December-22	AED 000
Government Department and Authorities	12,209,283
Construction and Contracting	823,556
Manufacturing	699,797
Transportation	1,194,005
Real Estate	7,201,164
Retail Business	462,414
Trading	2,033,517
Financial Institutions	368,956
Services and Others	1,529,195
Individual	3,239,699
Consumer Home Finance	1,531,226
High Net worth Individuals	2,191,401
Deferred Profit	(1,275,275)
Less :Loss allowance for investments in Islamic Financing	(1,537,421)
Total	30,671,517

5.Qualitative Disclosure Requirements Related to Credit Risk Mitigation Techniques (CRC)

Bank is using collateral comprehensive approach for credit risk mitigation. Under the comprehensive approach, the collateral adjusted value is deducted from the risk exposure (before assigning the risk weight). Haircuts as defined by CBUAE are applied to the collateral because collateral is subject to risk, which could reduce the realisation value of the collateral when liquidated.

As of 31 December 2022 cash and Sovereign guarantees are only collaterals being used for credit risk mitigation.

6.Credit Risk Mitigation Techniques – overview (CR3)

	31-December-22 –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	Loans	17,597,285	13,685,910	11,853,534	14,745	14,745	-	-
2	Debt securities	7,574,725	-	-	-	-	-	-
3	**Total**	**25,172,010**	**13,685,910**	**11,853,534**	**14,745**	**14,745**	-	-
4	Of which defaulted	73,959	755,070				-	-

7.Banks' use of external credit ratings under the standardised approach for credit risk (CRD)

Bank uses external ratings to determine risk weights for certain types of exposures. Only external ratings provided by External Credit Assessment Institutions (ECAIs) that have been recognized as eligible for that purpose by the Central Bank are being used. (Moody’s and Fitch). The rating used for the asset class are Government, Bank and Corporate.

8. Standardised Approach - Credit Risk Exposure and CRM Effects – (CR4)

31-December-22 –AED000		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	18,578,246	41,371	18,578,246	41,346	2,923,391	16%
2	Public Sector Entities	6,332,682	2,151	6,332,682	665	5,364,861	85%
3	Multilateral development banks	479,037	-	479,037	-	-	
4	Banks	6,971,777	134,322	6,971,777	133,739	2,114,034	30%
5	Securities firms	-	-	-	-	-	
6	Corporates	14,841,063	2,422,051	14,841,063	1,554,305	15,479,267	94%
7	Regulatory retail portfolios	3,316,256	347,202	3,316,256	92,634	2,403,648	71%
8	Secured by residential property	1,297,757	80	1,297,757	-	1,169,498	90%
9	Secured by commercial real estate	36,397	-	36,397	-	36,397	100%
10	Equity Investment in Funds (EIF)	6,885	-	6,885	-	8,673	126%
11	Past-due loans	2,511,201	52,878	1,272,823	52,878	1,744,729	132%
12	Higher-risk categories	-	-	-	-	-	
13	Other assets	6,657,994	25	6,657,994	25	6,988,620	105%
14	**Total**	61,029,295	3,000,080	59,790,917	1,875,592	38,233,118	62%

9.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.

31-December-22									AED 000
Risk weight Asset classes	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereigns and their central banks	15,644,311	91,825	-	299,350	-	2,241,620	342,488	-	18,619,594
Public Sector Entities	609,885	-	-	717,203	-	5,006,259	-	-	6,333,347
Multilateral development banks	479,037	-	-	-	-	-	-	-	479,037
Banks	-	5,194,038	-	1,672,613	-	238,754	110		7,105,515
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	323,938					11,473,293	150,089	4,448,047	16,395,367
Regulatory retail portfolios	340,036	-	-	-	2,660,828	408,027	-	-	3,408,891
Secured by residential property	2,048	-	-	-	504,842	790,866	-	-	1,297,756
Secured by commercial real estate	-	-	-	-	-	36,397	-	-	36,397
Equity Investment in Funds (EIF)	-	-	-	-	-	5,510		1,375	6,885
Past-due loans	146	-	-	-	-	487,208	838,348	-	1,325,702
Higher-risk categories	-	-	-	-	-	-	-	-	-
Other assets	658,276					4,837,303	1,111,634	50,806	6,658,019
Total	**18,057,677**	**5,285,863**	**-**	**2,689,166**	**3,404,424**	**25,286,483**	**2,442,669**	**4,500,228**	**61,666,510**

10.Credit Valuation Adjustment (CVA) Capital Charge

		a	b
	31-December-22 AED 000	**EAD post-CRM**	**RWA**
1	All portfolios subject to the Standardised CVA capital charge*	682,113	74,025
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

11) 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.

- **Profit Margin Risk**

  The Group is not significantly exposed to risk in terms of re-pricing its customer deposits, since, in accordance with Islamic Sharia, the Group does not provide a contractual rate of return to its investment account holders. The return payable to depositors and investment account holders is based on the principal of the mudaraba, by which the depositors and investment account holders agree to share the profits made by the Group's mudaraba asset pool over a given period.

Market risk under the standardised approach – (MR1)

AED 000

31-December-22	RWA
General Interest rate risk (General and Specific)	-
Equity risk (General and Specific)	-
Foreign exchange risk	183,688
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	-
Securitisation	-
Total	**183,688**

12) Profit Rate Risk in the Banking Book (PRRBB)

1. A description of how the bank defines PRRBB for purposes of risk control and measurement
Profit Rate Risk in the Banking Book (PRRBB) refers to the risk to SIB's capital and earnings arising from the adverse movements in profit rates on its banking book. When profit rates change, the present value and the timing of the future cash flows change, impacting the economic value of SIB's balance sheet. Changes in profit rates affect SIB's earnings by altering profit rate-sensitive income and costs, impacting its Net Profit Income (NPI).

2. A description of the bank's overall PRRBB management and mitigation strategies. Examples are: monitoring of economic value of equity (EVE) and the net interest income (NII) in relation to established limits, hedging practices, conduct of stress testing, outcome analysis, the role of independent audit, the role and practices of the ALCO, the bank's practices to ensure appropriate model validation, and timely updates in response to changing market conditions. SIB's Board is responsible for risk management through provision of overall strategy and oversight through the Board approved Marked Risk Policy which covers the management of PRRBB. The policy also sets the overall risk appetite for PRRBB.

   SIB Board policy is executed via delegated authority to the Bank's Board and Management Committees, which includes the Asset Liability Committee (ALCO). These committees are responsible for the setting, approval and implementation of limits that are within their Board-approved authority. These committees also ensure that appropriate processes and controls are in place so that relevant risks are identified, measured and reported against approved risk limits as well as to authorize appropriate action (if required) in case of a limit breach.

   The Bank's Risk Management Division is responsible for the oversight of the risk process. This includes ensuring that appropriate risk limits are established and controls are in place for the escalation of risk limit breaches.

   SIB operates under a three "lines of defense" model with respect to the governance, oversight and controls. This includes management and controls for PRRBB. ALCO oversees the management of PRRBB. The business units and Treasury are the first line functions responsible for the management of the risk, while the Risk and the Financial Control serve as the second line of defense. The Internal Audit as the third line function which reviews the management and controls processes.

   The objective of managing PRRBB is to manage the exposure to profit rate risk in the Banking Book within acceptable limits using approved products within the mandates available to the first line functions. Risks are managed through matching of balance sheet assets and liabilities. Treasury in consultation with Risk has the discretion to hedge specific transactions and residual exposures through the use of derivatives. Significant hedging initiatives are approved by ALCO.

3. The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB.

   Daily controls are operated to monitor movements in the PRRBB profile. The calculation of the Bank's PRRBB measurements are reported on a monthly basis to ALCO. The impact of profit rates shocks is factored as part of the Bank's stress testing and within ICAAP and the results are presented to the senior management.

   The key standard measurements applied are:

- Economic Value of Equity based on Basel prescribed standardized profit rate shocks;
- Sensitivity to Net Profit Income (NPI) over a 12 month horizon;
- Repricing Gap statement; and
- DV01

4. A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value of earnings.

   The prescribed standardized profit rate shocks are used in line with the Basel and CBUAE guidelines. Scenario 1 - Parallel Shock Up - A constant parallel shock up across all time buckets; Scenario 2 - Parallel Shock Down - A constant parallel shock down across all time buckets; Scenario 3 - Steepener Shock - Short rates move down and long rates move up; Scenario 4 - Flattener Shock - Short rates move up and long rates move down; Scenario 5 - Short Rate Shock Up - A shock up which is greatest at the shortest tenor midpoint. The shock diminishes towards zero at the tenor of the longest point; 6. Short Rate Shock Down - A shock down which is greatest at the shortest tenor midpoint. The shock diminishes to zero at the tenor of the longest point.

5. Where significant modelling assumptions used in the bank's internal measurement systems (IMS) (ie the EVE metric generated by the bank for purposes other than disclosure, eg for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure Template IRRBB1, the bank should provide a description of those assumptions and their directional implications and explain its rationale for making those assumptions (eg historical data, published research, management judgment and analysis).

6. A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment.

   Bank's PRRBB exposures are managed by the Treasury function. ALM derivatives transactions are entered in a buy and hold till maturity basis matching with the underlying transactions in the Bank's book for which the profit rate risk is mitigated. Profit rate swaps are used, while in some case there are some natural hedges in terms of matching of assets and liabilities with similar tenors. Hedging strategies are approved by the ALCO.

7. A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Table B, which includes:
   - For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used.

   Bank includes commercial margin for the computation of EVE analysis both for cash flow analysis as well as discounting purposes for the balance sheet products.

   - How the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behaviour).

   Repricing of non-maturity deposits is determined by overlaying Basel prescribed caps based on the internal estimation of core and non-core balances dependent on the account characteristics.

- The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions.

Considering the nature, size of the portfolio, the profit rate risk emanating from early-settlement would not be significant, therefore is not included in the computation of EVE.

- Any other assumptions (including for instruments with behavioural optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNII in Table B, including an explanation of why these are material.

- Any methods of aggregation across currencies and any significant interest rate correlations between different currencies.

Bank does not have significant exposure in foreign currencies.

8. (Optional) Any other information which the bank wishes to disclose regarding its interpretation of the significance and sensitivity if the IRRBB measures disclosed and/or an explanation of any significant variations in the level of reported IRRBB since previous disclosures.

Sl.No	**Re-pricing maturity assigned to non-maturity**	**31ST December 2022**
1.	Average repricing maturity assigned to NMDs	Monthly
2.	Longest repricing maturity assigned to NMDs	4 Years

13) Profit Rate Risk In The Banking Book (PRBB1)

31-December-22	ΔEVE –AED 000		ΔNII AED000	
Period	**31-Dec-22**	**31-Dec-21**	**31-Dec-22**	**31-Dec-21**
Parallel up	(441,968)	(441,252)	(368,293)	(435,136)
Parallel down	528,115	536,157	228,296	184,449
Steepener	(262,467)	(294,202)		
Flattener	162,549	195,482		
Short rate up	(49,782)	(21,977)		
Short rate down	52,217	22,645		
Maximum	(441,948)	(441,252)		
Period	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**
Tier 1 capital	**7,362,483**	**7,487,711**	**7,362,483**	**7,487,711**

*For the Year 2021, the figures have been revised to comply with the new CBAUE's Pillar III guidelines, dated December 2022.

14) Operational Risk (OR1)

Operational risk is the risk of a direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. This includes establishment of business level ownership and accountability to address process deficiencies by implementing Control Self-Assessment Program / Branch Control Function to mitigate related operational risks. Moreover, it also includes development, implementation, and monitoring of methods to capture Operational Losses and near miss events.

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Board Risk Management Committee oversee operational risk to reduce the likelihood of any operational losses. The Group's operational risk policies' requires compliance with all applicable legal and regulatory requirements. Regular reporting to the Senior Management and the Board Risk Committee is done by the CRO including Operational Risk, loss events, fraud events, etc.

15) Remuneration (REM 1)

1.Remuneration awarded during the financial year (REM 1)

Remuneration Amount -AED 000	31-December-22	Senior Management	Other Material Risk-takers
Fixed Remuneration	Number of employees	9	6
	Total fixed remuneration	15,150	7,758
	Of which: cash-based	15,150	7,758
	Of which: deferred	-	-
	Of which: shares or other share-linked instruments	-	-
	Of which: deferred	-	-
	Of which: other forms	-	-
	Of which: deferred	-	-
Variable Remuneration	Number of employees	-	-
	Total variable remuneration	-	-
	Of which: cash-based	-	-
	Of which: deferred	-	-
	Of which: shares or other share-linked instruments	-	-
	Of which: deferred	-	-
	Of which: other forms	-	-
	Of which: deferred	-	-
Total Remuneration		**15,150**	**7,758**

2.Special payments (REM2)

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	**Total amount**	**Number of employees**	**Total amount**	**Number of employees**	**Total amount-AED 000**
Senior Management	-------	-------	-----	-----	2	1,183
Other material risk-takers	-------	-------	-----	-----	-----	-----

3.Deferred remuneration (REM3)

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	-----	-----	-----	-----	-----
Cash	-----	-----	-----	-----	-----
Shares	-----	-----	-----	-----	-----
Cash-linked instruments	-----	-----	-----	-----	-----
Other	-----	-----	-----	-----	-----
Other material risk-takers	-----	-----	-----	-----	-----
Cash	-----	-----	-----	-----	-----
Shares	-----	-----	-----	-----	-----
Cash-linked instruments	-----	-----	-----	-----	-----
Other	-----	-----	-----	-----	-----
Total	-----	-----	-----	-----	-----

16) Abbreviation

ALCO – Asset Liability Committee
ASRR – Advance to Stable Resource Ratio
BIA – Basic Indicator Approach
BRC – Board Risk 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
ECL – Expected Credit Loss
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
NSFR – Net Stable Funding Ratio
NAV – Net Asset Value
OCI – Other Comprehensive Income
PD – Probability of Default
PL – Profit and Loss
PRRBB – Profit Rate Risk in the Banking Book
RWA –Risk weighted assets
SIB –Sharjah Islamic Bank
SRP – Supervisory Review Process