SHARJAH ISLAMIC BANK

Pillar 3 Disclosure

30th September 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.

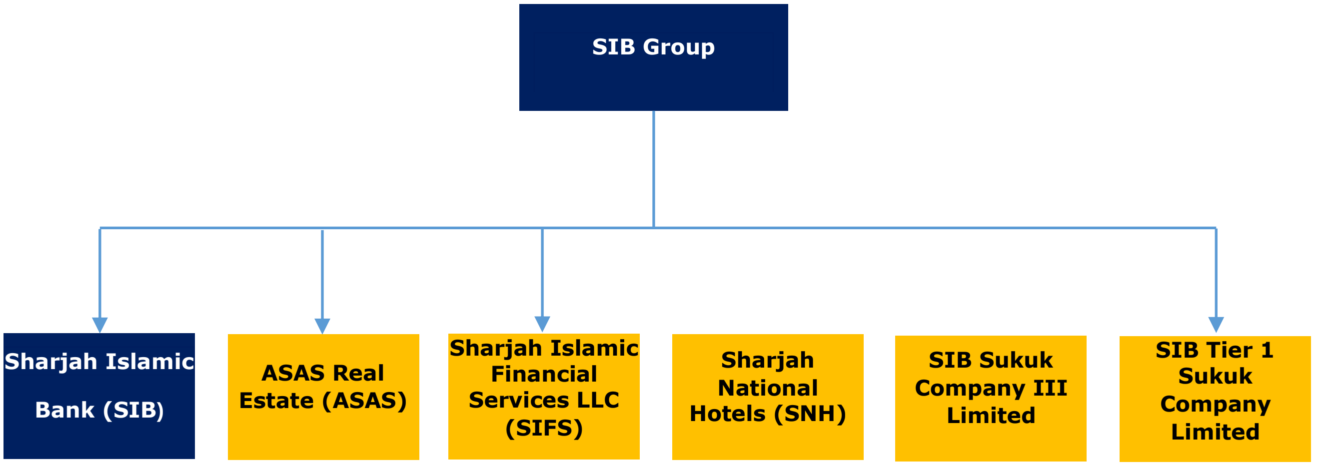
- **Operational risk:** the Bank uses basic Indicator approach (BIA) for computing capital requirements for operational risk. Bank's operational risk is estimated as a percentage (alpha factor 15%) of the gross income (calculated as the average of the previous three financial years).

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).



Subsidiaries	Country of Incorporation	Description	Consolidation	Regulatory restrictions on capital movement
Sharjah Islamic Financial Services LLC (SIFS)	United Arab Emirates	Conducting intermediation in dealing in local market Shari'a compliant shares	Fully consolidated for Regulatory purpose (Basel III Reporting)	There is no capital transferability restrictions other than the related compliance to UAE laws
ASAS Real Estate (ASAS)	United Arab Emirates	Business of real estate	Deconsolidated for Regulatory Reporting (Basel III)	
Sharjah National Hotels (SNH)	United Arab Emirates	Operating hotels and resorts, catering and related services		
SIB Sukuk Company III Limited	Cayman Islands	SPV established for the Bank' s Sukuk program	SPV entity	
SIB Tier 1 Sukuk Company Limited	Cayman Islands			

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
Sharjah Social Security Fund	15.09
Kuwait Finance House	12.18

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, and Governance Committee (BNCGC)

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

- Review the annual Corporate Governance report to ensure compliance with the regulatory requirements and best practices.

- 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. Model Oversight Committee (MOC)

The Model Oversight Committee ensures that the bank makes more informed and data-driven decisions by optimizing the ability of models to support decision-making.

1.22. 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.

1.23. 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.

1.24. 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.

1.25. 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.

1.26. 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-September-24	Q3/2024	Q2/2024	Q1 / 2024	Q4 / 2023	Q3/2023
	Available capital (amounts) -					**AED 000**
1	Common Equity Tier 1 (CET1)	6,530,981	6,192,836	5,992,786	5,832,745	6,010,969
1a	Fully loaded ECL accounting model	6,488,342	6,156,717	5,961,084	5,763,000	5,938,567
2	Tier 1	8,367,481	8,029,336	7,829,286	7,669,245	7,847,469
2a	Fully loaded ECL accounting model Tier 1	8,324,842	7,993,217	7,797,584	7,599,500	7,775,067
3	Total capital	8,952,803	8,607,969	8,376,573	8,192,069	8,345,008
3a	Fully loaded ECL accounting model total capital	8,910,164	8,571,850	8,344,871	8,122,324	8,272,606
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	50,631,439	49,981,504	47,433,811	45,124,274	42,551,202
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	12.90%	12.39%	12.63%	12.93%	14.13%
5a	Fully loaded ECL accounting model CET1 (%)	12.81%	12.32%	12.57%	12.77%	13.96%
6	Tier 1 ratio (%)	16.53%	16.06%	16.51%	17.00%	18.44%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.44%	15.99%	16.44%	16.84%	18.27%
7	Total capital ratio (%)	17.68%	17.22%	17.66%	18.15%	19.61%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.60%	17.15%	17.59%	18.00%	19.44%
	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 (%)	5.90%	5.39%	5.63%	5.93%	7.13%
	Leverage Ratio					
13	Total leverage ratio measure	80,791,066	79,023,712	74,384,526	70,006,586	67,231,633
14	Leverage ratio (%) (row 2/row 13)	10.36%	10.16%	10.53%	10.96%	11.67%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.30%	10.11%	10.48%	10.86%	11.56%
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 (%)	-	-	-	-	

		a	b	c	d	e
	30-September-24	**Q3/2024**	**Q2/2024**	**Q1 / 2024**	**Q4 / 2023**	**Q3/2023**
	Net Stable Funding Ratio					
18	Total available stable funding	-	-	-	-	
19	Total required stable funding	-	-	-	-	
20	NSFR ratio (%)	-	-	-	-	
	ELAR					
21	Total HQLA	12,010,168	10,115,019	9,655,906	8,405,318	10,548,453
22	Total liabilities	66,334,633	66,203,510	62,300,830	57,840,238	55,485,266
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.11	15.28	15.50	14.53	19.01
	ASRR					
24	Total available stable funding	49,983,476	50,085,605	45,465,554	44,541,559	44,863,893
25	Total Advances	39,457,217	37,665,264	36,103,814	35,950,325	34,773,726
26	Advances to Stable Resources Ratio (%)	78.94	75.20	79.41	80.71	77.51

Changes as compared to previous quarter explained below

- Q3 2024 saw a 1.30% increase in Total RWA by AED 649 million as compared to Q2 2024, due to growth in corporate sector and investment in securities.
- CET 1 ratio as of Q3 2024 stands at 12.90% VS 12.39% Q2 2024, improve in ratio seen due to increase in profit.
- Tier 1 ratio as of Q3 2024 stands at 16.53% VS 16.06% Q2 2024, improve in ratio seen due to increase in profit.
- Total Capital ratio as of Q3 2024 stands at 17.68% VS 17.22% Q2 2024, improve in ratio seen due to increase in profit.
- Leverage ratio as of Q3 2024 stands at 10.36% VS 10.16% Q2 2024, improve in ratio marginally seen due to increase in profit.

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)

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 Q3 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-September-24	RWA		Minimum capital requirements
		Q3/2024	Q2/2024	Q3/2024
1	Credit risk (excluding counterparty credit risk)	46,816,406	46,281,297	6,086,133
2	Of which: standardised approach (SA)	46,816,406	46,281,297	6,086,133
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	204,348	176,054	26,565
21	Of which: standardised approach (SA)	204,348	176,054	26,565
22				
23	Operational risk	3,600,366	3,514,834	468,048
24				
25				
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**50,630,439**	**49,981,504**	**6,581,957**

Credit Risk Weighted Assets (CRWAs) increased by AED 649 million in Q3 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 Q3 2024 gross income considered is of previous Quarters i.e. Q3 -2024, Q2- 2024, Q1-2024, Q4-2023 & FY 2023, FY 2022. Increased in ORWAs seen due to increase in Net profit income and Net non-profit income.

4) 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-September-24	AED 000
		a
1	Total consolidated assets as per published financial statements	74,796,140
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	93,723
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 financing)	36,194
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3,855,151
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	2,009,858
13	**Leverage ratio exposure measure**	**80,791,066**

b. Leverage ratio common disclosure template – (LR2)

		a 30-September-24 AED-000	b 30-June-24 AED -000
On-balance sheet exposures AED 000			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	69,268,751	67,861,235
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)**	69,268,751	67,861,235
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	36,194	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)**	36,194	96
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	6,782,738	67,861,235
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	848,231	949,913
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	7,630,969	8,527,394
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	5,954,901	4,400,122
20	(Adjustments for conversion to credit equivalent amounts)	(2,099,750)	(1,765,173)
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)**	3,855,151	2,634,949
Capital and total exposures			
23	**Tier 1 capital**	8,367,481	8,029,336
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	80,791,065	79,023,714
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	10.36%	10.16%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.36%	10.16%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	-	-

Change in Tier 1 Capital by 338 million from Q2 2024 to Q3 2024. Due to which ratio improved from 10.16% to 10.36%.

5) 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 Q3 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 12 billion against total liabilities of AED 66 billion. The ELAR, calculated as the ratio of eligible liquid assets to total liabilities, is reported as 18.11% on 30.09.2024 as compared to 15.28% on 30.06.2024. Ratio improved due to increase in Total HQLA from AED 10 billion as of 30.06.2024 to AED 12 billion as of 30.09.2024. 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-September -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	11,781,129	
1.2	UAE Federal Government Bonds and Sukuks	158,101	
	Sub Total (1.1 to 1.2)	**11,939,230**	**11,939,230**
1.3	UAE local governments publicly traded sukuk	36,944	-
1.4	UAE Public sector publicly traded sukuk	-	
	Subtotal (1.3 to 1.4)	**36,944**	**36,944**
1.5	Foreign Sovereign sukuk or instruments issued by their respective central banks	33,994	33,994
1.6	**Total**	**12,010,168**	**12,010,168**
2	Total liabilities		**66,334,633**
3	Eligible Liquid Assets Ratio (ELAR)		**18.11%**

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 Q3 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 39.4 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 78.94% on 30.09.2024 vs. 75.20% as of 30.06.2024, ratio increased due to increase in total advances from AED 37.6 billion as of 30.06.2024 to AED 39.4 billion 30.09.2024. This ratio is an important liquidity measure, indicating the proportion of advances funded by stable resources.

	30-September-24 Items	Amount AED 000
1	Computation of Advances	
1.1	Net financing (gross financing - specific and collective provisions + profit in suspense)	35,157814
1.2	Placement with non-banking financial institutions	592,524
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	651,008
1.4	Interbank Placements	1,055,871
1.5	**Total Advances**	**39,457,217**
2	**Calculation of Net Stable Resources**	
2.1	Total capital + general provisions	9,020,455
	Deduct:	
2.1.1	Goodwill and other intangible assets	60,306
2.1.2	Fixed Assets	746,019
2.1.3	Funds allocated to branches abroad	
2.1.4	Unquoted Investments	4,402,133
2.1.5	Investment in subsidiaries, associates and affiliates	850,000
2.1.6	**Total deduction**	**6,058,458**
2.2	Net Free Capital Funds	**2,961,997**
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	725,221
2.3.3	Refinancing of Housing financing	-
2.3.4	Borrowing from non-Banking Financial Institutions	526,164
2.3.5	Customer Deposits	42,109,207
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	3,660,887
2.3.7	Total other stable resources	**47,021,479**
2.4	Total Stable Resources (2.2 +2.3.7)	**49,983,476**
3	Advances TO STABLE RESOURCES RATIO	**78.94%**

6) Details of Not Applicable Tables for Q3 2024.

Topic	Information Overview	Table	Disclosure Frequency
Overview of risk management and RWA	Bank risk management approach	OVA	
Linkages between financial statements and regulatory exposures	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	LI1	
	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	LI2	
	Explanations of differences between accounting and regulatory exposure amounts	LIA	
Prudential valuation adjustments	Prudent valuation adjustments	PV1	
Composition of capital	Composition of regulatory capital	CC1	
	Reconciliation of regulatory capital to balance sheet	CC2	
	Main features of regulatory capital instruments	CCA	
Macro prudential Supervisory measures	Geographical distribution of credit exposures used in the countercyclical buffer	CCyB1	
Liquidity	Liquidity risk management	LIQA	
	Liquidity Coverage Ratio	LIQ1	
	Net Stable Funding Ratio	LIQ2	
Credit risk	General qualitative information about credit risk	CRA	
	Credit quality of assets	CR1	Not Applicable

	Changes in the stock of defaulted loans and debt securities	CR2
	Additional disclosure related to credit quality of assets	CRB
	Qualitative information on the mitigation of credit risk	CRC
	Credit risk mitigation techniques - overview	CR3
	Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	CRD
	Standardised approach - credit risk exposure and CRM effects	CR4
	Standardised approach - exposures by asset classes and risk weights	CR5
Counterparty credit risk (CCR)	Qualitative disclosure related to CCR	CCRA
	Analysis of CCR by approach	CCR1
	Credit valuation adjustment capital charge	CCR2
	Standardised approach - CCR exposures by regulatory portfolio and risk weights	CCR3
	Composition of collateral for CCR exposure	CCR5
	Credit derivatives exposures	CCR6
	Exposures to central counterparties	CCR8
Securitisation	Qualitative disclosures related to securitisation exposures	SECA
	Securitisation exposures in the banking book	SEC1

	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	
	Securitisation exposures in the trading book and associated capital requirements - bank acting as investor	SEC4	
Market risk	General qualitative disclosure requirements related to market risk	MRA	
	Market risk under the standardised approach	MR1	
Profit rate risk in the banking book (PRRBB)	PRRBB risk management objectives and policies	PRRB BA	
	Quantitative information on PRRBB	PRRB B1	
Operational risk	Qualitative disclosures on operational risk	OR1	
Remuneration Policy	Remuneration policy	REMA	
	Remuneration awarded during the financial year	REM1	
	Special payments	REM2	
	Deferred remuneration	REM3	

7) 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