



# **SHARJAH ISLAMIC BANK**

## **Pillar 3 Disclosure**

**30<sup>th</sup> June 2025**

"All information contained in this document is confidential and proprietary to and shall not be duplicated in any manner without written permission from Sharjah Islamic Bank management.



## Contents

1) Introduction .....	3
2) Key Metrics (at Consolidated Group Level) and RWA – (KM1): .....	12
3) Overview of Risk Management, Key Prudential Metrics and RWA (OV1) .....	14
4) Composition of Regulatory Capital – (CC1).....	16
5) Reconciliation of Regulatory Capital to Balance Sheet – (CC2).....	20
6) Main Features of Regulatory Capital Instruments – (CCA) .....	22
7) Leverage Ratio .....	24
8) Liquidity .....	26
9) Credit Risk (CRA) .....	29
10) Counterparty Credit Risk (CCRA) .....	36
11) Market Risk (MRA).....	40
12) Details of Not Applicable Tables .....	42
13) Abbreviation .....	43



## 1) Introduction

### 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/BSN/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).

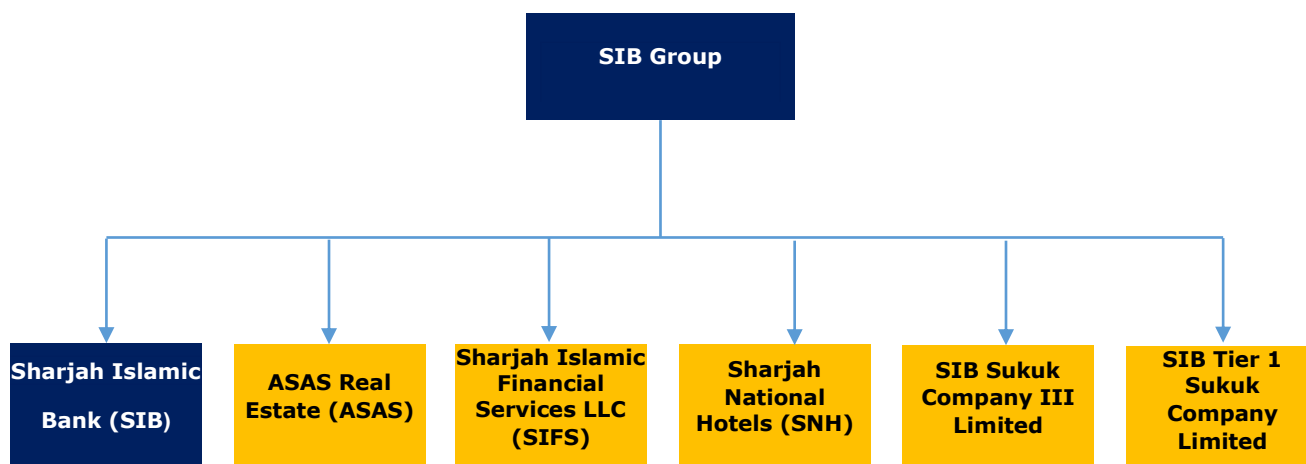
#### 1.5. Minimum capital requirement

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).

The SIB Group comprises the Bank and its fully owned subsidiaries incorporated in the United Arab Emirates, Sharjah National Hotels ("SNH"), Sharjah Islamic Financial Services LLC ("SIFS"), ASAS Real Estate LLC SP ("ASAS") as well as special purpose vehicle established in the Cayman Island, SIB Sukuk Company III limited and SIB Tier 1 Sukuk Company Limited (altogether referred to as the "Group"). SNH through its division is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank's Sukuk program.



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:

- The Board maintains an effective control and oversight through established charters, corporate governance framework, reinforcing accountability, and setting a strong tone at the top. This includes implementing a Fit and Proper process to ensure the integrity and competency of board members and senior management. Additionally, it ensures that management maintains a system of internal controls that provides assurance of effective and efficient operations, internal financial controls and compliance with regulations and shari'ah at all times.
- Segregation of duties – maker-checker process is strictly followed in compiling Pillar 3 report;
- Data-sourcing and reconciliation – data is sourced from multiple systems which are reconciled with the general ledger, sub ledgers and audited financial statements.
- Reviews – Pillar 3 report undergoes several rounds of reviews by Finance and Risk functions;

- e) Internal audit – Internal audit provides independent and objective assurance of disclosures in Pillar 3 report.
- f) Attestation is obtained from CRO & CFO that Pillar 3 report has been prepared in accordance with the board-agreed internal control policies and procedures.
- g) 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	28.4573
Sharjah Social Security Fund	15.1175
Sheikh Sultan bin Mohammed bin Saqr Al Qasimi Endowment	5.5538
Sharjah Islamic Bank	5.1818

### 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. Board Committees

##### a. 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.

#### **b. 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.

#### **c. 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.

#### **d. 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.
- To lead the process for Board and Senior Management appointments, compensation, review the effectiveness of the Board and its Committees, oversight of the subsidiaries, and make recommendations accordingly.
- 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.

#### e. Profit Distribution Committee (PDC)

The primary purpose of PDC is to assist the board in oversight of Profit Distribution mechanism to manage Displaced Commercial Risk ("DCR"), through establishment of a Profit Equalization Reserve ("PER") by setting aside amounts from the profits before allocation between the Investment Account Holder ("IAHs") and the bank. It further provides a robust oversight and monitoring to ensure that profit equalization, including utilization of reserve are appropriately monitored.

They regularly review the investment policies and performance of the asset portfolio in which Islamic account holders funds are invested. The committee also oversees the implementation of the governance policy framework, with the primary objective of protecting the interest of stake holders, in line with the HAS and ISSC resolutions.

### 1.11. Management Committees

#### a) 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.

#### b) 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.

#### c) 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

#### **d) 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.

#### **e) Information Security Committee (ISC)**

The purpose of the Information Security Committee (ISC) 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.

#### **f) 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.

#### **g) 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.



#### **h) Model Oversight Committee (MOC)**

The purpose of the Model Oversight Committee is to ensure that the bank makes more informed and data-driven decisions by optimizing the ability of models to support decision-making. This will ensure accuracy and reliability of decisions across various functions within the bank, such as risk management, pricing, forecasting, and strategy development.

#### **i) Compliance Risk Committee (CRC)**

The purpose of the Compliance Risk Committee is to oversee the Group wide implementation of applicable laws, regulations, standards and circulars issued by the regulatory authorities. The committee facilitate the business, support and control functions in fulfilling their compliance obligations.

It further provides guidance and interpretation of applicable laws and regulations and ensures robust compliance obligations fulfilment by all the stakeholders.

#### **j) Provision and Remedial Management Committee (PRMC)**

The purpose of the committee is to oversee the adequacy, consistency, and integrity of the provisioning framework, in compliance with applicable IFRS 9 accounting standards, bank policies and applicable CBUAE regulations. It approves ECL for stage 1 & 2 and provisions for stage 3 accounts.

The committee ensure that the calculation process and the results through approved methodologies, assumptions, and outcomes of provision estimates are subject to robust governance and formal review.

### **1.12. Risk Management Group (RMG)**

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.

### **1.13. 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 and the board 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.

#### **1.14. 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.

#### **1.15. 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.

#### **1.16. 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.

AED 000

		a	b	c	d	e
		Q2/2025	Q1/2025	Q4 /2024	Q3 / 2024	Q2 / 2024
	<b>Available capital (amounts) -</b>					
<b>1</b>	Common Equity Tier 1 (CET1)	6,370,493	6,045,160	5,834,163	6,530,981	6,192,836
<b>1a</b>	Fully loaded ECL accounting model	6,370,493	6,045,160	5,785,190	6,488,342	6,156,717
<b>2</b>	Tier 1	8,206,993	7,881,660	7,670,663	8,367,481	8,029,336
<b>2a</b>	Fully loaded ECL accounting model Tier 1	8,206,993	7,881,660	7,621,690	8,324,842	7,993,217
<b>3</b>	Total capital	8,746,420	8,414,645	8,189,837	8,952,803	8,607,969
<b>3a</b>	Fully loaded ECL accounting model total capital	8,746,420	8,414,645	8,140,864	8,910,164	8,571,850
	<b>Risk-weighted assets (amounts)</b>					
<b>4</b>	Total risk-weighted assets (RWA)	55,498,212	53,380,295	50,620,695	50,630,439	49,981,504
	<b>Risk-based capital ratios as a percentage of RWA</b>					
<b>5</b>	Common Equity Tier 1 ratio (%)	11.48%	11.32%	11.53%	12.90%	12.39%
<b>5a</b>	Fully loaded ECL accounting model CET1 (%)	11.48%	11.32%	11.43%	12.81%	12.32%
<b>6</b>	Tier 1 ratio (%)	14.79%	14.77%	15.15%	16.53%	16.06%
<b>6a</b>	Fully loaded ECL accounting model Tier 1 ratio (%)	14.79%	14.77%	15.06%	16.44%	15.99%
<b>7</b>	Total capital ratio (%)	15.76%	15.76%	16.18%	17.68%	17.22%
<b>7a</b>	Fully loaded ECL accounting model total capital ratio (%)	15.76%	15.76%	16.08%	17.60%	17.15%
	<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
<b>8</b>	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
<b>9</b>	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
<b>10</b>	Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
<b>11</b>	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%	2.5%	2.5%	2.5%
<b>12</b>	CET1 available after meeting the bank's minimum capital requirements (%)	4.48%	4.32%	4.53%	5.90%	5.39%
	<b>Leverage Ratio</b>					
<b>13</b>	Total leverage ratio measure	92,658,232	90,238,368	85,885,757	80,791,066	79,023,712
<b>14</b>	Leverage ratio (%) (row 2/row 13)	8.85%	8.73%	8.93%	10.36%	10.16%
<b>14a</b>	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.85%	8.73%	8.87%	10.30%	10.11%
<b>14b</b>	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
	<b>Liquidity Coverage Ratio</b>					



		a	b	c	d	e
		Q2/2025	Q1/2025	Q4 /2024	Q3 / 2024	Q2 / 2024
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-
	<b>Net Stable Funding Ratio</b>					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	<b>ELAR</b>					
21	Total HQLA	10,958,355	11,442,469	10,332,247	12,010,168	10,115,019
22	Total liabilities	74,443,114	74,781,822	71,000,255	66,334,633	66,203,510
23	Eligible Liquid Assets Ratio (ELAR) (%)	14.72%	15.30%	14.55%	18.11%	15.28%
	<b>ASRR</b>					
24	Total available stable funding	58,738,431	53,133,624	50,098,078	49,983,476	50,085,605
25	Total Advances	47,555,300	45,121,240	41,444,169	39,457,217	37,665,264
26	Advances to Stable Resources Ratio (%)	80.96%	84.92%	82.73%	78.94%	75.20%

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

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

- Q2-2025 saw a 3.97 % increase in Total RWA by AED 2.11 billion as compared to Q1- 2025, due to growth in corporate sector and investment in securities.
- CET 1 ratio as of Q2- 2025 stands at 11.48% VS 11.32% Q1-2025, increase in ratio seen due to increase in profit.
- Tier 1 ratio as of Q2- 2025 stands at 14.79% VS 14.77% Q1-2025, Increase in ratio seen due to increase in profit.
- Total Capital ratio as of Q2- 2025 stands at 15.76% VS 15.76% Q1-2025, ratio remain stable due to proportionate growth in RWA and Capital.
- Leverage Ratio: Due to Increase in total exposure by AED 2.41 billion & increase in Tier 1 Capital by AED 325 million as compared to Q1 2025 the ratio decline from 8.73% to 8.85%.
- Eligible Liquid Asset Ratio: Bank maintain sufficient buffer of high-quality liquid asset of 14.72% vs. 10% CBUAE requirement.

- Advance to Stable Resources ratio: Bank maintains balanced and stable funding structure, ratio stands at 80.96%.

### 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 Q4/2024. 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%

AED 000

		a	b	c
		RWA		Minimum capital requirements
		Q2/2025	Q1/2025	Q2/2025
1	Credit risk (excluding counterparty credit risk)	51,235,672	49,200,070	6,660,637
2	Of which: standardised approach (SA)	51,235,672	49,200,070	6,660,637
3				
4				
5				
6	Counterparty credit risk (CCR)	46,122	31,597	5,996
7	Of which: standardised approach for counterparty credit risk	46,122	31,597	5,996
8				
9				
10				
11				
12	Equity investments in funds - look-through approach	780,611	788,915	101,479
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)	-	-	-





**Pillar 3 Disclosure**

19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	172,179	171,405	22,383
21	Of which: standardised approach (SA)	172,179	171,405	22,383
22				
23	Operational risk	4,044,239	3,977,223	525,751
24				
25				
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>55,498,212</b>	<b>53,380,295</b>	<b>7,214,768</b>

**Credit Risk Weighted Assets (CRWAs)** increased by AED 2,050 million in Q2 – 2025 as compared to Q1 – 2025 due to an overall increase in the volume of financing receivables, due from banks, and investment in securities.

Equity investment in funds decreased from AED 788 million as of Q1- 2025 to AED 780 million as of Q2 2025. decrease in Q2 2025 seen due to change in fund value, due to which decrease in RWA seen.

**Market Risk Weighted Assets (MRWAs)** decreased by AED 774K in Q2-2025 as compared to Q1- 2025 due to decrease in exposure to the GBP, Euro, SAR, KWD and QAR.

**Operation Risk Weighted Asset (ORWAs)** Bank uses basic indicator approach for ORWAs calculation. For Q2- 2025 gross income considered is of previous three years i.e. FY 2024, FY 2023 & last four quarters i.e. (Q2-2025, Q1-2025. Q4-2024, Q3-2024). Increased in ORWAs seen in Q2- 2025 by AED 67 million, due to increase in Net profit income and Net non-profit income.





#### 4) Composition of Regulatory Capital – (CC1)

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.

AED 000

		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,235,678	CC2(a)
2	Retained earnings	1,906,813	CC2(e)-
3	Accumulated other comprehensive income (and other reserves)	1,668,343	CC2(d)+CC2( c ) – General Provision Reserve + Treasury Shares +Cash flow hedge
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	<b>Common Equity Tier 1 capital before regulatory deductions</b>	<b>6,810,834</b>	
	<b>Common Equity Tier 1 capital regulatory adjustments</b>		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(38,333)	CC2 –g (Only Regulatory Consolidation)
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	(18,952)	
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)	(383,056)	Treasury Shares
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	-	



Pillar 3 Disclosure

		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	scope of regulatory consolidation (amount above 10% threshold)		
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	<b>Total regulatory adjustments to Common Equity Tier 1</b>	(440,341)	CC2 (f)
25	<b>Common Equity Tier 1 capital (CET1)</b>	<b>6,370,493</b>	
<b>Additional Tier 1 capital: instruments</b>			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	1,836,500	CC2 ( b )
27	Of which: classified as equity under applicable accounting standards	1,836,500	CC2 ( b )
28	Of which: classified as liabilities under applicable accounting standards	-	
29	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	-	
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	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
32	Additional Tier 1 capital before regulatory adjustments	<b>1,836,500</b>	CC2 (b)
<b>Additional Tier 1 capital: regulatory adjustments</b>			
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	<b>Additional Tier 1 capital (AT1)</b>	<b>1,836,500</b>	<b>CC2 (b)</b>
39	<b>Tier 1 capital (T1= CET1 + AT1)</b>	<b>8,206,993</b>	
<b>Tier 2 capital: instruments and provisions</b>			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	



Pillar 3 Disclosure

		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	539,427	
45	<b>Tier 2 capital before regulatory adjustments</b>	539,427	
	<b>Tier 2 capital: regulatory adjustments</b>		
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	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
51	<b>Tier 2 capital (T2)</b>	539,427	
52	<b>Total regulatory capital (TC = T1 + T2)</b>	8,746,420	
53	<b>Total risk-weighted assets</b>	55,498,212	
	<b>Capital ratios and buffers</b>		
54	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>	11.48%	
55	<b>Tier 1 (as a percentage of risk-weighted assets)</b>	14.79%	
56	<b>Total capital (as a percentage of risk-weighted assets)</b>	15.76%	
57	<b>Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)</b>	2.50%	
58	<b>Of which: capital conservation buffer requirement</b>	2.50%	
59	<b>Of which: bank-specific countercyclical buffer requirement</b>	0.00%	
60	<b>Of which: higher loss absorbency requirement (e.g. DSIB)</b>	0.00%	
61	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.</b>	4.48%	
	<b>The CBUAE Minimum Capital Requirement</b>		
62	Common Equity Tier 1 minimum ratio	7.00%	



Pillar 3 Disclosure

		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	539,427	
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	-	
	<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
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)	-	



## 5) 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.

The table provides a reconciliation of the bank's capital as reported in the published financial statements with the regulatory capital under the scope of consolidation as of Q2-2025. It lists various asset and liability categories, comparing their values as per the balance sheet with those under regulatory consolidation. Key items include cash and balances at central banks, investments in various forms, Islamic financing, property assets, and shareholder equity components like share capital, legal reserve, and retained earnings. The comparison helps in understanding the differences in valuation methods and reporting requirements between accounting standards and regulatory frameworks, highlighting the bank's financial position and regulatory compliance.

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	
<b>Assets</b>			
Cash and balances with banks and financial institutions	5,450,344	5,450,102	
Murabaha and wakalah with financial institutions	12,388,682	12,388,682	
Investment securities measured at fair value	4,365,650	5,115,650	
Investment securities measure at amortised cost	13,387,540	13,387,540	
Investments in Islamic financing	42,986,620	43,462,259	
Acceptances	248,037	248,037	
Properties held-for-sale	901,271	667,874	
Investment properties	2,993,286	2,116,445	
Other assets	1,017,772	1,147,617	
Intangible assets	63,784	62,691	(g)
Property and equipment	904,880	735,837	
<b>Total assets</b>	<b>84,707,866</b>	<b>84,782,734</b>	
<b>Liabilities</b>			
Customers' deposits	52,721,189	53,080,552	
Due to banks	15,300,861	15,300,861	
Sukuk payable	3,654,104	3,654,104	
Acceptances	248,362	248,362	
Other liabilities	2,333,536	2,157,653	
Zakat payable	10,624	10,624	
<b>Total liabilities</b>	<b>74,268,676</b>	<b>74,452,156</b>	
<b>Shareholders' equity</b>			



**Pillar 3 Disclosure**

Share capital	3,235,678	3,235,678	(a)
Tier 1 sukuk	3,673,000	3,673,000	(b)
Fair value reserve	(66,497)	(66,497)	( c )
Other reserves and treasury shares	1,581,584	1,581,584	(d)
Retained earnings	2,015,425	1,906,813	( e )
<b>Total shareholders' equity*</b>	10,439,190	10,330,578	(f)
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>84,707,866</b>	<b>84,782,734</b>	

\* Variance between the financial statement and the regulatory consolidation is due to consolidation of commercial entities of SIB in the financial statements.

\* On 20 June 2025, the Bank, through SIB Tier 1 Sukuk Company IInd Limited, issued an Additional Tier 1 Capital Certificate amounting to AED 1.83 billion. Subsequently, on 2 July 2025, it redeemed the Tier 1 Certificate originally issued on 2 July 2019. However, since the reporting date falls on 30 June 2025, the redeemed sukuk of AED 1.83 billion is reflected in total shareholders' equity as of that date.

**Note:** This section to be read in conjunction with financial statement page number 1 of Financial Highlights.



## 6) Main Features of Regulatory Capital Instruments – (CCA)

Quantitative / qualitative information		
1	Issuer	SIB Tier 1 Sukuk IInd Ltd
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS3039166791
3	Governing law(s) of the instrument	English Law
	Regulatory treatment	Tier 1 Capital
4	Transitional arrangement rules (i.e. grandfathering)	Additional Tier 1 Capital Certificate
5	Post-transitional arrangement rules (i.e. grandfathering)	Additional Tier 1 Capital Certificate
6	Eligible at solo/group/group and solo	Group & Solo
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 1,836,500,000
9	Nominal amount of instrument	USD 500,000,000
9a	Issue price	USD 100
9b	Redemption price	USD 100
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	04th Jun, 2025
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	<p>Variation or early redemption allowed in case of a Tax Event or a Capital Event. Any variation or early redemption is subject to (to the extent then required by the Financial Regulator and/or the Capital Regulations):</p> <ul style="list-style-type: none"> <li>i prior consent of the Financial Regulator;</li> <li>ii at the time when the relevant notice of redemption or variation is given, compliance with the Applicable Regulatory Capital Requirements;</li> <li>iii immediately following such redemption or variation (as applicable), SIB will be in compliance with the Applicable Regulatory Capital Requirements;</li> <li>iv the Solvency Conditions are satisfied; and</li> <li>v (in the case of a redemption or variation due to a Tax Event or for a Capital Event) the Tax Law Change or Capital Event, as the case may be, becomes, or would become, effective on or after the Issue Date.</li> </ul>
16	Subsequent call dates, if applicable	Every 6th Anniversary after 1st call date (4 <sup>th</sup> Dec 2030)
	Coupons / dividends	Dividends
17	Fixed or floating dividend/coupon	<p>fixed (Reset date 4 June 2031, and every sixth anniversary thereafter)</p> <p>Profit Rate: 6.125 per cent. per annum for the period from (and including) the Issue Date to (but excluding) the First Reset Date, and thereafter, to be reset on each Reset Date at the relevant six-year US Treasury Yield (the "Relevant Six Year Reset Rate") procured by the Trustee on the relevant determination date (being the third Business Day prior to the commencement of the reset period) plus the Margin as more fully described in the</p>





		terms and conditions of the Certificates (the "Conditions")
18	Coupon rate and any related index	6.125 per cent per annum paid semi annually
19	Existence of a dividend stopper	<p>Yes</p> <p>If any amount of Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event, then, from the date of such Non-Payment Election or Non-Payment Event (the "Dividend Stopper Date"), SIB will not, so long as any of the Certificates are outstanding:</p> <p>a. declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, any class of ordinary shares issued by SIB (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or</p> <p>b. declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, junior to or pari passu with the Relevant Obligations (excluding securities the terms of which do not at the relevant time enable SIB to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the relevant regulatory criteria for Additional Tier 1 Capital applicable from time to time; or</p> <p>c. directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any class of ordinary shares issued by SIB; or</p> <p>d. directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by SIB ranking, as to the right of repayment of capital, junior to or pari passu with the Relevant Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Additional Tier 1 Capital applicable from time to time, in each case unless or until the next following payment of Profit following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Trustee).</p>
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially Discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	Write-down feature	Yes
25	If write down, write down trigger(s)	Non Viability Loss Absorption (NVLA) Contractual NVLA: Full or partial write down upon a Non-Viability Event.



### Pillar 3 Disclosure

26	If write down, full or partial	Partially
27	If write down, permanent or temporary	permanent
28	If temporary write-down, description of write-up mechanism	NA
28a	Type of subordination	Structural
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	The payment obligations of SIB under the Mudaraba Agreement (including all payments which are the equivalent of principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) and profit) (the "Relevant Obligations") will (i) constitute Additional Tier 1 Capital of SIB, (ii) constitute direct, unsecured conditional and subordinated obligations of SIB, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank pari passu with all other Pari Passu Obligations, which, for the avoidance of doubt, includes and shall continue to include SIB's obligations under the Existing Tier 1 Securities, and (v) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of SIB by a court in the UAE, rank in priority only to all Junior Obligations.
30	Non-compliant transitioned features	No
31	If yes, specify non-compliant features	Not Applicable

(The prospectus should be referred for terms & condition, more information on SIB Tier 1 Sukuk IIND Ltd [Microsoft Word - Project Peridot - Prospectus\(10300275105.15\) \(002\)](#) The Sukuk could be reset on 4 June 2031, and every sixth anniversary thereafter.

## 7) Leverage Ratio

CBUAE introduced a 3% minimum leverage ratio, which is calculated on quarterly basis.

### 10.1 Summary comparison of accounting assets vs leverage ratio exposure LR1

AED 000

		a
1	Total consolidated assets as per published financial statements	84,707,866
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	74,868
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	86,730
9	Adjustment for securities financing transactions (i.e. repos and similar secured financing)	-
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	5,820,635



Pillar 3 Disclosure

11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	1,968,133
13	<b>Leverage ratio exposure measure</b>	<b>92,658,232</b>

The total exposure increased by AED 2.41 billion, due to increase in investment in Islamic financing & securities. While Tier 1 Capital increased by AED 325 million from Q1 2025 to Q2 2025, primarily due to increase in profit. As a result, the ratio improved from 8.73% in Q1 2025 to 8.86% in Q2 2025.

10.2 Leverage ratio common disclosure template – (LR2)

AED 000

		a Q2/2025	b Q1/2025
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	76,270,366	75,054,553
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	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	76,270,366	75,054,553
<b>Derivative exposures</b>			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	20,994	6,773
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	55,952	49,474
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	<b>Total derivative exposures (sum of rows 8 to 12)</b>	107,724	78,746
<b>Securities financing transactions</b>			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	9,507,640	8,945,947
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	951,867	861,235
17	Agent transaction exposures		
18	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	10,459,507	9,807,182
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	8,805,075	7,823,595



		a Q2/2025	b Q1/2025
20	(Adjustments for conversion to credit equivalent amounts)	(2,984,441)	(2,525,708)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	5,820,634	5,297,887
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	8,206,993	7,881,660
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	92,658,232	90,238,368
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	8.86%	8.73%
25 a	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	<b>Applicable leverage buffers</b>	-	-

The total exposure increased by AED 2.41 billion, due to increase in investment in Islamic financing & securities. While Tier 1 Capital increased by AED 325 million from Q1 2025 to Q2 2025, primarily due to increase in profit. As a result, the ratio improved from 8.73% in Q1 2025 to 8.86% in Q2 2025.

## 8) 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

The Group's board of directors set the Group's strategy for managing liquidity risk and delegates responsibility for oversight to ALCO. ALCO is the principal senior management committee supporting the board of directors to effectively discharge their oversight function on the Group's liquidity risk. The ALCO executes the liquidity risk management strategies through Treasury department and Business units. The Finance and Risk functions are responsible for measurement, monitoring, formulation of policy framework and provide periodic updates to the ALCO and the BRC.

Liquidity risk management policies and procedures are subject to review by ALCO and approval by Board Risk Committee (BRC). 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. Enterprise Risk Management develops and updates the liquidity policy, framework, risk statements (appetite, tolerance and capacity) & ensure adherence by way of continuous monitoring of efficiency of internal control.



## 2. Funding strategy & Liquidity Risk Mitigation

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.

The Bank, to limit the Liquidity risk, has arranged diversified funding sources in addition to its core retail deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. It also maintains and monitor a sufficient inventory of eligible liquid assets that can be used to raise short term funding through a collateralized Murabaha agreement. Risk Appetite Statement (RAS) defines Liquidity risk tolerance thresholds. The key Liquidity risk measures include gaps and ratios such as ELAR and ASRR. All these Liquidity measures are reported to ALCO on a monthly basis, to the management and the Board committees at regular intervals.

Concentration limits are defined under the Risk Appetite Statements on liquidity risk and measures are reported to the ALCO on a monthly basis.

## 3. Liquidity stress testing

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. The stress test is done quarterly and is presented to the ALCO.

## 4. Contingency funding plan

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. This plan is reviewed and approved annually by ALCO and BRC.

## 5. Liquidity Risk Measurement tools

The Group has in the Liquidity risk management policy identified various measurement tools and metrics to assess the structure of the bank's balance sheet or 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 liquidity gap analysis, assessment of concentration of funding, LCR in significant currency, LSRR, Liquidity cushion, 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.

### 11.1. Eligible Liquid Assets Ratio (ELAR)

The table presents the calculation of the Eligible Liquid Assets Ratio (ELAR) for a bank as of Q2-2025. 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 debt securities. The total HQLA amount is AED 10.95 billion against total liabilities of AED 74.44 billion. The ELAR, calculated as the ratio of eligible liquid assets to total liabilities, is reported as 14.72%. 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.

AED 000

High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
Physical cash in hand at the bank + balances with the CBUAE	10,828,578	
UAE Federal Government Bonds and Sukuks	91,674	
<b>Sub Total</b>	<b>10,920,252</b>	<b>10,920,52</b>
UAE local governments publicly traded debt securities	38,103	
UAE Public sector publicly traded debt securities	0	-
<b>Subtotal</b>	<b>38,103</b>	<b>38,103</b>
Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
<b>Total</b>	<b>10,958,355</b>	<b>10,958,355</b>
<b>Total liabilities</b>		<b>74,443,114</b>
<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>14.72%</b>

## 11.2. Advances to Stables Resource Ratio (ASRR)

The table shows the computation of the Advances to Stable Resources Ratio (ASRR) to the bank as of Q2-2025. 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 47.55 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 80.96%. This ratio is an important liquidity measure, indicating the proportion of advances funded by stable resources.

AED 000

Items	Amount
<b>Computation of Advances</b>	
Net financing (gross financing - specific and collective provisions + interest in suspense)	43,037,561
financing to non-banking financial institutions	834,235
Net Financial Guarantees & Stand-by LC (issued - received)	673,568
Interbank Placements	3,009,936
<b>Total Advances</b>	<b>47,555,300</b>
<b>Calculation of Net Stable Resources</b>	
Total capital + general provisions	10,816,112
Deduct:	
Goodwill and other intangible assets	62,400
Fixed Assets	735,673
Funds allocated to branches abroad	0
Unquoted Investments	4,211,460
Investment in subsidiaries, associates and affiliates	850,000





<b>Total deduction</b>	5,859,533
<b>Net Free Capital Funds</b>	4,956,579
<b>Other stable resources:</b>	
Funds from the head office	0
Interbank deposits with remaining life of more than 6 months	2,924,028
Refinancing of Housing financing	0
Borrowing from non-Banking Financial Institutions	480,080
Customer Deposits	46,723,640
Capital market funding/ term borrowings maturing after 6 months from reporting date	3,654,104
<b>Total other stable resources</b>	<b>53,781,852</b>
<b>Total Stable Resources</b>	<b>58,738,431</b>
<b>Advances to Stable Resources Ratio</b>	<b>80.96%</b>

## 9) Credit Risk (CRA)

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.

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

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

1. Either or both of the following events have taken place i.e. non-payment and/or unlikeliness to pay.
2. The customer is past due for a period greater than 90 days on any material credit obligation.
3. 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);
4. It is becoming probable that the customer will restructure the asset as a result of bankruptcy due to the customer's inability to pay its credit obligations.

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

1. Qualitative: e.g. breaches of covenant;
2. Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and





3. Based on data developed internally and obtained from external sources.

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

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

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

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

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financings secured by retail and commercial property, CBUAE haircuts are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate financing, 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:

- Instrument type;
- Credit risk grading;
- Date of initial recognition;
- Remaining term to maturity;
- Industry; and Geographic location of the customer.

#### 4. Financial Assets with Renegotiated Terms

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

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

#### 12.1 Credit Quality of Assets – (CR1)

The Credit Quality of Assets table as of Q2-2025 illustrates the bank's asset quality in terms of defaulted and non-defaulted exposures, along with allowances or impairments. It shows the gross carrying values of financing and debt securities, both defaulted and non-defaulted, and the corresponding allowances allocated in specific and general regulatory categories. The table also includes off-balance sheet exposures. The net values are computed after accounting for Expected Credit Loss (ECL) provisions for credit losses, particularly on Standardized Approach (SA) exposures. This data is crucial for assessing the bank's credit risk profile.

AED 000

Details	Gross carrying values of		Allowances/ Impairment s	Of which ECL accounting provisions for credit losses on SA exposures		Net values
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
<b>Customer Financing</b>	1,900,944	43,222,615	1,661,300	1,188,698	472,602	43,462,259
<b>Sukuk</b>	23,579	13,413,967	50,006	23,579	26,427	13,387,540
<b>Off-balance sheet exposures</b>	62	1,434,036	5,889	0	5,889	1,428,209
<b>Total</b>	<b>1,924,585</b>	<b>58,070,618</b>	<b>1,717,195</b>	<b>1,212,277</b>	<b>504,918</b>	<b>58,278,008</b>

- Either or both of the following events have taken place i.e. non-payment and/or unlikelihood to pay.



- The customer is past due for a period greater than 90 days on any material credit obligation.
- 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);
- 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.
- As of Q2-2025, the gross carrying values of defaulted exposure amounted to AED 1.9 billion while non-defaulted exposures totaled AED 58 billion. This distribution indicates a robust credit portfolio with significant majority of exposures maintaining a non-de-faulted status, reflecting effective credit risk management practices.
- Excluding subsidiary ASAS and SNH

## 12.2 Changes in the Stock of Defaulted customer financing and sukuk (CR2)

The Changes in The Stock of Defaulted customer financing and sukuk (CR2) table as of Q2-2025 provides an overview of the movement in defaulted customer financing and sukuk over the reporting period. It details the total amount of customer financing and sukuk from the end of the previous period, the new defaults that occurred during the current period, the amount that returned to non-default status, the amounts written off, and other changes. It concludes with the total customer financing and sukuk at the end of the reporting period, reflecting the bank's dynamic credit risk landscape.

AED 000

1	Defaulted customer financing and sukuk at the end of the previous reporting period	1,956,984
2	Customer financing and sukuk that have defaulted since the last reporting period	67,142
3	Returned to non-default status	9,721
4	Amounts written off	57,377
5	Other changes	32,505
6	Defaulted customer financing and sukuk at the end 30June 2025 (1+2-3-4+5)	1,924,523

Defaulted loans and debt securities at the end of reporting period decreased from AED 1,956,984 Q1 – 2025 to AED 1,924,523 Q2 2025. The overall decrease is by AED 32.46 million which is due to decrease in defaulted customer financing and sukuk at the end of the previous reporting period.



## 12.6 Credit Risk Mitigation Techniques – overview (CR3)

AED 000

	Details	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Customer Financing	43,462,259	9,970,044	2,231,939	18,151	18,151	-	-
2	Sukuk	13,387,540	-	-	-	-	-	-
3	<b>Total</b>	56,849,799	9,970,044	2,231,939	18,151	18,151	-	-
4	Of which defaulted	1,924,523					-	-

As of Q2-2025, the bank utilized a comprehensive approach for credit risk mitigation, primarily using cash and sovereign guarantees as collaterals. The total secured exposures amount to AED 9.9 billion with AED 2.23 billion secured by collateral. This approach reflects the bank's strategy to minimize credit risk exposure through effective collateralization.



## 12.8 Standardised Approach - Credit Risk Exposure and CRM Effects – (CR4)

AED 000

Details		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	26,957,124	-	26,957,124	-	3,738,891	14%
2	Public Sector Entities	7,835,008	272,616	8,092,118	3,670	6,649,724	82%
3	Multilateral development banks	1,216,940	-	1,216,940	-	-	0%
4	Banks	10,245,831	1,759,318	10,245,831	1,606,588	4,839,833	41%
5	Securities firms	-	-	-	-	-	
6	Corporates	26,103,712	6,338,829	25,846,602	4,026,590	24,015,781	80%
7	Regulatory retail portfolios	3,461,634	395,893	3,461,634	103,208	2,528,818	71%
8	Secured by residential property	1,320,348	-	1,320,348		1,157,778	88%
9	Secured by commercial real estate	-	-	-	-	-	
10	Equity Investment in Funds (EIF)	780,447	-	780,447	-	780,611	100%
11	Past-due financing	2,066,858	38,419	817,753	38,419	1,031,493	120%
12	Higher-risk categories	-	-	-		-	
13	Other assets	6,762,966	-	6,762,966		6,460,879	96%
14	<b>Total</b>	<b>86,750,868</b>	<b>8,805,075</b>	<b>85,501,763</b>	<b>5,778,475</b>	<b>51,203,806</b>	56%

The credit risk exposure under standardized approach as of Q2-2025 shows that the largest exposures are in sovereign, public sector entities and corporates.



Pillar 3 Disclosure

12.9 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. **AED 000**

Risk weight Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	AED 000 Total credit exposures amount (post CCF and post-CRM)
<b>Sovereigns and their central banks</b>	23,569,436	-	-	257,110	-	2,171,063	959,515	-	26,957,124
<b>Public Sector Entities</b>	277,399	550,950	-	1,455,810	-	5,811,629	-	-	8,095,788
<b>Multilateral development banks</b>	1,216,940	-	-	-	-	-	-	-	1,216,940
<b>Banks</b>	-	6,415,122	-	3,871,478	-	1,455,318	110,501	-	11,852,419
<b>Securities firms</b>	-	-	-	-	-	-	-	-	-
<b>Corporates</b>	1,742,313	3,854,743	-	183,650	-	16,400,008	329,835	7,362,643	29,873,192
<b>Regulatory retail portfolios</b>	222,243	-	-	-	3,255,127	87,472	-	-	3,564,842
<b>Secured by residential property</b>	8,135	-	-	-	617,742	694,471	-	-	1,320,348
<b>Secured by commercial real estate</b>	-	-	-	-	-	-	-	-	-
<b>Equity Investment in Funds (EIF)</b>	-	-	-	-	-	774,164	-	6,283	780,447
<b>Past-due financing</b>	-	-	-	-	-	505,531	350,641	-	856,172
<b>Higher-risk categories</b>	-	-	-	-	-	-	-	-	-
<b>Other assets</b>	767,768	-	-	-	-	5,063,836	931,362	-	6,762,966
<b>Total</b>	27,804,234	10,820,815	-	5,768,048	3,872,869	32,963,492	2,681,854	7,368,926	91,280,238

The breakdown of credit risk exposures by asset class and risk weight shows a diverse portfolio. The highest exposures at 0% risk weight are to sovereigns and central banks, followed by significant exposures incorporates and secured by commercial real estate at higher at higher risk weights.



## 10) Counterparty Credit Risk (CCRA)

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

Oversight and Management of Counterparty Credit Risk:

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

Identification:

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

Measurement:

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

Monitoring, Control, and Reporting:

- Authorized sales activities and risk types are strictly adhered to within the Sharjah Islamic Bank Treasury Department.
- Regular monitoring against approved CCR limits is conducted, with any exceptions reported and escalated to relevant authority
- CCR limits are reviewed annually and adjusted as necessary based on changes in counterparty creditworthiness and business plans.





### Pillar 3 Disclosure

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

#### Counterparty Credit Risk Limits:

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

#### Counterparty Credit Risk Capital Calculation:

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

#### Analysis of CCR by approach-CCR1

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	55,952	20,994		1.4	107,724	46,122
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	<b>Total</b>						<b>46,122</b>



### Pillar 3 Disclosure

Based on this EAD, the Risk-Weighted Assets (RWA) for the derivative exposures under SA-CCR total RWA 46,122. These figures reflect the bank's calculated credit risk exposure and capital requirement for its derivative positions in accordance with regulatory standards.

#### Credit Valuation Adjustment (CVA) Capital Charge-CCR2

		AED 000	
	Details	a EAD post-CRM	b RWA
1	All portfolios subject to the Standardised CVA capital charge*	951,867	77,988
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

The table presents the Credit Valuation Adjustment (CVA) Capital Charge as of Q2-2025. It shows the Exposure at Default (EAD) post-Credit Risk Mitigation (CRM) and the corresponding Risk-Weighted Assets (RWA) for portfolios subject to the Standardised CVA capital charge. This information is essential in understanding the bank's capital requirements related to the risk of counterparty default in derivatives transactions.



Composition of collateral for CCR exposure (CCR5)

AED 000

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency						
Cash - other currencies		4,517			9,521,266	
Domestic sovereign debt						31,113
Government agency debt						688,325
Corporate bonds						1,866,321
Equity securities						8,170,135
Other collateral						
<b>Total</b>		<b>4,517</b>			<b>9,521,266</b>	<b>10,755,895</b>

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



## 11) Market Risk (MRA)

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.

The Bank uses the Standardized Approach to calculate the regulatory capital requirements relating to Market risks. The Bank's overall Market Risk strategy is to adopt a prudent and progressive risk-taking approach, which is expected to supplement its core banking activities profitability within a conservative risk appetite, while maintaining a reasonable liquidity buffer.

As part of the SIB's enterprise-wide risk management framework, an extensive governance processes are applied to the market risk taking activities. This governance framework includes, inter alia:

- Approval by the BRC and ALCO of a set of risk limits with appropriate monitoring, reporting and limits excesses' escalation procedures subject to regular review and consistent with the Bank's approach to strict compliance with Shariah rules and principles;
- A comprehensive set of policies, procedures and limits; and
- Monitoring a wide range of risk metrics appropriate for the respective dealing activities – such as risk sensitivities prescribed in the Risk Appetite Statement.

Respective risk-pursuing department is accountable for managing the market risk within the approved limits. These managers have extensive knowledge of markets and products, their risk exposures and of the financial instruments available to hedge their exposures.

SIB operates under a three "lines of defense" model with respect to the governance, oversight and controls. 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 and Internal Audit as the third line function which reviews the management and controls processes.

### Equity Risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. Various risk metrics including Value-at-Risk (VaR) and Stressed VaR are used to monitor the risk sensitivities and are reported to the ALCO on a monthly basis.

### 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.

### Profit rate risk

The principal risk to which non-trading portfolios are exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk primarily comprises of market and valuation risk, are managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market



conditions and trends and management's estimate of long and short term changes in fair value. Overall pricing or profit rate risk positions are managed by the ALCO

### Currency Risk / Foreign Exchange Risk

Currency risk is the risk that the Group's income or value of a financial instrument, other than functional currency denominated financial instruments, will fluctuate because of changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the Board of Directors and a continuous assessment of the Group's open position and current and expected exchange rate movements. Group does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or correlated currency.

The Board of Directors has set limits on positions by currency. Positions are closely monitored by ALCO to ensure positions are maintained within established limits. The position information are reported to the ALCO on a monthly basis.

### Market Risk under the Standardised Approach – (MR1)

AED 000

Details	RWA
General Interest rate risk (General and Specific)	-
Equity risk (General and Specific)	-
Foreign exchange risk	172,179
Commodity risk	-
Options	-
Simplified approach	-
Delta-plus method	-
Securitisation	-
<b>Total</b>	<b>172,179</b>

Market risk, as of Q2- 2025, primarily consisted of foreign exchange risk amounting to AED 0.172 million in Risk-Weighted Assets (RWA). The bank does not have significant exposure to other types of market risks like equity, commodity, or general interest rate risk under the standardized approach, suggesting a focused market risk profile.

AED 000



## 12) Details of Not Applicable Tables

Sl. No	Topic	Information	Table	Details
01.	Overview of risk management and RWA	Bank risk management approach	OVA	Not Applicable
02.	Macro prudential Supervisory measures	Geographical distribution of credit exposures used in the countercyclical buffer	CCyB1	
03.	Liquidity	Liquidity Coverage Ratio	LIQ1	
		Net Stable Funding Ratio	LIQ2	
04.	Counterparty credit risk (CCR)	Standardised approach - CCR exposures by regulatory portfolio and risk weights	CCR3	
		Credit derivatives exposures	CCR6	
		Exposures to central counterparties	CCR8	
05.	Securitisation	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	



### 13) Abbreviation

ALCO – Asset Liability Committee  
ASRR – Advance to Stable Resource Ratio  
BIA – Basic Indicator Approach  
GBRC – Group 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