INTEGRATED REPORT 2025

SIB Integrated Report 2025

The Sharjah Islamic Bank Integrated Report 2025 provides a comprehensive overview of the Bank's financial and non-financial performance, reflecting its commitment to environmental, social and governance responsibility, as well as adherence to Islamic Shari'ah principles, supporting sustainable and balanced long-term growth.

The Integrated Report comprises three main sections, as follows:

1. **Environmental, Social and Governance (ESG) Responsibility Report**:
   Presenting the Bank's ESG approach and performance during 2025.

2. **Shari'ah Supervisory Committee Report**:
   Outlining the Bank's compliance with Islamic Shari'ah principles across its activities and products.

3. **Financial Information**:
   This section includes the Bank's audited financial statements for the financial year ended 2025, including the Directors' Report and the Auditors' Report.

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ESG REPORT

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INTRODUCTION

About this Report

SIB strategic roadmap is focused on building new capabilities while consistently reinforcing its commitment to Environmental, Social, and Governance (ESG) principles. These efforts have delivered positive outcomes and support the Bank's objective to remain responsive to global economic developments while contributing to a knowledge-based and competitive economy. This resilience has been demonstrated despite the challenges arising from volatility in profit rates and inflationary pressures.

SIB remains firmly committed to conducting its activities in full compliance with Shari'ah principles, ensuring that its actions serve the interests of its customers and generate positive outcomes across environmental stewardship, social impact, and corporate governance. The Bank continues to embed these principles into its day-to-day operations to remain aligned with evolving societal expectations, leveraging its business model to support a healthy environment and promote equitable economic outcomes.

SIB also aims to lead by example by advancing its sustainability agenda not only through internal initiatives, but also by actively engaging key stakeholders including customers, partners, investors, and the wider community. While recognizing the importance of economic activity in today's dynamic and entrepreneurial environment, the Bank remains mindful of its broader responsibility to promote responsible investment practices and adopt best-in-class standards that contribute to the long-term wellbeing of society and the ecosystem.

Reporting Criteria and Scope

The aim of this report is to provide a summary of the Bank's performance during 2025 in terms of ESG, in compliance with applicable federal laws, the guidelines of the Securities and Commodities Authority, and the requirements of the Central Bank of the United Arab Emirates (CBUAE). All the monetary values in this report are given in Dirhams (AED), unless specified otherwise.

Feedback and Comments

If you wish to get in touch with SIB, feel free to reach out using any of the contact options provided below:

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CHAIRMAN'S MESSAGE

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Statement by the Chairman of Sharjah Islamic Bank:

On behalf of the board of Directors I am pleased to present the 2025 ESG report. Sharjah Islamic Bank continues to strengthen its position as a responsible financial institution committed to balanced development that integrates sustainability, strong governance, and prudent growth. In 2025, the Bank further progressed its long-term strategy, underpinned by agility and adaptability in response to global economic developments, including rate movements, inflationary pressures, and heightened sector competition. This strategic resilience has reinforced the Bank's financial strength, enhanced its financing portfolio, and strengthened its capital base, supporting sustainable growth aligned with stakeholder expectations.

Amid accelerating global momentum towards the green transition, the Bank maintained its commitment to sustainable practices and aligned its initiatives with the UAE's vision for sustainable development and climate neutrality. SIB continues to foster an inclusive environment that supports all segments of society, strengthens customer confidence, and enhances service quality across all customer touchpoints.

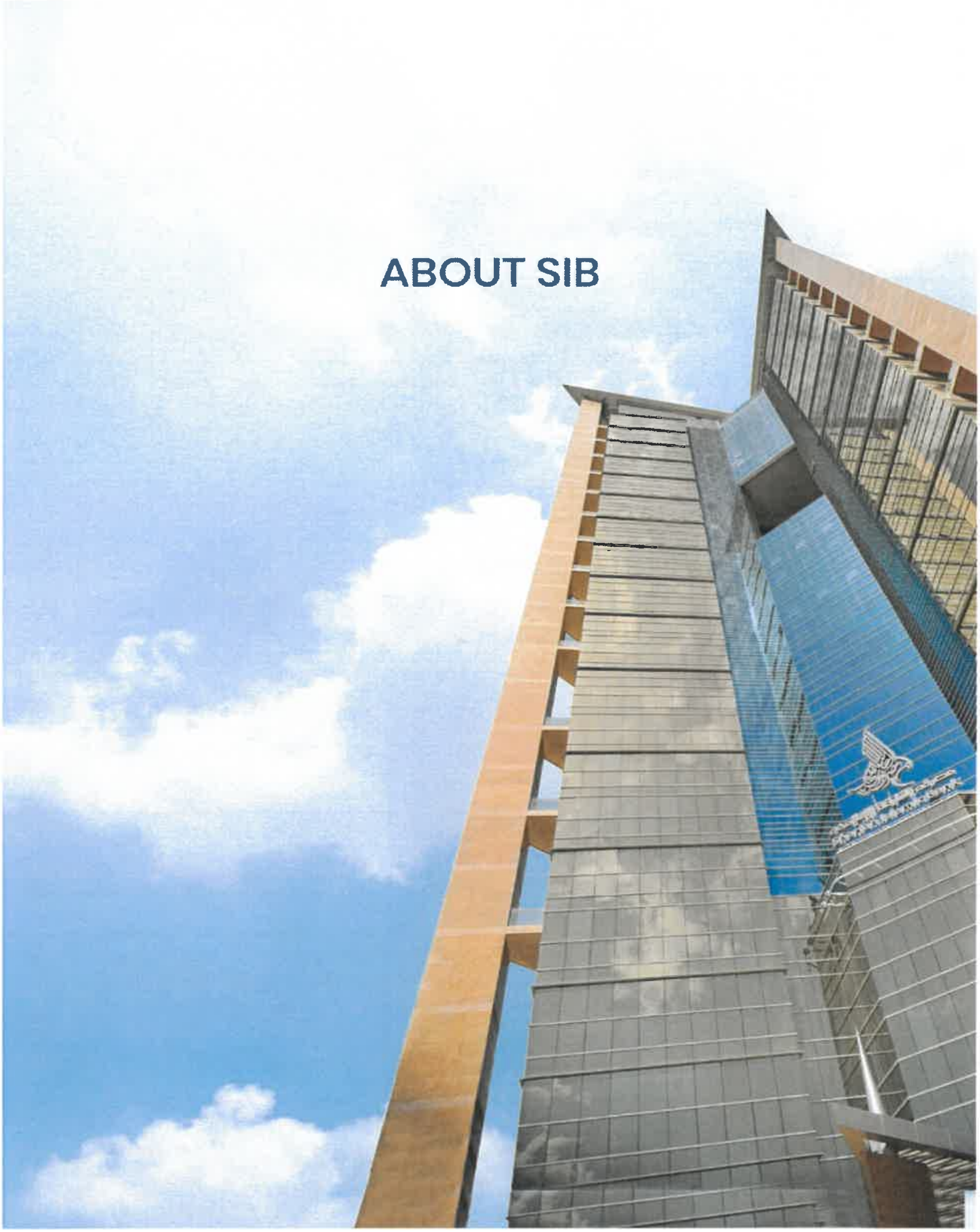
Reflecting its long-standing commitment to social responsibility, the Bank made solid contribution in support of national initiatives and key community sectors, including education, sports, healthcare, government services, and charitable programmes. These contributions demonstrate the Bank's belief that success extends beyond financial performance and is reflected in the positive and lasting impact created for customers, employees, and the wider community.

During the year, the Bank also continued to invest in high-impact, long-term initiatives and to develop policies and operational frameworks that promote efficient resource utilization, support sustainable transformation, and strengthen human capital, an essential driver of institutional sustainability and progress. The Board of Directors and its Committees remain committed to the highest standards of corporate governance, providing effective oversight and supporting executive management in delivering strategic objectives with discipline and accountability.

I extend my sincere appreciation to all stakeholders for their continued trust and support. I also express my gratitude to our dedicated employees, whose commitment and resilience have been instrumental in navigating the challenges of 2025 and advancing our shared vision for a sustainable future that combines institutional excellence with meaningful community contribution.

H.E. Abdulrahman Mohamed Nassir Salem Al Owais
Chairman of the Board of Directors

ABOUT SIB



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1. ABOUT SIB

SIB was founded in 1975 to provide financial services to retail and corporate clients. Originally established as the National Bank of Sharjah, SIB achieved a significant milestone in 2002 by becoming the first bank globally to convert to Shari'ah-compliant Islamic banking.

This comprehensive transformation involved not only developing specialized products tailored to customer needs but also ensuring the entire organizational structure and operations adhered strictly to Islamic principles. Today, the Bank operates an extensive network across the UAE, offering a diverse array of Shari'ah-compliant services spanning to retail, corporate, liabilities and investment banking sectors.

1.1 Markets, Offerings and Customers

SIB delivers a comprehensive range of Shari'ah-compliant products and services through four core business divisions:

Retail Banking

Retail Banking delivers a full spectrum of products and services to Retail, and Business Banking customers. This service is supported by extensive physical coverage across the UAE, including 34 branches, 152 Automated Teller Machines (ATMs), 80 Cash and Cheque Deposit Machines (CCDMs), and 7 Smart Banking Kiosks (SBKs). These physical channels are significantly augmented by robust online and mobile banking platforms. Retail Banking focuses on facilitating easy customer access to essential financing products and Islamic Covered Cards tailored to various lifestyle needs, along with utilizing client segmentation to provide bespoke service delivery and customer experience.

Corporate Banking

Corporate Banking caters to a diverse clientele ranging from small and mid-sized corporate entities to large public sector organizations and government-related entities. The Bank provides highly customized solutions related to financing, investments, risk management and working capital. Products and services include short, mid, and long-term financing, as well as comprehensive trade and cash management solutions. The division also leverages advanced digital solutions to offer corporate online services, enabling businesses to conduct core activities digitally, including access to Trade Finance, Remittances, Remote Cheque Deposits, and other essential banking services.

Investment Banking

Investment Banking's primary objective is to remain client-focused and agile in responding to evolving customer needs by offering a comprehensive suite of investment, treasury, and financing solutions. Investment Banking undertakes term financing activities for financial institutions both within and outside the UAE, encompassing a range of structured transactions. In addition, it participates in syndicated and joint transactions alongside other banks. It actively invests in sukuk, listed equities, equity funds, private equity, and venture capital opportunities. The team provides advisory support to government and corporate clients, delivering tailored solutions designed to meet specific requirements and maximize value. The Financial Institutions focuses on establishing and maintaining correspondent banking relationships with reputable institutions globally, enabling clients to access high-quality payment and trade services. Treasury offers a broad range of products and services, including foreign exchange (FX), commodities, and related transactions.

Liabilities Banking

Liabilities Banking focuses on offering specialized transaction banking and deposit products specifically designed for strategic clients. A customer-centric approach is central to its business efforts, leading to the development of innovative products tailored to meet evolving customer needs. The division collaborates seamlessly with other business units across the bank to deliver integrated financial solutions.

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1.2 SIB Subsidiaries

SIB operates three wholly owned subsidiaries that extend its expertise into real estate, financial brokerage, and hospitality, contributing to its diversified business model:

ASAS Real Estate: Established in 2007 as the real estate arm of SIB, ASAS Real Estate specializes in property and asset management, facilities management, construction, and infrastructure development, as well as real estate investment and valuation services. Having commenced operations by managing the Bank's core real estate assets, the company has since developed a robust and diversified portfolio. ASAS serves a significant and growing customer base, delivering comprehensive development and management solutions across the UAE.

Sharjah Islamic Securities LLCSP: Sharjah Islamic Securities serves as SIB's dedicated brokerage arm. Licensed by the Securities and Commodities Authority (SCA), it provides Shari'ah-compliant trading services on the Abu Dhabi Securities Exchange (ADX) and the Dubai Financial Market (DFM). Since its launch in 2005, the company has empowered investors through a secure, high-performance online trading platform, enabling seamless global access to local equity markets and ensuring efficient transaction execution.

Sharjah National Hotels (SNH): Sharjah National Hotels represents SIB's presence in the hospitality sector, owning and operating a premier portfolio of hotels and luxury resorts within the Emirate of Sharjah. The portfolio includes the Hotel Holiday International and the Marbella Resort, both situated prominently on the shores of Khalid Lagoon. Additionally, the Oceanic Khorfakkan Resort & Spa offers a flagship destination on Sharjah's eastern coast, featuring a private beach and unique natural landscapes. Through SNH, the Bank supports the region's tourism infrastructure while maintaining high standards of service excellence.

1.3 Vision, Mission and Values

Vision: To be the bank of choice for creative customer solutions based on excellence and Islamic principles of partnership, trust and equality for all.

Mission: We are committed to the development of our community by serving customers with socially responsible solutions, and providing world-class employment opportunities based on knowledge, teamwork, respect and leadership, while creating sustainable value for our shareholders.

Values: As everyone's bank, we believe in people, first and foremost. Our bank promotes a harmonious environment of fairness, trust and respect. We offer our customers an innovative banking experience via customized solutions, and empower our staff with abundant opportunity for career development.

1.4 Presence

Head Office

- Head Office, Al Khan, Sharjah
- Operations Centre, Maleha Road, Sharjah

ATMs, CCDMs and SBKs

- ATM - 152
- CCDM - 80
- SBK - 7

Branch Network (Locations and Numbers of Branches) - 34

- Sharjah City - 17
- Sharjah East Coast - 3
- Abu Dhabi & Al Ain - 5
- Dubai - 7
- Fujairah - 1
- Ras Al Khaimah - 1

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1.5 Awards

SIB earns numerous awards, highlighting our commitment to implementing top-notch professional practices across various banking sectors. The following are a few awards attained during the last five years:

2021

- Infosys Finacle Innovation Award.
- Forbes 100 Most Powerful Companies in Middle East.

2022

- Dubai Service Excellence Program Award.
- Top 100 CEOs in the Gulf Cooperation Council (GCC) countries in Islamic Banking.
- Best Service Performance Brand Award (Dubai Service Excellence Scheme-2021) (Service Sector).
- Dubai Quality Gold Award in the Banking Sector, Dubai Department of Economy and Tourism.

2023

- Culture of the Year Award, Human Resources & Learning Platform, Middle East & Africa.
- Impact Seal in the fields of Sustainability and Corporate Social Responsibility (CSR), National CSR Fund (MAJRA).

2024

- Wells Fargo Award for Excellence in Straight Through Processing (STP) Payments.
- The “Elite Quality Recognition Award” from J.P Morgan for achieving 99.58% Straight Through Processing rate.
- The “Client Excellence Award” from Deutsche Bank.
- Nafis Award – Gold Category (Exceptional Efforts in Emiratization).

2025

- The "Sharjah Gulf Excellence Award" from the Sharjah Chamber of Commerce and Industry.
- The “Elite Quality Recognition Award” from J.P Morgan for achieving 99.77% Straight Through Processing rate.
- The “Client Excellence Award” from Deutsche Bank.

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1.6 Financial Performance

Key Financial Metrics (AED-Bn)

For the year ending 31st December 2025, SIB demonstrated impressive financial performance, where the net profit after tax surged by 25.7%, reaching an impressive AED 1,317.4 million. This notable growth is in comparison to the net profit after tax of AED 1047.8 million recorded for the year ended 31st December 2024, with a Capital Adequacy Ratio of 16.17% as of 31st December 2025.

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1.7 Key Highlights for the Year

25.7%
Net Profit Growth Year on Year

25.3%
Share Price Increase Year on Year

AED 6.8Bn
SME Financing Portfolio

22.2%
Female Board Representation

37.77%
Female Entry & Mid-Level Positions

35.98%
Women in the Workforce

38.57%
Local Emirati Talent

38
Nationalities in the Workforce

AED 115.8 Mn
Social Contributions

110%
Growth in Digital Onboarding

93%
Customer Satisfaction Score

37.68 Tonnes
Waste Recycled

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2. OUR APPROACH TO SUSTAINABILITY

We believe that sustainability and economic growth are intrinsically interconnected, and that we are well positioned to play a meaningful role in advancing both. Our clients are navigating an increasingly complex operating environment, characterized by rising climate-related risks, evolving stakeholder expectations, and a continuing transition in the energy landscape.

Accordingly, we are working to embed sustainable finance across our business through our financing and investment platforms. We continue to strengthen our approach to identifying and assessing environmental risks and opportunities within our financing portfolio, while supporting our clients in understanding their economic contributions and navigating the evolving ESG landscape.

SIB manages its operations through sustainable business practices, supported by ongoing reviews of operational processes to streamline workflows, enhance efficiency, optimize resource utilization, manage operating costs, and uphold its social responsibility by ensuring that decisions are made in the best interests of the community.

Looking ahead, SIB intends to further assess its ESG performance through an impact-oriented lens. The Bank's ESG strategy is defined through a holistic framework built on two pillars of impact: (i) operational impact arising from the Bank's own activities, and (ii) financed impact resulting from the Bank's financing and investing activities across specific sectors and customer segments.

2.1 SIB ESG Strategy

The Bank strives to make a positive and long-lasting impact on the world. To help in achieving this goal, SIB's strategic ESG initiatives focus on the following five (5) pillars:

1. Sustaining the Environment
2. Supporting our Customers
3. Supporting our Communities
4. Supporting our Employees
5. Stabilizing Governance

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Components of the Strategic Pillars

Sustaining the Environment	Supporting our Customers	Supporting our Communities	Supporting our Employees	Stabilizing Governance
• Establish targets for decarbonization operations • Move towards a Low-Carbon future and decarbonizing operations • Establish targets to attain net-zero operations and develop strategy with levers for material areas • Measure direct and indirect emissions, commitments, and progress towards net zero	• Introduce Sustainable Products • Become a signatory of global standards for disclosure • Enhance ESG disclosures • Report in line with industry best practices	• Engage with government entities to support net zero projects	• Develop a sustainability skills and competency framework • Design specialized training programs for employees and stakeholders to roll out the sustainability strategy	• Diversity of governance bodies and employees • Establish Dedicated ESG Business Line • Integrate climate risk into the existing risk management • Conduct climate scenario analysis and transition risk assessments • Conduct ESG risk Assessment • Stress credit portfolios • Integrate Climate related Financial risks into Capital planning • Develop ESG risk appetites • Develop Socially Responsible Procurement Framework

Mapping to SDG Goals

2.1.1 Sustaining the Environment

The Bank's goal is to "support the transition to a net zero economy and manage climate change risk". To help in achieving this goal, SIB's strategic commitments focus on:

- **Sustainable Finance:** The Bank shall develop innovative financial products and services to help corporate, SME and retail Customers reduce their emissions and tackle climate change and will endeavor to measure and disclose the financed emissions (Scope 1, 2 and 3 Emissions, as applicable) associated with its most carbon intense portfolios.

- **Adopting Environmental Risk Management in Financing:** The Bank aims to integrate climate risk management within the credit and risk due diligence approval process and be guided by the Equator Principles to ensure the Bank does not cause harm to the environment and communities where it operates.

- **Net Zero Operations:** The Bank aims to comply with all relevant environmental laws and regulations, and is in the process of establishing a plan to set sustainability targets to minimize carbon emissions associated with operations and improve resource efficiency (e.g., energy, water, paper, and waste).

- **Green Procurement and Supply Chain:** The Bank aims to integrate ESG criteria within its procurement policies and processes, ensuring that third-parties it engages with adhere to SIB's ESG principles and that the associated risks are managed accordingly.

Highlights:

a. Environmental Metrics

To advance environmental sustainability, SIB has implemented a range of initiatives to monitor and reduce energy and water consumption, enhance recycling practices, and ensure the safe and secure disposal of assets. The Bank also aims to establish clear targets for decarbonization initiatives and for the management of direct and indirect emissions, supporting its progress towards a Net Zero future.

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During 2025, SIB aligned its energy and water consumption metrics with its newly developed ESG strategy. This process included establishing baselines and standardizing data monitoring and reporting practices to ensure accuracy, consistency, and transparency in performance reporting.

The disclosures on these metrics reflect our commitment to transparency and sustainability.

Greenhouse Gas (GHG) Emissions:

Direct Emissions (*Scope 1) (tons of CO2eq)	Indirect Emissions (*Scope 2) (tons of CO2eq)	Total Emissions (Scope 1 & 2) (tons of CO2eq)	Emissions Intensity (tons of CO2eq / employee)
51.08	5,037.51	5,088.59	3.54

*Scope 1 Emissions Factor data sourced from Department for Energy Security and Net Zero (DESNZ) UK, formerly DEFRA.

*Scope 2 Emissions factor data sourced from the recent grid factors provided by DEWA, reflecting the UAE grid emission factor.

*Scope 2 data for the month of December 2025 has been extrapolated as per the run rate for the remaining months of 2025, due to billing not available for multiple locations as of the preparation of this report.

Energy Consumption:

*Total Electricity Consumption (Kwh)	Electricity consumption intensity (Kwh / employee)
12,453,662.73	8,654.39

*Energy Consumption data for the month of December 2025 has been extrapolated as per the run rate for the remaining months of 2025, due to billing not available for multiple locations as of the preparation of this report.

Water Consumption:

*Total Water Consumption (m^3)	Water consumption intensity (m^3 / employee)
13,280.89	9.23

*Water Consumption data for the month of December 2025 has been extrapolated as per the run rate for the remaining months of 2025, due to billing not available for multiple locations as of the preparation of this report.

b. Environmental Operations

SIB uses services of organizations specializing in the environmentally friendly disposal and recycling of waste, across all its locations.

Waste Recycling 2025:

Documents	Office Equipment	E-Waste
5.684 Tons	2 Tons	30 Tons

Equivalent Environmental savings generated through Documents Recycling:

96.6	Trees
9.8	Cubic Meters of Oil
180.8	Cubic Meters of Water
13.1	Cubic Meters of Landfill Space
154.6	Kgs of CO2 Emissions
22,736.0	Kilowatts of Energy

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Total Waste Recycled:

Total Waste Recycled (Tons)	Waste Recycling Intensity (Tons / employee)
37.684 Tons	0.0262 Tons

During the year, a total of 37.68 tons of waste was recycled in collaboration with our recycling partners, representing a waste recycling intensity of 0.0262 tons per employee. Monitoring such metrics enables us to better understand and quantify our resource consumption, identify opportunities for improvement, and strengthen our efforts to minimize the depletion of natural resources

Paper Consumption & Resource Management:

SIB is committed to reducing its environmental footprint through responsible resource management and sustainable operating practices. A key focus area is the reduction of paper consumption across our operations.

We closely monitor paper usage to identify opportunities for efficiency gains and further reductions, in alignment with our broader environmental objectives. The data below presents the Bank's total paper consumption for the year 2025.

Paper Consumption Metrics:

2025	
Total Sheets of A4 equivalent Paper Consumed	10,321,250

This reflects an approximate **8.8%** increase in total paper consumption in 2025 across all categories of office-use paper (A3, A4, A5, etc.), converted to an A4-equivalent metric. While this increase is noted and attributable to higher levels of business activity, it underscores the ongoing need to accelerate our digital transformation initiatives and further promote paperless operations across the Bank.

In response to this trend, SIB will implement the following measures in the upcoming years:

- **Accelerated Digitization:** Prioritize the conversion of internal and external processes to digital formats, reducing reliance on physical documentation.
- **Employee Awareness Programs:** Introduce targeted awareness initiatives to promote responsible printing practices and encourage the use of recycled paper where printing is unavoidable.
- **Optimization of Printing Infrastructure:** Review and optimize the configuration, placement, and default settings of printing devices to improve efficiency and minimize waste.

SIB remains committed to achieving a meaningful reduction in paper consumption over the coming years, supporting environmental conservation and the Bank's broader sustainability objectives.

c. Sustainable Finance Framework

As part of our commitment to sustainable financing and ESG practices, we plan to establish green finance products including sustainable Auto Finance, Real Estate Finance and Covered Cards. SIB envisions playing a key role for the financing of landmark projects that are necessary for pursuing economic growth in line with ESG criteria. The Bank is adopting the CBUAE and international standards for sustainable financing in classifying sustainable financing solutions offered to customers, specifying the classification approach and the activities defined as eligible to access sustainable financing (eligible green and social assets). This shall encompass a wide range of sustainable financing products covering wholesale and retail banking portfolios of SIB.

The Sustainable Finance Framework encompasses the below sections, which shall be integrated with the Bank's Credit and Credit Risk Management processes thereby covering the entire credit lifecycle of Green Finance products.

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d. Participation in Green and Sustainable Sukuks

In alignment with its commitment to advancing sustainability and ethical finance, SIB actively participates in green and sustainable Sukuk issuances by leading institutions. These investments reflect the Bank's commitment to environmental stewardship, social well-being, and strong governance, and support projects with demonstrable positive impacts.

As of the end of 2025, SIB's participation in green and sustainable Sukuk totaled AED 1.88 billion, with new investments during the year exceeding AED 350 million.

Total Green & Sustainable Sukuk participation Portfolio As of 31st Dec 2025	Green & Sustainable Sukuk participation in 2025
AED 1.88 Bn	**AED 350 Mn +**

- **Supporting Green Projects:** Through its participation in green Sukuk issuances, SIB has contributed to the financing of renewable energy projects, energy-efficient infrastructure, and other initiatives aimed at reducing carbon emissions.

- **Contributing to the SDGs:** These investments support projects aligned with the United Nations Sustainable Development Goals (SDGs), including Affordable and Clean Energy and Climate Action.

- **Collaborative Impact:** By partnering with other institutions to advance sustainable financing, SIB strengthens its contribution to the global sustainability agenda and demonstrates the effectiveness of Shari'ah-compliant instruments in addressing environmental and climate-related challenges.

Sustainability remains a strategic priority for SIB, and the Bank aims to increase its participation in future green and sustainable Sukuk issuances.

e. Partnership with Environment and Protected Areas Authority (EPAA)

During 2025, SIB announced the launch of a strategic partnership with the Sharjah Environment and Protected Areas Authority (EPAA), marking an important step in advancing environmental sustainability. This partnership forms part of the Bank's broader efforts to support sustainable development goals and reinforce its role in environmental preservation.

Key Details of the Partnership include:

- **Objective**: The partnership aims to enhance environmental awareness, embed sustainability within SIB's corporate culture, reduce carbon footprints, and support biodiversity conservation in the UAE.

- **Afforestation Initiative**: Building on this collaboration, SIB and EPAA launched an afforestation initiative involving the planting of 50 local trees in Al Muntather Reserve. The initiative was inaugurated with the participation of SIB officials, who actively contributed to the tree-planting activities, reflecting the Bank's practical commitment to environmental action and the promotion of sustainability.

- **Community Participation**: The initiative includes an incentive mechanism designed to encourage broader community engagement and participation.

- **Tree Species Selection**: The program focuses on planting native tree species, including Al Ghaf and Sidr, which are well adapted to the UAE's desert environment and play an important role in supporting local ecosystems.

- **Alignment with National Priorities**: The initiative aligns with the UAE's national strategy for planting Al Ghaf trees and contributes to the country's wider environmental objectives.

2.1.2 Supporting Our Customers

SIB's goal is to "become the customer's first choice, providing socially responsible solutions based on excellence and trust". To help in achieving this goal, SIB's strategic commitments focus on:

- **Customer Satisfaction:** The Bank aims to provide transparent and responsible banking services and communication to customers to enable better financial decisions and aims to act on customer feedback immediately to continuously improve services.

- **Digital and Innovative Propositions:** The Bank aims to offer digital and innovative propositions to equip customers with access to online banking and digital payment solutions.

- **Disclosure and Reporting:** The Bank is committed to adequate transparency in relation to the actual or potential impact of ESG to inform investors and protect consumers, foster efficient functioning of financial markets, and promote financial stability, while driving the values of sustainability and social responsibility.

Highlights

a. Digitization

SIB continued to advance its digital transformation agenda in 2025 through the execution of strategic digitization initiatives. The expansion of digital products and services has contributed to a significant enhancement in the Bank's operating model, delivering measurable benefits for both SIB and its customers. Key outcomes of these initiatives include:

- **Enhanced Customer Experience:** Digital solutions have improved the way customers engage with the Bank, enabling smoother, more convenient, and increasingly personalized interactions.

- **Increased Security:** SIB strengthened its security capabilities through the implementation of advanced technologies and controls to protect customer data and transactions. This includes biometric authentication for financial transactions through mobile and online banking, as well as enhanced privacy features recently deployed within the mobile banking application.

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- **Stronger Compliance Standards:** Digitization has supported the Bank's ongoing efforts to enhance compliance with regulatory requirements and industry best practices, including adherence to Consumer Protection and Market Conduct standards.

As part of this commitment, SIB implemented the following initiatives during the year:

- **Mobile Banking Application:** Multiple enhancements were introduced to improve speed, reliability, and convenience, enabling customers to access banking services seamlessly at their preferred time and location.

- **Enhanced Donation and Charity Network:** Customers can donate easily through the Bank's platform to a wide range of charitable organizations. During the year, SIB expanded this network by adding Al Jalila Foundation as a charity partner.

جمعية الشارقة الخيرية Sharjah Charity International	مؤسسة القلب الكبير The Big Heart Foundation	دبي الصحية DUBAI HEALTH مؤسسة الجليلة Al Jalila Foundation	صندوق الزكاة ZAKAT FUND
مؤسسة الشارقة للتمكين الاجتماعي Sharjah Social Empowerment Foundation	حكومة الشارقة دائرة الأوقاف GOVERNMENT OF SHARJAH DEPARTMENT OF AWQAF	مدينة الشارقة للخدمات الإنسانية Sharjah City for Humanitarian Services	أصدقاء مرضى السرطان Friends Of Cancer Patients

- **Strategic Partnerships with FinTechs:** SIB collaborated with SWIFT GPI to enable customers to track international transfers more effectively, enhancing transparency and customer convenience.

- **Simplified Payments:** To strengthen the digital banking experience, SIB introduced instant transfer services with Egypt and Jordan, supporting customers with faster and more efficient cross-border payments.

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- **Access for All:** Through its nationwide branch network, SIB aims to provide accessible banking services for all customers. The Bank operates ATMs and CCDMs across the country, including assisted ATMs designed to support people of determination and visually impaired customers. In addition, cheque deposit services have been redirected to CCDMs to improve convenience and service efficiency.

- **Digital E-Certificates:** SIB launched digital e-certificates during the year, enabling customers to access key certificates and letters instantly through digital channels.

- **Authenticated E-Statements:** SIB introduced authenticated and digitally stamped e-statements for both Retail and Corporate customers through its digital banking platform, reducing the need for customers to visit branches to request printed statements.

- **Digital Branches:** SIB's Digital Branches support the reduction of the Bank's carbon footprint by minimizing paper consumption through digitized processes such as account opening, fund transfers, and other services. These branches contribute to:

    - **Paperless Banking:** Fully digital documentation and e-signatures.
    - **Inclusive Banking:** 24/7 service availability, supporting underserved communities in UAE.
    - **Customer Empowerment:** Intuitive platforms that encourage financial literacy and self-service.
    - **Accessibility Features:** Designed to meet the needs of people of determination and diverse language requirements.
    - **Customer Satisfaction:** Digital adoption reflecting customer trust and convenience.
    - **Sustainable Growth:** Leveraging technology to deliver ethical, efficient, and environmentally responsible banking.

- **SBK:** SIB expanded its omni-channel branch capabilities by deploying SBKs across multiple branches. These kiosks provide instant access to key services, including:

    - Account opening
    - Card issuance and replacement
    - Cheque book requests and printing
    - Certificate issuance and printing
    - Statement printing

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Key Digital Banking Metrics:

110% Year on Year Growth in Digital Account Opening.

37% Year on Year Growth in Digital Transactions.

230+ ATMs and CCDMs are currently placed to ensure all regions have access to financial services.

7 SBKs strategically placed in select branches, offering smart services to augment the move to digitization, and provide customer convenience.

Partnered with **Jordan and Egypt** correspondents for instant remittance services.

Integration with **ADX and DFM** for strategic partnership for **IPO** subscriptions.

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b. Market Conduct and Consumer Protection

At SIB, customers remain at the centre of our business. As part of our ESG strategy, we are committed to delivering high-quality customer experiences that reflect our values of transparency, inclusivity, and innovation.

In response to the evolving regulatory landscape and the growing emphasis on consumer protection within the banking sector, SIB has taken decisive action by establishing a dedicated **Market Conduct and Consumer Protection (MCCP)** function. This function strengthens the Bank's ability to promote responsible banking practices, reinforce ethical conduct, and ensure consistent adherence to consumer protection requirements.

Measuring Customer Satisfaction

SIB monitors customer satisfaction through key performance indicators, including **Net Promoter Score (NPS)**, customer retention levels, and complaint resolution effectiveness. To promote transparency and continuous improvement, insights from customer satisfaction reporting are circulated internally to support timely corrective actions and are also shared with the **Central Bank of the UAE**.

In 2025, SIB launched several initiatives aimed at strengthening customer satisfaction and loyalty. Looking ahead, the Bank remains focused on further improving accessibility, adopting advanced digital tools, and fostering deeper customer relationships in alignment with its ESG commitments.

Quality Monitoring

SIB introduced a structured quality monitoring approach to reinforce compliance with the **Consumer Protection Regulation (CPR)** across all customer-facing activities. This initiative supports fair treatment, responsible selling practices, and consistent service delivery standards across the Bank, safeguarding consumer interests while reinforcing strong governance and ethical conduct.

Sanaa Service Standards

SIB's **Service Excellence Standards (Sanaa)** provide a unified framework for expected behaviors, service principles, and performance benchmarks across all customer-facing teams and partners. These standards aim to ensure that every customer interaction reflects professionalism, empathy, and fairness, in line with the Bank's strategic vision and regulatory obligations. By setting clear expectations, the standards enhance consistency, accountability, and customer trust across the organization.

Journey Design and Customer Effort

Journey design supports SIB's ESG agenda by identifying opportunities to deliver services in a more efficient, inclusive, and responsible manner. During the year, an end-to-end branch journey review was conducted to assess the customer experience across key touchpoints, focusing on customer effort, service clarity, process efficiency, and consistency of delivery. The review identified opportunities to reduce repeat visits, optimize queue management, and minimize paper-based processes, while enabling the responsible migration of suitable services to digital channels.

Fair Treatment of Customers

SIB formalized a **Code of Fair Treatment** to reinforce consistent and ethical conduct across all customer-facing teams. This initiative ensures that employees understand and adhere to fair treatment principles, consumer protection requirements, and internal policies and procedures. Periodic acknowledgements of adherence further strengthen accountability and support a culture of fairness, transparency, and responsible customer engagement, aligned with the Central Bank's consumer protection standards and regulations.

Conduct Culture Strategy

SIB's conduct culture strategy defines the Bank's institutional approach to building and sustaining a strong culture of integrity, fairness, transparency, and consumer protection. It is designed to embed ethical behavior, accountability, sound decision-making, and constructive workplace practices across all levels of the organization, supported by leadership communication, robust governance, and employee ownership.

Customer Complaints Management

SIB incorporates ESG principles into its complaints management and **First Contact Resolution (FCR)** framework to ensure customer concerns are addressed promptly, fairly, and responsibly. The Bank applies structured governance controls to protect customer rights, prevent financial detriment, and ensure equitable access to resolution for all customer segments, including vulnerable customers and People of Determination.

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Customer Complaints	
Total Complaints Received	19,323
Complaint Resolution within TAT	88%
Complaint Resolution Customer Satisfaction	96%

First Call Resolution: SIB prioritizes first contact resolution to reduce customer effort, minimize repeat complaints, and prevent prolonged customer harm. Digital and paperless complaint handling channels also support environmental sustainability. The Bank conducts root cause analysis, implements systemic remediation, and maintains transparent escalation mechanisms to prevent recurrence and reinforce accountability, ethical conduct, and long-term customer trust.

Customer Satisfaction (CSAT):

SIB measures CSAT score to evaluate customers' overall satisfaction with its products, services, and service interactions. CSAT provides insights into service quality, responsiveness, and consistency across channels. The results support SIB's ongoing efforts to enhance customer-centricity and service excellence.

Customer Satisfaction	
2024	88%
2025	93%

Customer Effort Score (CES):

SIB monitors CES as a key indicator of service efficiency and ease of access across customer touchpoints. Reducing customer effort remains central to SIB's commitment to responsible service delivery and enhanced customer experience. In 2025 85% of our customers were satisfied with the level of effort required from them to avail our products and services. These CES insights are used to streamline processes and remove friction in customer journeys.

Customer Effort Score	
2024	81%
2025	85%

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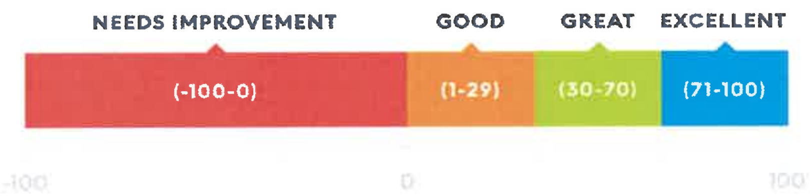
Net Promoter Score (NPS):

NPS is used by SIB to assess customer loyalty, trust, and advocacy for the Bank's products and services. The metric reflects customers' overall perception of service quality and relationship strength. NPS outcomes inform continuous improvement initiatives aimed at strengthening long-term stakeholder relationships.

Net Promoter Score	
2024	63
2025	81

Net Promoter Score Guide:



c. Debt Counselling Services

At SIB, our commitment to customers extends beyond the provision of financial products and services. We are dedicated to supporting their long-term financial wellbeing and stability. Recognizing that unexpected economic conditions may place customers under financial pressure, SIB provides proactive support to customers experiencing financial difficulty through its dedicated **Debt Counselling** services.

Empowering Customers in Financial Distress

SIB adopts a "People First" approach by offering customers a safe and confidential channel to discuss financial challenges and explore practical, sustainable solutions. Customers who are finding it difficult to meet their debt obligations are supported by a dedicated team of professional Debt Counsellors.

Key features of SIB's Debt Counselling initiative include:

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- **Dedicated Assistance:** A specialized unit accessible through a direct helpline (**06 5999887**) and a dedicated email channel (**Credit.Counselling@sib.ae**) to provide timely support to customers experiencing financial stress.

- **Tailored Support:** Debt Counsellors work closely with customers to assess their financial position and identify appropriate options to help manage obligations and improve budgeting and expense planning.

- **Financial Literacy and Awareness:** Through the Bank's **Consumer Education and Awareness (CEA)** unit, SIB supports customers with guidance on responsible debt management and financial planning, enabling informed decision-making.

2.1.3 Supporting Our Communities

The Bank's goal is to "provide inclusive and innovative financial services to drive sustainable economic growth". To help in achieving this goal, SIB's strategic commitments focus on:

- **Financial Inclusion and Empowerment:** The Bank aims to support the growth of SMEs, micro-businesses, entrepreneurs and vulnerable groups with access to financing and aims to improve financial education and inclusion in the community.

- **Community Investment:** The Bank is committed to delivering targeted activities, initiatives and sponsorships that progress socioeconomic development within the communities in which the Bank operates such as educational awards and community sponsorships.

- **Philanthropic Initiatives:** The Bank is committed to philanthropic efforts that contribute to the betterment of communities, such as charitable donations from bank's fund, volunteer programs, and community outreach events.

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Highlights

a. Financial Inclusion and Sustainability

SIB is committed to advancing financial inclusion and supporting vulnerable customer segments, including People of Determination (POD). In 2025, the Bank made meaningful progress in this area by providing tailored financial products and services, including minimum balance waivers, specialized prepaid cards, and personalized financial support.

To enhance accessibility, SIB implemented a range of physical and digital improvements across its service channels. These included low-height counters, wheelchair ramps, accessible ATMs, and advanced digital capabilities such as Voice-Over compatibility to support visually impaired customers.

SIB also strengthened customer communication and service experience through multilingual support, the use of visual aids, and specialized staff training, including sign language and best-practice guidance for engaging with customers with diverse needs.

Looking ahead, the Bank aims to build on these achievements through the continued development of innovative products, enhanced digital tools, and personalized support solutions that empower underserved segments. These efforts reinforce SIB's commitment to inclusivity, sustainability, and delivering positive community impact.

Supporting Vulnerable Customers: SIB has implemented a Vulnerable Customers Policy designed to enhance accessibility across products, services, premises, and processes, and to remove barriers for People of Determination. This initiative promotes equitable access to financial services. The policy also emphasizes inclusive design, awareness, and support mechanisms that advance financial inclusion and improve customer experience.

Supporting Low Income Groups: To support low-income customer segments, SIB offers **Payroll Prepaid Cards,** a dedicated account solution designed to meet the needs of this segment. In 2025, the Bank achieved a **42% increase** in the onboarding of Payroll Prepaid Card accounts, reflecting growing uptake and strengthened outreach to underserved communities.

Customers	Year on Year Growth
Payroll Prepaid Card Account Customers	42%

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b. Supporting SMEs: Empowering Growth

At SIB, we recognize the critical role that Small and Medium Enterprises (SMEs) play in driving economic growth, fostering innovation, and creating employment opportunities. In line with our commitment to supporting a resilient and sustainable economy, we provide tailored financial solutions and strategic support to enable SMEs to grow and succeed across a wide range of sectors.

Financing support to SMEs in UAE:

Financing Portfolio (SME*) - 2025	Composition
AED 6.8 Bn	14% of Total Financing Portfolio

*SMEs with turnover up to 250 million.

c. Community Engagement

SIB has adopted a strong and structured approach to community engagement, guided by the visionary leadership of His Highness Sheikh Dr. Sultan Bin Mohammad Al Qasimi and the continued support of His Highness Sheikh Sultan Bin Muhammad Sultan Al Qasimi. In 2025, the Bank's contributions extended beyond traditional financial support, reflecting its commitment to the UAE's National Agenda and its broader social, cultural, and economic priorities.

Community-Centric Initiatives (CEA)

SIB has implemented a comprehensive strategy focusing on consumer education and societal impact. This includes:

- **Customer Awareness Programs:** Designed to enhance financial literacy and empower customers through a variety of educational materials, including guides, animations, and Q&A campaigns. During the year, SIB delivered **15 financial literacy sessions**, reaching more than **2,650 individuals**. In addition, **18 episodes** of the radio programme *"Your Financial Advisor"* were broadcast in collaboration with Sharjah Radio, supporting the promotion of sound financial practices across the community.

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Financial literacy sessions
15 Sessions

Reach
2650 Individuals

"Your Financial Advisor" Radio Program
18 Episodes

- **Collaborative Campaigns:** In collaboration with key partners such as Sharjah Police and the UAE Banks Federation, SIB supports awareness campaigns including *"Be Alert"* and *"Be Informed"*, which aim to enhance public understanding of fraud prevention, digital security, and the safe and effective use of banking services. The collaborative social media posts are:

Fraud Awareness	Banking Services	Security Awareness	Financial Education
27	16	4	8

Sponsorships and Donations

SIB reinforces its commitment to social development through a broad range of sponsorships and charitable contributions across multiple sectors, including:

- **Education and Sports:** Supporting institutions such as the University of Sharjah and the Sharjah Sports Council.

- **Cultural and Charitable Initiatives:** Sponsoring Ramadan Iftar tents, the *"Ramadan Meer"* programme supporting families in need, and other initiatives, with total charitable contributions exceeding **AED 80 million**.

- **Specialized Support:** Providing funding for medical treatment, elderly care, people of determination, and Awqaf establishments.

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Commitment to Long-Term Prosperity

SIB remains committed to fostering sustainable long-term growth by delivering financing solutions tailored to community needs and strengthening partnerships with government entities. Social responsibility, as a core value of the Bank, continues to guide its strategic priorities and initiatives, ensuring a meaningful and lasting impact on society.

Social Contributions:

AED 115.8 Million

Composition of Community Investment:

		2024	2025
Community Investment as a percentage of	Gross Revenue	2.18%	2.35%
	Operating Income	4.50%	4.66%
	Net Profit	9.36%	8.79%

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2.1.4 Supporting Our Employees

SIB is committed to fostering a safe, inclusive and high-performance workplace that attracts, develops and retains talented professionals. Our people strategy supports the Banks long-term sustainability objectives by investing in human capital, promoting national talent, and embedding fairness, learning and well-being across the organization. To help in achieving this goal, SIB's strategic commitments focus on:

- **Employee Engagement and Well-being:** SIB continues to enhance employee services and workplace initiatives aimed to support Employees in the ever-evolving work environment and ensure their safety and wellbeing within the workplace.

- **Emiratization:** SIB remains a committed employer of UAE Nationals and continues to support national development objectives through targeted Emiratization initiatives. The Bank focusses on attracting National talent across critical and leadership roles, ensuring sustainable workforce and long-term succession.

- **Learning and Development**: SIB provides a structured learning ecosystem comprising virtual, classroom and career development program. These initiatives are designed to enhance employee capabilities, support career progression and attracting and retaining high-quality talent.

- **Equality, Diversity, and Inclusion:** SIB upholds the principles of fairness, equality and respect across all employment practices, The Bank ensures equal opportunities, non- discriminatory practices and a supportive work environment that values diversity and protects employee rights.

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Highlights:

a. Human Capital

SIB's corporate values and the culture it upholds remain key differentiators. As stated by the Bank's CEO, Mr. Mohamed Abdalla, "We believe that people are equally important as profits."

SIB adopts a progressive strategy to attract, recruit, train, develop, manage, and retain talent. Through this structured approach, the Bank maintains a consistent pipeline of high-caliber employees aligned with its vision, mission and strategic objectives, supporting sustained productivity and employee development. In addition, SIB has developed a comprehensive sustainability skills and competency framework, supported by specialized training programmes, to strengthen the effective implementation of its ESG Strategy.

As part of its commitment to empowering national talent, SIB offers part-time employment opportunities for UAE Nationals pursuing university studies, supporting their early professional development and future contributions. This initiative has been positively received within the local community. The Bank also actively participates in career fairs, university engagement programmes and delivers tailored career development initiatives aimed at accelerating talent growth and preparing future leaders. Employees are further supported with access to professional certifications, targeted trainings, and structured knowledge-sharing sessions that promote internal mobility and continuous learning.

Employee wellbeing remains a core element of SIB's ESG commitments. During the reporting period, the Bank strengthened employee access to quality healthcare to support employees' physical and mental wellbeing. In parallel, SIB introduced flexible working hours and work-from-home arrangements, thus promoting work-life balance and enabling a more inclusive and supportive work environment.

Gender Pay Ratio	Diversity and Nationalization		Employee Turnover Rate
1.06:1	38	38.57%	8.95%

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Key Human Capital Metrics:

Gender Diversity:

	2024	2025
Median Male to Female compensation Ratio	0.94:1	1.06:1
Percentage of total enterprise headcount held by men and women	67.29% Men	64.02% Men
	32.71% Women	35.98% Women
Percentage of entry and mid-level positions held by men and women	65.71% Men	62.23% Men
	34.29% Women	37.77% Women
Percentage of Senior and executive-level positions held by men and women	90.29% Men	89.52% Men
	9.71% Women	10.48% Women
Number of Nationalities	37	38

Staff Turnover:

	2024	2025
Annual turnover of full-time employees	7.40%	8.95%
Annual turnover of part-time employees	5%	46.15%
Annual turnover of contractors/ consultants	62.50%	15.38%
Percentage of total enterprise headcount held by part-time employees	2.51%	5.62%
Percentage of total enterprise headcount held by contractors/ consultants	1.57%	5.43%

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Emiratization:

	2024	2025
Percentage of National Employees	35.54%	38.57%

Non-Discrimination

SIB upholds a strong commitment to non-discrimination through its Code of Conduct and Fair Dealing Policy, which are available to all employees via the Bank's internal portal. Employees are regularly assessed to ensure their understanding of, and compliance with, these standards. The Bank also maintains a robust disciplinary framework to address any breaches, including discriminatory behavior or practices that may arise within the workplace.

b. Learning & Development

In 2025, the Bank advanced its ESG priorities by investing in strategic human capital initiatives aimed at strengthening organizational capability and supporting sustainable performance. Key efforts focused on enhancing employee competencies, strengthening service culture, and reinforcing governance through structured development frameworks aligned with regulatory standards. These initiatives reflect the Bank's commitment to empowering its workforce and delivering long-term value to customers and other stakeholders. Key achievements during the year included:

- Strengthening governance through the introduction of structured development mechanisms aligned with regulatory requirements.
- Delivering targeted capability-building programmes to support business priorities and enhance operational effectiveness.
- Expanding the adoption of digital learning and advancing key knowledge management initiatives.
- Supporting the Bank's service culture through service excellence development programmes.
- Enhancing leadership readiness through focused leadership development and future skills initiatives.
- Strengthening development governance through improved needs assessments, enhanced vendor oversight, and more robust performance measurement.

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Key Learning & Development Metrics:

Trainings Conducted
798

Total Staff Trained
1,997

*Includes resigned, contractual and outsourced staff.

Total Training Hours
82,737

Mandated CBUAE Learning Requirements
100% Completion

Trainings Related to ESG & Sustainability:

Trainings Conducted
34

Total Staff Trained
1,547

The following courses were conducted as part of our ESG & Sustainability learning agenda:

Training Courses	
Climate Change Management	Reimagining ICFR and Governance for a Sustainable Tomorrow
ClimateTech Finance	Risk Oversight and Governance
Cloud Compliance and Governance	Sustainable Banking Solutions for Clients and Customers
Corporate Governance and Culture	Vulnerable groups and Fair Treatment
ESG Impact Investing	Responsible Banking for Board Members and Executives

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Training Courses	
Ethics and Sustainability in Finance	Risk Appetite and Risk Tolerance
Governance and Management of Investment Accounts	Key Risk indicators in Risk Management
Green and Sustainable Finance	Operational Risk Management
Islamic Sustainability Management	Internal Controls over Financial Reporting
Net Zero and Green Washing	Oxford Bank Governance Programme

c. Staff Wellbeing

Safety: SIB is committed to maintaining a safe and secure working environment for all employees. The Bank conducts regular fire drills and ensures the availability of trained fire wardens and first aiders to provide support during emergencies. Comprehensive awareness programmes are also implemented to promote a strong culture of safety and security across the organization. SIB maintains ongoing coordination with Civil Defense to ensure regulatory compliance and effective emergency preparedness. In addition, robust physical access controls and CCTV surveillance systems are in place across the Bank's premises and surrounding areas to further enhance workplace safety and security.

Health: SIB is committed to promoting employee wellbeing and fostering a healthy, balanced, and supportive workplace environment. During the year, the Bank implemented a range of initiatives aimed at enhancing health awareness, encouraging preventative care, and strengthening employee engagement.

Health Awareness Days: To promote healthier lifestyles and support employee wellbeing, SIB organizes Health Awareness Days that provide employees with access to medical screenings and practical guidance on nutrition and physical activity. These events are designed to enhance health literacy, encourage preventative care, and contribute to improved wellbeing and productivity. Similar initiatives were also delivered across various branches, reflecting an inclusive approach to employee health.

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Key components of SIB's Health Day:

- **Comprehensive Health Screenings:** Blood sugar, blood pressure, cholesterol, and BMI assessments.
- **Medical Consultations:** Dental and dermatological check-ups, alongside general health guidance.
- **Preventative Focus:** Promoting healthier dietary choices and regular physical activity.
- **Health Literacy:** Empowering employees with knowledge to make informed lifestyle decisions and reduce the risk of chronic health conditions.
- **Wider Outreach:** Implementation across multiple branches to ensure broader employee participation.

Staff Events: To further enhance employee wellbeing and strengthen teamwork and engagement, SIB organizes a variety of staff-focused activities throughout the year under the supervision of the SIB Employee Club. The Club is formed through an employee nomination and voting process and oversees the planning and delivery of staff events. It also actively gathers employee feedback to ensure activities remain diverse and inclusive, reflecting the Bank's multicultural workforce and supporting participation across different nationalities, as well as among both male and female employees.

2.1.5 Stabilizing Governance

The Bank's goal is to "operate a responsible business with the highest ethical standards to preserve integrity and trust". To help in achieving this goal, SIB's strategic commitments focus on:

- **Corporate Governance, Compliance and Code of Conduct:** The Bank aims to maintain its core values and operate a robust corporate governance framework.
- **Risk Management and Cybersecurity:** The Bank aims to embed a culture of risk awareness across the Bank and ensure that Customer information is protected and will respect the right to privacy within the guidelines of applicable UAE privacy and data protection laws and regulations.
- **Financial Crime and Anti-corruption:** The Bank aims to continue to adopt a zero-tolerance approach to bribery and corruption and commit to the highest standards of professionalism and integrity in all business dealings and relationships, wherever the Bank operates.
- **Tax Transparency:** The Bank aims to continue to adhere to the letter and spirit of tax laws in UAE.

Highlights:

a. Risk Management Framework

SIB's Board of Directors is responsible for the overall framework of the risk governance and management. The Board of Directors is responsible for determining risk strategy, setting risk limits and ensuring that risk exposure is monitored, controlled effectively and kept within the set limits.

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

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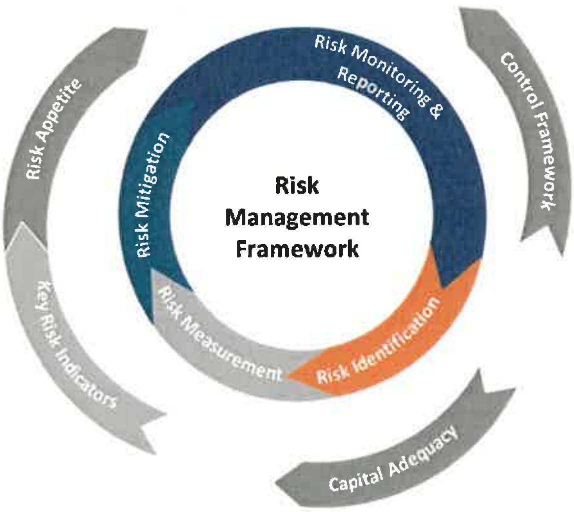
The operations of SIB require continuous management of particular risks or combinations of risks. Risk management is the identification, analysis, evaluation and management of the factors that could adversely affect SIB's resources, operations and financial results. SIB's main risks include credit, operational, market, liquidity, legal, conduct, model, regulatory, Shari'ah and currency risks. SIB aims to manage its exposure to these risks conservatively.

SIB adopts a strategic approach for the management of risks and the identification of opportunities in relation to sustainability which is in the process of being integrated with the Bank's business model, strategy, risk management, governance policies and procedures as well as its reporting and disclosure frameworks.

SIB has established a Risk Management Framework covering Risk Identification, Risk Measurement, Risk Mitigation and Risk Monitoring & Reporting. Subsequently, the results of the risk reporting, feed into the Bank's Capital Planning, strategic decision making, risk appetite and Key Risk Indictors (KRIs).



Risk Governance

Risk Management Framework (RMF) follows the three lines of defense. The RMF is owned by the Group Risk Management, which is responsible for independently overseeing the implementation of RMF throughout SIB. Currently, ESG related practices are owned by an ESG unit at SIB, which falls within the Strategic Management Division.

Financial Resilience

The Bank's recovery plan plays a vital role in identifying potential threats to the Bank's stability and developing actionable strategies to address those threats. This involves a thorough assessment of the Bank's risk profile and the creation of detailed scenarios outlining possible crisis situations. The plan includes specific measures for liquidity management, capital restoration, and operational adjustments necessary to maintain the bank's operations.

The recovery plan's purpose is to ensure that the Bank is better equipped to withstand periods of severe financial stress and serves as a strategic guide to stabilize, restore its financial health, protect stakeholders' interests and contribute to the overall stability of the financial system. This proactive approach underscores SIB's commitment to robust risk management and long-term sustainability.

Operational Resilience and Business Continuity Management

SIB is committed to maintaining a high level of operational resilience to ensure the continuous delivery of critical services to customers and counterparties. Operational resilience is embedded within the Bank's risk management framework and is overseen by the Board and Senior Management. It encompasses the Bank's ability to prevent, respond to, recover from, and learn from operational disruptions, including those arising from technology failures, cyber incidents, third-party dependencies, process breakdowns, and external events.

The Business Continuity Management (BCM) process identifies potential threats to the bank and assesses their possible impact on business operations based on a comprehensive Business Impact Analysis ("BIA"). BCM provides a framework to strengthen organizational resilience and enable effective responses, safeguarding key stakeholders, reputation, brand, and critical business activities. The Board and Senior Management oversees and sets the strategy for BCM, while business and support units are responsible for maintaining and testing appropriate Business Continuity Plans (BCPs) for their respective areas. The effectiveness of these plans is independently monitored by Risk Management.

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b. Shari'ah Compliance and ESG Integration

An Internal Shari'ah Supervisory Committee (ISSC), comprising distinguished Islamic scholars and specialists in Islamic jurisprudence and banking, provides oversight and guidance on product development, supports Shari'ah-related training, and ensures that the Bank's offerings comply with the highest standards of Islamic finance.

The integration of Shari'ah compliance with ESG objectives is a core component of SIB's sustainable finance strategy. The Bank's governance framework ensures that all financing activities are conducted in a manner that:

- Avoids harm to society and the environment.
- Promotes justice, equity, and social welfare.
- Upholds transparency and ethical conduct throughout execution.

Principles of Shari'ah and ESG Alignment

The principles of Islamic finance inherently promote ethical and responsible practices, aligning closely with ESG priorities. Key areas of alignment include:

- **Environmental Stewardship:** Islamic teachings emphasize the responsible and balanced use of natural resources and discourage activities that cause environmental harm.
- **Social Responsibility:** The concept of *Maslahah* (public interest) underpins Islamic finance, supporting initiatives that deliver societal benefit through equitable and responsible financial practices.
- **Governance and Accountability:** Shari'ah governance frameworks promote transparency, fairness, and accountability, reflecting the expectations of strong ESG governance standards.

Future Enhancements

SIB aims to further strengthen the integration of Shari'ah and ESG principles through:

- Developing internal tools to assess ESG risks and opportunities within a Shari'ah-compliant framework.
- Expanding staff training programmes to deepen understanding of ESG–Shari'ah alignment.
- Collaborating with international Islamic finance organizations to support the refinement and promotion of globally recognized standards.

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c. Customer Data Privacy and Cybersecurity

SIB maintains a robust, multi-layered approach to cybersecurity and data privacy through a comprehensive Information Security Management System (ISMS) and an established Data Management and Protection Framework. These are supported by detailed policies, procedures, and strong governance oversight to ensure the effective safeguarding of information assets.

This framework is reinforced by an advanced security architecture incorporating leading controls, including Advanced Persistent Threat (APT) protection, web application firewalls, secure email and web gateways, data leakage prevention, two-factor authentication, Privileged Access Management, and Identity and Access Management systems.

SIB performs ongoing information security risk assessments, supported by regular penetration testing and rigorous vulnerability and patch management processes to address emerging threats in a timely manner. In addition, 24/7 security monitoring and brand protection services provide real-time threat detection and rapid response capabilities.

Data privacy requirements are embedded across the Bank's operations through comprehensive measures, including third-party risk management, personally identifiable information (PII) registers, personal data breach and incident management procedures, consent management, Privacy Impact Assessments (PIAs), Data Protection Impact Assessments (DPIAs), and Data Processing Agreements. Collectively, these practices ensure the protection of customer information and privacy across all levels of the organization.

d. Materiality Assessment

SIB has conducted a materiality assessment on the identified ESG risks in order to assess the qualitative and quantitative materiality of ESG risks on SIB environment considering both Physical and Transition risks. Internal and External Stakeholder responses were collected and assessed against three (3) main factors Environmental, Social and Governance. Sustainability initiatives were then prioritized in line with the below materiality matrix.

The Materiality Matrix: From Insight to Action

Our materiality matrix is the strategic compass for our ESG journey. By mapping the issues that matter most to our stakeholders against their impact on our business success, we transform a broad list of concerns into a focused roadmap for value creation.

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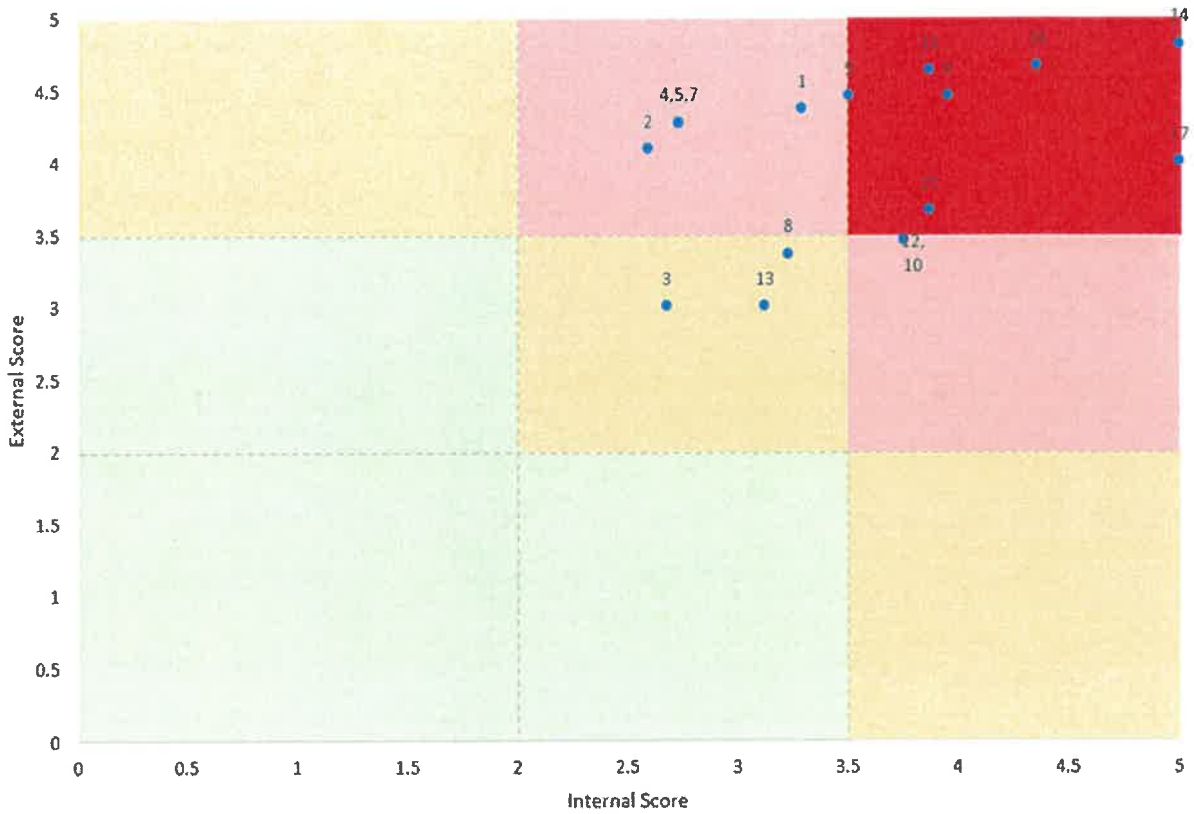
Materiality Matrix:



An initiative that received high responses from both internal and external stakeholders.

An initiative that received at least one high response from internal and external stakeholders.

An initiative that received at least one moderate response from internal and external stakeholders.

An initiative that received at least one low response from internal and external stakeholders.

Following is the categorization of materiality assessment topics with respect to the priority.

Very High:

ESG Risk Factors	Factor Reference
Technological advancement for sustainable banking practices	6
Insurance coverage and premium related to environmental risks	9
Diversity and inclusion	11
Customer protection, data security	14
Board structure, diversity, effectiveness and independence	15
Reporting and transparency	16
Business ethics	17

High:

ESG Risk Factors	Factor Reference
Extreme weather events and natural disasters	1
Depletion on non-renewable resources	2
Shifts in consumer demand and market sentiment	4
Increase prudential actions from regulators.	5
Reputational and brand damage from environmental controversies	7
Human capital development	10
Community engagement and development	12

Moderate:

ESG Risk Factors	Factor Reference
Operational footprint (carbon, energy, waste management, recycling)	3
Disclosure and reporting requirements for the bank's environmental impact	8
Supply chain and ethical sourcing	13

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GOVERNANCE, ETHICS AND COMPLIANCE

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3. GOVERNANCE ETHICS AND COMPLIANCE

3.1 Our Corporate Values

SIB undertakes deposit-taking, financing, and investment activities in accordance with its Articles of Association, Islamic Shari'ah principles, and the regulatory requirements of the Central Bank of the UAE.

As a licensed bank in the United Arab Emirates, SIB operates under UAE federal laws and regulations, as well as the resolutions, instructions, and guidelines issued by the Central Bank of the UAE. The Bank is also subject to the applicable requirements of the Securities and Commodities Authority and the Commercial Law governing financial institutions in the UAE. In line with its approved governance framework, SIB is committed to publishing an annual Corporate Governance Report.

3.1.1 Corporate Values:

	**Bonding and Harmony** • Treat everyone with dignity and respect • Foster a supportive culture • Promote collaboration

	**Compliance** • Ensure full compliance with Shari'ah standards • Follow all laws, regulations, processes and standards • Adhere to the Bank's Code of Conduct

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Learning and Self-Development

- Continuously strengthen personal and professional capabilities
- Share knowledge and best practices
- Represent the Bank's values with integrity and pride

Social Responsibility

- Actively contribute to the local community
- Support and develop young UAE Nationals
- Prioritize environmental protection

Creativity and Innovation

- Identify new ways to drive growth and improve performance
- Pursue continuous enhancement of products, services, and processes
- Benchmark to deliver better outcomes.

3.2 Overview of Corporate Governance

3.2.1 Corporate Governance Initiatives during 2025

In accordance with the governance regulations and requirements issued by the Central Bank of the United Arab Emirates (CBUAE), the Securities and Commodities Authority (SCA), and the UAE

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Federal Commercial Companies Law, SIB has implemented a range of initiatives over recent years to further strengthen its governance framework and internal control environment:

- **Enhancing the Corporate Governance Framework** by strengthening the authorities and responsibilities of the Board of Directors, Board Committees, Senior Management, and Management Committees through formally approved charters that are regularly reviewed and updated.

- **Establishing robust transparency and disclosure practices** in line with regulatory requirements, enabling stakeholders to make informed assessments of the Bank's financial performance and financial position.

- **Strengthening the Shari'ah Governance Framework** and maintaining an independent Internal Shari'ah Supervisory Committee (ISSC) in accordance with regulatory requirements to ensure compliance with Islamic Shari'ah principles. The roles and responsibilities of the ISSC are defined in its charter, approved by the Chairmen of the Board and the ISSC.

- **Reinforcing conduct compliance and consumer protection frameworks** in line with CBUAE regulations, ensuring fair treatment of customers and placing their interests at the centre of the Bank's products, services, and operations.

- **Enhancing and maintaining an independent and effective Three Lines of Defense model**, with clearly defined roles and responsibilities across business units, Risk Management, Compliance, and Group Internal Audit.

- **Promoting continuous professional development** through structured development programmes for Board members and Senior Management.

- **Establishing additional Senior Management Committees** to further strengthen SIB's governance, risk management, and compliance oversight.

Board Seats

78% 22%

Committee Chair

80% 20%

Board Independence

44%

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3.3 Ethics and Compliance

SIB conducts all its activities in full alignment with the guidelines and regulatory requirements issued by the Central Bank of the UAE (CBUAE). In accordance with the Bank's approved governance framework, SIB is committed to publishing its Annual Corporate Governance Report.

Shari'ah Compliance

Shari'ah compliance remains a cornerstone of SIB. Through a well-established governance structure and robust internal control environment, SIB reaffirms its commitment to ensuring full adherence to Shari'ah principles across its objectives, activities, operations, and Code of Conduct. The Internal Shari'ah Supervision Committee (ISSC), an independent body comprised of qualified experts in Islamic jurisprudence, operates under a formal charter to provide Shari'ah opinions and fatwas in accordance with Shari'ah principles. The ISSC also oversees the Bank's activities and operations to ensure compliance with Shari'ah standards and the applicable Shari'ah Governance Framework, and to confirm that the Bank's management consistently upholds Shari'ah provisions and principles across all banking operations and transactions. This oversight ultimately supports the Bank's full compliance with the resolutions and standards issued by the Higher Shari'ah Authority (HSA).

Code of Conduct

SIB's comprehensive Code of Conduct establishes clear expectations and standards of professional behavior for all employees. The Bank is committed to fostering a culture of fairness, respect, and equal opportunity, ensuring consistent and ethical conduct across the organization.

AML and CTF

SIB's Anti-Money Laundering (AML), Countering the Financing of Terrorism (CTF), and Countering Proliferation Financing (CPF) Policy is designed to protect customers and uphold strong compliance standards in combating financial crime. The Bank's AML and CTF programme is overseen by the Money Laundering Reporting Officer (MLRO) within the Group Compliance function.

SIB's AML/CTF framework incorporates comprehensive standards covering:

- Governance, roles, and responsibilities;
- Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), and Know Your Customer (KYC) processes;
- Confidentiality and data protection;
- Data identification and management;
- Data retention; and
- Transaction monitoring and Suspicious Transaction Reporting (STR).

Through adherence to these standards, SIB seeks to preserve the integrity of its operations and mitigate risks associated with financial misconduct.

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3.4 Our Corporate Governance

3.4.1 Ownership and Transactions of Board of Directors, their Spouses and their Children in the Bank Securities During 2025

The following table shows ownership and transactions of the members of the Board of Directors and their family members (spouse and children) in the Bank's shares during 2025:

Sr.	Name	Position/ Relationship	Owned Shares as on 31st Dec 2025	Total Sale	Total Purchase
1.	H.E. Abdulrahman Mohamed Nassir Salem Al Owais	Chairman of the BOD	15,046,252	0	1,050,000
2.	H.E. Jasim Mohamed Abdalla Ahmed Al Khayyal	Board Member	2,543,202	0	0
3.	H.E. Dr. Salah Butti Obaid Binbutti Al Mheiri	Board Member	1,230,000	0	0
4.	Ms. Hind Othman Mohamed Sharif Abdalla Zaman AlFahim	Daughter of Vice Chairman	1,212,750	0	0
5.	Mr. Mohamed Othman Mohamed Sharif Abdalla Zaman AlFahim	Son of Vice Chairman	1,212,750	0	0
6.	Mr. Abdalla Othman Mohamed Sharif Abdalla Zaman AlFahim	Son of Vice Chairman	1,239,647	0	1,090
7.	Mr. Sultan Othman Mohamed Sharif Abdalla Zaman AlFahim	Son of Vice Chairman	1,212,750	0	0
8.	Ms. Mira Othman Mohamed Sharif Abdalla Zaman AlFahim	Daughter of Vice Chairman	1,212,750	0	0

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3.4.2 Formation of the Board of Directors of SIB

The Board of Directors of SIB is committed to upholding the highest standards of corporate governance, guided by the Bank's core governance principles. The Board provides effective oversight of the Bank's affairs through the implementation of sound governance practices, policies, and procedures designed to ensure transparency, accountability, and responsible management. In doing so, the Board seeks to maintain an appropriate balance between the interests of shareholders, investors, customers, and employees, while also supporting the Bank's broader social responsibility commitments.

a. Statement of the current Board formation (along with the names of both the resigned and appointed Board members) according to the following table:

#	Name	Category	Qualifications	Board member Since	Membership & positions at any other Joint- Stock Companies	Positions in any other important Regulatory, Government or Commercial Positions.
1	**H.E. Abdulrahman Mohamed Nassir Salem Al Owais**	Non-Executive	Bachelor's Degree in Accounting and Information Systems	1995	- Board Member of Sharjah Cement and Industrial Development Co.	• Minister of State for Federal National Council Affairs • Former Minister of Health and Prevention • Former Minister of Culture, Youth and Community Development • Founder, Abdulrahman Al Owais Cultural Foundation • Chairman of the Board, Sheikh Zayed Grand Mosque • Chairman of the Board, Hamdan bin Mohammed bin Rashid Al Maktoum International Photography Award • Vice President, Sharjah Manuscript House

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#	Name	Category	Qualifications	Board member Since	Membership & positions at any other Joint- Stock Companies	Positions in any other important Regulatory, Government or Commercial Positions.
2	**H.E. Othman Mohamed Sharif AlFahim**	Non-Executive	University Graduate	1995	Chairman of the Board, Sharjah Cement and Industrial Development Co.	-
3	**H.E. Ali Salim Ali Salim Al Mazroua**	Non-Executive	Bachelor of Arts - Majoring in Sociology	1995		• Chairman of the Board, Emirates Stone Co. Ltd. • Chairman of the Board, Al Mazroua Trading and Industrial Co. • Chairman of the Board, Al Bayan Real Estate
4	**H.E. Dr. Salah Butti Obaid Binbutti Al Mheiri**	Non-Executive	Bachelor's Degree in Architecture Urban Planning Certificate PhD in Urban Planning	2019	-	• Chairperson, Sharjah Authority for Initiatives Implementation • Advisor, Sharjah Department of Planning and Survey • Board Member, Etihad Rail Company • Member of the Board, Sharjah Maritime Academy • Former Chairman of the Board, American University of Sharjah • Former Board Member, Sharjah Electricity, Water and Gas Authority • Former Member, Department of Islamic Affairs • Former Chairman of the Board, Sharjah Holding Company • Former Member, UAE Engineering Association

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#	Name	Category	Qualifications	Board member Since	Membership & positions at any other Joint- Stock Companies	Positions in any other important Regulatory, Government or Commercial Positions.
5	**H.E. Jasim Mohamed Abdalla Ahmed Al Khayyal**	Non-Executive	Bachelor of Political Science	2021		• Commander in Chief of the Emiri Guard in Sharjah • Chairman of the Board, Amiri Guard Club in Sharjah • Board Member, Sharjah Charity House
6	**H.E. Dr. Abdullah Mohammed Obaid Belhaif Al Nuaimi**	Independent	PhD in Engineering	2022	-	• Chairman, Advisory Council in Sharjah • Professor, Sustainable Development at American University of Sharjah • Former Minister of Infrastructure and Climate Change • Former Head, Sheikh Zayed Housing Programme • Former Chairman, Public Transport Authority
7	**H.E. Dr. Khawla Abdelrahman Hassan Al Mulla AlSaabri**	Independent	PhD in Sociology	2022	-	• Former Chairperson, Family Affairs Authority and Secretary General of the Supreme Council for Family Affairs in Sharjah • Former Member of the Executive Council, Emirate of Sharjah • Member of the Board of Trustees, University of Sharjah. • Member of the Board of Trustees, Al Qasimia University • Chairperson of the Recruitment Committee, Al Qasimia University • Member of the Board of Trustees, Sharjah Education Academy

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#	Name	Category	Qualifications	Board member Since	Membership & positions at any other Joint- Stock Companies	Positions in any other important Regulatory, Government or Commercial Positions.
8	**H.E. Dr. Eisa Saif Ahmed Handhal Altamimi**	Independent	PHD in Public Law 2024 Master's Degree in Public Law 2020 Diploma in Commercial Arbitration 2018 Bachelor's Degree in Law 2013	2025	-	• Chairman, Department of Islamic Affairs Sharjah • Vice Chairman, Legislative and Legal Affairs Committee, Emirate of Sharjah • Vice Chairman, Permanent Committee for Grievances against Expropriation of Property for Public Benefit in Sharjah • Member of Sharjah Executive Council • Member of Higher Committee for Digital Integration, Sharjah • Member of the Board of Trustees, Khorfakkan University • Member of the Organizational Structures Committee in Sharjah • Board Member, Sharjah Social Security Fund • Lecturer of Administrative Law, Sharjah Police Academy • Chairman of the Sharjah Emirate Committee, Federal National Council Elections
9	**H.E. Noura Mohamed Ibrahim Almayyahi Alnuaimi**	Independent	Bachelor's in Accounting 2007	2025	-	• Director, Payroll Department, Human Resources Directorate, Sharjah • Rapporteur of the Supplementary Grants Committee for Retirees in the Emirate of Sharjah • Member, Technical Committee (Established by the Senior Committee for Human Resources) • Member, Minimum Pension Allowance Study Project for Retired Employees of Sharjah Police Headquarters

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Board Independence

SIB is committed to complying with the Securities and Commodity Authority (SCA) UAE and the Central Bank of the UAE (CBUAE) guidelines relating to Board independence. As of the reporting period, independent directors occupy 44% of the Bank's Board seats, reflecting SIB's continued focus on maintaining effective and independent governance oversight.

b. Statement of the percentage of female representation in the board of SIB during the year 2025:

SIB is committed to fostering a gender-balanced environment through an equal opportunity approach. The Bank provides both men and women with equal rights to stand for election to the Board of Directors through the General Assembly, with appointments determined through shareholder voting in accordance with applicable governance requirements.

Board Gender Diversity

By Percentage	Men	Women
Board Members	78%	22%
Committee Chairs	80%	20%

c. Statement on Directors' remuneration

- **Total remunerations paid to the Board members for 2024**

During the SIB General Assembly meeting held on 23rd February 2025, shareholders approved the remuneration of the Bank's Board of Directors amounting to AED 15 million for the financial year ended 31st December 2024. This remuneration was approved in accordance with Federal Decree Law on Commercial Companies and the SCA Board Chairman's Decision concerning the adoption of the Corporate Governance Guide for Public Joint Stock Companies.

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- **Total remunerations of the Board members, which are proposed for 2025, and will be presented in the annual general assembly meeting for approval.**

At the next General Assembly meeting of SIB, a proposal will be submitted to approve the distribution of AED 19 million as remuneration to the Bank's Board of Directors for the financial year ended 31st December 2025. This proposal is presented in accordance with Federal Decree on Commercial Companies and the SCA Board Chairman's Decision concerning the adoption of the Corporate Governance Guide for Public Joint Stock Companies. The approval of the proposed remuneration remains subject to the decision of the General Assembly.

- **Details of the allowances for attending sessions of the committees emanating from the Board, which were received by the Board members for 2025:**

Sr.	Name	Allowances for Attending Sessions of the Committees Emanating from The Board		
		Committee Name	Number of meetings	Allowance Value (AED)
1	H.E. Othman Mohamed Sharif AlFahim	Executive Committee	12	500,000
		Group Audit Committee	7	150,000
		Board Nomination, Compensation & Governance Committee	4	150,000
2	H.E. Ali Salim Ali Salim Al Mazroua	Executive Committee	11	500,000
		Board Nomination, Compensation & Governance Committee	4	150,000
3	H.E. Jasim Mohamed Abdalla Ahmed Al Khayyal	Executive Committee	9	500,000
		Board Nomination, Compensation & Governance Committee	4	150,000

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Sr.	Name	Allowances for Attending Sessions of the Committees Emanating from The Board		
		Committee Name	Number of meetings	Allowance Value (AED)
4	H.E. Dr. Khawla Abdelrahman Hassan Al Mulla AlSaabri	Group Audit Committee	9	150,000
		Board Risk Committee	4	150,000
5	H.E. Dr. Abdullah Mohammed Obaid Belhaif Al Nuaimi	Board Risk Committee	4	150,000
6	H.E. Dr. Eisa Saif Ahmed Handhal Altamimi	Group Audit Committee	8	150,000
7	H.E. Noura Mohamed Ibrahim Almayyahi Alnuaimi	Board Risk Committee	4	150,000

- **Details of the additional allowances, salaries or fees received by Board members other than the allowances for attending the committees and their reasons.**

#	Board Member Name	Compensation	Details
1	H.E. Dr. Salah Butti Obaid Binbutti Al Mheiri	AED 500,000	Board Member Renumeration for SIB Subsidiary (ASAS)
2	H.E. Jasim Mohamed Abdalla Ahmed Al Khayyal	AED 200,000	Board Member Renumeration for SIB Subsidiary (SIS)

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d. Number of the Board meetings held during 2025 fiscal year along with their convention dates, personal attendance times of all members, and members attending by proxy.

During the year 2025, SIB Board of Directors held six board meetings. The following tables shows names of members of the Board of Directors, meeting's dates and attendees:

Name	Position	Dates of the Meetings during the year 2025					
		First Meeting 19th Jan	Second Meeting 20th March	Third Meeting 17th Apr	Fourth Meeting 4th Sep	Fifth Meeting 11th Dec	Sixth Meeting 25th Dec
H.E. Abdulrahman Mohamed Nassir Salem Al Owais	Chairman	✔	✔	✔	✔	✔	✔
H.E. Othman Mohamed Sharif AlFahim	Vice Chairman	✔	✔	✔	✔	✔	-
H.E. Ali Salim Ali Salim Al Mazroua	Board Member	✔	✔	✔	✔	✔	-
H.E. Dr. Salah Butti Obaid Binbutti Al Mheiri	Board Member	-	✔	✔	✔	-	✔
H.E. Jasim Mohamed Abdalla Ahmed Al Khayyal	Board Member	✔	✔	✔	✔	-	✔
H.E. Dr. Abdullah Mohammed Obaid Belhaif Al Nuaimi	Board Member	✔	✔	✔	✔	✔	-
H.E. Dr. Khawla Abdelrahman Hassan Al Mulla AlSaabri	Board Member	✔	✔	✔	✔	✔	✔
H.E. Dr. Eisa Saif Ahmed Handhal Altamimi	Board Member	-	✔	✔	✔	✔	✔
H.E. Noura Mohamed Ibrahim Almayyahi Alnuaimi	Board Member	-	✔	✔	✔	✔	✔

Notes: Joined the Board of Directors on 20th March 2025 : H.E. Dr. Eisa Saif Ahmed Handhal Altamimi & H.E. Noura Mohamed Ibrahim Almayyahi Alnuaimi. (-) Apologies.

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e. **Number of the Board resolutions passed by circulation during the 2025 fiscal year, along with its meeting convention dates.**

The following table shows the resolution passed by the Board of Directors of SIB by circulation during the year 2025:

Sr.	Date	Description
1	28th May 2025	Nomination of Engineer Ahmed Al-Amiri to its Board of Directors following the acceptance of his resignation from the position of General Manager of ASAS Real Estate Company

f. **Statement of Board duties and powers exercised by Board members or the executive management members during 2025 based on the authorization from the Board, specifying the duration and validity of the authorization:**

There is no authorization granted by the Board to a member of the Board or to the Executive Management during the year 2025 to carry out the tasks and functions of the Board of Directors.

g. **Rapporteur of the Board meetings and the date of his appointment.**

- **Name**: Mohamed Ibrahim Mohamed Abdulla Al Hammadi
- **Date of appointment**: 2007
- **Qualifications & Experience**: Bachelor of Law
- **Statement of Duties**: The Board Secretary supports the Chairman in the effective planning and coordination of Board meetings and ensures that the Board and its committees operate in compliance with applicable laws, regulations, internal policies, procedures, and recognized standards. In addition, the Board Secretary provides advisory support and administrative services to all directors and Board committees to facilitate effective governance and decision-making.

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h. Statement of the details of transactions made with related parties during 2025:

SIB adheres to its Related Party Transactions Policy, which is designed to ensure transparency, objectivity, and robust disclosure standards. The policy defines related parties in line with applicable regulatory and governance requirements, and all transactions with related parties are conducted on an arm's length basis. The terms and conditions applied are generally consistent with those offered to non-related parties, ensuring fairness, equal treatment, and appropriate governance oversight.

The table below presents the significant balances with related parties as at 31st December 2025, as disclosed in the consolidated financial statements for the year ended 31st December 2025.

Statement of Financial Position As of 31st December 2025 (AED'000)				
	Key Management Personnel and Members of BOD	**Major Shareholders**	**Other Related Parties**	**Total**
Investments in Islamic Financing	329,365	3,221,243	7,167,812	**10,718,420**
Investment Securities measured at fair value	-	671,287	-	**671,287**
Investments Securities measured at amortized cost.	-	780,329	-	**780,329**
Customers' Deposits	(152,185)	(2,798,180)	(6,074,011)	**(9,024,376)**
Contingent Liabilities	59	500,100	424,648	**924,807**

Statement of Profit or Loss for the year ended 31st December 2025 (AED'000)				
	Key Management Personnel and Members of BOD	Major Shareholders	Other Related Parties	Total
Income from Investment in Islamic Financing and Sukuks	17,509	220,145	403,449	**641,103**
Depositors' Share of Profit	(4,368)	(95,576)	(108,638)	**(208,582)**
Fee and Commission Income	-	-	1,763	**1,763**

i. Assessment of the Board of Directors:

The Bank has established a Board Effectiveness Review Policy to evaluate the performance of the Board of Directors, its members, and its Committees. This assessment is designed not only to review overall effectiveness, but also to identify any gaps in skills, experience, and expertise that should be addressed to further enhance Board performance. In line with regulatory requirements, SIB engages independent external consultants to conduct Board, Committee, and individual member assessments, complemented by an annual internal evaluation.

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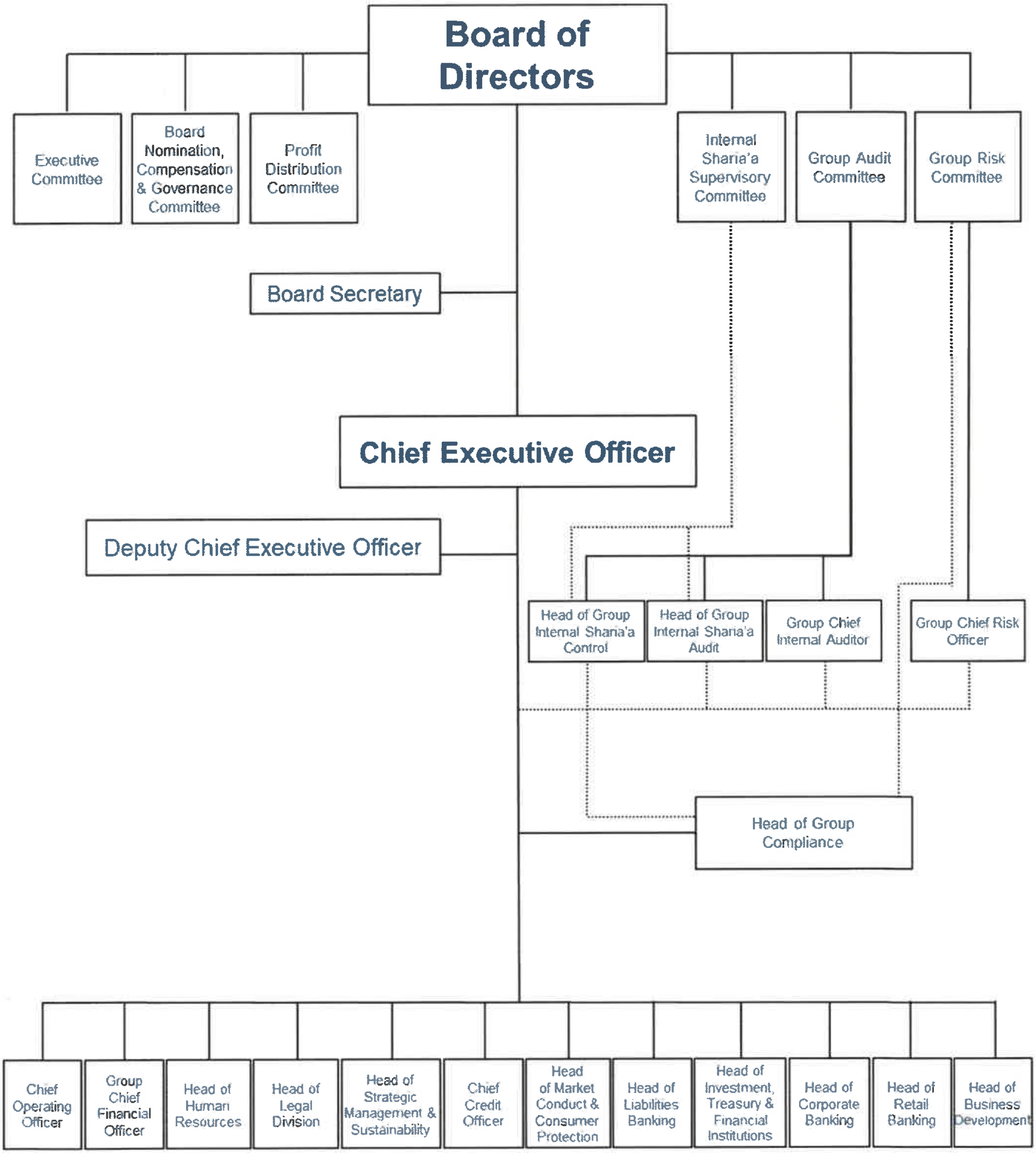
j. **Organizational Structure for the year 2025**



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k. **A detailed statement of the senior executives in the first and second grade according to the Bank's organizational structure, their jobs and dates of their appointment, along with a statement of the total salaries and bonuses paid to them:**

The following schedule shows the joining and the appointment dates along with the total remunerations of the senior executives for the year 2025.

Designation	Date of Joining the Organization	Date of Appointment in the Current Role	Total Salaries and Allowances for 2025	Total Bonus Paid for 2025	Any Other Cash / in-Kind Bonus for 2025
Chief Executive Officer	01-Mar-1984	31-Oct-2006	38,764,922	28,411,640	0
Deputy Chief Executive Officer	17-Oct-1998	01-Mar-2011			
Chief Operating Officer	10-Jan-2023	10-Jan-2023			
Group Chief Risk Officer	30-Oct-1999	30-Oct-1999			
Group Chief Internal Auditor	20-Oct-2001	21-Apr-2015			
Group Chief Financial Officer	03-Jun-2024	03-Jun-2024			
Head of Corporate Banking	05-Apr-2004	01-Apr-2010			
Head of Investment, Treasury & Financial Institutions	01-Jun-2002	01-Mar-2007			
Head of Retail Banking	10-Jun-2015	10-Jun-2015			
Head of Liabilities Banking	10-May-2009	06-Dec-2023			
Head of Human Resources	03-Apr-2005	01-Jun-2023			
Head of Group Internal Sharia'a Control	25-Sep-2014	06-May-2021			
Head of Group Internal Sharia'a Audit	10-Jun-2024	10-Jun-2024			
Executive Advisor	04-May-2008	06-Dec-2023			
Chief Credit Officer	03-Feb-2025	03-Feb-2025			
Head of Group Compliance	03-Mar-2025	03-Mar-2025			
Head of Strategic Management & Sustainability	03-Sept-2006	09-Jun-2015			
Head of Business Development	20-Feb-2024	20-Feb-2024			

3.4.3 External Auditor

a. Overview of the External Auditor

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services to a wide variety of public and private sector organizations. Established in 1973, the company enjoys a long history (over 50 years) of providing services in the region and known for their compliance with requirements set by the various regulatory bodies across the UAE. KPMG employs 1,940+ people, including 210+ Partners and Directors across UAE and Oman.

b. Statement of fees and costs for the audit or services provided by the external auditor:

Name of the Audit Firm	KPMG
Name of the Partner Auditor	Paritosh Gambhir
Number of years he served as the company external auditor	2 Years
The number of years that the partner auditor spent auditing the Bank's accounts	2 Years
Total audit fees for 2025 in (AED)	AED 1,287,825/- + VAT
Fees and costs of other private services other than auditing the financial statements for the year 2025	AED 1,769,527/- + VAT
Details and nature of the other private services provided by the external auditor	Sukuk Issuance Related Fees
Statement of other services that an external auditor other than the company accounts auditor provided during 2025	
• Corporate Tax Implementation – Phase 3 • VAT Health Check • Financial Crime Risk Assessment (FCRA) • CBUAE Mandated Compliance Assessment	Auditor name: Ernst & Young
• Regulatory Stress Testing • ICoFR Gap Assessment / Implementation • Skilled Person review of Consumer Protection • Skilled Person review of AML / CFT • Development of ESG Strategy / Policy • ICAAP Governance and Methodology review • GAP assessment for Operational Resilience	Auditor name: Deloitte
• External Audit for Escrow Accounts	Auditor name: PKF UAE

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c. **Statement clarifying the reservations that the company auditor included in the interim and annual financial statements for the year 2025:**

There are no qualified opinions or material notes made by the external auditor in the interim and annual consolidated Financial Statements for the year ended 31st December 2025.

3.4.4 Group Audit Committee

a. **Declaration from the Chair of the Group Audit Committee:**

During the year 2025, the Group Audit Committee fulfilled its following responsibilities, as outlined in its Charter approved by the Board of Directors:

- Promoting the quality and integrity of financial statements and financial reporting;
- Overseeing the effectiveness of internal controls, risk management, and governance systems;
- Monitoring the adequacy of Shari'ah governance systems and policies (approved by the Internal Shari'ah Supervision Committee (ISSC)) to confirm the Bank's adherence to Islamic Shari'ah principles;
- Compliance with applicable laws and regulations;
- Internal Shari'ah Control;
- Effectiveness and independence of the Group Internal Audit function;
- Assessing the qualifications, independence, and performance of the Bank's Internal Shari'ah Audit;
- The external audit;
- Monitoring adherence to the SIB Employee Code of Conduct and Group policies;
- Related Party Transaction & Conflict of Interest.

b. **The following schedule shows the names of the members of the Group Audit Committee, the date of the meetings and attendance:**

Group Audit Committee meetings are held on a quarterly basis at least 4 times a year, at the end of each quarter or upon the issuance of annual financial statements. Additional meetings may be held whenever needed. During the year 2025, the Audit Committee held 9 meetings.

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Attendance / Meetings	H.E. Dr. Khawla Abdelrahman Hassan Al Mulla AlSaabri (Chairman of the Audit Committee)	H.E Othman Mohamed Sharif AlFahim (Member)	Dr. Eisa Saif Ahmed Handhal Altamimi* (Member)
First meeting 19th January 2025	✔	✔	-
Second Meeting 26th March 2025	✔	✔	✔
Third Meeting 16th April 2025	✔	✔	✔
Fourth Meeting 4th June 2025	✔	✔	✔
Fifth meeting 15th July 2025	✔	-	✔
Sixth meeting 26th September 2025	✔	✔	✔
Seventh meeting 7th October 2025	✔	✔	✔
Eighth Meeting 4th November, 2025	✔	✔	✔
Ninth Meeting 25th December, 2025	✔	-	✔

Notes: Joined the Board of Directors on 20th March 2025: H.E. Dr. Eisa Saif Ahmed Handhal Altamimi i.
(-) Apologies.

C. The Group Audit Committee's Annual Report for 2025:

- Review of Financial Statements: The Committee reviewed the quarterly and annual financial statements and, following detailed deliberations on their quality and integrity, recommended them to the Board for approval.
- Assessment of the Independence and Effectiveness of the External Audit: The Committee assessed the independence and effectiveness of the external auditors through an annual performance evaluation and by obtaining formal declarations from the external audit firm.

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- Reappointment of External Auditors: After evaluating the performance, audit quality, and independence of the external auditors, the Committee recommended their reappointment for the year 2025, which was subsequently approved by the Board and the Annual General Meeting.
- Non-Audit Services by External Auditors: The Committee reviewed and approved management proposals to engage the external auditors for permitted non-audit services, in accordance with the Bank's External Auditor Independence Policy.
- Actions to Address Deficiencies in Internal Control and Risk Management: The Committee regularly reviews audit and examination reports issued by the internal audit function, internal shariah audit, external auditors, and regulatory authorities, and monitors the implementation of required corrective actions.
- Review of Internal Audit Reports: The Committee reviewed internal audit reports on a regular basis and monitored the progress of remedial actions undertaken to address any identified internal control or risk management deficiencies.
- Monitoring of Corrective Action Plans: The Committee monitors the implementation of corrective action plans to address significant deficiencies, if any, in risk management and internal control systems, based on reports from internal audit, internal shariah audit, external auditors, and regulatory authorities.
- Review of Related Party Transactions: The Committee reviewed audit reports, where applicable, relating to related party transactions and assessed compliance with applicable laws and regulatory requirements.

3.4.5 Board Nomination, Compensation and Governance Committee (BNCGC)

a. Declaration from the Chair of the Board Nomination, Compensation and Governance Committee:

During the year 2025, the Board Nomination, Compensation and Governance Committee fulfilled its following responsibilities, as outlined in its Charter approved by the Board of Directors:

- Overseeing the nomination of qualified, diverse, and high-caliber candidates for board membership for approval at the annual general meeting and assisting the Board in identifying potential Senior Management candidates based on their experience and suitability.

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- Assisting the Board in reviewing and establishing remuneration frameworks and policies, and overseeing their implementation.
- Supporting the internal annual review and independent evaluation of the Board of Directors' performance, its members, committees, and the Bank's compensation system by an external party.

b. **The following schedule shows the names of the members of the Board Nomination, Compensation and Governance Committee the date of the meetings and attendance:**

Attendance / Meetings	H.E. Othman Mohamed Sharif AlFahim (Chairman)	H.E. Ali Salim Ali Salim Al Mazroua (Member)	H.E. Jasim Mohamed Abdalla Ahmed Al Khayyal (Member)
First Meeting 6th February 2025	✔	✔	✔
Second Meeting 30th April 2025	✔	✔	✔
Third Meeting 17th June 2025	✔	✔	✔
Fourth Meeting 2nd October 2025	✔	✔	✔

3.4.6 Profit Distribution Committee (PDC)

The primary purpose of the Profit Distribution Committee (PDC) is to support the Board of Directors in overseeing the Bank's profit distribution mechanism and managing Displaced Commercial Risk (DCR). This is achieved through the establishment of a Profit Equalization Reserve (PER), whereby amounts are set aside from profits prior to allocation between Investment Account Holders (IAHs) and the Bank. The PDC provides robust oversight and monitoring to ensure that profit equalization practices, including the utilization of reserves, are appropriately governed and reviewed.

The PDC also regularly reviews the Bank's investment policies and the performance of the asset portfolio in which Islamic account holders' funds are invested. In addition, the Committee oversees the implementation of the relevant governance policy framework, with the primary objective of safeguarding stakeholders' interests, in alignment with the resolutions and guidance issued by the Higher Shari'ah Authority (HSA) and the Internal Shari'ah Supervision Committee (ISSC).

- The following schedule shows the names of the members of the Profit Distribution Committee the date of the meetings and attendance:

Attendance / Meetings	H.E. Ali Salim Ali Salim Al Mazroua (Chairman)	H.E. Dr. Khawla Abdelrahman Hassan Al Mulla AlSaabri (Member)	Dr. Ibrahim Ali Al Mansoori (Member - ISSC)
First Meeting 17th April 2025	✔	✔	✔
Second Meeting 15th July 2025	✔	✔	✔
Third Meeting 7th October 2025	✔	✔	✔

3.4.7 Board Risk Committee

a. Declaration from the Chair of the Board Risk Committee:

During the year 2025, the Board Risk Committee fulfilled its following responsibilities, as outlined in its Charter approved by the Board of Directors:

- Review /provide input for the risk appetite/tolerance limit of the bank, for all relevant risk categories and risk concentrations. Advise the Board of Directors on risk appetite and tolerance.
- Ensure that risk exposures are aligned with the bank's strategy and business plan and is consistent with the approved RAS and individual risk limits.
- Advise the Board of Directors on high-risk issues and risk governance, including exposure to current and future risks and risk strategy.
- Monitor the implementation of control and risk management, including high and emerging risks.
- Overseeing issues related to the Bank's information security environment and cyber security framework.
- Maintain effective Board governance and oversight of the management of conduct and compliance risks.
- Set the right compliance culture, ensuring adherence to applicable laws & regulations and setting high standards of conduct and ethics.

- Review the stress-testing program and ensure material risks are identified.
- Review and approve the risk governance system, including but not limited to risks related to credit, operational, market, liquidity, legal, strategy, conduct, climate, sustainability, and reputation.
- Review and approve the internal capital adequacy assessment processes and the internal risk rating system.

b. The following schedule shows the names of the members of the Board Risk Committee, the date of the meetings and attendance:

Attendance / Meetings	H.E. Dr. Abdullah Mohammed Obaid Belhaif Al Nuaimi (Chairman of the Board Risk Committee)	H.E. Dr. Khawla Abdelrahman Hassan Al Mulla AlSaabri (Member)	H.E. Noura Mohamed Ibrahim Almayyahi Alnuaimi* (Member)
First Meeting 26th March 2025	✔	✔	✔
Second Meeting 4th June 2025	✔	✔	✔
Third Meeting 26th September 2025	✔	✔	✔
Fourth Meeting 4th November 2025	✔	✔	✔

3.4.8 Executive Committee of the Board of Directors

a. Declaration from the Chair of the Executive Committee:

During the year 2025, the Executive Committee fulfilled its following responsibilities, as outlined its Charter approved by the Board of Directors:

- Within the financing authority delegated by the Board, the Committee has the power to approve credit and investment facilities.
- Appoint and terminate contracts of independent legal and financial advisors and other advisors as needed.

- Approve the Bank strategy, work plans, objectives, annual budget, capital expenditures 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. The following schedule shows the names of the members of the Executive Committee the date of the meetings and attendance:

Attendance / Meetings	H.E. Othman Mohamed Sharif AlFahim (Chairman of the Committee)	H.E. Ali Salim Ali Salim Al Mazroua (Member)	H.E. Jasim Mohamed Abdalla Ahmed AlKhayyal (Member)
First Meeting 06th February 2025	✔	✔	✔
Second Meeting 20th February 2025	✔	✔	-
Third Meeting 17th April 2025	✔	✔	✔
Fourth Meeting 30th April 2025	✔	✔	✔
Fifth Meeting 08th May 2025	✔	✔	✔
Sixth Meeting 20th May 2025	✔	✔	-
Seventh Meeting 17th June 2025	✔	✔	-
Eighth Meeting 11th September 2025	✔	✔	✔
Ninth Meeting 02nd October 2025	✔	-	✔
Tenth Meeting 15th October 2025	✔	✔	✔
Eleventh Meeting 04th November 2025	✔	✔	✔
Twelfth Meeting 27th November 2025	✔	✔	✔

(-) Apologies

3.4.9 Internal Control System

a. Board Acknowledgement of Responsibility for SIB's Internal Control System

The Board of Directors is responsible for ensuring the effectiveness and efficiency of the Bank's internal control system. The Board reviews and evaluates the internal control framework on an annual basis through the Group Audit Committee. To support the Board in fulfilling its oversight responsibilities, the Senior Management and the Bank's assurance and control functions provide a range of quarterly and annual reports, including those issued by Group Internal Audit, Group Enterprise Risk Management, Group Compliance, Group Internal Shari'ah Control, and Group Internal Shari'ah Audit. In addition, the Bank has established an Internal Control Policy that sets out the key principles underpinning the internal control system across the Bank.

SIB maintains independent Internal Audit and Internal Shari'ah Audit functions, which provide objective and independent assurance and advisory services aimed at enhancing value and improving operations across the Bank and its subsidiaries. The mission of Group Internal Audit is to enhance and protect the Bank's value by delivering risk-based assurance, advice, and insight, supporting the achievement of strategic objectives through a systematic and disciplined approach to evaluating and strengthening the effectiveness of governance, risk management, and internal controls.

Group Internal Audit operates in accordance with the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Global Internal Audit Standards and applicable Topical Requirements.

b. The name, qualifications and date of appointment of the Head of Internal Audit Department

Mr. Khalaf Abdallah Khalaf Abdallah is serving as Group Chief Internal Auditor since 2015. He holds a Bachelor's Degree in Accounting from the United Arab Emirates University, in addition to a Certified Board Member certification from the Hawkamah Institute for Corporate Governance.

c. The name, qualifications and date of appointment of the Compliance Officer.

Mr. Mohammed Anisur Rahman Khan is serving as Head of Group Compliance since 2025. He holds a Master of Science in International Banking from Loughborough University, United Kingdom, and is a Certified Anti-Money Laundering Specialist (CAMS) accredited by the Association of Certified Anti-Money Laundering Specialists (ACAMS), USA.

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d. How the Group Internal Audit deals with any major problems in the Bank or those that were disclosed in the annual reports and accounts.

Group Internal Audit has policies and operating procedures in place which are compliant with the mandatory requirements of the Institute of Internal Auditors' International Professional Practices Framework as per the latest independent assessment of the Quality Assurance and Improvement Program. The Department also adheres to the rules and regulations issued by the Central Bank of the United Arab Emirates.

It should be noted that the Bank did not encounter any material problems, which could affect the financial position of the Bank as per the audited annual financial reports audited by the external auditors.

e. Number of Reports issued by the "Internal Control Department of the Board".

Pursuant to the Internal Audit Charter, the Group Internal Audit is committed to submit at least quarterly reports to the Board of Directors of the Bank or whenever the need arises. During 2025, four reports were issued at the end of each quarter to the Board of Directors.

3.4.10 Details of the violations committed during 2025, their causes, how to address them and avoid their recurrence in the future.

There were no violations during the year 2025.

3.4.11 Statement of the cash and in-kind contributions made by the bank during the year 2025 in developing the local community and environment protection.

In 2025, SIB continued to strengthen its community engagement through contributions totaling **AED 115.8 million,** supporting a range of community, educational, charitable, and sports initiatives. These contributions form an integral part of the Bank's corporate social responsibility strategy and reflect its ongoing commitment to creating positive societal impact.

3.4.12 General Information

a. Statement of SIB's share price in the financial market (closing price, the highest price and the lowest price) at the end of each month during the financial year 2025.

The following schedule shows the closing price, the highest price and the lowest price of SIB's shares in the financial market at the end of each month.

Month	Closing Price	Highest Price	Lowest Price
31st January 2025	2.64	2.65	2.63
28th February 2025	2.79	2.80	2.77
31st March 2025	2.44	2.46	2.42
30th April 2025	2.50	2.51	2.47
31st May 2025	2.65	2.66	2.64
30th June 2025	2.75	2.79	2.69
31st July 2025	3.02	3.04	2.95
31st August 2025	2.95	2.97	2.93
30th September 2025	2.82	2.83	2.80
31st October 2025	2.95	2.96	2.94
30th November 2025	2.90	2.92	2.90
31st December 2025	3.12	3.14	3.08

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b. **Statement of the Bank's comparative performance with the general market index and sector index to which the Bank belongs during 2025.**

During 2025, the ADX General Index increased by 6.09%, while the banking sector index on the same market recorded a gain of 9.37% over the same period. SIB's share price rose by 25.3% during the year, outperforming both the broader market and the banking sector.

The table below presents a comparative analysis of the Bank's share performance against the ADX General Index and the ADX banking sector index:

Description	Year-End 2024	Year-End 2025	Change Percentage (%)
ADX General Index	9,419.00	9,992.72	6.09%
ADX Banking Index	16,776.95	18,348.70	9.37%
SIB Share Price	2.49	3.12	25.3%

c. **Statement of the shareholders' ownership distribution as at 31st December 2025 (individuals, companies, governments) classified as follows: Local, Arab and Foreign.**

The following schedule shows the details of the shareholders' ownership distribution in the shares of SIB:

Shareholders classification	Percentage of owned shares			
	Individuals	Companies	Governments*	Total
Local	31.51%	10.64%	46.2%	88.35%
Arab	2.29%	1.95%	0	4.24%
Foreign	0.07%	7.34%	0	7.41%
Total	33.87%	19.93%	46.2%	100%

** This percentage includes Sharjah Asset Management LLC, a company wholly owned by the Central Finance Department of the Government of Sharjah.*

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d. Statement of shareholders who own 5% or more of the Bank's capital as at 31st December 2025.

The following schedule shows the details of the shareholders who own 5% or more of the Bank's capital as at 31st December 2025:

Sr.	Name	Number of owned shares	Percentage of owned shares of the company's capital
1	Sharjah Asset Management LLC (Wholly owned by Government of Sharjah)	920,785,950	28.46%
2	Sharjah Social Security Fund	521,509,288	16.12%

e. Statement of the method of distributing the shareholders according to the size of the ownership as at 31st December 2025.

The following table shows the details of the method of distribution of the shareholding in SIB according to the size of the ownership:

Sr.	Share(s) ownership	Number of Shareholders	Number of Owned Shares	Percentage of owned shares in the capital
1	Less than 50,000	3,093	30,923,899	0.96%
2	From 50,000 to less than 500,000	1,041	170,617,895	5.27%
3	From 500,000 to less than 5,000,000	380	572,770,627	17.70%
4	More than 5,000,000	79	2,461,365,217	76.07%

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f. **Statement of measures taken regarding the controls of Shareholders Relations.**

The following schedule shows the details related to Shareholders Relations at SIB:

Name of the Shareholders Relations Officer	- Ms. Zeina Bamieh - Ms. Hala Al Jabouri
Contact information with Shareholders Relations	- Email: IR@sib.ae - Tel. No.: 065998454 -065998457
The electronic link for the shareholders relations page on the Bank's website	- https://www.sib.ae/en/about-us/investor-relations

Key procedures adopted by the Bank with regard to Shareholders Relations controls:

- Appointment of an officer responsible for all tasks related to the Shareholders Relations Management.
- Introducing Shareholders Relations page on the Bank's website and launching an electronic Application dedicated for Shareholders Relations which are constantly updated to include the following:
    - Contact information and means of communication with Shareholders Relations Department, which include a dedicated email address and phone numbers.
    - Publication of all the reports on the financial results.
    - Publication of the Minutes of the General Assembly Meetings.
- Publication of information and data that are disclosed to regulatory authorities, markets or the public on the website. This includes Bank's news, events, developments and material information, annual and interim financial statements, and board reports for several previous years, governance reports, ownership structure and ownership percentages. As well as regularly updated general information on the official website about the Bank, its activities, business strategy and vision, and information on the price of the Bank's share in terms of closing price, opening price, highest and lowest price during the year, various share values and some financial indicators.

This also includes the ability to inquire about profits not received by shareholders, the mechanism for shareholders' receipt of their dividends, contact details of the Shareholders relations officer, and the mechanism for submitting opinions, suggestions, comments and inquiries.

- Formation of a committee consisting of employees from the executive management of the bank in the event that the Bank faces a crisis, to develop a plan for communication with Shareholders and the media regarding the practical steps taken by the Bank to confront the crisis and to designate an official spokesperson for the Bank, who will undertake the communication process, and to disclose the relevant information on the website of the financial market and the Bank's.

g. Statement of the special decisions presented in the General assembly held on 23rd February 2025 and the procedures taken in their regard.

Approve the Directors' proposals with respect to non-convertible securities to be issued by Sharjah Islamic Bank P.J.S.C., as detailed below:

The shareholders authorise Sharjah Islamic Bank P.J.S.C to undertake the following actions (the "Actions"):

a. undertake an update of the SIB Sukuk Company III Limited U.S.$3,000,000,000 trust certificate issuance programme (the "Sukuk Programme") and delegate the issuance of sukuk under the Programme to the Board of Directors;

b. issue shari'a-compliant instruments on a standalone basis for regulatory capital purposes up to an amount of U.S.$500,000,000 for the purpose of strengthening the Bank's capital adequacy ratio (the capital instruments shall include the terms and conditions required by the Central Bank of the UAE, including, as applicable, in relation to additional tier 1 capital instruments) provided that such issuance is "subordinated", profit payments under the terms and conditions of such issuance are capable of being cancelled under certain circumstances and the terms and conditions also contain a "point of non-viability provision"; with the terms of any issuance delegated to the Board of Directors ("Capital Funding"), provided that the issuance is in compliance with the provisions of the Commercial Companies Law and any regulations or guidelines issued by any governmental or regulatory authority pursuant to such law and after obtaining approvals which may be required from the relevant competent regulatory authorities. In addition, the Board of Directors will be delegated to establish one special purpose vehicle incorporated in a suitable jurisdiction anywhere in the world, with the specific purpose of acting as the issuer of an additional Tier 1 capital sukuk and prepare and enter into such finance agreements and related documents as may be necessary as the issuer of an additional Tier 1 capital sukuk and prepare and enter into such finance agreements and related documents as may be necessary.

h. Detailed statement of the material events and important disclosures that the Bank encountered during the year 2025.

During the year ended 31st December 2024, the Bank repurchased 167.7 million of its own shares, representing 5.18% of the Bank's total issued and paid-up share capital (the "treasury shares"). The share repurchase was carried out following the approvals of the Central Bank of the UAE on 16th September 2024 and the Bank's shareholders on 16th October 2024, in line with the UAE Federal Law.

During the year ended 31st December 2025, the Bank sold the treasury shares at a premium of AED 99.6 million, which has been recognised within shareholders' equity under share premium.

i. Statement of the transactions carried out by the Bank with Related Parties during the year 2025 that are equal to 5% or more of the Bank's capital.

The Bank's corporate governance framework is established in accordance with the regulations issued by the Central Bank of the UAE (CBUAE), the guidelines of the Securities and Commodities Authority (SCA), and recognized best practices in corporate governance, including those relating to the oversight and control of related party transactions. During 2025, the Bank generally complied with the applicable regulatory requirements, as well as its internal policies and procedures.

j. Statement of Emiratization percentage in the Company at the end of 2021, 2022, 2023, 2024, 2025.

Emiratization reflects SIB's national commitment and underpins the Bank's ambition to be an "Employer of Choice." The Bank's Emiratization strategy is built on three core pillars: attracting, engaging, and retaining UAE National talent.

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As part of its engagement approach, SIB delivers structured and intensive career development programmes designed to accelerate the growth, engagement, and retention of high-potential UAE Nationals. The Bank applies a diverse range of learning interventions to strengthen its national talent pipeline and build long-term capability across key functions.
SIB also actively participates in external events and career fairs in collaboration with strategic partners, including government entities, colleges, and universities, which serve as a key sourcing channel for newly graduated UAE Nationals.

To further support the engagement and development of young UAE Nationals, SIB has implemented a range of initiatives, including:

- Establishing a dedicated Emiratization team and delivering customized induction programmes for UAE Nationals.
- Implementing tailored career development programmes and individual development plans focused on accelerating growth and strengthening critical skills.
- Introducing flexible employment models aligned with job seeker needs, including part-time, hybrid, and remote working arrangements.
- Launching the Mehnati Programme, offering internship opportunities within SIB.

SIB has successfully designed and implemented career development programmes and remains fully committed to achieving its Emiratization targets in alignment with the UAE's national Emiratization agenda.

Year	Emiratization %
2021	26.64%
2022	29.04%
2023	30.07%
2024	35.54%
2025	38.57%

k. Statement of the innovative projects and initiatives that the company has undertaken or is currently developing during 2025.

SIB significantly advanced its digital transformation agenda, launching several innovative projects designed to enhance operational efficiency, promote financial inclusion, and ensure the highest standards of digital security.

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- **Digital Financing - Covered Cards (Existing to Bank Customers):** SIB customers can apply for covered cards through a seamless digital process available directly on our online platforms.

- **Dubai Economy & Tourism (DET) Integration:** Connecting directly to Dubai Economy and Tourism Department to extract customer information and documents in order to ensure data accuracy and customer convenience.

- **Instant Remittances to Egypt:** Enhanced cross-border payment efficiency and customer convenience.

- **Samsung Pay:** Enabling SIB Customers to make secure, contactless payments using compatible Samsung Galaxy smartphones and wearables.

- **Digital Signatures:** SIB accelerated the transition toward a paperless environment, significantly reducing the environmental footprint associated with physical documentation and transit.

- **FIT Trading Platform:** Launched a sophisticated trading platform to provide customers with seamless, real-time access to UAE Stock markets.

- **ATM Fleet Enhancements:** SIB modernized and expanded the ATM fleet across UAE to ensure seamless, 24/7 accessibility and enhanced self-service banking capabilities.

- **Chatbot Enhancements:** Deployed technology driven customer service enhancements and modernized physical touchpoints to improve service accessibility.

- **SIB YOU (Kids & Youth Banking)**: Pilot initiative in 2025 to champion financial literacy and inclusion among minors.

- **Global Connectivity:** Switched GBP transfers to Revolut Bank via Swift and integrated ADDC/AADC payment validation with real-time FOREX rates.

- **Enhanced Security:** Implemented Multi-Factor Authentication (MFA) for e-commerce and a robust Blocking & Lock Mechanism after consecutive failed biometric retries.

- **Capital Market Integration:** Launched IPO process for ADX and DFM, ensuring secure and efficient public offering participation.

- **NPSS Expansion:** Successfully deployed "Send Money, Request Money, and IBAN" features under the National Payment Systems Strategy (NPSS) to support the UAE's transition to a cashless economy.

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SIB is currently progressing a range of strategic initiatives to strengthen its digital infrastructure and accelerate the adoption of Artificial Intelligence (AI) capabilities. These initiatives are designed to enhance customer experience through more seamless, efficient, and personalized services, while further reinforcing cybersecurity and fraud prevention measures. This ongoing digital advancement supports the Bank's broader ESG strategy by promoting responsible innovation, strengthening operational resilience, and enabling sustainable and inclusive banking solutions.

SIGNOFF

Khalaf Abdallah Khalaf Abdallah
Group Chief Internal Auditor

H.E. Dr. Khawla Abdelrahman Hassan Al Mulla AlSaabri
Chairperson of Group Audit Committee

H.E. Othman Mohamed Sharif AlFahim
Chairman of Nomination, Compensation and Governance Committee

H.E. Abdulrahman Mohamed Nassir Salem Al Owais
Chairman of the Board of Directors

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APPENDICES

Appendix 1

The below disclosures are in line with the Abu Dhabi Securities Exchange (ADX) reporting guidelines and have been mapped with Global Reporting Initiative (GRI) and their corresponding Social Development Goals (SDG).

Environment			
Energy and Water Usage			
Metric	**2025**	**Corresponding GRI Standard**	**Corresponding SDG**
Total amount of Energy consumed*	12,453,662.73 kwh	GRI 103: Energy 2025	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Total amount of Water Consumed*	13,280.89 m^3	GRI 303: Water and Effluents 2018	6 CLEAN WATER AND SANITATION
Waste Recycling	37.68 Tons	GRI 306: Waste 2020	3 GOOD HEALTH AND WELL-BEING
Energy Intensity Per Employee	8,654.39 kwh Per Employee	GRI 103: Energy 2025	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Water Intensity Per Employee	9.23 Cubic Meter Per Employee	GRI 303: Water and Effluents 2018	6 CLEAN WATER AND SANITATION
(Greenhouse Gas) GHG Emissions*	Scope 1 Emissions = 51.08 Scope 2 Emissions = 5037.51 (Tons of CO2eq)	GRI 102: Climate Change 2025	13 CLIMATE ACTION

*Energy, Water & GHG Emissions Data 2 data for the month of December 2025 has been extrapolated as per the run rate for the remaining months of 2025, due to billing not available for multiple locations as of the preparation of this report.

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Social					
Gender Pay Ratio, Employee Turnover and Other Related General Disclosures					
Metric / Calculation	**2023**	**2024**	**2025**	**Corresponding GRI Standard**	**Corresponding SDG**
Median Male compensation to Female compensation	0.88:1	0.94:1	1.06:1	GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY
Annual turnover of full-time employees	8.23%	7.40%	8.95%	GRI 401: Employment 2016	5 GENDER EQUALITY
Annual turnover of part-time employees	---	5%	46.15%	GRI 401: Employment 2016	5 GENDER EQUALITY
Annual turnover of contractors/ consultants	28.50%	62.50%	15.38%	GRI 401: Employment 2016	5 GENDER EQUALITY
Percentage of total enterprise headcount held by men and women	68.95% Men	67.29% Men	64.02% Men	GRI 2-7: Employees 2021	5 GENDER EQUALITY
	31.05% Women	32.71% Women	35.98% Women	GRI 2-7: Employees 2021	
Percentage entry and mid-level positions held by men and women	67.58% Men	65.71% Men	62.23% Men	GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY
	32.42% Women	34.29% Women	37.77% Women	GRI 405: Diversity and Equal Opportunity 2016	

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Percentage Senior and executive-level positions held by men and women	90.70% Men	90.29% Men	89.52% Men	GRI 405: Diversity and Equal Opportunity 2016	5 GENDER EQUALITY
	9.30% Women	9.71% Women	10.48% Women	GRI 405: Diversity and Equal Opportunity 2016	
Percentage total enterprise headcount held by part-time employees	---	2.51%	5.62%	GRI 102: General Disclosures 2021	8 DECENT WORK AND ECONOMIC GROWTH
Percentage total enterprise headcount held by contractors/ consultants	1.73%	1.57%	5.43%	GRI 102: General Disclosures 2021	8 DECENT WORK AND ECONOMIC GROWTH
Percentage of national employees	30.21%	35.54%	38.57%	GRI 202: Market Presence 2016	8 DECENT WORK AND ECONOMIC GROWTH
Amount invested in the community as a percentage of our revenues	2.64% of gross revenue	2.18% of gross revenue	2.35% of gross revenue	GRI 201-1: Economic Performance 2016	8 DECENT WORK AND ECONOMIC GROWTH
	4.92% of operating income	4.5% of operating income	4.66% of operating income		
	11.55% of net profits	9.36% of net profits	8.79% of net profits		
Governance					
Gender Equality					
Metric / Calculation	**2023**	**2024**	**2025**	**Corresponding GRI Standard**	**Corresponding SDG**
Percentage of total board seats occupied by men and women	89% Men	86% Men	78% Men	GRI 2: General Disclosures 2021	5 GENDER EQUALITY
	11% Women	14% Women	22% Women		
Percentage of total committee seats occupied by men and women	83% Men	77% Men	80% Men	GRI 2: General Disclosures 2021	5 GENDER EQUALITY
	17% Women	23% Women	20% Women		

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Appendix 2

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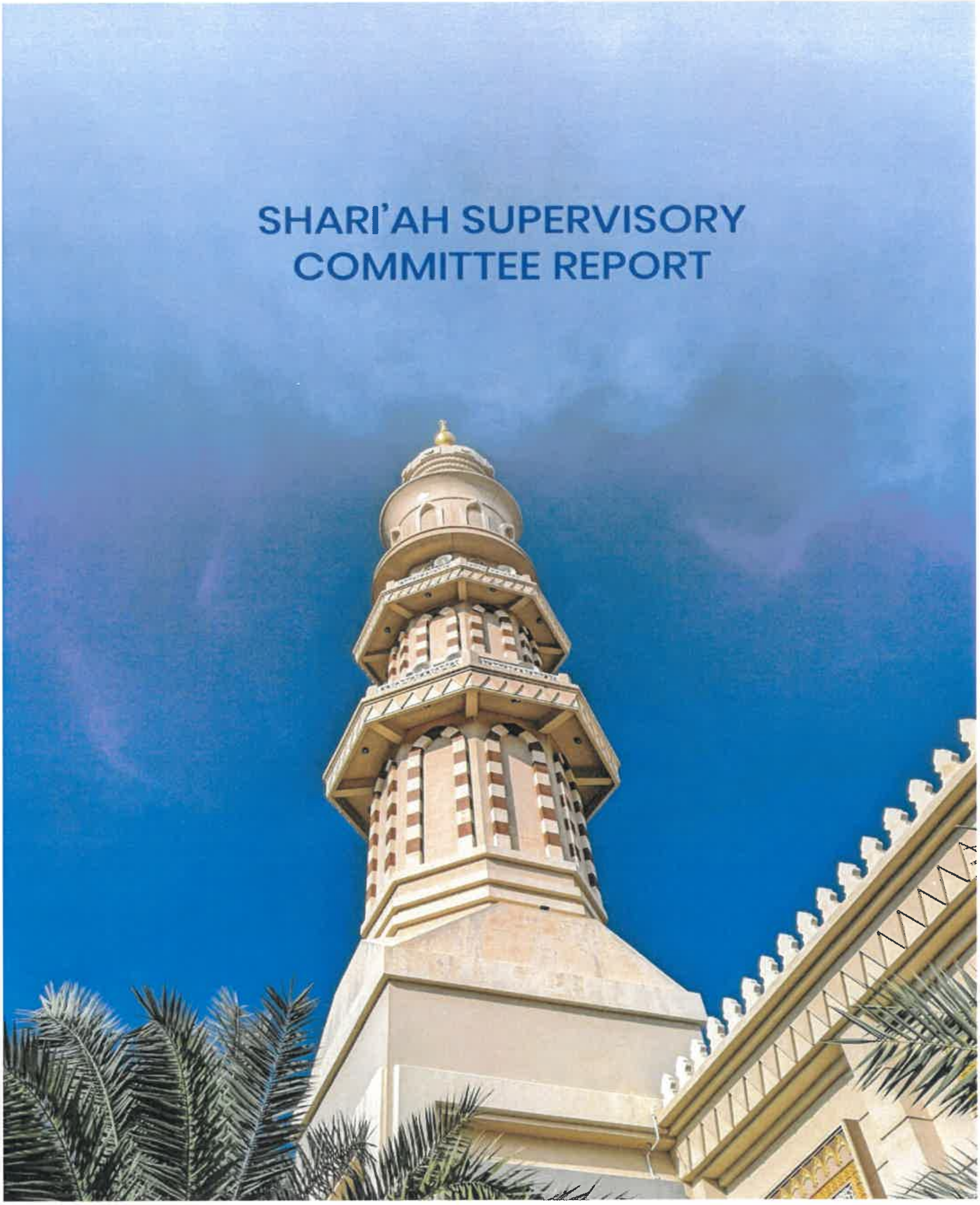
مصرف الشارقة الإسلامي

SHARI'AH SUPERVISORY COMMITTEE REPORT



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Annual Report of the Internal Shari'ah Supervision Committee of Sharjah Islamic Bank
For the Fiscal Year 2025

Issued on: Thursday, 17th Shaaban, 1447 *h*. Corresponding February 5th 2026.

To: Shareholders of Sharjah Islamic Bank ("the Bank")

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards ("the Regulatory Requirements"), the Internal Shari'ah Supervision Committee of the Bank ("ISSC") presents to you the ISSC's Annual Report for the financial year ending on 31 December 2025 ("Financial Year").

1. **Responsibility of the ISSC**

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

a. undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Bank; and the bank's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Bank's Activities") and issue Shari'ah resolutions in this regard, and

b. determine Shari'ah parameters necessary for the Bank's Activities, and the Bank's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Bank with Islamic Shari'ah.

The senior management is responsible for compliance of the Bank with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'ah") in all Bank's Activities, and the Board bears the ultimate responsibility in this regard.

2. **Shari'ah Standards**

In accordance with the HSA's resolution (No. 18/3/2018), the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Banks (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Bank's Activities without exception.

3. **Duties Fulfilled by the ISSC During the Financial Year**

The ISSC conducted Shari'ah supervision of the Bank's Activities by reviewing those Activities, and monitoring them through the Internal Shari'ah Control division and Internal Shari'ah Audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

a. Convening (10) meetings during this year.
b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Bank's Activities.
c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Bank and its subsidiaries to the ISSC for approval.
d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
e. Supervision through the internal Shari'ah control division and internal Shari'ah audit, the Bank's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.

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f. Providing guidance to relevant parties in the Bank and its subsidiaries, to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah control division or internal Shari'ah audit– and issuing of resolutions to set aside returns derived from transactions in which non-compliances were identified for such returns to be disposed towards charitable purposes.
g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
h. Stating the amount of Zakat due on each share of the Bank (One Share Zakat is Dhs. 0.0633, the Bank Dhs. pays.0.0324, the remaining is Dhs. 0.0309 must be paid by the Shareholder for each share. For Zakat calculation, the bank has adopted the "Net Invested funds Method".
i. Communicating with the Board of Directors, its committees, and Senior Management, as appropriate, regarding bank's commitment to Islamic Shari'ah

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Bank is compliant with Islamic Shari'ah.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Bank. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

5. The ISSC's Opinion on the Shari'ah Compliance Status of the Bank

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Bank's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports, where the ISSC has provided directions to take appropriate measure in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Dr. Ibrahim Al Mansoori	**Chairman, ISSC Executive member**	
Dr. Ali Hussein Al Junaidi	**Deputy ISSC Chairman**	
Dr. Mohamed Obadah Adi	**ISSC Member**	
Dr. Abdul Rahman Al Saadi	**ISSC Member**	

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FINANCIAL INFORMATION

SHARJAH ISLAMIC BANK PJSC

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

SHARJAH ISLAMIC BANK PJSC
Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of SHARJAH ISLAMIC BANK PJSC (the "Bank") and its subsidiaries, together referred to as (the "Group") for the year ended 31 December 2025.

Financial Highlights

As of 31 December 2025, the total assets of the Group amounted to AED 90.3 billion, showing an increase of 14.0% compared to AED 79.2 billion as at 31 December 2024. Investments in Islamic financing showed a significant growth of 19.6% or an increase of AED 7.5 billion, taking the total outstanding amount to AED 45.6 billion as at 31 December 2025, in comparison to AED 38.1 billion as at 31 December 2024. The investment securities measured at amortised cost experienced a slight reduction by 1.7% during the year, reaching AED 12.9 billion compared to AED 13.2 billion as of 31 December 2024. Customer deposits increased by 7.6% to reach AED 55.7 billion as compared to AED 51.8 billion as at 31 December 2024, demonstrating overall strengthening of the Group's liquidity position. Shareholders' equity amounts to AED 9.5 billion as of 31 December 2025.

Operating profit before impairment and revaluation for the Group increased by AED 186.4 million for the year ended 31 December 2025 as compared to the year ended 31 December 2024. The impairment charges on financial assets - net of recoveries, for the year ended 31 December 2025, totaled AED 217.0 million. Revaluation on properties reflect gain of AED 76.2 million for the year ended 31 December 2025 compared to loss of AED 42.8 million for the year ended 31 December 2024. As a result, profit before tax increased by AED 298.7 million to reach AED 1,447.6 million for the year ended 31 December 2025 as compared to AED 1,148.8 million for the year ended 31 December 2024. Taxation expense for the year ended 31 December 2025 was AED 130.1 million in compliance of the UAE Corporate Tax Law. As a result, profit for the year (after tax) of AED 1,317.5 million was recorded for the year ended 31 December 2025, compared to AED 1,047.9 million for the year ended 31 December 2024, reflecting a 25.7% increase.

Auditors:

KPMG Lower Gulf were appointed as auditors of the Group for the year ended 31 December 2025 at the Annual General Meeting held on 23 February 2025.

Abdul Rahman Mohamed Nasser Al Owais
Chairman
22 January 2026

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Independent auditors' report

To the Shareholders of Sharjah Islamic Bank PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss, the consolidated statements comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in the United Arab Emirates. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Expected credit losses (ECL) on investments in Islamic financing

See Note 09 and 4 (ii) (a) to the consolidated financial statements.

The key audit matter

The estimation of expected credit losses ("ECL") on investments in Islamic financing involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's estimation of ECL are:

Model estimations:

The Group exercises significant judgments and makes a number of assumptions to estimate ECL which involves determining Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD").

Stage 3 non-retail customers:

Material exposures within Stage 3 non-retail are individually measured for ECL This includes the assessment of recovery scenarios, exit strategies, and time to collect. The assessment involves significant management judgement.

The effect of these matters is that we determined ECL on investments in Islamic financing is a key audit matter as it involves significant management judgement, estimation uncertainty and use of complex models which could have material impact on the consolidated financial statements of the Group.

How the matter was addressed in our audit

We performed the following audit procedures on appropriateness of the ECL included in the Group's consolidated financial statements for the year ended 31 December 2025:

- Evaluating the appropriateness of the accounting policies adopted by the Group, taking into account the requirements of the applicable IFRS Accounting Standards and our understanding of the Group's business.
- Obtaining an understanding of the ECL accounting estimate including, but not limited to the Group's control environment relating to the estimate; the process by which the estimate is developed; and the methods, assumptions and data used in its development. We evaluated the design, determined the implementation, and tested the operating effectiveness of the relevant controls including approvals for exceptions to board approved limits for a sample of facilities originated/renewed during the year.
- Involving our Information Technology ("IT") specialists to test the relevant general IT and application controls over key systems used in the ECL process.
- Involving our Financial Risk Management ("FRM") specialists to assess, for a selection of models, the reasonableness and appropriateness of the methodologies and assumptions applied in key components of ECL models based on their industry knowledge and relevant experience. The procedures performed included, where applicable, challenging key assumptions and judgments relating to significant increase in credit risk ("SICR"), the definition of default, PD, LGD, the use of macro-economic variables, and the probability-weighted outcomes, to evaluate whether the recorded ECL amounts appropriately reflect underlying credit risk and the prevailing macroeconomic conditions. Further, our FRM specialists assisted us in testing the appropriateness of the ECL calculations by re-performing the calculation for a sample of investments in Islamic financing.

Key Audit Matters (continued)

Expected credit losses (ECL) on Islamic financing (continued)

The key audit matter	How the matter was addressed in our audit
	• Re-performing key aspects of the Group's SICR determinations for selected samples of investments in Islamic financing by analysing the financial information, assumptions, and judgements applied by the Group, to determine whether a SICR event was appropriately identified, including the basis for movement between stages. • Performing independent credit assessments for a sample of non-retail customers by evaluating the quantitative and qualitative factors to assess the appropriateness of credit grades, including staging. This included analysing the customer's financial performance, sources of repayment, future cash flows, collateral values and other relevant risk factors. Where applicable, we also inspected the formally documented Board/Board Committee approvals for any reported exceptions to board approved risk appetite statement. • For a sample of non-retail Stage 3 customers, where applicable, our audit procedures included: - evaluating the design, determining the implementation, and testing the operating effectiveness of controls relevant to valuation and enforceability of collateral; and - assessing the appropriateness of assumptions used in the discounted cash flows, including the collateral valuation. • Assessing the adequacy of the disclosures made in the Group's consolidated financial statements against the requirements of relevant accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report (including the Directors' Report), but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Directors' Report prior to the date of this auditors' report, and we expect to obtain the remaining sections of the Annual Report after that date.

Other Information (continued)

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended, and the UAE Federal Decree-Law No. (6) of 2025, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, as amended, we report that for the year ended 31 December 2025:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

Report on Other Legal and Regulatory Requirements (continued)

v) as disclosed in note 7 and 39 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2025;

vi) note 33 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2025 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, as amended, or in respect of the Group, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2025; and

viii) note 34 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2025.

Further, as required by Article (140) of the UAE Federal Decree-Law No. (6) of 2025, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

KPMG Lower Gulf Limited,

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates

Date: 22 JAN 2026

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025
(Currency: Thousands of U.A.E. Dirhams)

	Notes	As at 31 December 2025	As at 31 December 2024
Assets			
Cash and balances with banks and financial institutions	*5*	**5,444,512**	3,002,556
Murabaha and wakalah with financial institutions	*6*	**14,734,297**	14,106,277
Investment securities measured at fair value	*7*	**5,002,896**	4,597,741
Investment securities measure at amortised cost	*8*	**12,944,543**	13,172,684
Investments in Islamic financing*	9	**45,550,062**	38,082,819
Acceptances		**306,754**	239,498
Investment properties	*10*	**1,844,950**	2,964,711
Properties held-for-sale	*11*	**2,124,796**	793,438
Other assets*	*12*	**1,405,187**	1,291,522
Intangible assets	*13*	**71,416**	63,001
Property and equipment	*14*	**883,686**	896,069
Total assets		**90,313,099**	**79,210,316**
Liabilities and shareholders' equity			
Liabilities			
Customer deposits	*15*	**55,672,922**	51,758,444
Due to banks	*16*	**16,309,374**	12,850,330
Sukuk payable	*17*	**5,488,719**	3,659,949
Acceptances		**307,065**	240,370
Other liabilities	*18*	**2,899,422**	2,312,299
Zakat payable		**105,521**	85,625
Total liabilities		**80,783,023**	**70,907,017**
Shareholders' equity			
Share capital	*19*	**3,235,678**	3,235,678
Share premium	*39*	**99,576**	-
Tier 1 sukuk	*20*	**1,836,500**	1,836,500
Fair value reserve		**(27,504)**	(109,003)
Other reserves and treasury shares	*21*	**1,900,656**	1,468,006
Retained earnings		**2,485,170**	1,872,118
Total shareholders' equity		**9,530,076**	**8,303,299**
Total liabilities and shareholders' equity		**90,313,099**	**79,210,316**

** Refer note 40 for details of change in comparative numbers*

The consolidated financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Group as of, and for the periods presented therein.

These consolidated financial statements were authorised for issue in accordance with a resolution of Directors on 22 January 2026 and signed on its behalf by:

Abdul Rahman Mohamed Nasser Al Owais
Chairman

Mohamed Ahmed Abdalla
Chief Executive Officer

The accompanying notes from pages 15 to 88 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7.

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2025
(Currency: Thousands of U.A.E. Dirhams)

	Notes	For the year ended 31 December 2025	2024
Income from investments in Islamic financing and sukuk	23	**3,899,998**	3,725,070
Distribution to depositors and sukuk holders	24	**(2,317,937)**	(2,215,179)
Net income from financing and investment products		**1,582,061**	**1,509,891**
Fee and commission income	25	**726,286**	499,503
Fee and commission expense	25	**(127,486)**	(99,153)
Net fee and commission income		**598,800**	**400,350**
Investment income		**22,311**	85,076
Foreign exchange income		**112,402**	62,574
Other income	26	**170,355**	123,252
Total operating income		**2,485,929**	**2,181,143**
General and administrative expenses	27	**(897,494)**	**(779,113)**
Operating profit before impairment and revaluation		**1,588,435**	**1,402,030**
Impairment on financial assets - net of recoveries	28	**(217,023)**	(210,414)
Revaluation gain / (loss) on properties		**76,153**	(42,772)
Profit before tax		**1,447,565**	**1,148,844**
Taxation	37	**(130,104)**	(100,959)
Profit for the year		**1,317,461**	**1,047,885**
(Attributable to the shareholders of the Bank)			
Basic and diluted earnings per share (U.A.E. Dirhams)	29	**0.38**	**0.30**

The accompanying notes from pages 15 to 88 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7.

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025
(Currency: Thousands of U.A.E. Dirhams)

	For the year ended 31 December	
	2025	**2024**
Profit for the year (Attributable to the shareholders of the Bank)	**1,317,461**	1,047,885
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
- Change in fair value reserve on sukuk investments classified at FVTOCI	**71,388**	51,704
- Effective portion of changes in fair value of Islamic derivatives classified as cash flow hedges	**77,482**	(42,009)
- Related tax	**(13,398)**	(872)
Items that will not be reclassified to profit or loss		
- Change in fair value reserve on equity investment classified at FVTOCI	**19,626**	23,782
- Related tax	**(3,090)**	(254)
Total comprehensive income for the year - net off tax (Attributable to the shareholders of the Bank)	**1,469,469**	1,080,236

The accompanying notes from pages 15 to 88 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7.

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025
(Currency: Thousands of U.A.E. Dirhams)

	For the year ended 31 December	
	2025	**2024**
Cash flows from operating activities:		
Profit for the year	**1,317,461**	1,047,885
Adjustments for:		
- Amortisation and depreciation	**65,736**	57,051
- Amortisation of sukuk issuance cost	**2,911**	1,080
- Provision charge on investments in Islamic financing	**192,359**	228,028
- Provision / (reversal) on investment securities measured at fair value	**1,207**	(20,596)
- Provision / (reversal) on investment securities measured at amortised cost	**9,104**	(1,148)
- Provision on other financial assets	**14,353**	4,130
- Gain on disposal of properties held-for-sale	**(36,672)**	(24,460)
- Gain on disposal of investment properties	**(24,739)**	(3,587)
- Loss / (gain) on disposal of investment securities	**1,570**	(24,522)
- Revaluation (gain) / loss on investment properties	**(64,237)**	40,335
- (Reversal of) / provision for impairment on properties held-for-sale	**(11,916)**	2,437
- Revaluation on investment securities measured at fair value through profit and loss	**29,266**	(9,895)
- Foreign exchange (income) / loss on properties	**(9,248)**	2,176
- Dividend income	**(50,372)**	(48,895)
- Taxation	**130,104**	100,959
- Gain on disposal of property and equipment	**(29)**	(366)
Operating profit before changes in operating assets and liabilities	**1,566,858**	**1,350,612**
Changes in:		
- Restricted balances	**(81,200)**	(171,429)
- Murabaha and wakalah with financial institutions	**(2,218,010)**	1,620,465
- Investments in Islamic financing	**(7,659,602)**	(4,884,620)
- Properties held-for-sale	**(115,129)**	(51,370)
- Acceptances assets	**(67,256)**	(30,363)
- Other assets	**(92,545)**	(574,153)
- Customer deposits	**3,914,478**	6,551,870
- Due to banks	**3,457,060**	3,804,676
- Acceptances liabilities	**66,695**	30,767
- Other liabilities	**585,806**	781,308
Net cash (used in) / generated from operations	**(642,845)**	**8,427,763**
Corporate tax paid	**(102,504)**	-
Net cash (used in) / generated from operating activities	**(745,349)**	**8,427,763**

The accompanying notes from pages 15 to 88 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7.

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025
(Currency: Thousands of U.A.E. Dirhams)

	For the year ended 31 December	
	2025	**2024**
Cash flows from investing activities:		
Acquisition of property and equipment	**(60,756)**	(55,717)
Proceeds from disposal of property and equipment	**19,079**	653
Acquisition of intangible assets	**(20,062)**	(9,084)
Acquisition of investment properties	**(38,729)**	(416,664)
Proceeds from disposal of investment properties	**89,073**	42,190
Acquisition of investment securities measured at fair value	**(1,232,334)**	(972,640)
Proceeds from disposal / maturity of investment securities measured at fair value	**887,322**	463,354
Acquisition of investment securities measured at amortised cost	**(761,501)**	(4,984,754)
Proceeds from disposal / maturity investment securities measured at amortised cost	**984,510**	1,395,510
Dividend income received	**50,372**	48,895
Net cash used in investing activities	**(83,026)**	**(4,488,257)**
Cash flows from financing activities:		
Issuance of sukuk	**3,662,359**	1,824,000
Repayment of sukuk	**(1,836,500)**	-
Issuance of tier 1 sukuk	**1,836,500**	-
Redemption of tier 1 sukuk	**(1,836,500)**	-
Proceeds from disposal of treasury shares	**470,070**	(393,241)
Profit paid on tier 1 sukuk	**(148,068)**	(91,825)
Tier 1 sukuk issuance cost	**(6,365)**	-
Cash dividend paid	**(458,725)**	(323,567)
Zakat paid	**(85,614)**	(66,002)
Net cash generated from financing activities	**1,597,157**	**949,365**
Net increase in cash and cash equivalents	**768,782**	**4,888,871**
Cash and cash equivalents, beginning of the year	**12,486,345**	7,597,474
Cash and cash equivalents, end of the year	**13,255,127**	**12,486,345**

	As at 31 December	
	2025	**2024**
Cash and cash equivalents		
Cash and balances with banks and financial institutions	**5,180,310**	2,819,554
Murabaha and wakalah with financial institutions	**8,094,318**	9,684,308
Due to banks	**(19,501)**	(17,517)
Cash and cash equivalents, end of the year	**13,255,127**	**12,486,345**

The accompanying notes from pages 15 to 88 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7.

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025
(Currency: Thousands of U.A.E. Dirhams)

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK						
	Share capital	**Share premium**	**Tier 1 sukuk**	**Fair value reserve**	**Other reserves and treasury shares**	**Retained earnings**	**Total shareholders' equity**
As at 1 January 2025	**3,235,678**	**-**	**1,836,500**	**(109,003)**	**1,468,006**	**1,872,118**	**8,303,299**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	**1,317,461**	**1,317,461**
Other comprehensive income							
Cash flow hedge - effective portion of changes in fair value - net of tax	-	-	-	-	**70,508**	-	**70,508**
Net changes in fair value reserve - net of tax	-	-	-	**86,643**	-	-	**86,643**
Total comprehensive income for the year	-	-	-	**86,643**	**70,508**	**1,317,461**	**1,474,612**
Transactions recorded directly in equity							
Cash dividend *(note 35)*	-	-	-	-	-	**(458,725)**	**(458,725)**
Tier 1 sukuk issuance	-	-	**1,836,500**	-	-	-	**1,836,500**
Tier 1 sukuk issuance cost	-	-	-	-	-	**(6,365)**	**(6,365)**
Tier 1 sukuk redemption	-	-	**(1,836,500)**	-	-	-	**(1,836,500)**
Disposal of treasury shares *(note 39(a))*	-	**99,576**	-	-	**368,991**	-	**468,567**
Shares held by liquidity provider *(note 39(b))*	-	-	-	-	**1,503**	-	**1,503**
Realized gain on equity instruments measured at FVTOCI transferred to retained earnings	-	-	-	**(5,144)**	-	**5,144**	-
Transfer to legal reserve *(note 21)*	-	-	-	-	**2,128**	**(2,128)**	-
Transfer to general impairment reserve *(note 21)*	-	-	-	-	**(10,480)**	**10,480**	-
Profit paid on tier 1 sukuk	-	-	-	-	-	**(148,068)**	**(148,068)**
Zakat	-	-	-	-	-	**(104,747)**	**(104,747)**
Total transactions recorded directly in equity	**-**	**99,576**	**-**	**(5,144)**	**362,142**	**(704,409)**	**(247,835)**
As at 31 December 2025	**3,235,678**	**99,576**	**1,836,500**	**(27,504)**	**1,900,656**	**2,485,170**	**9,530,076**

The accompanying notes from pages 15 to 88 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7.

SHARJAH ISLAMIC BANK PJSC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025
(Currency: Thousands of U.A.E. Dirhams)

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK					
	Share capital	**Tier 1 sukuk**	**Fair value reserve**	**Other reserves and treasury shares**	**Retained earnings**	**Total shareholders' equity**
As at 1 January 2024	**3,235,678**	**1,836,500**	**(183,849)**	**1,871,463**	**1,356,876**	**8,116,668**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,047,885	1,047,885
Other comprehensive income						
Cash flow hedge - effective portion of changes in fair value - net of tax	-	-	-	(38,228)	-	(38,228)
Net changes in fair value reserve - net of tax	-	-	70,579	-	-	70,579
Total comprehensive income for the year	**-**	**-**	**70,579**	**(38,228)**	**1,047,885**	**1,080,236**
Transactions recorded directly in equity						
Cash dividend *(note 35)*	-	-	-	-	(323,567)	(323,567)
Repurchase of shares *(note 39(a))*	-	-	-	(368,991)	-	(368,991)
Shares held by liquidity provider *(note 39(b))*	-	-	-	(24,250)	-	(24,250)
Realized loss on equity instruments measured at FVTOCI transferred to retained earnings	-	-	4,267	-	(4,267)	-
Transfer to legal reserve *(note 21)*	-	-	-	9,042	(9,042)	-
Transfer to impairment reserve - general *(note 21)*	-	-	-	18,970	(18,970)	-
Tier 1 sukuk profit paid	-	-	-	-	(91,825)	(91,825)
Zakat	-	-	-	-	(84,972)	(84,972)
Total transactions recorded directly in equity	**-**	**-**	**4,267**	**(365,229)**	**(532,643)**	**(893,605)**
As at 31 December 2024	**3,235,678**	**1,836,500**	**(109,003)**	**1,468,006**	**1,872,118**	**8,303,299**

The accompanying notes from pages 15 to 88 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 2 to 7.

1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the "Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates ("UAE") and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulations of Central Bank of the UAE ("CBUAE"), which are carried out through its 34 branches *(As at 31 December 2024: 33 branches)* established in the UAE.

At the extraordinary shareholders' meeting held on 18 March 2001 a resolution was passed to transform the Bank' s activities to be in full compliance with the Islamic Shari'a rules and principles. The entire process was completed on 30 June 2002 ("the transformation date"). As a result the Bank transformed its conventional banking products into Islamic banking products during the 6-month period ended 30 June 2002 after negotiation and agreement with its customers.

The consolidated financial statements of the Group comprise the Bank and its fully owned subsidiaries incorporated in the UAE, Sharjah National Hotels ("SNH"), Sharjah Islamic Securities LLC SP ("SIS") and ASAS Real Estate LLC SP ("ASAS") as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited, SIB Tier 1 Sukuk Company Limited and SIB Tier 1 Sukuk IIND Limited, (all together referred to as the "Group"). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIS 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, SIB Tier 1 Sukuk Company Limited and SIB Tier 1 Sukuk IIND Limited were established for the Bank's Sukuk program.

The registered address of the Bank is Post Box No.4, Sharjah, United Arab Emirates.

2. Basis of preparation

a. Statement of compliance

These consolidated financial statements have been prepared on a going concern basis as management is satisfied that the Group has adequate resources to continue as a going concern for the foreseeable future, in accordance with International Financial Reporting Standards ("IFRS" or "IFRS Accounting Standards") as issued by International Accounting Standard Board ("IASB") , and comply with the guidance of the CBUAE, Islamic Shari' a principles and applicable requirements of the UAE Federal Law No. 32 of 2021 on Commercial Companies.

On 15 September 2025, the Federal Decree-Law No. (6) of 2025 (the "Federal Law") was issued and came into effect on 16 September 2025. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the Federal Law came into effect.

b. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for, provision for employees' end of service benefits which is measured using the projected credit unit method under IAS 19, and the following material items in the consolidated statement of financial position which are measured at fair value:

i) financial assets at fair value through profit or loss (FVTPL);
ii) financial assets at fair value through other comprehensive income (FVTOCI);
iii) investment properties at fair value; and
iv) Islamic financial derivatives

2. Basis of preparation (continued)

c. Functional and presentation currency

These consolidated financial statements of the Group are presented in UAE Dirhams ("AED"), which is the functional currency of all entities within the Group as well as the currency of presentation, rounded to the nearest thousand.

d. Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. In particular, these estimates and judgments relate to;

- impairment losses on investments in Islamic financing (refer to notes 9 & 30);
- impairment losses on investments securities measured at FVTOCI and amortised cost (refer to notes 7, 8 & 30);
- net realisable value of held for sale properties (refer to notes 11 & 30);
- valuation of unquoted investment securities (refer to notes 7 & 30); and
- fair value of investment properties (refer to notes 10 & 30).

Information about estimates and judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the note 4(ii)(a); where establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss ("ECL") and selection and approval of models used to measure ECL is detailed.

3. Material accounting policies

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the adoption of new accounting standards stated in note 3(z). The material accounting policies adopted in preparation of these consolidated financial statements are as follows:

a. Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

- power over the investee;
- exposure, or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

i) Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

3. Material accounting policies (continued)

a. Basis of consolidation (continued)

ii) Loss of control

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

iv) Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the Islamic securitization of particular assets, or the execution of a specific financing transaction. Special purpose entities are included in the Group's consolidated financial statement where the substance of the relationship is that the Bank controls the special purpose entity.

b. Non-derivative financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa.

i) Initial measurement

Financial assets and liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

ii) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

I. Classification of financial assets

Cash and balances with banks and financial institutions, murabaha and wakalah with financial institutions, investment in Islamic financing, investment securities measured at amortised cost and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

II. Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are supporting those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group 's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group 's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

III. Cash flow characteristics assessment

Assessment of whether contractual cash flows are" solely payments of principal and profit (SPPP)"

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic financing arrangement. Contractual cash flows are consistent with a basic financing arrangement if they represent cash flows that are solely payments of principal and profit on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit rate margin.

In assessing whether the contractual cash flows are SPPP, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- early settlement and extension terms;
- terms that limit the Group' s claim to cash flows from specified assets (e.g. non-recourse financing); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

III. Cash flow characteristics assessment (continued)

Assessment of whether contractual cash flows are" solely payments of principal and profit (SPPP)" (continued)

The Group does hold a portfolio of long-term fixed-rate financing for which the Group has the option to propose to revise the profit rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The customers have an option to either accept the revised rate or redeem the financing at par without penalty. The Group has determined that the contractual cash flows of these financings are SPPP because the option varies the profit rate in a way that is consideration for the time value of money, credit risk, other basic financing risks and costs associated with the principal amount outstanding.

IV. Effective profit rate method

The effective profit rate method is a method of calculating the amortised cost of those financial instruments measured at amortised cost and of allocating income over the relevant period. The effective profit rate is the rate that is used to calculate the present value of the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financing and investing instruments, or, where appropriate, a shorter period, to arrive at the net carrying amount on initial recognition.

Income is recognised in the consolidated statement of profit or loss on an effective profit rate basis for financing and investing instruments measured subsequently at amortised cost.

V. Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as financial assets at fair value through profit or loss, unless the Group designates them as an investment that is not held for trading and are accordingly carried at fair value through other comprehensive income (FVTOCI).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

Financial assets that do not meet the amortised cost criteria are measured at FVTPL or FVTOCI. In addition, financial assets that meet the amortised cost criteria but are designated as at FVTPL are measured at fair value. Financial assets may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis.

Financial assets are subsequently measured at fair value, with any gains or losses arising in re-measurement recognised in the consolidated statement of profit or loss. All directly attributable costs are charged to consolidated statement of profit or loss.

Dividend income on investments in equity instruments at FVTPL or FVTOCI is recognised in the consolidated statement of Profit or loss when Group's right to receive is established.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

VI. Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on instrument by instrument basis) to designate equity investments under the classification of FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A sukuk is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

i. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPP on the principal amount outstanding.

Financial assets are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Gains / losses on disposals of equity instruments are not recognised in the consolidated statement of profit or loss and are transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on equity investments are recognised in the consolidated statement of profit or loss when Group's right to receive is established.

VII. Financial assets measured at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:
- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial assets are subsequently measured at amortised cost using their effective profit less any impairment.

Subsequent to the initial recognition, the Group is required to reclassify investments from amortised cost to FVTPL or FVTOCI, if the objective of the business model changes so that the amortised cost criteria is no longer met.

VIII. Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Accordingly:
- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in consolidate statement of profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated financial instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated statement of profit or loss.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

IX. Type of financial instruments held by the Group and their definitions

The following terminologies for financial assets, classified under each of the financial instrument classification mentioned above, have been used in preparation of these consolidated financial statements:

Murabaha is a sale contract whereby the Bank sells the asset(s) to the customer, on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as agreed in the contract.

Istisna'a is a sale contract between two parties whereby the Group undertakes to construct, for its customer, a specific asset or property according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount.

Musharaka is an agreement between the Group and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement.

Wakalah is a fiduciary contract whereby one party, the Principal (Muwakkil), appoints another party, the Agent (Wakil), to perform a specific, Shari'ah permissible task or manage an investment on their behalf. In a paid Wakalah, the Agent is entitled to a predetermined fee and commission (on the descretion of the Muwakil). While a specific profit may be targeted or expected, the Principal bears all financial losses, as the Agent acts as a trustee (Amin) and is not liable for capital impairment unless the loss is caused by the Agent's negligence, willful misconduct, or breach of the agreed-upon terms.

Sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity. The Bank may invest in Sukuk in the secondary market or participate in new Sukuk or issue Sukuk.

Qard Hasan receivables are non-profit bearing financing receivables whereby the customer is funded for a period of time with an understanding that the same amount shall be repaid at the end of the agreed period.

Ijarah is a Shariah-compliant contract where the Bank (Lessor) purchases a specific, identifiable asset either from a third-party or directly from the customer (as per the request of the customer) and subsequently grants the right to use that asset (Usufruct) to the customer (Lessee) for a predetermined duration in exchange for agreed-upon rental payments.

Mudaraba is a contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal) and the other party (the Mudarib) invests the funds in a project or a particular activity and any generated profits are distributed between the parties according to the profit shares that were pre-agreed upon in the contract. The Mudarib is responsible of all losses caused by his misconduct, negligence or violation of the terms and conditions of the Mudaraba; otherwise, losses are borne by Rab Al Mal.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii) Financial assets (continued)

X. Impairment of financial assets

The IFRS 9 expected credit loss model is a forward-looking approach. Expected credit losses reflect the present value of all cash shortfalls related to default events either:

i. over the following twelve months, or
ii. over the expected life of a financial instrument depending on credit migration from inception. Expected credit loss (ECL) should reflect an unbiased, probability-weighted outcome as opposed to the single best estimate allowed under the current approach. The probability-weighted outcome considers multiple scenarios based on reasonable forecasts.

IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Group has developed new methodologies and models taking into account the relative size, quality and complexity of the portfolios.

IFRS 9 ECL Impairment model uses a three stage approach based on the extent of credit deterioration since origination:

Stage 1 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity.

Stage 2 When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on a lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 Financial assets that have objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

Assessment of significant increase in credit risk

Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgement are:

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since the initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

i. the remaining lifetime PD as at the reporting date; with
ii. the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

At each reporting date, the assessment of a change in credit risk will be assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to stage 2 from stage 3 or from stage 2 to stage 1, if the increase in credit risk since origination has reduced and is no longer deemed significant.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii. Financial assets (continued)

X. Impairment of financial assets (continued)

Macroeconomic factors, forward looking information (FLI) and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and FLI are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. Based on advice from the Group Enterprise Risk Management department and external economic experts and consideration of a variety of external actual and forecast information, the Group has formulated a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios, which shall in turn be probability weighted to determine ECL.

Expected life

When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including early settlement options, extension and rollover options. For covered cards that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Experienced credit judgment

The Bank's ECL allowance methodology, requires the Group to use its experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Definition of default and write-off

Default definition followed by the Bank for the impairment assessment remains in line with the guidelines of IFRS 9 and CBUAE regulations, without any recourse to the assumptions. Inputs and assumptions into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Financial assets are written off only in circumstances where all reasonable restructuring and collecting activities have been exhausted over a maximum period of five years after default.

Modified financial assets

The contractual terms of investment in Islamic financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing investment in Islamic financing whose terms have been modified may be derecognized and the renegotiated investment in Islamic financing recognized as a new financing at fair value. If the expected modifications do not result in the derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. Any resulting gain or loss is charged to the consolidated statement of profit or loss.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

ii. Financial assets (continued)

XI. Derecognition of financial assets

The Group derecognises financial assets when the contractual right to the cash flows from the financial assets expires, or when it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risk and rewards of the ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in the consolidated statement of profit or loss, except for equity instruments designated at fair value through OCI.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVTOCI is not recognised in profit or loss on derecognition of such securities and is instead transferred to retained earnings in the consolidated statement of changes in equity. Gains and losses on sukuks recognised in OCI are reclassified to profit and loss upon derecognition.

iii. Classification of financial liabilities

The Group has classified all its financial liabilities at amortised cost. These include customer deposits, due to banks, sukuk payable, other liabilities, except zakat payable.

iv. Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying value of the original financial liability and the consideration paid is recognised in consolidated statement of profit or loss.

v. Fair value measurement principles

'Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If there is no quoted price in an active market, then the Group uses valuation technique that maximises the use of relevant observable inputs and minimise the use of unobservable inputs.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. Material accounting policies (continued)

b. Non-derivative financial instruments (continued)

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

c. Islamic derivatives and hedging

The Group follows a hedge accounting model that aligns hedge accounting more closely with risk management. The model measures hedge effectiveness through an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.

The Group also performs rebalancing of hedging relationships, whereby, if a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio under IFRS 9, but the risk management objective for that designated hedging relationship remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

Gains and losses arising from changes in the fair value of Islamic derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in profit or loss.

The Group utilises Shariah compliant hedging instruments to hedge its own exposure to profit rates and / or currency risk.

Where there is a hedging relationship between an Islamic derivative instrument and a related item being hedged, the hedging instrument is measured at fair value, with any resultant gains and losses being accounted as set out below.

The fair value of Islamic derivative hedging instruments is calculated in the same way as the fair value of financial instruments.

The method of recognising the resulting fair value gain or loss depends on whether the Islamic derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain Islamic derivatives as either:

- hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or
- hedge of net investment in a foreign operation.

Hedge accounting is used for Islamic derivatives designated in this way provided certain criteria are met.

3. Material accounting policies (continued)

c. Islamic derivatives and hedging (continued)

I. Fair value hedge

When an Islamic derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the Islamic derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging Islamic derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective profit method is used, is amortised to profit or loss as part of the recalculated effective profit rate of the item over its remaining life.

II. Cash flow hedge

When an Islamic derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of Islamic derivative is recognised in other comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the profit or loss.

The accumulated gains and losses recognised in other comprehensive income are reclassified to the Group consolidated statement of income in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are removed from equity and included in the initial

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting or the hedge designation is revoked, then hedge accounting is discontinued prospectively, and any cumulative gain or loss recognised in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognised in the Group consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in other comprehensive income is immediately reclassified to profit or loss.

III. Net investment hedges

When an Islamic derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve. Any ineffective portion of the changes in the fair value of the Islamic derivative is recognised immediately in profit or loss. The amount recognised in other comprehensive income is reclassified to the consolidated statement profit or loss as an adjustment on disposal of the foreign operation.

3. Material accounting policies (continued)

c. Islamic derivatives and hedging (continued)

IV. Islamic derivatives that do not qualify for hedge accounting

Certain Islamic derivative financial instruments do not qualify for hedge accounting. Such Islamic derivative financial instruments include foreign exchange contracts, profit rate swaps and foreign exchange options. Islamic derivative financial instruments are initially measured at cost, being the fair value at contract date, and are subsequently re-measured at fair value.

All Islamic derivatives are carried at their fair values as assets where the fair values are positives and as liabilities where the fair values are negative. Islamic derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right to setoff exists, and the parties intend to settle the cash flows on a net basis.

Islamic derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the Islamic derivative's components using

V. Embedded Islamic derivatives

Islamic derivatives embedded in financial assets, liabilities and non-financial host contacts, are treated as separate Islamic derivatives and recorded at fair value if they meet the definition of an Islamic derivative, their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at FVTPL. The embedded Islamic derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the Group consolidated statement of income.

d. Investment properties

Properties held for rental or capital appreciation are classified as investment properties. Investment properties are initially stated at cost and subsequently measured at fair value, determined at least annually by an independent professional valuer. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

Transfers to and from investment properties are made when and only when there is change in use, evidenced by either starting or ending of owner-occupation, commencement or cessation of an operating lease to another party or commencement or cessation of construction or a development plan.

e. Properties held-for-sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress.

Transfer to and from held-for-sale properties is in case of change in use.

3. Material accounting policies (continued)

f. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in consolidated statement of profit or loss.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

- Buildings: 20 - 50 years
- Right of use assets: as per lease term
- Computer equipments: 3 - 7 years
- Furniture, fixtures, fittings and motor vehicles: 3 - 5 years

g. Intangibles

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on intangible asset is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis to the consolidated statement of profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is seven years, except for core banking software, which is amortised over eighteen years.

h. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties are reviewed at each reporting date to determine whether there is any indication of impairment, if any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of a non-financial asset is the greater of its value in use and its fair value less cost to sell. The reduction in value is recognised in the consolidated statement of profit or loss.

An impairment loss is reversed only to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i. Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3. Material accounting policies (continued)

j. Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with the CBUAE, nostro balances with other banks and financial institutions, international murabaha and wakalah arrangements and other highly liquid assets with original maturities of three months or less from the date of acquisition, as reduced by overdrawn nostros and are used by the Group in the management of its short term commitments.

k. Other liabilities

These include financial liabilities and other payables. Financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortised cost using the effective profit method.

l. Acceptances

Acceptances are recognised as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

m. Provision

A provision is recognised as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

n. Zakat

Zakat is computed in accordance with the Bank's Articles of Association and is approved by the Bank's Internal Sharia'a Supervisory Committee. Zakat is calculated at 2.577% (to account for the difference between the Gregorian and Lunar calendar) on the Bank's reserves, retained earnings, provision for staff end of service benefits and profit equalisation reserve at the year end and the Bank is responsible for paying it, while it is the Bank's shareholders responsibility to pay the Zakat on their respective share in the Bank's capital and the distributed cash dividends.

o. Financial guarantees and financial commitments

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under IFRS 9: Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15: Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to financing or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3. Material accounting policies (continued)

p. Revenue recognition

Murabaha

The profit on Murabaha is quantifiable and contractually determined at the commencement of the contract; profit is recognised as it accrues over the period of the contract on an effective profit basis.

Ijarah

Income from Ijarah receivable is recognised on an accrual basis on an effective profit basis.

Fees and commissions

Fees and commissions income relating to underwriting and financing activities is recognised as the related service is performed. Fees and commission income and expense that are integral to the effective profit rate on a financial asset or financial liability are included in the measurement of the effective profit rate. Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Income from hospitality, brokerage and real estate

Income from hospitality, brokerage and real estate includes revenue from provision of accommodation, food, beverages and brokerage commission relating to the services provided by the subsidiaries.

Revenue from provision of accommodation, food, beverages and other services is recognised on an accrual basis as the services are rendered.

Commissions are accounted for on the completion of the brokerage deal.

Revenue from sale of properties

Revenue on sale of properties is recognised when control over the unit has been transferred to the customer, which is considered to be at a point in time, when the customer has taken possession of the unit.

Income from late payments

Revenue from penalties due to late payments of Islamic Financing assets by the customers are transferred to the donation account. Amount received as penalty is donated as per the instructions by Internal Sharia Supervision Committee and not charged to the consolidated statement of profit or loss.

3. Material accounting policies (continued)

p. Revenue recognition (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Retail and corporate banking services	Revenue recognition under IFRS 15
The Group provides banking services to retail and corporate customers including trade finance, account management, foreign currency transactions, covered cards and servicing fees (e.g. documentationand processing fee). Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place. The premium received on trade finance activities is recognised in the consolidated statement of profit or loss on a straight-line basis over the life of the guarantees and letters of credit.
Investment related activities	**Revenue recognition under IFRS 15**
The Group's investment segment provides various finance-related services, including finance administration and agency services, administration of a finance syndication, execution of client transactions with exchanges and securities underwriting. Fees for ongoing services are charged annually at the end of the calendar year to the customer's account. However, if a customer terminates the contract before 31 December, then on termination it is charged the fee for the services performed to date. Transaction-based fees for administration of a finance syndication, execution of transactions, and securities underwriting are charged when the performance obligation has been fulfilled.	Revenue from administrative agency services is recognised over time as the services are provided. The amounts to be collected from customers on 31 December are recognised as trade receivables. Revenue related to transactions is recognised at the point in time when the performance obligation has been fulfilled.

Rental income

Rental income from investment properties is recognised in profit and loss on a straight-line basis over the term of the leases.

Dividend income

Dividend income is recognised in the consolidated statement of profit or loss when the Group's right to receive income is established. Usually this is the ex-dividend date for equity securities.

3. Material accounting policies (continued)

q. Provision for end-of-service benefits

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 7 of 1999 on pensions and social security as amended by Federal Law No. 33 of 2021. Provision is made for the employees' end of service indemnity in accordance with the UAE labour law for their periods of service up to the reporting date in accordance with the UAE Labour Law. The liability for employees end of service benefits is recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period and is calculated annually using the projected unit credit method in accordance IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate sukuks that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation with.

r. Due to banks

Amounts due to banks are initially recognised at the fair value of the consideration received, and are subsequently measured at amortised cost using the effective profit method.

s. Customer deposits

The Bank accepts customer savings and time deposits on a mudaraba and wakalah basis, whereas current and other similar in nature deposits are accepted on a Qard Hassan (profit free finance) basis.

Islamic customer deposits are initially measured at fair value which is normally consideration received net of directly attributable transaction costs incurred, and subsequently measured at their amortised cost using the effective profit method.

Allocation of profits between depositors and shareholders for Mudaraba deposits is calculated according to the Bank's standard procedures and is approved by the Bank's Internal Sharia Supervision Committee.

t. Impairment reserve - General

In accordance with Credit Risk Management Standards as issued by the CBUAE, the difference between total ECL corresponding to all Stage 1 and Stage 2 Credit Facilities and 1.50% of the Credit Risk weighted assets as computed under the CBUAE capital regulations, is held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general is not part of the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

The bank also considers relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures.

u. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary share. Basic EPS is calculated by dividing the profit or losses attributable to ordinary shareholders of the Bank (adjusted by the profit paid on Tier 1 sukuk) by the weighted average number of ordinary share outstanding during the year. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

3. Material accounting policies (continued)

v. Taxation

Taxation expense comprises of both current and deferred tax. It is recognised in the profit or loss except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or equity.

I. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

II. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that:
  - is not a business combination; and
  - at the time of transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences.
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become profitable tat future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current tax asset and liability are offset only if certain criteria are met.

3. Material accounting policies (continued)

w. Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective profit and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in consolidated statement of profit or loss, other than investments classified as FVTOCI, where the exchange translation is recognised in other comprehensive income.

x. Segment reporting

Income and expenses directly associated with each segment, as well as those that can be reasonably associated on a reasonable basis, are included in determining business segment performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or group of persons that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Group's Management Committee as its chief operating decision maker. All transactions between business segments are conducted on an arm´s length basis.

y. Leases

The Group leases various offices and properties for the purpose of its operations of branches. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be determined, the lessee's incremental rate is used, being the rate that the Group would have to pay to arrange the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3. Material accounting policies (continued)

y. Leases (continued)

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

z. New and revised IFRS adopted in the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

New standards and significant amendments to standards applicable to the Group	Effective date
Amendments to IAS 21 - Lack of Exchangeability	1 January 2025
The amendments contain no specific requirements for estimating a spot rate. Therefore, when estimating a spot rate a company can use an observable exchange rate without adjustment or another estimation technique. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process and risks to the company because the currency is not exchangeable.	

aa. New and revised IFRS in issue but not yet effective and not early adopted

Amendments to IFRS 9 and IFRS 7 - Classification and measurement of financial instruments	1 January 2026
The amendments include: - Recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and - Assessing contractual cash flow characteristics of financial assets, including those with sustainability linked features.	

3. Material accounting policies (continued)

aa. New and revised IFRS in issue but not yet effective and not early adopted (continued)	**Effective date**
IFRS 18 - Presentation and Disclosure in Financial Statements	1 January 2027

IFRS 18 will replace IAS 1 - 'Presentation of Financial Statements' and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following new key requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change
- Management defined performance measures ("MPMs") are disclosed in a single note in the financial statements
- Enhanced guidance is provided on how to group information in the financial statements

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is currently assessing the impact of the above amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

4. Risk management

i. Risk management framework

The Board of Directors (the "Board" or "BOD") 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 appetite 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, Management Committees and Sharia Committee (ISSC). The briefing about the role and function of each committee is as follows:

Executive Committee (EC)
EC acts as the Board's senior executive management assuring that the Board meets its strategic and operational objectives. The EC's purpose is to assist the Board in fulfilling its oversight responsibility by:

- Approving credit / investment facilities within the prescribed financing authority delegated by the Board; and
- Ensuring that a careful balance is maintained between the need to meet customer's credit requirements on one hand and the Bank's asset quality, profitability objectives and related risk consideration, on the other.

4. Risk management (continued)

i. Risk management framework (continued)

Group Audit Committee (AC)

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

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

Board Risk Committee (BRC)

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

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

Board Nomination, Compensation and Governance Committee (BNCGC)

The basic purpose of the Board Nomination, Compensation and Governance Committee ("BNCGC") is 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. BNCGC shall also recommend the appointment of Internal Shari'ah Supervisory Committee members to the Board for approval.

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 Holders ("IAHs") and the bank. It further provides a robust oversight and monitoring to ensure that profit equalization, including utilization of reserves are appropriately monitored.

They regularly review the investment policies and the 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 interests of stakeholders, in line with the HSA and ISSC resolutions.

Management Committee (MC)

The committee acts as a management tool and decision-making executive body of the Bank, involving the requirements and development relating to all areas across the Bank. The scope of management committee includes all cross functional issues that are not covered in the scope of other committees. Typically, MC covers the areas like strategic, policies, human resources, marketing and administrative processes. In addition, the MC is also responsible to liaise with all other units / divisions across the Group.

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 Sukuk and Syndicate Finance within the approval limit set by the BOD.

4. Risk management (continued)

i. Risk management framework (continued)

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 the Group's IT development, strategic opportunities and plans.

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. The roles of ALCO include the following:

Develop an effective asset and liability management process and related procedures to oversee and monitor the Group's approved policies and procedures in relation to the management and control of the following risks:

- Liquidity risk being the risk from the Group's inability to meet obligations when they become due without incurring unacceptable losses because of an inability to liquidate assets or to obtain adequate funding;
- Market risk being the following risks;
  - The risk to earnings from adverse movements in profit rates, exchange rates and market volatility; and
  - The risk from changes in the value of portfolio of financial instruments;
- Statement of financial position risk - being the following risks;
  - The risk to earnings from changes in profit rates and market volatility in retail and corporate rates;
  - The risk to value and capital from changes in the value of assets and liabilities as a result of changes in profit rates and market volatility; and
  - The risk from material changes in global and domestic economic conditions generally.

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

4. Risk management (continued)

i. Risk management framework (continued)

Internal Sharia Supervision Committee (ISSC)
The ISSC issues fatwas and resolutions that are binding upon the bank. It is responsible for Shariah governance in terms of overview and approval of products and documentation in relation to Shariah compatibility and overall Shariah compliance.

It issues the annual report providing the assurance on the bank's compliance with Sharia principles.

The Group Internal Sharia Control (GISC) supports the ISSC in its duties. The GISC does not issue Fatwas or resolutions, instead they refer back to the ISSC in all matters that it considers and all tasks it carries out, unless there were a Fatwas or resolutions issued for the matters before. The ISSC supervise the work of the GISC from the technical perspective.

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.

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.

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.

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.

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.

Risk Management Group (RMG)
In order to manage credit, market, operational and IT security risks, RMG is in place. Its role includes the following:

- develop a strategy, policy framework for risk management such that these are aligned with business requirements;
- provide support to the Group in implementation of the framework;
- bring together analysis of risk concentrations and sensitivities across the Group;
- act as a point of reference for risk and control matters, providing advice to management, sharing best practices and carrying out special reviews as directed by ALCO; and
- provide independent assessment of, and challenge to the business areas' risk management and profiles to ensure that they are maintained in a robust manner.

4. Risk management (continued)

i. Risk management framework (continued)

Compliance

In SIB, Compliance is an independent control function headed by Group 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. Compliance is responsible for having an independent oversight of the Bank' s Compliance risks by performing risk assessment, monitoring activities, advisory work and providing independent report to Senior Management and the Board of Directors. 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
- align annual compliance plans with business strategies and goals; and
- meet regulatory expectations.

Internal control

The role of the internal control department is to ensure that the Group has a sound internal control system in place, meeting international standards and fulfilling the requirements of the Group's management and external regulatory bodies.

Group Internal Sharia Audit Department

Compliance to Sharia Standards, Resolutions, Fatwas, guidelines issued by the ISSC and HSA in all Bank's transactions and activities are audited periodically by the Group Internal Sharia Audit, which examines the adequacy of the procedures and the Group's Operations' compliance with the Fatwas and guidance of the ISSC / HSA. Group Internal Sharia Audit findings and assessments are discussed with auditee and management, and the observations and responses are put up to the ISSC for appropriate opinions and corrective and preventive measures. The final report is submitted to the Board Audit Committee for execution of ISSC guidelines.

Group Internal Audit (GIA)

The Group Internal Audit (GIA) function forms an integral part of the Group's overall governance and control framework and operates with full independence and objectivity to support the Group in achieving its strategic objectives while safeguarding value and ensuring sustainability.

GIA provides an independent, risk-based assurance and advisory services over the adequacy and effectiveness of governance arrangements, risk management practices, and internal control systems to the Senior Management, the Audit Committee and the Board of Directors. These services include objective assessments, analytical insights, and forward-looking perspectives that support sound decision-making and effective oversight.

Through its mandate, GIA contributes to the integrity and resilience of the Group's operations by promoting robust internal controls, prudent risk management, regulatory compliance, and ethical conduct. The function also plays a key role in protecting the Group's reputation, maintaining stakeholder confidence, and supporting compliance with applicable laws, regulations, and supervisory expectations.

The GIA function is independent of operational management, is resourced with suitably qualified and experienced professionals, and performs its activities in accordance with the Global Internal Audit Standards issued by the Institute of Internal Auditors (IIA), as well as relevant regulatory and governance requirements applicable to the Group.

The function is headed by the Group Chief Internal Auditor, who reports functionally to the Audit Committee of the Board of Directors and administratively to the Chief Executive Officer (CEO), ensuring an appropriate balance between independence, authority, and effective access to senior leadership.

4. Risk management (continued)

ii. Financial risk management

The Group has exposure to the following primary risks from its use of financial instruments and group operations:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

Risk is inherent to the Group's business and activities. The Group's ability to identify, assess, monitor and manage each type of risk to which the Group is exposed is an important factor in its financial stability, performance and reputation.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

This note presents information relating to the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

a. Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's investment in Islamic financing, cash and balances with financial institutions, murabaha and wakala with financial institutions, acceptances, other assets (except prepayments and assets available for sale), investments securities measured at amortised cost and debt investment securities measured at fair value through other comprehensive income. 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 collateral 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.

Concentration risk arises when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any.

Concentration of credit risk by industrial sector for investment in Islamic financing are presented in note 9(b). Concentration of credit risk by geographical distribution is set out in note 31.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

I. Credit quality*

The table below shows the gross and net maximum exposure to credit risk for the Group.

	As at 31 December 2025			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	4,661,827	265	-	4,662,092
Loss allowance	(19)	-	-	(19)
Carrying amount	4,661,808	265	-	4,662,073
Murabaha and wakalah with financial institutions	14,740,836	-	-	14,740,836
Loss allowance	(6,539)	-	-	(6,539)
Carrying amount	14,734,297	-	-	14,734,297
Investment securities measured at amortised cost	12,954,223	11,002	23,579	12,988,804
Loss allowance	(20,504)	(178)	(23,579)	(44,261)
Carrying amount	12,933,719	10,824	-	12,944,543
Investments in Islamic financing	43,267,346	2,237,830	1,779,249	47,284,425
Loss allowance	(256,020)	(303,388)	(1,174,955)	(1,734,363)
Carrying amount	43,011,326	1,934,442	604,294	45,550,062
Other financial assets	1,227,703	16,736	12,826	1,257,265
Loss allowance	(15,789)	(13)	(12,826)	(28,628)
Carrying amount	1,211,914	16,723	-	1,228,637
Net credit risk exposures relating to on-balance sheet assets	76,553,064	1,962,254	604,294	79,119,612
Letter of credit and guarantee	1,658,041	39,759	18,715	1,716,515
Loss allowance	(6,009)	(959)	(9,327)	(16,295)
Net credit risk exposures relating to off-balance sheet assets	1,652,032	38,800	9,388	1,700,220
Net credit risk exposures	78,205,096	2,001,054	613,682	80,819,832
Gross credit risk exposure	78,509,976	2,305,592	1,834,369	82,649,937
Total loss allowance **	(304,880)	(304,538)	(1,220,687)	(1,830,105)
	78,205,096	2,001,054	613,682	80,819,832

The calculation process, the methodology, and the results for provisions have been reviewed and approved by the Provision and Remedial Management Committee responsible for the oversight of provisions, as presented by the Group Chief Risk Officer.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

I. Credit quality* (continued)

	As at 31 December 2024			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	2,249,091	517	-	2,249,608
Loss allowance	(78)	(3)	-	(81)
Carrying amount	**2,249,013**	**514**	**-**	**2,249,527**
Murabaha and wakalah with financial institutions	14,111,705	-	-	14,111,705
Loss allowance	(5,428)	-	-	(5,428)
Carrying amount	**14,106,277**	**-**	**-**	**14,106,277**
Investment securities measured at amortised cost	13,055,856	128,406	23,579	13,207,841
Loss allowance	(10,671)	(907)	(23,579)	(35,157)
Carrying amount	**13,045,185**	**127,499**	**-**	**13,172,684**
Investments in Islamic financing	35,791,621	2,103,098	1,933,405	39,828,124
Loss allowance	(202,107)	(269,208)	(1,273,990)	(1,745,305)
Carrying amount	**35,589,514**	**1,833,890**	**659,415**	**38,082,819**
Other financial assets	825,464	17,931	9,153	852,548
Loss allowance	(10,635)	(1,946)	(9,153)	(21,734)
Carrying amount	**814,829**	**15,985**	**-**	**830,814**
Net credit risk exposures relating to on-balance sheet assets	**65,804,818**	**1,977,888**	**659,415**	**68,442,121**
Letter of credit and guarantee	1,468,833	39,097	62	1,507,992
Loss allowance	(7,180)	(995)	-	(8,175)
Net credit risk exposures relating to off-balance sheet assets	**1,461,653**	**38,102**	**62**	**1,499,817**
Net credit risk exposures	**67,266,471**	**2,015,990**	**659,477**	**69,941,938**
Gross credit risk exposure	67,502,570	2,289,049	1,966,199	71,757,818
Total loss allowance **	(236,099)	(273,059)	(1,306,722)	(1,815,880)
	67,266,471	**2,015,990**	**659,477**	**69,941,938**

* Financial assets classified as fair value through profit and loss and equity instruments classified as fair value through other comprehensive income are not subject to any impairment under IFRS 9. Refer note 7 for details.

** In addition to the above, the Group has also recognised a provision for expected credit losses on its sukuk investments measured at fair value through other comprehensive income amounting to AED 11.2 million as at 31 December 2025 *(As at 31 December 2024: AED 10.0 million)*.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

II. Credit risk exposure of the Group's financial assets for each internal risk rating

The table below shows the gross maximum exposure to credit risk for the Group before any mitigation of collateral.

	As at 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Investments in Islamic financing				
Investment grade	**33,596,638**	**371,738**	**-**	**33,968,376**
Non-investment grade	**9,670,708**	**1,485,512**	**-**	**11,156,220**
Watch-list	**-**	**380,580**	**-**	**380,580**
Credit impaired	**-**	**-**	**1,779,249**	**1,779,249**
Grand Total	**43,267,346**	**2,237,830**	**1,779,249**	**47,284,425**
Investment securities				
Investment grade	**15,917,088**	**-**	**-**	**15,917,088**
Non-investment grade	**751,507**	**11,002**	**-**	**762,509**
Credit impaired	**-**	**-**	**23,579**	**23,579**
Grand Total	**16,668,595**	**11,002**	**23,579**	**16,703,176**

	As at 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Investments in Islamic financing				
Investment grade	31,613,656	748,100	-	32,361,756
Non-investment grade	4,177,965	995,251	-	5,173,216
Watch-list	-	359,747	-	359,747
Credit impaired	-	-	1,933,405	1,933,405
Grand Total	35,791,621	2,103,098	1,933,405	39,828,124
Investment securities				
Investment grade	15,481,593	117,470	-	15,599,063
Non-investment grade	594,976	10,936	-	605,912
Credit impaired	-	-	23,579	23,579
Grand Total	16,076,569	128,406	23,579	16,228,554

III. Significant increase in credit risk ("SICR")

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information credit assessment and including forward-looking information. The Group considers a financial asset to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Corporate and investment :

For financial instruments, if the obligor experiences a significant increase in probability of default which can be triggered by the following factors (but not limited to):

- Restructured in the last 12 months;
- Past due for 30 days and above but less than 90 days;
- Actual or expected change in external ratings and / or internal ratings.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

III. Significant increase in credit risk ("SICR") (continued)

Quantitative criteria (continued)
Retail:
For Retail portfolio, if the customer meets one or more of the following criteria:
- Adverse findings for an account/ customer as per credit bureau data;
- financing rescheduling before 30 Days Past Due (DPD);
- Accounts overdue between 30 and 90 days.

Qualitative criteria:
Factors such as adverse changes in business, financial or economic conditions etc. are considered as early warning indicators.

Backstop:
A backstop is applied and the financial asset is considered to have experienced a SICR if the customer is more than 30 days past due on its contractual payments. The Group has not used the low credit exemption for any financial instruments for the years ended 31 December 2025 and 31 December 2024.

Credit grades
The Group uses internal credit risk grading that reflects its assessment of the probability of default of an obligor.

The Group's rating method comprises 19 ratings levels for instruments not in default (1 to 7-) and three default classes (8-10). Investment grade is considered to be financial assets falling within credit grades 1 to 5-. Non-investment grade is considered to be financial assets falling within credit grades 6 to 7, whereas, financial assets credit graded 7- are considered to be watch-list. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating method is subject to annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of customer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The table below provides an indicative mapping of how the Group's internal credit risk grades relate to PD and, for the corporate customers portfolio, to external credit ratings of Moody's rating agency.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

III. Significant increase in credit risk ("SICR") (continued)

Credit grades (continued)

S. No	SIB Grade Scale	Moody's Rating	ERR Grade	Grade Description
1	Excellent	Aaa	1	Exceptional business credit, judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; which includes strong liquidity and cash generation, excellent and proven management; market leader.
2	Strong	Aa 1	2+	Very good business along with very good asset quality, consistently strong liquidity and financing capacity; highly regarded in the industry with strong market share.
		Aa 2	2	
		Aa 3	2-	
3	Good	A 1	3+	Good business credit considered upper medium grade, subject to low credit risk; good asset quality, strong liquidity and financing capacity. Company is above average size and holds a good position in the industry.
		A 2	3	
		A 3	3-	
4	Satisfactory	Baa 1	4+	Acceptable business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics. Customer has demonstrated adequate to good performance.
		Baa 2	4	
		Baa 3	4-	
5	Adequate	Ba 1	5+	Average to below average business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher risk characteristics. Customer has demonstrated adequate performance.
		Ba 2	5	
		Ba 3	5-	
6	Marginal	B 1	6+	Below average business credit and subject to high credit risk. Customer is likely a lower-tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants.
		B 2	6	
		B 3	6-	
		Caa 1	7+	
		Caa 2	7	
7	Vulnerable	Caa 3	7-	Weak business credit: Judged to be poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status and not to the point of classification of non performing financing.
	Non-Performing Asset (NPL)			
8	Category A	Ca	8	In Default: Unacceptable business credit with normal settlement in jeopardy.
9	Category B	C	9	In Default: Full settlement questionable. Serious problems to the point where partial loss of principal is likely.
10	Category C	-	10	In Default: Expected loss. Such an asset may have recovery but not to the point of avoiding loss classification.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

III. Significant increase in credit risk ("SICR") (continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and customer as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used. The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the customer, and the geographical region. What is considered significant differs for various types of financing, in particular between corporate and retail portfolios. The increase in PD is dependent upon multiple factors including customer industry, customer initial rating, maturity of financing, settlement frequency, product type, etc.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD

Definition of default

The Group considers a financial asset to be in default when any of the following events have taken place:

- 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); or
- 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.

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

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

III. Significant increase in credit risk ("SICR") (continued)

Definition of default (continued)

Cross Default
Retail Obligors: The definitions of Default apply at credit facility level, therefore cross-default does not apply automatically. The default of a credit facility shall neither trigger the default of the individual obligor nor the default of other credit facilities granted to the same obligor unless warranted due to actual default of each credit facility.

Corporate Obligors: The default of a material credit facility shall trigger the default of the obligor.

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.

IV. Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- 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. The methodology of estimating PDs is discussed above under the heading *'Generating the term structure of PD'*.

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.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

IV. Measurement of ECL (continued)

However, for retail and covered 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 settlement 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.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. Reconciliations from the opening to the closing balance of the loss allowance by class of financial asset is provided in respective notes.

V. Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Group formulates three economic scenarios: a base case, optimistic and downside scenario. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

The Group applies IFRS 9 expected credit loss methodology using three forward-looking macroeconomic scenarios: baseline, upside, and downside. These scenarios are probability-weighted to reflect unbiased estimates of future conditions, with weights reviewed at least annually to ensure alignment with severity targets and underlying methodology.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

V. Incorporation of forward-looking information (continued)

The key macroeconomic drivers for credit risk for the corporate portfolio are oil price and equity price index, whereas, for the retail portfolio are non-oil UAE GDP, oil price and UAE CPI index. The most significant period-end assumptions used for ECL estimate as at 31 December 2025 are set out below.

The scenarios base case, upside and downside has been used keeping in view the following principal macroeconomic variables:

Macroeconomic variables	Scenario	2026	2027	2028	2029	2030
Oil Price (USD per barrel)	Base case	62	63	65	67	68
	Upside	67	66	67	68	69
	Downside	43	54	62	64	66
Stock market volatility (%Delta of points)	Base case	0%	0%	1%	1%	1%
	Upside	0%	0%	0%	1%	1%
	Downside	-1%	2%	2%	1%	1%
UAE non-oil GDP (%Delta of GDP)	Base case	4%	3%	3%	3%	3%
	Upside	7%	4%	4%	3%	3%
	Downside	-2%	1%	5%	5%	4%
UAE CPI Index	Base case	2%	2%	2%	2%	2%
	Upside	2%	2%	2%	2%	2%
	Downside	1%	1%	2%	2%	2%

Sensitivity analysis

If the macroeconomic variables (defined above) were to change by the base case, upside and downside scenarios as below, the ECL under stages 1 and 2 will change as follows:

Macroeconomic variable	Downside	Upside
Oil Price (USD per barrel)	(5%)	+5%
Equity (Share Price Index: ADX General Index)	(5%)	+5%
UAE non-oil GDP	(1%)	+1%
UAE CPI Index	(1%)	+1%

Change in ECL due to change in macroeconomic variables	Downside	Upside
Stage 1	9.7%	(9.1%)
Stage 2	3.7%	(4.1%)

There has been no significant sensitivity impact on stage 3 ECL.

4. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

VI. 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. 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.

VII. Collateral and securities

The Group holds collateral and securities against investment in Islamic financing in the form of cash margins, personal guarantees, and mortgages over properties or other securities over assets. Estimates of credit risk mitigation relating to investment in Islamic financing are based on the value of collateral assessed at the time of financing, and are subsequently monitored on a periodic basis. A quantification of the extent to which collateral and other credit enhancements mitigate credit risk is shown below:

	As at 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Mortgage of properties	**12,428,642**	**1,766,455**	**1,060,078**	**15,255,175**
Cash lien and others	**5,776,762**	**23,986**	**5,503**	**5,806,251**
Carrying amount	**18,205,404**	**1,790,441**	**1,065,581**	**21,061,426**

	As at 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Mortgage of properties	9,922,139	1,443,845	1,163,559	12,529,543
Cash lien and others	3,400,698	128,526	1,657	3,530,881
Carrying amount	13,322,837	1,572,371	1,165,216	16,060,424

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by ensuring that a trade date is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group risk.

4. Risk management (continued)

ii. Financial risk management (continued)

b. Liquidity risk

Liquidity risk emanates if the group is not able to meet its financial obligations associated with assets or liabilities. It refers to the risk of not funding assets at appropriate maturities and rates, in addition to the inability to liquidate assets at fair prices and that too within an appropriate timeframe. The risk mainly arises from mismatches in the amount and timings of cash flows and can be caused by systemic factors like market disruptions and / or by group specific aspects like credit downgrades which may cause certain sources of funding to diminish.

I. Risk and governance

The Board provides an overall oversight on liquidity risk management including an oversight over adequacy of systems to identify, measure and manage the liquidity risk; and approval of liquidity risk policies, limits, risk statements, stress testing results. ALCO is the delegated responsibility to manage liquidity risk from the Board and it provides the liquidity risk framework, monitors and manage the bank's liquidity and funding; while recommending to the Board the changes / updates to the policy and parameter limits for liquidity adequacy, funding and maturity mismatches, foreign exchange limits. ALCO also informs the Board of any new and emerging liquidity concerns. The Group Risk Management is responsible for implementing and maintaining risk related procedures to ensure risk remains within the acceptable range as approved by the Board and the Treasury function is responsible for the day to day management of liquidity.

II. Contingency Funding Planning (CFP)

CFP provides a framework for the bank to evaluate the liquidity crisis events and monitor the availability of funding to meet bank's financial obligations. The plan takes into consideration hypothetical plausible events that could adversely affect the bank's liquidity such as run-off of deposits, inability to securitize assets, additional collateral and / or other restrictive requirements associated with wakala and murabaha from counterparties. CFP is tested on an annual basis to evaluate bank's ability to draw down credit lines and to monetize the assets through selling or pledging against secured funding. The objectives of the CFP testing are to ensure that

- the availability of the contingent sources of funding;
- operational controls are effective to execute the CFP; and
- roles and responsibilities are appropriate and understood.

III. Liquidity and funding management

The Group maintains a diversified funding base comprising core retail / corporate customer deposits. The Group monitors the composition of funding sources at a granular level to avoid concentration of funding. Liquidity risk is managed through diversification of funding sources from retail and corporate non-maturity and time deposits based on various behavioral analysis. Monitoring of future cash flows, eligible liquid assets and assessment of sources of funding are performed on a regular basis.

IV. Exposure to liquidity risk

The Group's contractual maturities of financial instruments are summarised in the table below based on the contractual repayment agreements and does not take in to account of the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of financial instruments have been determined on the basis of remaining period at the reporting date to the contractual maturity date. This remaining maturity profile especially in the short-term time buckets are monitored by management to ensure mitigation of liquidity risk.

4. Risk management (continued)

ii. Financial risk management (continued)

b. Liquidity risk (continued)

IV. Exposure to liquidity risk (continued)

	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years or no maturity	Total	Carrying Value
As at 31 December 2025						
Assets						
Cash and balances with banks and financial institutions	5,444,512	-	-	-	5,444,512	5,444,512
Murabaha and wakalah with financial institutions	3,202,892	5,378,204	6,153,201	-	14,734,297	14,734,297
Investment securities measured at fair value	1,729,822	438,033	2,391,741	443,300	5,002,896	5,002,896
Investment securities measured at amortised cost	199,975	792,300	9,257,456	2,694,812	12,944,543	12,944,543
Investment in Islamic financing	4,644,501	6,259,188	27,947,354	6,699,019	45,550,062	45,550,062
Acceptances	231,680	74,626	448	-	306,754	306,754
Other financial assets	572,694	199,124	133,770	-	905,588	905,588
	16,026,076	13,141,475	45,883,970	9,837,131	84,888,652	84,888,652
Liabilities						
Customer deposits	43,272,422	11,800,970	599,530		55,672,922	55,672,922
Due to banks	772,492	6,135,140	9,838,441	-	16,746,073	16,309,374
Sukuk payable	95,957	180,436	6,470,908	-	6,747,301	5,488,719
Acceptances	231,991	74,626	448	-	307,065	307,065
Other financial liabilities	2,353,671	394,541	59,830	-	2,808,042	2,808,042
	46,726,533	18,585,713	16,969,157	-	82,281,403	80,586,122
Contingent liabilities	6,730,035	-	-	-	6,730,035	6,730,035
As at 31 December 2024						
Assets						
Cash and balances with banks and financial institutions	3,002,556	-	-	-	3,002,556	3,002,556
Murabaha and wakalah with financial institutions	9,678,959	3,178,498	1,248,820	-	14,106,277	14,106,277
Investment securities measured at fair value	593,117	630,676	2,876,209	497,739	4,597,741	4,597,741
Investment securities measure at amortised cost	53,586	996,556	9,073,107	3,049,435	13,172,684	13,172,684
Investment in Islamic financing	6,418,395	8,218,546	16,129,967	7,315,911	38,082,819	38,082,819
Acceptances	180,733	58,765	-	-	239,498	239,498
Other financial assets	759,408	63,836	267	-	823,511	823,511
	20,686,754	13,146,877	29,328,370	10,863,085	74,025,086	74,025,086
Liabilities						
Customer deposits	40,151,873	10,922,870	683,701	-	51,758,444	51,758,444
Due to banks	9,030,909	3,173,683	725,221	-	12,929,813	12,850,330
Sukuk payable	48,208	1,910,878	2,222,165	-	4,181,251	3,659,949
Acceptances	181,605	58,765	-	-	240,370	240,370
Other financial liabilities	1,904,604	351,142	23,922	-	2,279,668	2,185,961
	51,317,199	16,417,338	3,655,009	-	71,389,546	70,695,054
Contingent liabilities	4,482,381	-	-	-	4,482,381	4,482,381

4. Risk management (continued)

ii. Financial risk management (continued)

b. Liquidity risk (continued)

IV. Exposure to liquidity risk (continued)

Cash and balances with banks and financial institutions include mandatory deposits with the Central Bank of the UAE (refer note 5). The Group's expected cash flows may vary from this analysis, for example, demand deposits from customers are expected to maintain a stable or increasing balance.

The residual maturity of the Group's financial liabilities is not significantly different from its contractual maturity, since, the Group follows Shari'a principles and contractual returns which are based on a profit or loss sharing basis and are not guaranteed.

c. Market risk

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

Profit margin risk

The Group is not significantly exposed to risk in terms of re-pricing its customer deposits, since, in accordance with Islamic Sharia, the Group does not provide a contractual rate of return to its investment account holders. The return payable to depositors and investment account holders is based on the principle 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 Bank is exposed to Displaced Commercial Risk ("DCR") arising from its fiduciary responsibility to depositors or Investment Account Holders ("IAH"), which occurs when returns generated from assets funded by IAH do not meet market expectations, potentially requiring the Bank to forego a portion of its profit share or utilize reserves to stabilize IAH returns. To mitigate this risk, the Bank maintains a Profit Equalization Reserve ("PER") to stabilize returns during periods of fluctuating profitability, defines explicit thresholds and tolerance levels to monitor and manage DCR effectively and conducts regular comparisons of IAH returns with market benchmarks to ensure competitiveness. These measures safeguard IAH interests and maintain the Bank's market reputation while ensuring sustainable operations.

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.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in profit rates on the net income for one year, based on the financial assets and financial liabilities.

	Increase / decrease in basis points	Increase / decrease in net income and equity	
		2025	2024
Net profit rate sensitivity on financial assets and liabilities	50 basis points	20,982	15,107

4. Risk management (continued)

ii. Financial risk management (continued)

c. Market risk (continued)

Currency 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 the 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.

At 31 December 2025 and 2024, the Group had the following significant net exposures denominated in foreign currencies:

	As at 31 December	
	2025	**2024**
Currency net position		
United States Dollar	**5,798,604**	4,860,632
United Kingdom Pound Sterling	**135,522**	129,261
Euro	**94**	662
Bahrani Dinar	**4,006**	4,157
Qatari Riyal	**1,195**	1,794
Saudi Riyals	**10,204**	5,889
Kuwaiti Dinar	**1,532**	1,719
Other currencies	**23,137**	23,178

The exchange rate of AED, Bahraini Dinar, Saudi Riyals and Qatari Riyal is pegged against the United States Dollar and therefore, the Group's exposure to currency risk is limited to that extent. With respect to the Group's exposure to other currencies (i.e. United Kingdom Pound Sterling, Euro etc.), the impact on foreign exchange income due to a change in exchange rate by 5% is AED 7.3 million (after tax) for the year ended 31 December 2025 *(year ended 31 December 2024: AED 7.0 million (after tax), respectively).*

Equity price risk

Equity price risk arises from the change in fair value of equity instruments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The table summarises the impact of a change in prices by ±10% on statement of profit or loss and other comprehensive income of the Group.

	2025		2024	
	Effect on profit or loss	**Effect on other comprehensive income**	**Effect on profit or loss**	**Effect on other comprehensive income**
Financial assets at fair value through profit or loss	**34,167**	**-**	58,355	-
Financial assets at fair value through other comprehensive income	**-**	**57,663**	-	63,890

4. Risk management (continued)

ii. Financial risk management (continued)

d. Operational risks

Operational risk is the risk of a direct or indirect loss arising from a wide variety of causes associated with the Group' s processes, personnel, technology and infrastructure and external factors other than credit, market and liquidity risks. Operational risks arise from all of the Group' s operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Group has established a framework of policies and procedures to identify, assess, control, manage and report Operational risks which includes standard policies and procedure for managing within the units. The objective of the framework includes having a robust operational risk culture, fostering a strong control environment, facilitating an effective & efficient disaster recovery & Business continuity, setting clear expectations for integrity, ethical value and ensuring proper functioning of the three lines of defense.

The Group manages operational risk through disciplined application and evaluation of internal controls, appropriate segregation of duties, independent authorization of transactions along with regular, systematic reconciliation and monitoring. The Group uses any or combination of the following tools for identifying, assessing, monitoring, controlling or mitigating and reporting operational risks.

- Risk & Control Self - Assessments;
- Key Risk Indicators; or
- Loss Data Collection & Analysis

The Operational Risk Governance Framework is subject to review by the Group Risk Management annually in line with Bank's strategy. Further, Board Risk Committee also reviews and approves annually, a risk appetite statement for operational risk that articulates the nature, types and levels of operational risk that the Bank is willing to assume and that sets appropriate limits and thresholds.

The Board Risk Committee oversees the responsibilities for identification and management of operational risk in reducing the likelihood of any operational losses. Where appropriate, risk is further mitigated by way of insurance. In all cases, the Group's operational risk policies' requires compliance with all applicable legal and regulatory requirements. Compliance with policies and procedures is supported by periodic reviews undertaken by the Internal Audit Division.

Operational Resilience and Business Continuity Management

The Bank is committed to maintaining a high level of operational resilience to ensure the continuous delivery of critical services to customers and counterparties. Operational resilience is embedded within the Bank's risk management framework and is overseen by senior management and the Board. It encompasses the Bank's ability to prevent, respond to, recover from, and learn from operational disruptions, including those arising from technology failures, cyber incidents, third-party dependencies, process breakdowns, and external events.

The Business Continuity Management (BCM) process identifies potential threats to the Group and assesses their possible impact on business operations based on a comprehensive Business Impact Analysis ("BIA"). BCM provides a framework to strengthen organizational resilience and enable effective responses, safeguarding key stakeholders, reputation, brand, and critical business activities. The Senior Management oversees and sets the strategy for BCM, while business and support units are responsible for maintaining and testing appropriate Business Continuity Plans (BCPs) for their respective areas. The effectiveness of these plans is independently monitored by the Risk Management team.

4. Risk management (continued)

ii. Financial risk management (continued)

e. Capital management

Regulatory capital

The Group's lead regulator, the CBUAE, sets and monitors regulatory capital requirements. The Group's objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by the CBUAE.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group' s regulatory capital adequacy ratio is set by the CBUAE. The Group has complied with all externally imposed capital requirements as at 31 December 2025 and 2024 as well as throughout all periods presented. There have been no material changes in the Group's management of capital during the year. The Group has adopted a standardised approach for Credit risk and Market risk and a Basic Indicator approach for Operational risk.

- ***Common Equity Tier 1 (CET1):*** which includes ordinary share capital, legal and statutory reserve and retained earnings
- ***Additional Tier 1 capital (AT1) :*** which includes instruments issued by a bank which are eligible for inclusion in AT1 and are not included in CET1
- ***Tier 2 capital:*** which includes general provisions or general finance loss reserves and instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital, and are not included in Tier 1 capital.

The table below summarises the composition of regulatory capital of the Group:

	Basel III	
	As at 31 December	
	2025	2024
Capital base		
Common equity tier 1	**7,446,048**	6,292,888
Additional tier 1 capital	**1,836,500**	1,836,500
Total tier 1 capital base	**9,282,548**	**8,129,388**
Total tier 2 capital base	**620,640**	519,174
Total capital base	**9,903,188**	**8,648,562**
Risk weighted assets		
Credit risk	**52,916,517**	46,850,732
Market risk	**175,690**	166,661
Operational risk	**4,151,309**	3,603,303
Risk weighted assets	**57,243,516**	**50,620,696**
Capital ratios (before proposed dividend adjustment)		
Common equity tier 1 ratio	**13.01%**	**12.43%**
Tier 1 capital ratio	**16.22%**	**16.06%**
Total capital adequacy ratio	**17.30%**	**17.09%**

As at 31 December 2025, total capital adequacy ratio after adjustment of proposed dividends stands at 16.17% *(As at 31 December 2024: 16.18%).*

5. Cash and balances with banks and financial institutions

	As at 31 December	
	2025	**2024**
Cash	**782,439**	753,029
Balances with the CBUAE	**4,374,508**	2,040,913
Due from banks and financial institutions	**287,565**	208,614
	5,444,512	3,002,556

As at 31 December 2025 and 2024, balances with CBUAE includes 14 days average statutory deposit requirement of CBUAE, which is also available to fund daily operations under specified conditions.

As at 31 December 2025, due from banks include cash margin amounting to AED 4.1 million *(As at 31 December 2024: AED: Nil)* against collateralised murabaha.

6. Murabaha and wakalah with financial institutions

	As at 31 December	
	2025	**2024**
Murabaha	**3,445,798**	1,315,376
Wakalah arrangements	**11,288,499**	12,790,901
	14,734,297	14,106,277

As at 31 December 2025, wakala arrangements with financial institutions includes Islamic certificates of deposit with CBUAE amounting to AED 5.9 billion *(As at 31 December 2024: AED 7.3 billion).*

As at 31 December 2025, murabaha and wakalah with financial institutions carry profit rates ranging from 1.75% to 7.75% per annum *(As at 31 December 2024: 2.85% to 7.75% per annum).*

As at 31 December 2025 and 2024, balances due from banks and financial institutions *(refer note 5)* and Murabaha and wakala with financial institutions are pre-dominantly rated between P-1 to P-3 by reputable credit rating agencies.

7. Investment securities measured at fair value

The Group has designated certain investments in equity instruments and funds as FVTOCI as these are investments that the Group plans to hold in the long term for strategic reasons.

	Fair value		Dividend income	
	As at 31 December		For the year ended 31 December	
	2025	**2024**	**2025**	**2024**
By category				
Financial assets at fair value through profit or loss				
- Equity and funds	**341,673**	583,548	**30,710**	22,545
- Sukuks	**381,448**	364,598	**-**	-
	723,121	**948,146**	**30,710**	**22,545**
Financial assets at fair value through other comprehensive income				
- Equity and funds	**576,626**	638,897	**19,662**	26,350
- Sukuks	**3,703,149**	3,010,698	**-**	-
	4,279,775	**3,649,595**	**19,662**	**26,350**
Total investment securities measured at fair value	**5,002,896**	**4,597,741**	**50,372**	**48,895**

	As at 31 December	
	2025	**2024**
By quoted / unquoted		
Financial assets at fair value through profit or loss		
- Quoted	**501,206**	576,161
- Unquoted	**221,915**	371,985
	723,121	**948,146**
Financial assets at fair value through other comprehensive income		
- Quoted	**3,916,715**	3,221,500
- Unquoted	**363,060**	428,095
	4,279,775	**3,649,595**
Total investment securities measured at fair value	**5,002,896**	**4,597,741**

Movement during the year	**2025**	**2025**	2024	2024
	FVTPL	**FVTOCI**	FVTPL	FVTOCI
Balance at 1 January	**948,146**	**3,649,595**	728,570	3,233,169
Additions during the year	**8,999**	**1,223,335**	219,606	753,034
Disposals during the year	**(204,758)**	**(682,962)**	(9,925)	(432,690)
Provision (charge) / reversal during the year	**-**	**(1,207)**	-	20,596
Revaluation (loss) / gain during the year	**(29,266)**	**91,014**	9,895	75,486
Balance at 31 December	**723,121**	**4,279,775**	948,146	3,649,595

7. Investment securities measured at fair value (continued)

During the year ended 31 December 2025, the Group has purchased equity securities amounting to AED 9.0 million *(year ended 31 December 2024: AED 522.1 million)*.

As at 31 December 2025, sukuks held at fair value through other comprehensive income includes AED 1,926.7 million *(As at 31 December 2024: AED 1,664.0 million)* that have been pledged against a collateralized commodity murabaha arrangement.

As at 31 December 2025 and 2024, investment securities measured at fair value predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

During the years ended 31 December 2025 and 2024, no investment securities measured at fair value through other comprehensive income were downgraded to stage 3 under the ECL model.

8. Investment securities measured at amortised cost

	As at 31 December	
	2025	**2024**
By category		
- Sukuks	**12,988,804**	13,207,841
Less: loss allowance on financial assets measured at amortised cost	**(44,261)**	(35,157)
	12,944,543	**13,172,684**
By quoted / unquoted		
- Quoted	**10,128,725**	9,796,946
- Unquoted	**2,860,079**	3,410,895
Less: loss allowance on financial assets measured at amortised cost	**(44,261)**	(35,157)
	12,944,543	**13,172,684**

As at 31 December 2025, sukuks held at amortised cost includes AED 8,587.8 million *(As at 31 December 2024: AED 6,642.6 million)* that have been pledged against a collateralized commodity murabaha arrangement.

During the year ended 31 December 2025, the Group has sold investment securities measured at amortised cost amounting to AED 253.4 million *(year ended 31 December 2024, the Group has sold investment securities measured at amortised cost amounting to AED 523.8 million)*.

As at 31 December 2025 and 2024, investment securities measured at amortised cost predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

The fair value of investment securities measured at amortised cost has been disclosed in note 30 of these consolidated financial statements.

8. Investment securities measured at amortised cost (continued)

Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") of investment securities measured at amortised cost and loss allowance ("ECL") can be seen below:

	2025							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2025	13,055,856	10,671	128,406	907	23,579	23,579	13,207,841	35,157
Transfer to stage 1	-	623	-	(623)	-	-	-	-
Transfer to stage 2	117,470	-	(117,470)	-	-	-	-	-
Addition during the year	761,435	-	66	-	-	-	761,501	-
Redemption during the year	(727,101)	-	-	-	-	-	(727,101)	-
Disposal during the year	(253,437)	-	-	-	-	-	(253,437)	-
Net re-measurement of loss allowance	-	9,210	-	(106)	-	-	-	9,104
Balance at 31 December 2025	12,954,223	20,504	11,002	178	23,579	23,579	12,988,804	44,261

	2024							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2024	9,584,148	12,045	10,870	681	60,309	60,309	9,655,327	73,035
Transfer to stage 2	(117,456)	(12)	117,456	12	-	-	-	-
Addition during the year	5,021,404	-	80	-	-	-	5,021,484	-
Redemption during the year	(908,414)	-	-	-	-	-	(908,414)	-
Disposal during the year	(523,826)	-	-	-	-	-	(523,826)	-
Net re-measurement of loss allowance	-	(1,362)	-	214	-	-	-	(1,148)
Write-offs	-	-	-	-	(36,730)	(36,730)	(36,730)	(36,730)
Balance at 31 December 2024	13,055,856	10,671	128,406	907	23,579	23,579	13,207,841	35,157

9. Investments in Islamic financing

Investments in Islamic financing are secured by acceptable forms of collateral to mitigate the related credit risk, as disclosed in note 4(a). Investments in Islamic financing comprise the following:

	As at 31 December	
	2025	**2024**
a) By product		
Vehicle murabaha	**1,018,580**	749,135
Goods murabaha	**21,860,920**	13,644,566
Other murabaha receivable	**1,304,639**	1,699,645
Gross murabaha financing	**24,184,139**	**16,093,346**
Less: deferred profit	**(2,371,998)**	(1,390,184)
Net murabaha financing	**21,812,141**	**14,703,162**
Ijarah financing	**19,766,185**	18,903,322
Syndicate financing	**4,029,220**	1,853,554
Qard hasan	**502,906**	2,974,145
Covered cards	**117,100**	115,518
Istisna'a	**1,056,873**	1,278,423
Total investments in Islamic financing	**47,284,425**	**39,828,124**
Less: loss allowance for investments in Islamic financing	**(1,734,363)**	(1,745,305)
	45,550,062	**38,082,819**
b) By sector		
Government departments and authorities	**19,775,629**	14,436,411
Construction and contracting	**1,535,229**	1,608,950
Manufacturing	**973,808**	750,576
Transportation	**597,588**	403,255
Real estate	**12,028,182**	10,415,435
Retail businesses	**372,047**	452,169
Trading	**1,087,828**	2,415,182
Financial institutions	**1,392,827**	736,854
Services and others	**3,689,294**	1,537,354
Individuals	**3,775,512**	4,189,330
Consumer home finance	**1,598,788**	1,487,748
High net worth individuals	**2,829,691**	2,785,044
Deferred profit	**(2,371,998)**	(1,390,184)
Less: loss allowance for investments in Islamic financing	**(1,734,363)**	(1,745,305)
	45,550,062	**38,082,819**

9. Investments in Islamic financing (continued)

Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") and loss allowance ("ECL") for retail and corporate banking segment can be seen below:

	2025							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January	35,791,621	202,107	2,103,098	269,208	1,933,405	1,273,990	39,828,124	1,745,305
Retail banking								
Transfer to stage 1	4,596	127	(4,571)	(127)	(25)	-	-	-
Transfer to stage 2	(41,760)	(592)	41,760	592	-	-	-	-
Transfer to stage 3	(41,375)	(1,230)	(13,994)	(1,765)	55,369	2,995	-	-
Net movement in GCV	493,093	-	(3,232)	-	5,380	-	495,241	-
Net re-measurement of loss allowance	-	569	-	3,950	-	41,193	-	45,712
Recoveries	-	-	-	-	(30,763)	(16,191)	(30,763)	(16,191)
Write-offs	-	-	-	-	(31,975)	(31,975)	(31,975)	(31,975)
Corporate banking								
Transfer to stage 1	237,824	13,333	(237,824)	(13,333)	-	-	-	-
Transfer to stage 2	(542,407)	(4,970)	546,680	5,949	(4,273)	(979)	-	-
Transfer to stage 3	(9,962)	(43)	(83,295)	(16,887)	93,257	16,930	-	-
Net movement in GCV	7,375,716	-	(110,792)	-	35,094	-	7,300,018	-
Net re-measurement of loss allowance	-	46,719	-	55,801	-	113,576	-	216,096
Recoveries	-	-	-	-	(98,167)	(46,531)	(98,167)	(46,531)
Write-offs	-	-	-	-	(178,053)	(178,053)	(178,053)	(178,053)
Balance at 31 December	43,267,346	256,020	2,237,830	303,388	1,779,249	1,174,955	47,284,425	1,734,363

9. Investments in Islamic financing (continued)

Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") and loss allowance ("ECL") for retail and corporate banking segment can be seen below (continued)

	2024							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January	**30,937,200**	**146,847**	**2,085,311**	**258,745**	**1,920,235**	**1,233,206**	**34,942,746**	**1,638,798**
Retail banking								
Transfer to stage 1	3,412	134	(3,394)	(140)	(18)	6	-	-
Transfer to stage 2	(21,784)	(242)	21,784	242	-	-	-	-
Transfer to stage 3	(51,875)	(489)	(18,194)	(811)	70,069	1,300	-	-
Net movement in GCV	180,283	-	(3,294)	-	(9,948)	-	**167,041**	-
Net re-measurement of loss allowance	-	943	-	2,402	-	40,867	-	**44,212**
Recoveries	-	-	-	-	(19,661)	(10,594)	**(19,661)**	**(10,594)**
Write-offs	-	-	-	-	(23,152)	(23,152)	**(23,152)**	**(23,152)**
Corporate banking								
Transfer to stage 1	52,217	792	(52,217)	(792)	-	-	-	-
Transfer to stage 2	(737,772)	(5,152)	752,540	6,313	(14,768)	(1,161)	-	-
Transfer to stage 3	(49,435)	(679)	(212,120)	(35,516)	261,555	36,195	-	-
Net movement in GCV	5,479,375	-	(467,318)	-	(12,058)	-	**4,999,999**	-
Net re-measurement of loss allowance	-	59,953	-	38,765	-	202,833	-	**301,551**
Recoveries	-	-	-	-	(138,466)	(105,127)	**(138,466)**	**(105,127)**
Write-offs	-	-	-	-	(100,383)	(100,383)	**(100,383)**	**(100,383)**
Balance at 31 December	**35,791,621**	**202,107**	**2,103,098**	**269,208**	**1,933,405**	**1,273,990**	**39,828,124**	**1,745,305**

9. Investments in Islamic financing (continued)

Portfolio wise analysis of ECL during the year

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January	**202,107**	**269,208**	**1,273,990**	**1,745,305**
Retail banking				
Covered cards	**(598)**	**(111)**	**373**	**(336)**
Housing finance	**(5,821)**	**313**	**(6,067)**	**(11,575)**
Personal finance	**2,338**	**2,471**	**3,287**	**8,096**
Auto finance	**2,955**	**(23)**	**(1,571)**	**1,361**
Corporate banking				
Government and related exposures	**29,212**	**(1,541)**	**-**	**27,671**
Other corporates	**9,075**	**(22,186)**	**(143,542)**	**(156,653)**
High net worth individuals	**16,647**	**40,412**	**8,741**	**65,800**
Small and Medium Enterprises ("SMEs")	**105**	**14,845**	**39,744**	**54,694**
ECL allowance as at 31 December	**256,020**	**303,388**	**1,174,955**	**1,734,363**

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January	**146,847**	**258,745**	**1,233,206**	**1,638,798**
Retail banking				
Covered cards	(55)	78	953	**976**
Housing finance	(362)	(145)	1,392	**885**
Personal finance	(161)	1,699	4,001	**5,539**
Auto finance	924	61	2,081	**3,066**
Corporate banking				
Government and related exposures	(2,500)	1,541	-	**(959)**
Other corporates	16,307	(35,046)	32,997	**14,258**
High net worth individuals	16,885	3,556	(24,807)	**(4,366)**
Small and Medium Enterprises ("SMEs")	24,222	38,719	24,167	**87,108**
ECL allowance as at 31 December	**202,107**	**269,208**	**1,273,990**	**1,745,305**

10. Investment properties

	2025	**2024**
Balance at 1 January	**2,964,711**	2,822,991
Additions during the year	**38,729**	416,665
Transfer to properties held for sale during the year *(notes 11 and 30)*	**(1,167,641)**	(193,830)
Disposals during the year	**(64,334)**	(38,604)
Revaluation gain / (loss) during the year	**64,237**	(40,335)
Exchange differences during the year	**9,248**	(2,176)
Balance at 31 December	**1,844,950**	**2,964,711**

Fair value of the investment properties as at 31 December 2025 and 2024 were determined by an independent valuer. Significant assumptions made by the valuer are disclosed in note 30.

11. Properties held for sale

	2025	2024
Balance at 1 January	**793,438**	526,215
Additions during the year	**216,925**	182,473
Transfer from investment properties during the year *(notes 10 and 30)*	**1,167,641**	193,830
Disposals during the year	**(65,124)**	(106,643)
Reversal of / (provision for) impairment during the year	**11,916**	(2,437)
Balance at 31 December	**2,124,796**	**793,438**

12. Other assets

	As at 31 December	
	2025	2024
Prepaid expenses and other advances	**82,036**	61,263
Profit receivable	**566,776**	537,065
Sundry debtors	**293,065**	236,550
Assets purchased against Investment in Islamic financing	**417,563**	406,748
Positive fair value of Islamic derivatives *(note 36)*	**35,473**	-
Others	**54,886**	78,933
Less: loss allowance under IFRS 9 on other assets	**(44,612)**	(29,037)
	1,405,187	**1,291,522**

During the years ended 31 December 2025 and 2024, no significant financial assets included within 'Other assets' were downgraded to stage 3 under the ECL model.

13. Intangible assets

	Software	Intangibles - work in progress	Total
Cost			
As at 1 January 2025	**114,846**	**16,714**	**131,560**
Additions during the year	**10,180**	**9,882**	**20,062**
Capitalised during the year	**15,024**	**(15,024)**	**-**
Write off during the year	**(9,274)**	**-**	**(9,274)**
As at 31 December 2025	**130,776**	**11,572**	**142,348**
Accumulated amortization			
As at 1 January 2025	**68,559**	**-**	**68,559**
Charge for the year	**11,647**	**-**	**11,647**
Write off during the year	**(9,274)**	**-**	**(9,274)**
As at 31 December 2025	**70,932**	**-**	**70,932**
Net book value			
As at 31 December 2025	**59,844**	**11,572**	**71,416**
As at 31 December 2024	46,287	16,714	63,001

14. Property and equipment

	Land and buildings	Right of use assets	Equipment, furniture & fittings	Computer equipment	Motor vehicles	Capital - work in progress	Total
Cost							
As at 1 January 2025	**999,263**	**80,930**	**164,678**	**74,056**	**6,887**	**13,825**	**1,339,639**
Additions during the year	**1,213**	**30,324**	**4,174**	**11,032**	**723**	**13,290**	**60,756**
Disposals during the year	**(2,257)**	**(20,195)**	**(4,480)**	**(12,618)**	**(236)**	**-**	**(39,786)**
Capitalised during the year	**3,522**	**-**	**241**	**411**	**-**	**(4,174)**	**-**
As at 31 December 2025	**1,001,741**	**91,059**	**164,613**	**72,881**	**7,374**	**22,941**	**1,360,609**
Accumulated depreciation							
As at 1 January 2025	**210,939**	**47,919**	**138,861**	**40,939**	**4,912**	**-**	**443,570**
Charge for the year	**17,386**	**13,909**	**7,267**	**14,386**	**1,141**	**-**	**54,089**
Disposals during the year	**(2,257)**	**(1,294)**	**(4,414)**	**(12,582)**	**(189)**	**-**	**(20,736)**
As at 31 December 2025	**226,068**	**60,534**	**141,714**	**42,743**	**5,864**	**-**	**476,923**
Net book value							
As at 31 December 2025	**775,673**	**30,525**	**22,899**	**30,138**	**1,510**	**22,941**	**883,686**
As at 31 December 2024	788,324	33,011	25,817	33,117	1,975	13,825	896,069

15. Customer deposits

	As at 31 December	
	2025	**2024**
Current accounts	**14,346,960**	13,533,473
Saving accounts	**4,254,668**	3,405,940
Watani / call accounts	**1,595,575**	1,531,968
Escrow accounts	**2,899,237**	2,946,263
Time deposits	**4,671,406**	4,092,439
Wakala deposits	**27,214,161**	25,832,649
Margins	**690,915**	415,712
	55,672,922	**51,758,444**

16. Due to banks

Wakala	**6,785,231**	5,321,146
Collateralised murabaha	**9,504,642**	7,511,667
On demand	**19,501**	17,517
	16,309,374	**12,850,330**

As at 31 December 2025, the Group has collateralized commodity murabaha arrangement amounting to AED 9,504.6 million *(As at 31 December 2024: AED 7,511.7 million)* against which the Group has pledged sukuk amounting to AED 10,514.5 million *(As at 31 December 2024: AED 8,306.6 million)* - refer to notes 7 and 8.

The Wakala Bil-Istithmar (Investment Wakala) had an expected profit rate ranging from 1.0% to 4.6%. The maturity of the Investment Wakala based deposits is primarily in year 2026. *(As of December 31, 2024, the profit rates on deposits were between 2.9% and 5.5%. The maturity of these deposits was in year 2025.)*

The Collateralised murabaha had a profit rate ranging from 4.0% to 4.6%. The maturity of Collateralised Murabaha deals is primarily between 2026 and 2028. *(As of December 31, 2024, the profit rates on such deals were between 4.6% and 5.1%. The maturity of these deals was mainly between 2025 and 2027.)*

17. Sukuk payable

		As at 31 December 2025		As at 31 December 2024	
Particulars	**Maturity date**	**Carrying value**	**Profit rate**	**Carrying value**	**Profit rate**
SIB Sukuk 2025	23 June 2025	**-**	**-**	1,835,949	2.85%
SIB Sukuk 2029	3 July 2029	**1,826,657**	**5.25%**	1,824,000	5.25%
SIB Sukuk 2030	26 February 2030	**1,829,522**	**5.20%**	-	-
SIB Sukuk 2030	12 November 2030	**1,832,540**	**4.60%**	-	-
Total		**5,488,719**		3,659,949	

17. Sukuk payable (continued)

During the year ended 31 December 2025, the Bank issued sukuks amounting to USD 500 million (AED 1,836.5 million) each on 26 February 2025 and 12 November 2025 respectively. The Sukuks bear an expected profit rate of 5.2% per annum and 4.6% per annum and have a maturity dates of 26 February 2030 and 12 November 2030 respectively. The Sukuks are listed on the Irish Stock Exchange.

18. Other liabilities

	As at 31 December	
	2025	**2024**
Profit payable	**877,733**	874,969
Accruals and provision	**146,142**	124,127
Accounts payable	**610,521**	182,583
Provision for staff end of service benefits	**131,946**	119,056
Managers' cheques	**252,422**	261,454
Sundry creditors*	**638,130**	510,871
Corporate tax payable	**132,246**	101,211
Deferred tax liability *(note 38)*	**14,270**	872
Payables against assets purchased	**45,327**	45,121
Profit equalisation reserve *(note 18.1)*	**28,835**	24,665
Negative fair value of Islamic derivatives *(note 36)*	**-**	42,009
Lease obligation *(note 18.2)*	**21,850**	25,361
	2,899,422	2,312,299

18.1 Profit equalisation reserve	**2025**	**2024**
Balance at 1 January	**24,665**	14,793
Additions during the year	**7,894**	11,938
Utilisation during the year	**(2,961)**	(1,413)
Zakat allocation during the year	**(763)**	(653)
Balance at 31 December	**28,835**	24,665

Profit equalisation reserves are amounts appropriated out of the Bank's common pool's income for Mudaraba depositors, before allocating the Mudarib's share of profit, in order to maintain a certain level of return on investments for all the Investment Account Holders ("IAHs") and other investors in the common pool.

18.2 Lease obligation	**2025**	**2024**
Balance at 1 January	**25,361**	18,662
Additions during the year	**15,870**	17,180
Amortisation during the year	**(4,034)**	917
Payments during the year	**(15,347)**	(11,398)
Balance at 31 December	**21,850**	25,361

* Sundry creditors include an amount of AED 212 million *(As at 31 December 2024: AED 116 million)* which relates to client money balances. In accordance with the regulations issued by the Securities and Commodities Authority ("SCA"), the Group separately maintains moneys received from its customers ("client money") and presents the client money as part of the consolidated financial statements under 'Cash and balances with banks and financial institutions' with the corresponding liability in 'Other liabilities'. The client money is not available to the Group other than to settle transactions executed in the trading accounts of the customers.

19. Share capital

	As at 31 December 2025		As at 31 December 2024	
	No. of shares *(in '000)*	**Value**	No. of shares *(in '000)*	Value
Authorised and issued share capital	**3,235,678**	**3,235,678**	3,235,678	3,235,678

Refer note 39 for details of the Bank's treasury shares.

20. Tier 1 sukuk

On 4 June 2025, the Bank issued Shari'a compliant Additional Tier 1 sukuk through a SPV, SIB Tier 1 Sukuk IIND Ltd, ("the issuer") amounting to USD 500 million (AED 1,836.5 million) at par.

Additional Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. These sukuk are expected to pay profit semi-annually of 6.125 per cent each year, commencing from 4 June 2025 with periodic distribution due on 4 December and 4 June every year. The expected profit rate will be reset to a new expected rate on the basis of the then prevailing reoffer spread of 195.6 bps on 4 June 2031 ("the first reset date") and every 6 years thereafter. These sukuk are listed on Euronext Dublin and Nasdaq Dubai and are callable by the Bank on 4 December 2030 ("the first call date") or any profit payment date thereafter subject to certain redemption conditions.

The net proceeds of Additional Tier 1 Sukuk are invested by the Bank in its general business activities on a co-mingling basis. At the Issuer's sole discretion, it may elect not to make any Mudaraba profit distributions expected and the event is not considered an event of default. In such an event, the Mudaraba profit will not be accumulated but forfeited to the issuer. If the issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

On 2 July 2025, the Bank exercised its call options and redeemed Additional Tier 1 Capital Certificates (the "Certificates") amounting to USD 500 million (AED 1,836.5 million) originally issued on 2 July 2019 via SIB Tier 1 Sukuk Company Limited. The Certificates have been delisted on Euronext Dublin and Nasdaq Dubai as well.

21. Other reserves and treasury shares

	Legal reserve *(note 21.1)*	Statutory reserve *(note 21.2)*	Impairment reserve - General *(note 21.3)*	Cash flow hedge reserve *(note 36)*	Treasury shares *(note 39)*	Total
Balance at 1 January 2025	**1,626,880**	**89,008**	**183,587**	**(38,228)**	**(393,241)**	**1,468,006**
Transfer to reserves	**2,128**	-	**(10,480)**	-	-	**(8,352)**
Cash flow hedge - effective portion of changes in fair value of Islamic derivative - net of tax *(note 36)*	-	-	-	**70,508**	-	**70,508**
Disposal of treasury shares *(note 39(a))*	-	-	-	-	**368,991**	**368,991**
Shares held by liquidity provider *(note 39(b))*	-	-	-	-	**1,503**	**1,503**
Balance at 31 December 2025	**1,629,008**	**89,008**	**173,107**	**32,280**	**(22,747)**	**1,900,656**
Balance at 1 January 2024	1,617,838	89,008	164,617	-	-	1,871,463
Transfer to reserves	9,042	-	18,970	-	-	28,012
Cash flow hedge - effective portion of changes in fair value of Islamic derivative - net of tax *(note 36)*	-	-	-	(38,228)	-	(38,228)
Repurchase of shares	-	-	-	-	(368,991)	(368,991)
Shares held by liquidity provider *(note 39(b))*	-	-	-	-	(24,250)	(24,250)
Balance at 31 December 2024	1,626,880	89,008	183,587	(38,228)	(393,241)	1,468,006

21.1 Legal reserve

Article 241 of the U.A.E. Federal Law No. 32 of 2021 and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law. During the year ended 31 December 2025, an amount of AED 2.1 million was transferred to legal reserve *(year ended 31 December 2024: AED 9.0 million).*

21. Other reserves and treasury shares (continued)

21.2 Statutory reserve

In accordance with the Bank's Articles of Association, 10% of annual profits, if any, were transferred to a statutory reserve until 2005, subsequent to which it was suspended by an ordinary general meeting upon a proposal by the Board of directors. The statutory reserve can be utilised for the purposes determined by the ordinary general meeting upon recommendations of the Board of Directors.

21.3 Impairment reserve - General

In accordance with Credit Risk Management Standards as issued by the CBUAE, the difference between total ECL corresponding to all Stage 1 and Stage 2 Credit Facilities and 1.50% of the Credit Risk weighted assets as computed under the CBUAE capital regulations, is held in a dedicated non-distributable balance sheet reserve called the 'impairment reserve-general'. The amount held in the impairment reserve-general is not part of the capital base (Tier 1 capital for Banks) when computing the regulatory capital.

22. Proposed directors' remuneration

In accordance with the Article 171 of Companies Law No. 32 of 2021, the proposed directors' remuneration for the year ended 31 December 2025 is AED 19 million *(year ended 31 December 2024: AED 15 million)*.

23. Income from investments in Islamic financing and sukuk

	For the year ended 31 December	
	2025	**2024**
Income from murabaha and wakalah with financial institutions	**525,757**	501,184
Income from murabaha financing	**980,094**	817,120
Income from syndicate financing	**254,271**	156,078
Income from ijarah financing	**1,207,571**	1,353,080
Income from other Islamic financing products	**78,366**	97,514
Income on sukuk investments	**853,939**	800,094
	3,899,998	3,725,070

24. Distribution to depositors and sukuk holders

Mudaraba and wakala financing from financial institutions	**616,619**	529,419
Mudaraba deposits from customers	**195,828**	281,052
Wakala and other investment deposits from customers	**1,284,558**	1,302,485
Sukuk holders' profit on sukuk issued	**220,932**	102,223
	2,317,937	2,215,179

25. Net fee and commission income

Fee and commission income		
Commission income	**524,172**	334,171
Fees and charges on banking services	**97,066**	67,943
Card related fees	**92,787**	83,048
Takaful commission	**12,261**	14,341
	726,286	499,503
Fee and commission expense		
Commission expense	**24,651**	18,392
Card related expense	**91,445**	68,114
Takaful expense	**11,390**	12,647
	127,486	99,153

26. Other income

	For the year ended 31 December	
	2025	**2024**
Income from hospitality and brokerage	**29,694**	26,500
Rental income	**78,152**	67,757
Income from sale of properties	**61,411**	28,047
Gain on sale of property and equipment	**29**	366
Other income	**1,069**	582
	170,355	123,252

27. General and administrative expenses

Staff costs	**571,550**	509,930
Depreciation and amortisation	**61,313**	54,674
Other general and administrative expenses	**264,631**	214,509
	897,494	779,113

Other general and administrative expenses for the year ended 31 December 2025 includes fee for audit and other audit related services for the Group amounting to AED 0.9 million and AED 0.4 million respectively *(year ended 31 December 2024: AED 0.9 million and 0.1 million respectively).*

28. Impairment on financial assets - net of recoveries

a) Provision on investments in Islamic financing		
Provisions	**261,808**	343,749
Recoveries	**(62,722)**	(115,721)
	199,086	**228,028**
b) Other provisions		
Provision /(reversal) on other financial assets	**24,185**	(13,438)
(Reversal) / provision on subsidiaries receivables	**(2,662)**	210
	21,523	**(13,228)**
c) Other recoveries during the year	**(3,586)**	(4,386)
Total impairment on financial assets - net of recoveries	**217,023**	**210,414**

29. Basic and diluted earnings per share

	For the year ended 31 December 2025		For the year ended 31 December 2024	
	Basic	**Diluted**	**Basic**	**Diluted**
Profit for the year	**1,317,461**	**1,317,461**	1,047,885	1,047,885
Less: profit on Tier 1 sukuk	**(148,068)**	**(148,068)**	(91,825)	(91,825)
Adjusted profit for the year	**1,169,393**	**1,169,393**	**956,060**	**956,060**
Weighted average number of ordinary shares (in '000)	**3,095,381**	**3,084,442**	**3,199,714**	**3,198,629**
Earnings per share (U.A.E. Dirhams)	**0.38**	**0.38**	**0.30**	**0.30**

30. Key accounting estimates, and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year and the resultant provisions and fair value. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In particular, considerable judgment is required by management in respect of the following:

Impairment losses on investment in Islamic financing and other financial assets

The Group reviews its portfolios of investment in Islamic financing and other financial assets to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgments as to whether there is an observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio within investment in Islamic financing and other financial assets before the decrease can be identified with an individual receivable in that portfolio.

A number of significant judgments are also required in applying the accounting requirements for measuring impairment of Investment in Islamic Financing and other assets, such as:
- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss (ECL).
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. For detailed expected credit loss (ECL) observable and unobservable inputs, refer note 3(b)(ii)(X) and note 4a.

Governance around IFRS 9 ECL models and calculations

The Model Oversight Committee reviews the inputs and assumptions for IFRS 9 ECL measurement in light of available information. The Bank has computed ECL using 30% weightage to the upward scenario as of 31 December 2025. Had adverse scenario been stressed from 30% by another 10% with corresponding impact on upward scenario, impairment loss allowance would be impacted by AED 24.2 million.

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The most significant period-end assumptions used for ECL estimate includes next five years are detailed in note 4(ii)(a)(V).

Judgement is also required in estimating exposure at default ("EAD"), particularly for Islamic financing commitments, including letters of credit and guarantee, and revolving credit facilities such as covered cards, where deterioration in the macro economic environment is generally accompanied by an increase in the volumes and duration of the drawdowns. EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default for the revolving products.

Following both regulatory mandates and industry standards, TTC PDs are adjusted based on internal rating grades that reflect historical default rates. The Bank has integrated LGD models for its various portfolios, such as non-retail secured, non-retail unsecured, consumer home financing and Islamic financing for individuals. These models are based on the actual recovery rates as observed over the period of last five years.

Management will continually monitor how the economic conditions change over the next reporting period and will re-evaluate the adequacy of downside weight, and adverse effect, if any, will be accounted for.

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation function, which is independent of front office management and reports to the Investment Committee, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:
- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving valuation function;
- calibration and back-testing of models against observed market transactions at regular intervals;
- analysis and investigation of significant valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by Investment Committee.

Significant valuation issues are reported to the Investment Committee.

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Valuation of financial instruments (continued)

The table below analyses financial and non-financial assets and financial liabilities measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Notes	Level 1	Level 2	Level 3	Total
As at 31 December 2025					
Financial assets					
Investment securities - FVTPL	*7*	**486,481**	**14,725**	**221,915**	**723,121**
Investment securities - FVTOCI	*7*	**3,668,588**	**248,127**	**363,060**	**4,279,775**
Islamic derivative financial instruments	*36*	**-**	**35,473**	**-**	**35,473**
Total		**4,155,069**	**298,325**	**584,975**	**5,038,369**
Non-financial assets					
Investment properties	*10*	**-**	**-**	**1,844,950**	**1,844,950**
As at 31 December 2024					
Financial assets					
Investment securities - FVTPL	*7*	565,095	11,066	371,985	**948,146**
Investment securities - FVTOCI	*7*	3,121,324	100,176	428,095	**3,649,595**
Total		**3,686,419**	**111,242**	**800,080**	**4,597,741**
Non-financial assets					
Investment properties	*10*	**-**	**-**	2,964,711	**2,964,711**
Financial liabilities					
Islamic derivative financial instruments	*36*	**-**	**42,009**	**-**	**42,009**

There were no transfers of any financial assets in between any of the levels in fair value hierarchy during the years ended 31 December 2025 and 2024.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the hierarchy for investment securities:

	2025	**2025**	2024	2024
	FVTPL	**FVTOCI**	FVTPL	FVTOCI
Financial assets				
Balance at 1 January	**371,985**	**428,095**	329,551	292,248
Additions during the year	**8,999**	**-**	20,752	110,190
Disposals during the year	**-**	**(81,897)**	(1,020)	(4,455)
Revaluation (loss) / gain during the year	**(159,069)**	**16,862**	22,702	30,112
Balance at 31 December	**221,915**	**363,060**	**371,985**	**428,095**

Non-financial assets

Non-financial assets which are fair valued under a Level 3 hierarchy includes investment properties. A reconciliation from the opening balances to the closing balances for investment properties is disclosed in note 10 of these consolidated financial statements.

During the year ended 31 December 2025, the Group transferred properties of AED 1,167.6 million from investment properties to properties held for sale *(year ended 31 December 2024, the Group transferred properties of AED 193.8 million from investment properties to properties held for sale)* - refer notes to 10 and 11. The above transactions have no impact on the consolidated statement of cash flows for the years ended 31 December 2025 and 2024.

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Unobservable inputs used in measuring fair value

Financial assets and financial liabilities

The investment department constantly monitors the progress of its investments by conducting its own valuation assessment along with information provided by the fund manager, primarily the net asset value. Depending on the nature of the underlying asset, quantitative methods may be used such as residual value, discounted cash flow / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook may also be employed.

Non-financial assets

The carrying amount of the investment properties is the fair value of the properties as determined by an independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors. The independent valuers provide the fair value of the Group's investment property portfolio annually.

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used. The Group has taken the highest and best use fair values for the fair value measurement of its investment properties

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
		The estimated fair value increase / decrease if:
Investment method	Expected market rental growth rate	Expected market rental growth rate were higher or lower
	Risk adjusted discount rates	The risk adjusted discount rates were lower / higher
	Free hold property	The property is or is not subject to any adverse legal notices / judgment
	Condition of the property / Planning permissions	The property is or is not subject to any defect / damages
Comparison method	The comparison approach involves examining and analysing recent market transaction/data and making adjustments to this data to account for differences in location, building area, quality of accommodation, finish, date of sale, view, aspect and other individual characteristics	The estimated fair value increase / decrease if the inputs to the comparison method varies.

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions by 10% would have the following effects.

	Effect on profit or loss		Effect on OCI	
	Favorable	Unfavorable	Favorable	Unfavorable
For the year ended 31 December 2025	**206,687**	**(206,687)**	**36,306**	**(36,306)**
For the year ended 31 December 2024	333,670	(333,670)	42,810	(42,810)

30. Key accounting estimates, and judgments in applying accounting policies (continued)

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value (amortised cost) and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
As at 31 December 2025					
Financial assets					
Cash and balances with banks and financial institutions	**5,444,512**	**-**	**-**	**5,444,512**	**5,444,512**
Murabaha and wakalah with financial institutions	**-**	**14,734,297**	**-**	**14,734,297**	**14,734,297**
Investment securities measured at amortised cost	**8,676,778**	**4,479,586**	**-**	**13,156,364**	**12,944,543**
Investment in Islamic financing	**-**	**-**	**45,550,062**	**45,550,062**	**45,550,062**
Other financial assets	**-**	**-**	**1,228,637**	**1,228,637**	**1,228,637**
Total	**14,121,290**	**19,213,883**	**46,778,699**	**80,113,872**	**79,902,051**
Financial liabilities					
Customer deposits	**-**	**-**	**55,672,922**	**55,672,922**	**55,672,922**
Due to banks	**-**	**16,309,374**	**-**	**16,309,374**	**16,309,374**
Sukuk payable	**5,488,719**	**-**	**-**	**5,488,719**	**5,488,719**
Other financial liabilities	**-**	**-**	**2,753,206**	**2,753,206**	**2,753,206**
Total	**5,488,719**	**16,309,374**	**58,426,128**	**80,224,221**	**80,224,221**
As at 31 December 2024					
Financial assets					
Cash and balances with banks and financial institutions	3,002,556	-	-	3,002,556	**3,002,556**
Murabaha and wakalah with financial institutions	-	14,106,277	-	14,106,277	**14,106,277**
Investment securities measured at amortised cost	9,704,332	3,386,965	-	13,091,297	**13,172,684**
Investment in Islamic financing	-	-	37,687,026	37,687,026	**37,687,026**
Other financial assets	-	-	1,226,607	1,226,607	**1,226,607**
Total	**12,706,888**	**17,493,242**	**38,913,633**	**69,113,763**	**69,195,150**
Financial liabilities					
Customer deposits	-	-	51,758,444	51,758,444	**51,758,444**
Due to banks	-	12,850,330	-	12,850,330	**12,850,330**
Sukuk payable	3,659,949	-	-	3,659,949	**3,659,949**
Other financial liabilities	-	42,009	2,150,362	2,192,371	**2,192,371**
Total	**3,659,949**	**12,892,339**	**53,908,806**	**70,461,094**	**70,461,094**

31. Segment reporting

Reportable segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's activities comprise the following main business segments:

a. Government and corporate

Within this business segment the Bank provides companies, institutions and government departments with a range of Islamic financial products and services. This includes exposure to high net worth individuals.

b. Retail

The retail segment provides a wide range of Islamic financial services to individuals.

c. Investment and treasury

This segment mainly includes wakalah deals with other financial institutions, investments securities, investment properties, properties held for sale, sukuks issued and other money market activities.

d. Hospitality, brokerage and real estate

The Bank and its subsidiaries SNH, SIS and ASAS provides hospitality, brokerage and real estate services respectively.

(Currency: Thousands of U.A.E. Dirhams)

31. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
For the year ended 31 December 2025					
Consolidated statement of profit or loss					
Income from investments in Islamic financing and sukuks	1,795,039	371,241	1,687,644	46,074	3,899,998
Distribution to depositors and sukuk holders	(1,300,910)	(173,452)	(843,575)	-	(2,317,937)
Net income from financing and investment products	494,129	197,789	844,069	46,074	1,582,061
Fee and commission income	257,684	67,958	96,638	304,006	726,286
Fee and commission expense	(56,697)	(22,633)	(48,156)	-	(127,486)
Net fee and commission income	200,987	45,325	48,482	304,006	598,800
Investment income	-	-	22,311	-	22,311
Foreign exchange income	86,997	7,387	8,770	9,248	112,402
Other income	-	-	62,541	107,814	170,355
Total operating income	782,113	250,501	986,173	467,142	2,485,929
General and administrative expenses	-	-	-	(66,255)	(66,255)
General and administrative expenses - unallocated	-	-	-	-	(831,239)
Net operating income before impairment and revaluation	782,113	250,501	986,173	400,887	1,588,435
Impairment on financial assets - net of recoveries	(167,064)	(26,822)	(25,800)	2,663	(217,023)
Revaluation gain on properties	-	-	-	76,153	76,153
Profit before tax	615,049	223,679	960,373	479,703	1,447,565
Taxation	-	-	-	-	(130,104)
Profit for the year	615,049	223,679	960,373	479,703	1,317,461
As at 31 December 2025					
Consolidated statement of financial position					
Assets					
Segment assets	39,379,942	5,255,525	39,691,927	4,460,477	88,787,871
Unallocated assets	-	-	-	-	1,525,228
Total assets	39,379,942	5,255,525	39,691,927	4,460,477	90,313,099
Liabilities					
Segment liabilities	46,500,272	10,126,549	22,357,689	702,343	79,686,853
Unallocated liabilities	-	-	-	-	1,096,170
Total liabilities	46,500,272	10,126,549	22,357,689	702,343	80,783,023

(Currency: Thousands of U.A.E. Dirhams)

31. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
For the year ended 31 December 2024					
Consolidated statement of profit or loss					
Income from investments in Islamic financing and sukuks	1,789,228	417,741	1,493,810	24,291	**3,725,070**
Distribution to depositors and sukuk holders	(1,375,602)	(190,689)	(648,888)	-	**(2,215,179)**
Net income from financing and investment products	413,626	227,052	844,922	24,291	**1,509,891**
Fee and commission income	174,465	73,213	74,963	176,862	**499,503**
Fee and commission expense	(41,706)	(23,174)	(34,273)	-	**(99,153)**
Net fee and commission income	**132,759**	**50,039**	**40,690**	**176,862**	**400,350**
Investment income	-	-	85,076	-	**85,076**
Foreign exchange income	47,273	6,134	11,343	(2,176)	**62,574**
Other income	-	-	948	122,304	**123,252**
Total operating income	**593,658**	**283,225**	**982,979**	**321,281**	**2,181,143**
General and administrative expenses	-	-	-	(61,552)	**(61,552)**
General and administrative expenses - unallocated	-	-	-	-	**(717,561)**
Net operating income before impairment and revaluation	**593,658**	**283,225**	**982,979**	**259,729**	**1,402,030**
Impairment on financial assets - net of recoveries	(196,424)	(31,604)	17,824	(210)	**(210,414)**
Revaluation loss on properties	-	-	-	**(42,772)**	**(42,772)**
Profit before tax	**397,234**	**251,621**	**1,000,803**	**216,747**	**1,148,844**
Taxation	-	-	-	-	**(100,959)**
Profit for the year	**397,234**	**251,621**	**1,000,803**	**216,747**	**1,047,885**
As at 31 December 2024					
Consolidated statement of financial position					
Assets					
Segment assets	32,442,764	5,499,617	35,449,229	4,402,268	77,793,878
Unallocated assets	-	-	-	-	1,416,438
Total assets	**32,442,764**	**5,499,617**	**35,449,229**	**4,402,268**	**79,210,316**
Liabilities					
Segment liabilities	43,475,637	9,285,379	16,983,504	480,550	70,225,070
Unallocated liabilities	-	-	-	-	681,947
Total liabilities	**43,475,637**	**9,285,379**	**16,983,504**	**480,550**	**70,907,017**

31. Segment reporting (continued)

Geographical analysis

	As at 31 December 2025							
	GCC*	Other Arab countries	North America	United States of America	Europe	Asia	Others	Total
Assets								
Cash and balances with banks and financial institutions	5,246,888	1,862	1,803	114,637	42,680	36,642	-	5,444,512
Murabaha and wakalah with financial institutions	13,755,046	293,805	-	-	-	685,446	-	14,734,297
Investment securities measured at fair value	4,316,755	-	-	-	-	686,141	-	5,002,896
Investment securities measure at amortised cost	12,153,365	-	-	-	-	791,178	-	12,944,543
Investments in Islamic financing	44,054,949	425,629	-	4	-	977,790	91,690	45,550,062
Acceptances	306,754	-	-	-	-	-	-	306,754
Investment properties	1,709,953	-	-	-	134,997	-	-	1,844,950
Properties held-for-sale	2,124,796	-	-	-	-	-	-	2,124,796
Other assets	1,336,547	5,808	-	587	4,166	55,687	2,392	1,405,187
Intangible assets	71,416	-	-	-	-	-	-	71,416
Property and equipment	883,686	-	-	-	-	-	-	883,686
Total assets	85,960,155	727,104	1,803	115,228	181,843	3,232,884	94,082	90,313,099
Liabilities and shareholders' equity								
Customer deposits	55,568,444	24,742	4,989	10,382	40,355	19,146	4,864	55,672,922
Due to banks	11,222,916	300,761	-	-	4,547,309	238,387	1	16,309,374
Sukuk payable	5,488,719	-	-	-	-	-	-	5,488,719
Acceptances	307,065	-	-	-	-	-	-	307,065
Other liabilities	2,753,461	1,287	92,351	17	51,495	709	102	2,899,422
Zakat payable	105,521	-	-	-	-	-	-	105,521
Shareholders' equity	9,530,076	-	-	-	-	-	-	9,530,076
Total liabilities and shareholders' equity	84,976,202	326,790	97,340	10,399	4,639,159	258,242	4,967	90,313,099
Contingent liabilities	6,441,703	264,456	-	-	1,849	4,764	17,263	6,730,035

* *Gulf Cooperation Council*

31. Segment reporting (continued)

Geographical analysis (continued)

	As at 31 December 2024							
	GCC*	Other Arab countries	North America	United States of America	Europe	Asia	Others	Total
Assets								
Cash and balances with banks and financial institutions	2,900,383	1,390	3,372	50,388	42,671	4,352	-	3,002,556
Murabaha and wakalah with financial institutions	13,647,152	-	-	-	-	459,125	-	14,106,277
Investment securities measured at fair value	3,770,616	-	-	-	-	827,125	-	4,597,741
Investment securities measure at amortised cost	12,342,046	-	-	-	-	830,638	-	13,172,684
Investments in Islamic financing	36,793,770	766,767	-	181	-	522,101	-	38,082,819
Acceptances	239,498	-	-	-	-	-	-	239,498
Investment properties	2,835,649	-	-	-	129,062	-	-	2,964,711
Properties held-for-sale	793,438	-	-	-	-	-	-	793,438
Other assets	1,182,051	7,262	45,913	230	1,656	54,410	-	1,291,522
Intangible assets	63,001	-	-	-	-	-	-	63,001
Property and equipment	896,069	-	-	-	-	-	-	896,069
Total assets	**75,463,673**	**775,419**	**49,285**	**50,799**	**173,389**	**2,697,751**	**-**	**79,210,316**
Liabilities and shareholders' equity								
Customer deposits	51,580,585	30,245	9,802	9,660	103,045	21,289	3,818	51,758,444
Due to banks	10,583,779	233,236	-	-	1,931,883	101,219	213	12,850,330
Sukuk payable	3,659,949	-	-	-	-	-	-	3,659,949
Acceptances	240,370	-	-	-	-	-	-	240,370
Other liabilities	2,254,939	1,313	48,852	17	6,771	377	30	2,312,299
Zakat payable	85,625	-	-	-	-	-	-	85,625
Shareholders' equity	8,303,299	-	-	-	-	-	-	8,303,299
Total liabilities and shareholders' equity	**76,708,546**	**264,794**	**58,654**	**9,677**	**2,041,699**	**122,885**	**4,061**	**79,210,316**
Contingent liabilities	**4,204,655**	**275,475**	**-**	**-**	**2,251**	**-**	**-**	**4,482,381**

** Gulf Cooperation Council*

32. Contingencies and commitments

The Bank provides financial guarantees and letter of credit to meet the requirements of the Bank's customers. These agreements have fixed limits and expirations and are not concentrated in any period. The amounts reflected for guarantees represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. These contingent liabilities have off balance-sheet credit risk as only the related fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

	As at 31 December	
	2025	**2024**
a) Letter of credit by sector:		
Corporate	**579,569**	551,018
Government	**5,157**	38,624
	584,726	**589,642**
b) Letter of guarantee by sector:		
Banks	**457,679**	447,942
Corporate	**5,197,604**	3,011,501
Government	**15,580**	14,805
High net worth individual	**131,678**	91,567
Non-banking financial institution	**317,368**	311,068
Retail	**25,400**	15,856
	6,145,309	**3,892,739**
c) Commitments		
Property and equipment and intangible assets	**30,594**	20,103
Other real estate commitments	**59,678**	277,134
Other commitment to extend credit - irrevocable	**2,452,360**	1,335,150
	2,542,632	**1,632,387**

The letter of guarantees issued also include financial guarantees of AED 5 million *(As at 31 December 2024: AED 5 million)* respectively to the Department of Economic Development against a real estate leasing and management license for ASAS Real Estate.

As at 31 December 2025, financial guarantees of AED 200 million which comprises of AED 100 million issued to Abu Dhabi Securities Exchange and AED 100 million issued to Dubai Financial Market against conducting brokerage operations for Sharjah Islamic Securities LLC SP *(As at 31 December 2025, financial guarantees of AED 230 million which comprises of AED 100 million issued to Abu Dhabi Securities Exchange and AED 100 million issued to Dubai Financial Market against conducting brokerage operations for Sharjah Islamic Securities LLC SP)*.

d) Others

At 31 December 2025, the Group held financial assets, on behalf of customers in a fiduciary capacity without recourse to itself, with a market value of AED 6,152.8 million *(As at 31 December 2024: AED 2,710.2 million)*. The Group act as an agent to buy and sell such financial assets. Accordingly, these financial assets are not included in the consolidated statement of financial position.

The Group receives legal claims arising in the normal course of business. As of the reporting date, the Group has assessed these claims and considers them not to be material, individually or in aggregate. Where appropriate, the Group has recognised a provision for liabilities when it was probable that an outflow of economic resources embodying economic benefits would be required and for which a reliable estimate could be made of the obligation. The Group seeks to comply with all applicable laws and regulations, but may be subject to regulatory actions and investigations from time to time, the outcome of which are generally difficult to predict and can be material.

32. Contingencies and commitments (continued)

Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") of letter of credit and letter of guarantees and loss allowance ("ECL") can be seen below:

2025

	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January	1,468,833	7,180	39,097	995	62	-	1,507,992	8,175
Transfer to stage 1	(5,078)	9	5,078	(9)	-	-	-	-
Transfer to stage 2	365	(136)	(365)	136	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Net movement in GCV	193,921	-	(4,051)	-	18,653	-	208,523	-
Net re-measurement of loss allowance	-	(1,044)	-	(163)	-	9,327	-	8,120
Balance at 31 December	1,658,041	6,009	39,759	959	18,715	9,327	1,716,515	16,295

2024

	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January	948,653	2,384	8,265	661	1,034	63	957,952	3,108
Transfer to stage 2	(20,528)	(130)	20,528	130	-	-	-	-
Transfer to stage 3	-	-	(31)	-	31	-	-	-
Net movement in GCV	540,708	-	10,335	-	(1,003)	-	550,040	-
Net re-measurement of loss allowance	-	4,926	-	204	-	(63)	-	5,067
Balance at 31 December	1,468,833	7,180	39,097	995	62	-	1,507,992	8,175

In accordance with IFRS 9, for the purpose of above movement, only financial guarantees and letter of credit have been considered.

33. Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. Other related parties includes balances due to / from entities under common control of the Bank's major shareholders. The related party transactions are executed at the terms agreed between the parties, which in the opinion of management, are not significantly different from those that could have been obtained from third parties. At the reporting date, such significant balances include:

	Key management personnel	Major shareholders	Other related parties	Total
Consolidated statement of financial position				
As at 31 December 2025				
Investment securities measured at fair value	**-**	**671,287**	**-**	**671,287**
Investment securities measured at amortised cost	**-**	**780,329**	**-**	**780,329**
Investments in Islamic financing	**329,365**	**3,221,243**	**7,167,812**	**10,718,420**
Customer deposits	**(152,185)**	**(2,798,180)**	**(6,074,011)**	**(9,024,376)**
Contingent liabilities	**59**	**500,100**	**424,648**	**924,807**
As at 31 December 2024				
Investment securities measured at fair value	-	606,467	-	**606,467**
Investment securities measured at amortised cost	-	780,329	-	**780,329**
Investments in Islamic financing	554,747	3,376,462	5,917,470	**9,848,679**
Customer deposits	(325,925)	(3,198,685)	(4,487,342)	**(8,011,952)**
Contingent liabilities	-	100	256,367	**256,467**
Consolidated statement of profit or loss				
For the year ended 31 December 2025				
Income from investments in Islamic financing and sukuk	**17,509**	**220,145**	**403,449**	**641,103**
Depositors' share of profit	**(4,368)**	**(95,576)**	**(108,638)**	**(208,582)**
Fee and commission income	**-**	**-**	**1,763**	**1,763**
For the year ended 31 December 2024				
Income from investments in Islamic financing and sukuk	16,760	269,985	432,892	**719,637**
Depositors' share of profit	(3,754)	(155,725)	(118,014)	**(277,493)**
Fee and commission income	-	-	1,856	**1,856**

For the year ended 31 December 2025, key management compensation includes salaries and other short term benefits of AED 31.5 million and post-employment benefits of AED 1.7 million respectively *(For the year ended 31 December 2024: AED 27.0 million and AED 1.7 million respectively).*

As at 31 December 2025 and 2024, the Group does not have any related party balances classified as stage 3.

The ultimate controlling party of the Bank is the Government of Sharjah. Major shareholders of the Bank comprise of fully owned entities of the Government of Sharjah namely Sharjah Asset Management LLC and Sharjah Social Security Fund who hold 28.46% and 16.12% of the Bank's issued and fully paid up share capital respectively as at 31 December 2025 *(As at 31 December 2024: Major shareholders include Sharjah Asset Management LLC and Sharjah Social Security Fund who hold 28.46% and 15.12% of the Bank's issued and fully paid up share capital respectively).*

As at 31 December 2025 and 2024, the Group has applied the exemption in IAS 24 'Related Party Disclosures' that allows presentation of reduced related party disclosures regarding transactions with government related parties. These transactions (mainly comprised of utility expenses, courier expenses etc) are conducted in the ordinary course of business, on terms comparable to those with other entities that are not government related and are not individually or collectively significant. The Group has established procurement policies, a pricing strategy and approval mechanism for purchases / income which are independent of whether the counterparties are government related or not.

34. Social contributions

During the year ended 31 December 2025, the Bank has made social contributions of AED 89.6 million *(year ended 31 December 2024: AED 66.0 million)* from the zakat fund. Zakat fund is calculated in accordance with note 3(n)

The Bank has also made a social contribution of AED 1.4 million during the year ended 31 December 2025 *(year ended 31 December 2024: AED 15.8 million)* as donations and charities. These donations and charities are the amounts collected from the customers of the Bank as approved and defined by Bank's Internal Sharia'a Supervisory Committee.

The Bank further made social contributions of AED 24.8 million during the year ended 31 December 2025 *(year ended 31 December 2024: 16.3 million)* as sponsorships to universities and other public service organisations.

35. Dividends

During the annual general meeting of the shareholders held on 23 February 2025, a cash dividend of 15% of the paid up capital, amounting to AED 458.7 million (AED 0.15 per share) was approved for the year ended 31 December 2024 *(During the annual general meeting of the shareholders held on 18 February 2024, a cash dividend of 10% of the paid up capital, amounting to AED 323.6 million (AED 0.10 per share) was approved for the year ended 31 December 2023).*

36. Islamic derivative financial instruments

The Group uses profit rate swaps to hedge against the cash flow risks arising on certain variable rate financial assets and fixed rated financial liabilities. These are designated by the Group as cash flow hedges, and, as such, the Group applies cash flow hedge accounting to hedge the variability in highly probable forecast future cash flows attributable to profit rate risk on financial assets and liabilities.

The table below shows the positive and negative fair values of Islamic derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of an Islamic derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of Islamic derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

Islamic derivative financial instruments - held as cash flow hedge	Statement of financial position - line item	Positive fair value	Negative fair value	Notional amount
As at 31 December 2025				
Profit rate swaps	Other assets	**35,473**	**-**	**2,461,025**
As at 31 December 2024				
Profit rate swaps	Other liabilities	-	42,009	2,093,725

	As at 31 December	
	2025	**2024**
Maturity profile of profit rate swaps		
Over 1 year to 5 years	**1,101,900**	734,600
Over 5 years	**1,359,125**	1,359,125
	2,461,025	**2,093,725**

For the year ended 31 December 2025, the Bank has recognised a gain of AED 77.5 million *(year ended 31 December 2024: loss of AED 42.0 million)* on the above profit rate swaps which have been recognised in other comprehensive income since the hedges are fully effective due to no difference in principal or tenure.

37. Taxation

	For the year ended 31 December	
	2025	**2024**
Consolidated statement of profit or loss		
Current tax charge / (income):		
- Current tax charge	**130,479**	100,959
- Previous years tax income	**(375)**	-
Deferred tax charge / (income):		
- Relating to temporary differences	**-**	-
Tax expense for the year reported in the consolidated statement of profit or loss	**130,104**	**100,959**
Consolidated statement of other comprehensive income		
Current tax charge / (income):		
- Unrealized gain on revaluation of FVTOCI equity investments	**1,766**	254
- Previous years tax charge	**1,324**	-
	3,090	254
Deferred tax charge / (income):		
- Unrealized gain on revaluation of FVTOCI sukuk investments	**6,425**	4,653
- Unrealized gain / (loss) on effective portion of changes in fair value of cash flow hedge	**6,973**	(3,781)
	13,398	872
Tax expense for the year reported in the consolidated statement of other comprehensive income	**16,488**	**1,126**
Reconciliation of tax expense and the accounting profit		
Accounting profit before tax	**1,447,565**	1,148,844
At UAE statutory corporate tax rate of 9% (2024: 9%)	**130,281**	103,396
Effect of standard exemption	**(34)**	(34)
Exempt income	**(730)**	(4,378)
Effect of previous years tax charge	**(375)**	-
Non-deductible expenses for tax purposes	**962**	1,975
At the effective income tax rate of 8.99% (2024: 8.79%)	**130,104**	**100,959**

38. Deferred tax

	As at 31 December	
	2025	**2024**
Investment securities measured at fair value	**11,078**	**4,653**
Cash flow hedge - Effective portion of changes in fair value	**3,192**	**(3,781)**
Deferred tax liability	**14,270**	**872**
Recognised in profit or loss	-	-
Recognised in other comprehensive income	**14,270**	**872**
Deferred tax liability	**14,270**	**872**

39. Treasury shares

a) Disposal of treasury shares

During the year ended 31 December 2024, the Bank repurchased 167.7 million of its own shares, representing 5.18% of its total issued and paid up share capital of the Bank (the "treasury shares"), from Kuwait Finance House, subsequent to approval from the Central Bank of the UAE on 16 September 2024 and the Bank's shareholders' on 16 October 2024 respectively, in accordance with Article 221 of the UAE Federal Law No. 32 of 2021.

During the year ended 31 December 2025, the Bank sold the treasury shares at a premium of AED 99.6 million which is classified under shareholders' equity as share premium.

b) Shares held by liquidity provider

The Bank has engaged a third party licensed liquidity provider for its shares listed on the Abu Dhabi Securities Exchange ("ADX"). Under this agreement, the liquidity provider will provide enhanced liquidity for the shares of the Bank listed on ADX by offering bid-ask quotes in line with the guidelines set by ADX and the UAE Securities and Commodities Authority ("SCA"). This agreement is intended to boost liquidity and build stronger confidence among investors in the Bank's publicly traded shares.

As at 31 December 2025, the liquidity provider held 7.3 million of the Bank's shares on behalf of the Bank *(As at 31 December 2024: 9.8 million shares)*, which are classified under shareholders' equity as treasury shares at the price at which the shares were bought by the liquidity provider. As at 31 December 2025, the liquidity provider also holds unutilised amount of AED 22.3 million *(As at 31 December 2024: 20.8 million)* which has been included in 'Cash and balances with banks and financial institutions'.

At the end of the term of the agreement with the liquidity provider, the Bank will have the option to either transfer the outstanding shares under its name or dispose of its shares in the market.

40. Comparative figures

Margin receivables of AED 395.8 million which were previously classified within other assets, has now been presented in Investment in Islamic financing as at 31 December 2024. This reclassification has no impact on the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2024.

Other than the above change, certain other prior year comparatives have been reclassified in these consolidated financial statements to conform to the current year's presentation.

41. Subsequent events

There have been no other events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2025.

42. Approval of the consolidated financial statements

These consolidated financial statements were authorised for issue in accordance with a resolution of Directors on 22 January 2026.