



# **SHARJAH ISLAMIC BANK**

## ***Pillar 3 Disclosure***

***31<sup>st</sup> December 2025***

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## 1) Overview of Risk Management and RWA (OVA)

### 1.1. Introduction & Basis of Preparation

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

### 1.2. Scope of pillar 3 disclosures:

The Basel banking framework contains three main pillars:

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

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

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

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

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

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

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

**This report should be read in conjunction with the risk disclosures in audited financial statements of 31<sup>st</sup> December 2025 (Page 36 to Page 57).**



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

- **Credit risk:** the Bank uses the standardised approach for calculating its capital requirements for credit risk. This approach allows the use of external ratings from designated credit-rating agencies wherever available in determining the appropriate risk weights. The risk weights are determined by the asset class and the external rating of the counterparty. The net exposure incorporates off-balance-sheet exposures after applying the credit conversion (CCF) and credit risk mitigation (CRM) factors.
- **Market risk:** the Bank uses the standardised approach for calculating regulatory market risk capital requirements.
- **Operational risk:** the Bank uses basic Indicator approach (BIA) for computing capital requirements for operational risk. Bank's operational risk is estimated as a percentage (alpha factor 15%) of the gross income (calculated as the average of the previous three financial years).
- **Risk Strategy:** The main objective of SIB's Risk Strategy is to enhance the shareholder value of the Bank by maximizing its Risk-Return profile and therefore regulatory capital shall be tied to economic capital, and managed in line with the basic requirement of the Basel Accord (as per Regulatory directives).
  - **Capital Management Strategy shall be determined by the following factors:**
    - I. Compliance with regulatory guidelines for capital requirements including Basel and Accounting guidelines.
    - II. External Rating Agency requirement for a good grade rating.
    - III. Maximization of shareholder value as per their expectations & dividend policy.
    - IV. Creditor's expectations with regard to liquidity and solvency of the bank.
  - **Risk strategy Factors: Risk Strategy shall be driven by the following factors:**
    - I. Ongoing assessment and control of risks (with Board approved RAS in place)
    - II. Level of liquidity
    - III. Level of economic and regulatory capital
    - IV. Actual capital in comparison to available capital
    - V. Allocation of capital to business units
    - VI. Risk Adjusted Performance Measurement
- **Risk Appetite:** The Risk Appetite Statement (RAS) represents the aggregate level and types of risk that the bank is willing to accept, or avoid, in order to achieve its business objectives. It includes qualitative statements and guidelines as well as quantitative metrics and exposure limits. The RAS establishes an early warning trigger system as part of the ongoing monitoring to ensure that breaches of board approved risk appetite and risk limits are reported and escalated in a timely manner to the Senior Management, Board/Board BRC, and CBUAE as per policy.

**Risk Appetite** defines the boundary of acceptable risk and **Risk Tolerance** defines the variation of measuring the risk appetite that Management deems acceptable due to the nature



of the indicator or normal business conditions. Whilst the **Risk Capacity**, is the maximum amount of risk, that the bank is able to accept considering its balance sheet structure.

In defining and assessing risks, the bank must consider both the probability of the risk materializing and its potential impact on the bank. In assessing the potential impact of a risk, the bank must assess factors including but not limited to:

- Potential disruption of the bank’s business operations
- Effect on profitability, liquidity, capital adequacy and regulatory compliance
- Ability of the bank to meet its obligations to its customers or other counterparties.

Appropriate measures to mitigate and control the risks with clear lines of responsibility are addressed in the Risk Governance Framework. Additionally, the RAS consider the market and macroeconomic conditions.

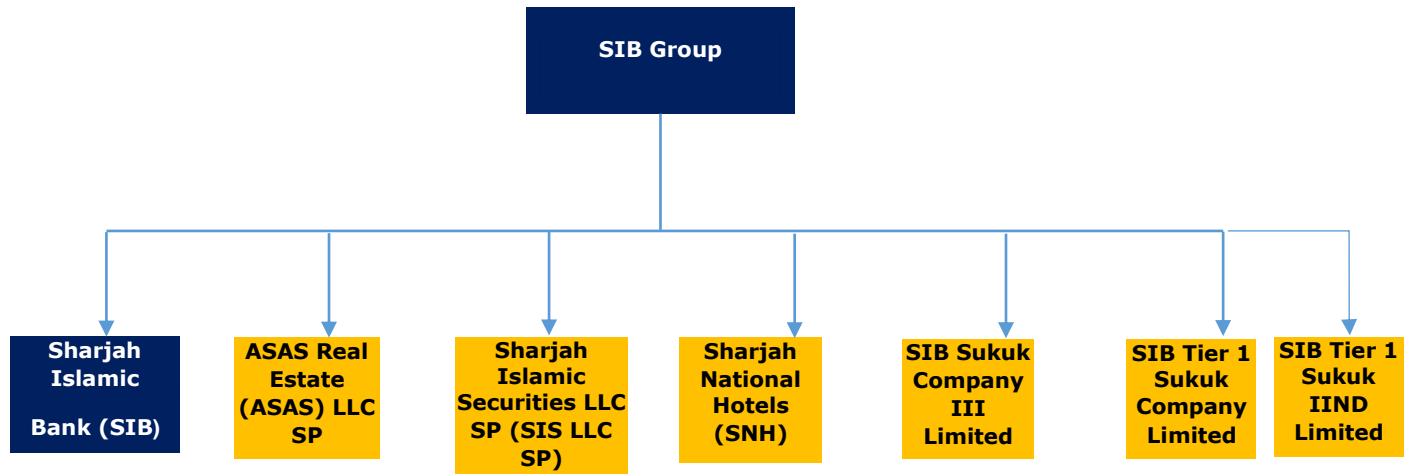
### 1.5. Minimum capital requirement

CBUAE Requirement
CET 1 must be at 7.0% of Risk Weighted Assets (RWA)
Tier 1 Capital must be at least 8.5% of RWA
Total capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA
In addition to the minimum CET1 capital of 7.0% of RWA, bank must maintain a Capital Conservation Buffer (CCB) of 2.5% of RWAs in the form of CET1 capital
Countercyclical Buffer (CCyB) requirement will vary between 0% to 2.5% of RWA and be communicated by the Central Bank with an adequate notice period.
As per CBUAE Notice CBUAE/FSD/2024/1265, raising the countercyclical capital buffer (CCyB) to 0.50% for UAE private sector credit exposures. Rate becoming mandatory from January 1, 2026.
Minimum Capital Required (Total Capital + Capital Conservation Buffer) =13% (10.5% + 2.5% )

### 1.6. Basis of Consolidation

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

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



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

### 1.7. Internal Controls and Verification

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

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



- d) Reviews – Pillar 3 report undergoes several rounds of reviews by Finance and Risk functions;
- e) Internal audit – Internal audit provides independent and objective assurance of disclosures in Pillar 3 report.
- f) Attestation is obtained from CRO & CFO that Pillar 3 report has been prepared in accordance with the board-agreed internal control policies and procedures.
- g) External audit will be conducted as per regulatory requirement.

### 1.8. Ownership

Some of the major shareholders above 5% mentioned below

Shareholder	Percentage
Sharjah Asset Management LLC	28.46%
Sharjah Social Security Fund	16.12%

### 1.9. Board

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

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

### 1.10. Board Committees

#### a. Executive Committee (EC)

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

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



#### **b. Group Audit Committee (GAC)**

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

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

#### **c. Group Board Risk Committee (GBRC)**

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

- Overseeing the risks inherent in the businesses of the Group and the control processes with respect to such risks;
- Reviewing the risk profile of the Group;
- Maintain effective Board governance and oversight of the management of conduct risks
- Set the right compliance culture, ensuring adherence to applicable laws and regulations and setting high standards of conduct and ethics.
- Providing a critical assessment of the organisation's business strategies and plans from an Enterprise risk perspective; and
- Ensuring that appropriate policies and procedures are in place for managing risks to which the Group is exposed.

#### **d. Board Nomination, Compensation, and Governance Committee (BNCGC)**

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

- Oversee the process of appointing qualified individuals to become members of the Board of Directors at the annual general meeting of shareholders and assist the Board of Directors in selecting candidates for senior management positions.
- Assist the Board of Directors in approving remunerations for senior management and oversee the development and operation of the remuneration policies, system and related oversight process.
- To lead the process for Board and Senior Management appointments, compensation, review the effectiveness of the Board and its Committees, oversight of the subsidiaries, and make recommendations accordingly.
- Assisting the Board of Directors in the annual self-evaluation of the Board and the independent evaluation by an external party, which includes the performance of the Board of Directors, its members and committees in the Bank and the Bank's remuneration system.

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

The primary purpose of PDC is to assist the board in oversight of Profit Distribution mechanism to manage Displaced Commercial Risk ("DCR"), through establishment of a Profit



Equalization Reserve ("PER") by setting aside amounts from the profits before allocation between the Investment Account Holder ("IAHs") and the bank. It further provides a robust oversight and monitoring to ensure that profit equalization, including utilization of reserve are appropriately monitored.

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

### **1.11. Management Committees**

#### **a) Management Committee (MANCOM)**

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

- Act as a management tool and decision-making executive body of the Bank, involving the requirements and development relating to all areas across the Bank.
- Facilitate in reviewing, formulating, evaluating and providing meaningful decisions on critical issues, which are or may impact our organization.
- Monitor timely execution of all such mandated initiatives and problem resolutions so as to periodically measure our collective success.
- Ensuring every member actively participates in cross-functional discussions on issues not directly related to one's own area of operation with a basic purpose of raising and addressing issues, which are important from a group wide perspective.

#### **b) Investment Committee (IC)**

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

#### **c) IT Steering Committee (ITSC)**

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

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



#### **d) Asset and Liability Committee (ALCO)**

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

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

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

- To provide oversight of information security policies, procedures, plans, and execution intended to provide confidentiality, availability, and integrity of the information.
- To formulate the tasks related to Information Security Management System (ISMS) rollout like Risk Management, Policy and Procedure Deployment, Information Security Awareness, Information Security Incident Monitoring, Measurement of control effectiveness, etc.
- To oversee the effectiveness of the information security controls with respect to its information systems, including network security and data security.
- To monitor the significant development in information security related projects, incidents handling and risk mitigation.
- To review the changes to significant threats and exposures of information assets against cyberattacks, insider activity, error or control failure.

#### **f) Credit Committee (CC)**

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

#### **g) Disciplinary Committee (DC)**

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

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

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



### i) Compliance Risk Committee (CRC)

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

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

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

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

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

### k) 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.

### 1.12. Risk Management Group (RMG)

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

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



### 1.13. Compliance

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

- Ensure compliance risks are adequately identified, assessed, monitored and controlled in conjunction with Business and other control functions;
- Ensure senior management and the board is fully informed of significant compliance issues including "KYC" and "AML", and plans for their resolution;
- Contribute to a "no surprise" compliance culture by educating and communicating compliance awareness throughout the Group;
- Align annual compliance plans with business strategies and goals; and meet regulatory expectations.

### 1.14. Group Internal Audit (GIA)

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

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

### 1.15. Group Internal Shari'ah Control (GISC)

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

### 1.16. Group Internal Shari'ah Audit (GISA)

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

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



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

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

AED 000

		a	b	c	d	e
		Q4 / 2025	Q3 / 2025	Q2 / 2025	Q1 / 2025	Q4 / 2024
<b>Available capital (amounts) -</b>						
<b>1</b>	Common Equity Tier 1 (CET1)	6,800,382	6,643,015	6,370,493	6,045,160	5,834,163
<b>1a</b>	Fully loaded ECL accounting model	6,800,382	6,643,015	6,370,493	6,045,160	5,785,190
<b>2</b>	Tier 1	8,636,882	8,479,515	8,206,993	7,881,660	7,670,663
<b>2a</b>	Fully loaded ECL accounting model Tier 1	8,636,882	8,479,515	8,206,993	7,881,660	7,621,690
<b>3</b>	Total capital	9,257,522	9,039,227	8,746,420	8,414,645	8,189,837
<b>3a</b>	Fully loaded ECL accounting model total capital	9,257,522	9,039,227	8,746,420	8,414,645	8,140,864
<b>Risk-weighted assets (amounts)</b>						
<b>4</b>	Total risk-weighted assets (RWA)	57,243,516	55,450,001	55,498,212	53,380,295	50,620,695
<b>Risk-based capital ratios as a percentage of RWA</b>						
<b>5</b>	Common Equity Tier 1 ratio (%)	11.88%	11.98%	11.48%	11.32%	11.53%
<b>5a</b>	Fully loaded ECL accounting model CET1 (%)	11.88%	11.98%	11.48%	11.32%	11.43%
<b>6</b>	Tier 1 ratio (%)	15.09%	15.29%	14.79%	14.77%	15.15%
<b>6a</b>	Fully loaded ECL accounting model Tier 1 ratio (%)	15.09%	15.29%	14.79%	14.77%	15.06%
<b>7</b>	Total capital ratio (%)	16.17%	16.30%	15.76%	15.76%	16.18%
<b>7a</b>	Fully loaded ECL accounting model total capital ratio (%)	16.17%	16.30%	15.76%	15.76%	16.08%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
<b>8</b>	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
<b>9</b>	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
<b>10</b>	Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
<b>11</b>	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%	2.5%	2.5%	2.5%
<b>12</b>	CET1 available after meeting the bank's minimum capital requirements (%)	4.88%	4.98%	4.48%	4.32%	4.53%
<b>Leverage Ratio</b>						
<b>13</b>	Total leverage ratio measure	100,204,566	95,143,987	92,658,232	90,238,368	85,885,757
<b>14</b>	Leverage ratio (%) (row 2/row 13)	8.62%	8.91%	8.85%	8.73%	8.93%
<b>14a</b>	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.62%	8.91%	8.85%	8.73%	8.87%
<b>14b</b>	Leverage ratio (%) (excluding the impact of any	-	-	-	-	-



		a	b	c	d	e
		Q4 / 2025	Q3 / 2025	Q2 / 2025	Q1 / 2025	Q4 / 2024
	applicable temporary exemption of central bank reserves)					
	<b>Liquidity Coverage Ratio</b>					
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-
	<b>Net Stable Funding Ratio</b>					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	<b>ELAR</b>					
21	Total HQLA	12,719,954	12,464,977	10,958,355	11,442,469	10,332,247
22	Total liabilities	77,968,596	78,060,280	74,443,114	74,781,822	71,000,255
23	Eligible Liquid Assets Ratio (ELAR) (%)	16.31%	15.97%	14.72%	15.30%	14.55%
	<b>ASRR</b>					
24	Total available stable funding	63,420,071	61,367,363	58,738,431	53,133,624	50,098,078
25	Total Advances	51,038,735	48,605,787	47,555,300	45,121,240	41,444,169
26	Advances to Stable Resources Ratio (%)	80.48%	79.20%	80.96%	84.92%	82.73%

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

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

### **Highlights Q4 / 2025 VS Q4 / 2024**

- FY 2025 saw a 13.1% increase in Total RWA by AED 6.62 billion as compared to FY 2024, due to growth in corporate sector and investment in securities.
- CET 1 ratio as of FY 2025 stands at 11.88% VS 11.53% FY2024, increase in ratio seen due to sale of treasury shares.
- Tier 1 ratio as of FY 2025 stands at 15.09% VS 15.15% FY2024, decline in ratio seen due to growth in corporate sector and investment securities.



- Total Capital ratio as of FY 2025 stands at 16.17% VS 16.18% FY2024, marginally ratio remained same. Due to sale of treasury shares and increase in tier 2 capital.
- Leverage Ratio: Increase in total exposure by AED 14.31 billion & increase in Tier 1 Capital by AED 966 million seen in Q4 2025 as compared to Q4 2024. Ratio decline from 8.93% to 8.62%.
- Eligible Liquid Asset Ratio: Bank maintain sufficient buffer of high-quality liquid asset Ensuring the ratio at 17.36% for the period ending Q4 2025 (quarterly average of 16.31%) vs. 10% CBUAE requirement.
- Advance to Stable Resources Ratio: Bank maintains balanced and stable funding structure, ratio stands at 80.48% vs. 100% which is the CBUAE prescribed maximum limit.

**Note:** The above capital adequacy ratios calculated in line with Basel and CBUAE guidelines. It is important to note that these ratios currently include proposed dividend amounts, which are subject to approval by shareholders at the upcoming Annual General Meeting.

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

The table from the Pillar 3 Disclosure document offers an overview of Risk-Weighted Assets (RWA) and minimum capital requirements for various risk categories as of Q4/2025. It breaks down the RWA into different risk categories, including credit risk (excluding counterparty credit risk), counterparty credit risk (CCR), various approaches to equity investments in funds, and market risk, as well as operational risk. The majority of RWA is attributed to credit risk, followed by operational risk and market risk. This data is critical for understanding the bank's exposure to different types of risks and its corresponding capital requirement to cover potential losses. The table helps in assessing the bank's risk management effectiveness and capital adequacy.

Minimum capital requirement 13%

AED 000

		a	b	c
		RWA		Minimum capital requirements
		Q4/2025	Q3/2025	Q4/2025
1	Credit risk (excluding counterparty credit risk)	52,878,116	51,125,833	6,874,155
2	Of which: standardised approach (SA)	52,878,116	51,125,833	6,874,155
3				
4				
5				
6	Counterparty credit risk (CCR)	38,400	48,790	4,992
7	Of which: standardised approach for counterparty credit risk	38,400	48,790	4,992
8				
9				
10				
11				
12	Equity investments in funds - look-through approach	623,203	539,553	81,016



13	Equity investments in funds - mandate-based approach	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17				
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	175,690	169,843	22,840
21	Of which: standardised approach (SA)	175,690	169,843	22,840
22				
23	Operational risk	4,151,309	4,105,535	539,670
24				
25				
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>57,243,516</b>	<b>55,450,001</b>	<b>7,441,657</b>

**Credit Risk Weighted Assets (CRWAs)** increased by AED 1.79 billion in Q4 – 2025 as compared to Q3 – 2025 due to an overall increase in the volume of investment in financing, property held for sale, and investment in securities.

Equity investment in funds RWA increased from AED 539 million as of Q3 2025 to AED 623 million as of Q4 2025. Increase in Q4 2025 seen due to increase in valuation of asset and increase in asset to equity ratio.

**Market Risk Weighted Assets (MRWAs)** increased marginally by AED 6 million in Q4-2025 as compared to Q3-2025 due to increase in exposure to the SAR and OMR.

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

#### 4) Linkages between Financial Statements and Regulatory Exposures (LI1)

The table outlines the linkage between financial statements and regulatory exposures at a consolidated group level as of Q4 /2025. It details the carrying values of various asset and liability categories as reported in the published financial statements and under the scope of regulatory consolidation. The table categorizes these values based on their subject to different regulatory frameworks like credit risk, counterparty credit risk, securitization, market risk, and those not subject to capital requirements or subject to deduction from capital. This data is crucial for understanding how financial statement values correlate with regulatory frameworks, impacting the bank's risk profile and capital requirements.



AED 000

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	
<b>Assets</b>							
Cash and balances with banks and financial institutions	5,444,512	5,444,352	5,444,352	-	-	320,827	-
Murabaha and wakalah with financial institutions	14,734,297	14,734,297	14,734,297	-	-	100,803	-
Investment securities measured at fair value	5,002,896	5,752,896	5,752,896	-	-	14,303	-
Investment securities measure at amortised cost	12,944,543	12,944,543	12,944,543	-	-	-	-
Investments in Islamic financing	45,550,062	45,997,297	45,997,297	-	-	10,718	-
Acceptances	306,754	306,754	306,754	-	-	-	-
Investment properties	1,844,950	1,120,110	1,120,110	-	-	134,997	-
Properties held-for-sale	2,124,796	1,727,497	1,727,497	-	-	-	-
Other assets	1,405,187	1,721,273	1,721,273	14,493	-	59,962	-
Intangible assets	71,416	69,743	69,743	-	-	-	46,460
Property and equipment	883,686	734,527	734,527	-	-	-	-
<b>Total Assets</b>	<b>90,313,099</b>	<b>90,553,289</b>	<b>90,553,289</b>	<b>14,493</b>	<b>-</b>	<b>641,611</b>	<b>46,460</b>
<b>Liabilities</b>							
Customers' deposits	55,672,922	56,297,201	-	-	-	176,470	-
Due to banks	16,309,374	16,309,374	-	-	-	218,764	-
Sukuk payable	5,488,719	5,488,719	-	-	-	-	-
Acceptances	307,065	307,065	-	-	-	-	-
Other liabilities	2,899,422	2,511,014	-	-	-	75,100	-
Zakat payable	105,521	105,521	-	-	-	-	-
<b>Total Liabilities</b>	<b>80,783,023</b>	<b>81,018,894</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>470,334</b>	<b>-</b>
<b>Shareholders' equity:</b>							
Share capital	3,235,678	3,235,678	-	-	-	-	-
Share Premium	99,576	99,576	-	-	-	-	-



	a	b	Carrying values of items:				
			c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Tier 1 sukuk</b>	1,836,500	1,836,500	-	-	-	-	-
<b>Fair Value Reserve</b>	(27,504)	(27,504)	-	-	-	-	-
<b>Other Reserves and Treasury Shares</b>	1,900,656	1,900,506	-	-	-	(4,413)	55,027
<b>Retained earnings</b>	2,485,170	2,489,639	-	-	-	-	-
<b>Total Shareholder Equity</b>	9,530,076	9,534,395	-	-	-	-	-
<b>Total Liability &amp; Shareholder Equity</b>	90,313,099	90,553,289	-	-	-	465,921	-

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

**Note:** This section to be read in conjunction with financial statement 31<sup>st</sup> December 2025 page number 1 Directors Report.

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

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



AED 000

Details	a	b	c	d	e
	Total	Items subject to:			
		Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
<b>Total assets amount under regulatory scope of consolidation</b>	90,553,289	90,553,289	-	14,493	641,611
<b>Off-balance sheet amounts recognised in regulatory exposure (POST-CCF) including acceptances</b>	6,006,882	6,006,882	-	-	-
<b>Differences due to consideration of provisions and IIS</b>	2,044,592	2,044,592	-	-	-
<b>Other</b>	-	-	-	-	-
<b>Gross exposures before credit risk mitigation</b>	98,604,763	98,604,763	-	-	-
<b>Credit risk mitigation excluding guarantees</b>	(2,434,443)	(2,434,443)	-	-	-
<b>Gross regulatory exposures at default</b>	96,170,320	96,170,320	-	14,493	641,611

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

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



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

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

AED 000			
		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,335,254	CC2(a) + CC2 (b)
2	Retained earnings	1,843,973	CC2(f)-Proposed Dividend *
3	Accumulated other comprehensive income (and other reserves)	1,722,642	CC2(e)+Treasury Shares- General Provision Reserve + Fair Value
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	<b>Common Equity Tier 1 capital before regulatory deductions</b>	<b>6,901,869</b>	
<b>Common Equity Tier 1 capital regulatory adjustments</b>			
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(46,460)	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash flow hedge reserve	(32,280)	
12	Securitisation gain on sale	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
14	Defined benefit pension fund net assets	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	(22,747)	Treasury Shares *
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	



		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	<b>Total regulatory adjustments to Common Equity Tier 1</b>	(101,487)	
25	<b>Common Equity Tier 1 capital (CET1)</b>	<b>6,800,382</b>	
<b>Additional Tier 1 capital: instruments</b>			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	1,836,500	CC2 (c)
27	Of which: classified as equity under applicable accounting standards	1,836,500	CC2 (c)
28	Of which: classified as liabilities under applicable accounting standards	-	
29	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
32	Additional Tier 1 capital before regulatory adjustments	<b>1,836,500</b>	CC2 (c)
<b>Additional Tier 1 capital: regulatory adjustments</b>			
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	<b>Additional Tier 1 capital (AT1)</b>	<b>1,836,500</b>	<b>CC2 (c)</b>
39	<b>Tier 1 capital (T1= CET1 + AT1)</b>	<b>8,636,882</b>	
<b>Tier 2 capital: instruments and provisions</b>			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	<i>Directly issued capital instruments subject to phase-out from Tier 2</i>	-	



		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
44	Provisions	620,640	
45	<b>Tier 2 capital before regulatory adjustments</b>	620,640	
	<b>Tier 2 capital: regulatory adjustments</b>		
46	Investments in own Tier 2 instruments	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
51	<b>Tier 2 capital (T2)</b>	620,640	
52	<b>Total regulatory capital (TC = T1 + T2)</b>	9,257,522	
53	<b>Total risk-weighted assets</b>	57,243,515	
	<b>Capital ratios and buffers</b>		
54	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>	11.88%	
55	<b>Tier 1 (as a percentage of risk-weighted assets)</b>	15.09%	
56	<b>Total capital (as a percentage of risk-weighted assets)</b>	16.17%	
57	<b>Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)</b>	2.50%	
58	<b>Of which: capital conservation buffer requirement</b>	2.50%	
59	<b>Of which: bank-specific countercyclical buffer requirement</b>	0.00%	
60	<b>Of which: higher loss absorbency requirement (e.g. DSIB)</b>	0.00%	
61	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.</b>	4.88%	
	<b>The CBUAE Minimum Capital Requirement</b>		
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	



		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
64	Total capital minimum ratio	10.50%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	620,640	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			
73	Current cap on CET1 instruments subject to phase-out arrangements	-	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
75	Current cap on AT1 instruments subject to phase-out arrangements	-	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-	
77	Current cap on T2 instruments subject to phase-out arrangements	-	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	

**\*Proposed dividend:** which are subject to approval by shareholders at the upcoming Annual General Meeting

**\*Treasury Shares:** Pertains to the portion of SIB's share held by the Liquidity Provider.

## 8) Reconciliation of Regulatory Capital to Balance Sheet – (CC2)

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

The table provides a reconciliation of the bank's capital as reported in the published financial statements with the regulatory capital under the scope of consolidation as of Q4/2025. It lists various asset and liability categories, comparing their values as per the balance sheet with those under regulatory consolidation. Key items include cash and balances at central banks, investments in various forms, Islamic financing, property assets, and shareholder equity components like share



capital, legal reserve, and retained earnings. The comparison helps in understanding the differences in valuation methods and reporting requirements between accounting standards and regulatory frameworks, highlighting the bank's financial position and regulatory compliance.

AED 000

	Balance sheet as in published financial statements (a)	Under regulatory scope of consolidation (b)	Reference (c)
	As at period-end	As at period-end	
<b>Assets</b>			
Cash and balances with banks and financial institutions	5,444,512	5,444,352	
Murabaha and wakalah with financial institutions	14,734,297	14,734,297	
Investment securities measured at fair value	5,002,896	5,752,896	
Investment securities measure at amortised cost	12,944,543	12,944,543	
Investments in Islamic financing	45,550,062	45,997,297	
Acceptances	306,754	306,754	
Investment properties	1,844,950	1,120,110	
Properties held-for-sale	2,124,796	1,727,497	
Other assets	1,405,187	1,721,273	
Intangible assets	71,416	69,743	
Property and equipment	883,686	734,527	
<b>Total assets</b>	<b>90,313,099</b>	<b>90,553,289</b>	
<b>Liabilities</b>			
Customers' deposits	55,672,922	56,297,201	
Due to banks	16,309,374	16,309,374	
Sukuk payable	5,488,719	5,488,719	
Acceptances	307,065	307,065	
Other liabilities	2,899,422	2,511,014	
Zakat payable	105,521	105,521	
<b>Total liabilities</b>	<b>80,783,023</b>	<b>81,018,894</b>	
<b>Shareholders' equity</b>			
Share capital	3,235,678	3,235,678	(a)
Share Premium	99,576	99,576	(b)
Tier 1 sukuk	1,836,500	1,836,500	(c)
Fair value reserve	(27,504)	(27,504)	(d)
Other reserves and treasury shares	1,900,656	1,900,506	(e)
Retained earnings	2,485,170	2,489,639	(f)
<b>Total shareholders' equity</b>	<b>9,530,076</b>	<b>9,534,395</b>	
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>90,313,099</b>	<b>90,553,289</b>	

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

**Note:** This section to be read in conjunction with financial statement page number 1 of Director's Report



9) Main Features of Regulatory Capital Instruments – (CCA)

Quantitative / qualitative information		
1	Issuer	SIB Tier 1 Sukuk IInd Ltd
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS3039166791
3	Governing law(s) of the instrument	English Law
	Regulatory treatment	Tier 1 Capital
4	Transitional arrangement rules (i.e. grandfathering)	Additional Tier 1 Capital Certificate
5	Post-transitional arrangement rules (i.e. grandfathering)	Additional Tier 1 Capital Certificate
6	Eligible at solo/group/group and solo	Group & Solo
7	Instrument type (types to be specified by each jurisdiction)	Perpetual additional Tier 1 sukuk
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	AED 1,836 Mio
9	Nominal amount of instrument	USD 500,000,000
9a	Issue price	USD 100
9b	Redemption price	USD 100
10	Accounting classification	Tier 1 Equity
11	Original date of issuance	04th Jun, 2025
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	YES
15	Optional call date, contingent call dates and redemption amount	04-12-2030
16	Subsequent call dates, if applicable	Every 6th Anniversary after 1st call date
	Coupons / dividends	Dividends
17	Fixed or floating dividend/coupon	fixed
18	Coupon rate and any related index	6.125 per cent
19	Existence of a dividend stopper	<p>If any amount of Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event, then, from the date of such Non-Payment Election or Non-Payment Event (the "Dividend Stopper Date"), SIB will not, so long as any of the Certificates are outstanding:</p> <p>a. declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, any class of ordinary shares issued by SIB (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or</p> <p>b. declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, junior to or pari passu with the Relevant Obligations (excluding securities the terms of which do not at the relevant time enable SIB to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the relevant regulatory criteria for Additional Tier 1 Capital applicable from time to time; or</p> <p>c. directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any class of ordinary shares issued by SIB; or</p>



Pillar 3 Disclosure

		d. directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by SIB ranking, as to the right of repayment of capital, junior to or pari passu with the Relevant Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Additional Tier 1 Capital applicable from time to time, in each case unless or until the next following payment of Profit following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Trustee).
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially Discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
21	Existence of step-up or other incentive to redeem	NO
22	Non-cumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-convertible
24	Write-down feature	YES
25	If write down, write down trigger(s)	Non-Viability Loss Absorption (NVLA) Contractual NVLA: Full or partial write down upon a Non-Viability Event.
26	If write down, full or partial	Partially
27	If write down, permanent or temporary	Permanent
28	If temporary write-down, description of write-up mechanism	NA
28a	Type of subordination	Structural
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	The payment obligations of SIB under the Mudaraba Agreement (including all payments which are the equivalent of principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) and profit) (the "Relevant Obligations") will (i) constitute Additional Tier 1 Capital of SIB, (ii) constitute direct, unsecured conditional and subordinated obligations of SIB, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank pari passu with all other Pari Passu Obligations, which, for the avoidance of doubt, includes and shall continue to include SIB's obligations under the Existing Tier 1 Securities, and (v) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of SIB by a court in the UAE, rank in priority only to all Junior Obligations.
30	Non-compliant transitioned features	NO
31	If yes, specify non-compliant features	Not Applicable

(The prospectus should be referred for terms & condition, more information on SIB Tier 1 Sukuk Company available [here](#). The sukuk could be reset on 4 June 2031, and every sixth anniversary thereafter).



## 10) Geographical distribution of credit exposures used in the countercyclical buffer (CCyB1)

The Bank's counter-cyclical capital buffer (CCyB) requirement is determined by applying various country-specific CCyB rates to the Bank's qualifying credit exposures in the relevant country (based on the jurisdiction of the obligor) on a weighted average basis.

The Group's current CCyB requirement is 0.00184 bps:

31 December 2025 – AED '000'					
Geographical breakdown	a	b	c	d	e
	Countercyclical capital buffer rate	Exposure values and/or risk weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
United Kingdom	2.00%	928	396	0.000018%	8
<b>Sum</b>		<b>928</b>	<b>396</b>	<b>0.000018%</b>	8
Other Countries	0.00%	58,605,765	42,967,118	0	
<b>Total</b>		<b>58,606,693</b>	<b>42,967,514</b>	<b>0.000018%</b>	

## 11) Leverage Ratio

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

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

AED 000

	a
<b>1</b> Total consolidated assets as per published financial statements	90,313,099
<b>2</b> Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	240,190
<b>3</b> Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
<b>4</b> Adjustments for temporary exemption of central bank reserves (if applicable)	-
<b>5</b> Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
<b>6</b> Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
<b>7</b> Adjustments for eligible cash pooling transactions	-
<b>8</b> Adjustments for derivative financial instruments	79,061
<b>9</b> Adjustment for securities financing transactions (i.e. repos and similar secured financing)	1,523,759
<b>10</b> Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	6,050,325
<b>11</b> Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
<b>12</b> Other adjustments	1,998,132
<b>13 Leverage ratio exposure measure</b>	<b>100,204,566</b>



The total exposure increased by AED 5.06 billion due to increase in investment in Islamic financing & securities while Tier 1 Capital increased by AED 157 million from Q3 2025 to Q4 2025, primarily due to sale of treasury shares & increase in profit. As a result, the ratio declined from 8.91% in Q3 2025 to 8.62% in Q4 2025.

### 11.2 Leverage ratio common disclosure template – (LR2)

		AED 000	
		a	b
		Q4/2025	Q3/2025
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	81,953,617	78,054,494
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(46,460)	(41,569)
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	81,907,157	78,012,925
<b>Derivative exposures</b>			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	14,494	27,325
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	52,331	53,541
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	<b>Total derivative exposures (sum of rows 8 to 12)</b>	93,555	113,212
<b>Securities financing transactions</b>			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	10,629,770	10,383,476
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	1,523,759	962,466
17	Agent transaction exposures	-	-
18	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	12,153,529	11,345,942
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	10,706,153	8,676,022
20	(Adjustments for conversion to credit equivalent amounts)	(4,655,828)	(3,004,114)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	6,050,325	5,671,908
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>		



		a Q4/2025	b Q3/2025
		8,636,882	8,479,515
<b>24</b>	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	100,204,566	95,143,987
<b>Leverage ratio</b>			
<b>25</b>	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	8.62%	8.91%
<b>25 a</b>	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-
<b>26</b>	CBUAE minimum leverage ratio requirement	3.00%	3.00%
<b>27</b>	<b>Applicable leverage buffers</b>	-	-

The total exposure increased by AED 5.06 billion, due to increase in investment in Islamic financing & securities. While Tier 1 Capital increased by AED 157 million from Q3 2025 to Q4 2025, primarily due to sale of treasury shares & increase in profit. As a result, the ratio declined from 8.91% in Q3 2025 to 8.62% in Q4 2025.

## 12) Liquidity Risk Management (LIQA)

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

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

### 1. Governance

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

Liquidity risk management policies and procedures are subject to review by ALCO and approval by Group Board Risk Committee (GBRC). Treasury department manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Group and operating subsidiaries. Enterprise Risk Management develops and updates the liquidity policy, framework, risk statements (appetite, tolerance and capacity) & ensure adherence by way of continuous monitoring of efficiency of internal control.



## 2. Funding strategy & Liquidity Risk Mitigation

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

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

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

## 3. Liquidity stress testing

Liquidity stress test program is in place to ensure liquidity stress tests are systematically performed to determine the impact on the counterbalancing capacity under the "bank-specific" and "market wide" scenarios and the possible sources of funding to meet the shortfalls during a liquidity crisis. The stress test is done quarterly and is presented to the ALCO and GBRC.

## 4. Contingency funding plan

Contingency funding plan is in place to identify early warning signals of a liquidity problem. The contingency funding plan also sets out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. This plan is reviewed and approved annually by ALCO and GBRC.

## 5. Liquidity Risk Measurement tools

The Group has in the Liquidity risk management policy identified various measurement tools and metrics to assess the structure of the bank's balance sheet or project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to the bank. The primary tools for monitoring liquidity and funding positions are the liquidity gap analysis, assessment of concentration of funding, LCR in significant currency, ASRR, Liquidity cushion, availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity and funding positions are reported to the ALCO on a monthly basis and to BRC on a quarterly basis.

Refer to page 52 (section 4.ii.b) of the annual financial statements 2025 for detailed liquidity risk management & reporting.



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

The table presents the calculation of the Eligible Liquid Assets Ratio (ELAR) for a bank for Q4/2025. It lists the High-Quality Liquid Assets (HQLA) and their nominal amounts, including physical cash, balances with the Central Bank of the UAE (CBUAE), and various debt securities. The average HQLA amount is AED 12.72 billion against total liabilities of AED 77.97 billion. The average, calculated as the ratio of eligible liquid assets to total liabilities over the last quarter, is reported as 16.31%. This ratio is a key indicator of the bank's liquidity position, reflecting its capacity to meet short-term obligations with high-quality liquid assets.

AED 000

High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
Physical cash in hand at the bank + balances with the CBUAE	12,345,021	
UAE Federal Government Bonds and Sukuks	91,940	
<b>Sub Total</b>	<b>12,436,960</b>	<b>12,436,960</b>
UAE local governments publicly traded debt securities	63,332	
UAE Public sector publicly traded debt securities	0	-
<b>Subtotal</b>	<b>63,332</b>	<b>63,332</b>
Foreign Sovereign debt instruments or instruments issued by their respective central banks	219,662	219,662
<b>Total</b>	<b>12,719,954</b>	<b>12,719,954</b>
<b>Total liabilities</b>		<b>77,968,596</b>
<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>16.31%</b>

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

The table shows the computation of the Advances to Stable Resources Ratio (ASRR) to the bank as of Q4 /2025. It details the calculation of total advances, which include net financing, financing to non-banking financial institutions, financial guarantees, standby letters of credit, and interbank placements, resulting in a total advance amount of AED 51.03 billion.

The table also outlines the calculation of net stable resources, including total capital and general provisions, adjusted for deductions like fixed assets and investments. The ASRR, calculated as the ratio of total advances to total stable resources, stands at 80.48%. This ratio is an important liquidity measure, indicating the proportion of advances funded by stable resources.

AED 000

Items	Amount
<b>Computation of Advances</b>	
Net financing (gross financing - specific and collective provisions + interest in suspense)	45,834,794
financing to non-banking financial institutions	1,080,860
Net Financial Guarantees & Stand-by LC (issued - received)	826,652
Interbank Placements	3,296,429
<b>Total Advances</b>	<b>51,038,735</b>
<b>Calculation of Net Stable Resources</b>	
Total capital + general provisions	10,079,125
Deduct:	
Goodwill and other intangible assets	69,160
Fixed Assets	734,356



Funds allocated to branches abroad	-
Unquoted Investments	3,468,105
Investment in subsidiaries, associates and affiliates	850,000
<b>Total deduction</b>	<b>5,121,621</b>
<b>Net Free Capital Funds</b>	<b>4,957,504</b>
<b>Other stable resources:</b>	
Funds from the head office	-
Interbank deposits with remaining life of more than 6 months	3,643,829
Refinancing of Housing financing	-
Borrowing from non-Banking Financial Institutions	1,117,209
Customer Deposits	48,212,810
Capital market funding/ term borrowings maturing after 6 months from reporting date	5,488,719
<b>Total other stable resources</b>	<b>58,462,567</b>
<b>Total Stable Resources</b>	<b>63,420,071</b>
<b>Advances to Stable Resources Ratio</b>	<b>80.48</b>

### 13) Credit Risk (CRA)

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

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

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

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

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

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

1. Either or both of the following events have taken place i.e. non-payment and/or unlikelihood to pay.
2. The customer is past due for a period greater than 90 days on any material credit obligation.
3. The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising collateral (if any is held);
4. It is becoming probable that the customer will restructure the asset as a result of bankruptcy due to the customer's inability to pay its credit obligations.

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

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



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

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

**Note:** This section to be read in conjunction with financial statement 31<sup>st</sup> December 2025 page number 36 to 57 of section 4 Risk Management.

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

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

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

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

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

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

However, for retail and credit card facilities that include both a financing and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group ' s exposure to credit losses to the contractual notice period. These facilities do not



have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL.

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

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

#### **4. Financial Assets with Renegotiated Terms**

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

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

This section should be read in conjunction with the other section of OVA and CRB

#### **13.1 Credit Quality of Assets – (CR1)**

The Credit Quality of Assets table as of Q4/2025 illustrates the bank's asset quality in terms of defaulted and non-defaulted exposures, along with allowances or impairments. It shows the gross carrying values of financing and debt securities, both defaulted and non-defaulted, and the corresponding allowances allocated in specific and general regulatory categories. The table also includes off-balance sheet exposures. The net values are computed after accounting for Expected Credit Loss (ECL) provisions for credit losses, particularly on Standardized Approach (SA) exposures. This data is crucial for assessing the bank's credit risk profile.



AED 000

Details	Gross carrying values of		Allowances/ Impairment s	Of which ECL accounting provisions for credit losses on SA exposures		Net values
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
<b>Customer Financing</b>	1,779,249	45,952,411	1,734,363	1,174,955	559,408	45,997,297
<b>Sukuk</b>	23,579	12,965,225	44,261	23,579	20,682	12,944,543
<b>Off-balance sheet exposures</b>	18,715	1,697,800	16,295	9,327	6,968	1,700,220
<b>Total</b>	<b>1,821,543</b>	<b>60,615,436</b>	<b>1,794,919</b>	<b>1,207,861</b>	<b>587,058</b>	<b>60,642,060</b>

- Either or both of the following events have taken place i.e. non-payment and/or unlikelihood to pay.
- The customer is past due for a period greater than 90 days on any material credit obligation.
- The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising collateral (if any is held);
- It is becoming probable that the customer will restructure the asset as a result of bankruptcy due to the customer's inability to pay its credit obligations.
- As of Q4 / 2025, the gross carrying values of defaulted exposure amounted to AED 1.8 billion while non-defaulted exposures totaled AED 60 billion. This distribution indicates a robust credit portfolio with significant majority of exposures maintaining a non-de-faulted status, reflecting effective credit risk management practices.
- Excluding subsidiary ASAS and SNH

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

The Changes in The Stock of Defaulted customer financing and sukuk (CR2) table as of Q4 /2025 provides an overview of the movement in defaulted customer financing and sukuk over the reporting period. It details the total amount of customer financing and sukuk from the end of the previous period, the new defaults that occurred during the current period, the amount that returned to non-default status, the amounts written off, and other changes. It concludes with the total customer financing and sukuk at the end of the reporting period, reflecting the bank's dynamic credit risk landscape.

AED 000

1	Defaulted customer financing and sukuk at the end of the previous reporting period	1,956,984
2	Customer financing and sukuk that have defaulted since the last reporting period	189,100
3	Returned to non-default status	(4,298)
4	Amounts written off	(210,028)
5	Other changes	(128,930)
<b>6</b>	<b>Defaulted customer financing and sukuk at the end 31 December 2025 (1+2-3-4+5)</b>	<b>1,802,828</b>

Defaulted loans and debt securities at the end of reporting period decreased from AED 1,957 million Q4 – 2024 to AED 1,802 million in Q4 2025. The overall decrease is by AED 154 million which is due to decrease in defaulted customer financing and sukuk at the end of the previous reporting period.



Pillar 3 Disclosure

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

AED 000

Details	GCC	Other Arab Countries	North America	USA	Europe	Asia	Other	Total
<b>Cash and balances with banks and financial institutions</b>	5,246,888	1,862	1,803	114,637	42,680	36,642	-	5,444,512
<b>Murabaha and wakalah with financial institutions</b>	13,755,046	293,805	-	-	-	685,446	-	14,734,297
<b>Investment securities measured at fair value</b>	4,316,755	-	-	-	-	686,141	-	5,002,896
<b>Investment securities measure at amortised cost</b>	12,153,365	-	-	-	-	791,178	-	12,944,543
<b>Investments in Islamic financing</b>	44,054,949	425,629	-	4	-	977,790	91,690	45,550,062
<b>Acceptance</b>	306,754	-	-	-	-	-	-	306,754
<b>Investment properties</b>	1,709,953	-	-	-	134,997	-	-	1,844,950
<b>Properties held-for-sale</b>	2,124,796	-	-	-	-	-	-	2,124,796
<b>Other assets</b>	1,336,547	5,808	-	587	4,166	55,687	2,392	1,405,187
<b>Intangible Assets</b>	71,416	-	-	-	-	-	-	71,416
<b>Property and equipment</b>	883,686	-	-	-	-	-	-	883,686
<b>Total assets</b>	85,960,155	727,104	1,803	115,228	181,843	3,232,884	94,082	90,313,099

The bank's exposures across different geographical areas as of Q4/ 2025 show significant diversification. The largest exposures are within the GCC and other Arab countries, with significant amounts in North America, USA, Europe and Asia. This geographical diversification indicates broadened risk profile and a strategy to mitigate regional economic volatility.

Note: Please reading this section refer to the other OVA and CRA sections, along with page 80 of the financial statement of 31st December 2025. Exposure is shown above is at group level.



### 13.4 The Breakdown of Exposures by Sector (CRB).

The "Breakdown of Exposures by Sector (CRB)" table shows the distribution of the bank's exposures across various sectors, quantified in AED. It includes sectors such as Government Departments and Authorities, Construction and Contracting, Manufacturing, Transportation, and Real Estate. The table also encompasses Retail Business, Trading, Financial Institutions, Services and Others, Individual, Consumer Home Finance, and High Net worth Individuals. Additionally, it accounts for Deferred Profit and Loss allowance for investments in Islamic Financing. This distribution provides insights into the bank's diversification and risk exposure in different economic sectors.

AED 000

Sector	
<b>Government Department and Authorities</b>	19,775,629
<b>Construction and Contracting</b>	1,535,229
<b>Manufacturing</b>	973,808
<b>Transportation</b>	597,588
<b>Real Estate</b>	12,028,182
<b>Retail Business</b>	372,047
<b>Trading</b>	1,087,828
<b>Financial Institutions</b>	1,392,827
<b>Services and Others</b>	3,689,294
<b>Individual</b>	3,775,512
<b>Consumer Home Finance</b>	1,598,788
<b>High Net worth Individuals</b>	2,829,691
<b>Deferred Profit</b>	(2,371,998)
<b>Less :Loss allowance for investments in Islamic Financing</b>	(1,734,363)
<b>Total</b>	<b>45,550,062</b>

\*Exposure shown above is at SIB group level.

### 13.5 Qualitative Disclosure Requirements Related to Credit Risk Mitigation Techniques (CRC)

Credit Risk Mitigation (CRM) is the reduction of the risk of default. It involves using a variety of techniques, such as requiring collateral, getting guarantees from third parties, and using financial instruments to transfer or hedge credit risk. Cash flows derived from liquidation of collateral and other sources that may be utilized to mitigate against financial loss.

Credit Risk Mitigation involves various departments within bank, each playing a distinct role to ensure compliance and effective risk management. The key roles and responsibilities of different departments in the context of CBUAE credit risk mitigation is covered in CRM policy.

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

As of Q4 / 2025, cash and Sovereign guarantees are only collaterals being used for credit risk mitigation.



13.6 Credit Risk Mitigation Techniques – overview (CR3)

AED 000

	Details	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Customer Financing	45,997,294	13,570,921	2,326,704	204,258	107,739	-	-
2	Sukuk	12,944,543	-	-	-	-	-	-
3	<b>Total</b>	<b>58,941,840</b>	<b>13,570,921</b>	<b>2,326,704</b>	<b>204,258</b>	<b>107,739</b>	-	-
4	Of which defaulted	1,802,828					-	-

As of Q4/2025, the bank utilized a comprehensive approach for credit risk mitigation, primarily using cash and sovereign guarantees as collaterals. The total secured exposures amount to AED 13.57 billion with AED 2.32 billion secured by collateral. This approach reflects the bank’s strategy to minimize credit risk exposure through effective collateralization.

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

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

Sl. 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	Aa1	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.
		Aa2	2	
		Aa3	2-	
3	Good	A1	3+	Good business credit considered upper medium grade, subject to low credit risk; good asset quality, strong liquidity and financing capacity. Company is above
		A2	3	
		A3	3-	



				average size and holds a good position in the industry.
4	Satisfactory	Baa1	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.
		Baa2	4	
		Baa3	4-	
5	Adequate	Ba1	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.
		Ba2	5	
		Ba3	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	Caa3	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 justifying a Substandard classification.
<b>Non-Performing Asset (NPA)</b>				
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.

Note : Also refer Risk Management – Significant Increase in credit risk section of financial statement of 31st December of 2025 page 46.



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

AED 000

Details		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	31,464,000	-	31,464,000	-	4,087,341	13%
2	Public Sector Entities	7,535,642	506,404	7,535,642	251,699	6,349,593	82%
3	Multilateral development banks	1,218,301	-	1,218,301	-	-	0%
4	Banks	9,437,323	1,981,436	9,437,323	1,829,207	4,384,869	39%
5	Securities firms						
6	Corporates	28,107,565	7,540,702	28,107,565	3,671,843	25,266,794	80%
7	Regulatory retail portfolios	3,481,618	647,678	3,481,618	224,199	2,703,014	73%
8	Secured by residential property	1,484,594	-	1,484,594	-	1,318,974	89%
9	Secured by commercial real estate						
10	Equity Investment in Funds (EIF)	424,778	-	424,778	-	623,203	147%
11	Past-due financing	1,889,108	29,933	649,327	29,933	796,755	117%
12	Higher-risk categories						
13	Other assets	7,554,954	-	7,554,954	-	7,227,775	96%
14	<b>Total</b>	<b>92,597,883</b>	<b>10,706,153</b>	<b>91,358,102</b>	<b>6,006,881</b>	<b>52,758,318</b>	<b>54%</b>

The credit risk exposure under standardized approach as of 31 December 2025 shows that the largest exposures are in sovereign, public sector entities, Banks and corporates.



Pillar 3 Disclosure

13.9 Standardised Approach - Exposures by Asset Classes and Risk Weights – (CR5)

The below reflects the breakdown of credit risk exposures under the standardised approach by asset class and risk weight. **AED 000**

Risk weight Asset classes									AED 000
	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
<b>Sovereigns and their central banks</b>	27,690,730	-	-	257,110	-	2,630,909	885,251	-	31,464,000
<b>Public Sector Entities</b>	19,092	823,882	-	1,519,102	-	5,425,265	-	-	7,787,341
<b>Multilateral development banks</b>	1,218,301	-	-	-	-	-	-	-	1,218,301
<b>Banks</b>	-	6,630,829	-	3,159,147	-	1,471,403	5,151	-	11,266,530
<b>Securities firms</b>	-	-	-	-	-	-	-	-	-
<b>Corporates</b>	2,142,264	4,182,044	-	183,650	-	17,622,901	329,835	7,318,715	31,779,409
<b>Regulatory retail portfolios</b>	174,685	-	-	-	3,312,472	218,661	-	-	3,705,818
<b>Secured by residential property</b>	6,577	-	-	-	636,173	841,844	-	-	1,484,594
<b>Secured by commercial real estate</b>	-	-	-	-	-	-	-	-	-
<b>Equity Investment in Funds (EIF)</b>	-	-	-	-	-	-	-	424,778	424,778
<b>Past-due financing</b>	-	-	-	-	-	444,271	234,989	-	679,260
<b>Higher-risk categories</b>	-	-	-	-	-	-	-	-	-
<b>Other assets</b>	782,279	-	-	-	-	5,862,476	910,199	-	7,554,954
<b>Total</b>	<b>32,033,928</b>	<b>11,636,755</b>	<b>-</b>	<b>5,119,009</b>	<b>3,948,645</b>	<b>34,517,730</b>	<b>2,365,425</b>	<b>7,743,493</b>	<b>97,364,985</b>

The breakdown of credit risk exposures by asset class and risk weight shows a diverse portfolio. The second highest exposures at 0% risk weight are to sovereigns and central banks, significant exposures in corporates and public sector entities.



## 14) Counterparty Credit Risk (CCRA)

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

Oversight and Management of Counterparty Credit Risk:

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

Identification:

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

Measurement:

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

Monitoring, Control, and Reporting:

- Authorized sales activities and risk types are strictly adhered to within the Sharjah Islamic Bank Treasury Department.
- Regular monitoring against approved CCR limits is conducted, with any exceptions reported and escalated to relevant authority
- CCR limits are reviewed annually and adjusted as necessary based on changes in counterparty creditworthiness and business plans.
- Collateral agreements may be utilized to cover mark-to-market exposures, with provisions for additional collateral if exposures exceed agreed thresholds.



**Pillar 3 Disclosure**

Counterparty Credit Risk Limits:

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

Counterparty Credit Risk Capital Calculation:

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

**Analysis of CCR by approach-CCR1**

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	14,493	52,331		1.4	93,554	38,400
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
<b>6</b>	<b>Total</b>						<b>38,400</b>



Pillar 3 Disclosure

Credit Valuation Adjustment (CVA) Capital Charge-CCR2

AED 000

	Details	a	b
		EAD post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge*	1,617,310	158,200
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

The table presents the Credit Valuation Adjustment (CVA) for Capital Charge as of Q4/2025. It shows the Exposure at Default (EAD) post-Credit Risk Mitigation (CRM) and the corresponding Risk-Weighted Assets (RWA) for portfolios subject to the Standardised CVA capital charge. This information is essential in understanding the bank's capital requirements related to the risk of counterparty default in derivatives transactions and securities financing transaction.

Counterparty Credit Risk (CCR3)

Risk weight	a	b	c	d	e	f	g	h
	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
<b>Regulatory portfolio</b>								
Sovereigns								
Public Sector Entities (PSEs)								
Multilateral development banks (MDBs)								
Banks		476,988	1,139,453					1,616,441
Securities firms								
Corporates					872			872
Regulatory retail portfolios								
Secured by residential property								
Secured by commercial real estate								
Equity Investment in Funds (EIF)								
Past-due loans								



Pillar 3 Disclosure

Higher-risk categories							
Other assets							
<b>Total</b>		<b>476,988</b>	<b>1,139,453</b>		<b>872</b>		<b>1,617,313</b>

Composition of collateral for CCR exposure (CCR5)

AED 000

	a		b		c		d		e		f	
	Collateral used in derivative transactions						Collateral used in SFTs					
	Fair value of collateral received				Fair value of posted collateral				Fair value of collateral received		Fair value of posted collateral	
	Segregated		Unsegregated		Segregated		Unsegregated					
Cash - domestic currency												
Cash - other currencies					21,010				9,526,060			
Domestic sovereign debt												46,494
Government agency debt												685,561
Corporate bonds												1,869,379
Equity securities												8,448,386
Other collateral												
<b>Total</b>					<b>21,010</b>				<b>9,526,060</b>			<b>11,049,820</b>

Collateralized (Repo) Murhaba / Wakala under the Murhaba / Wakala structure is a product intended to mobilize funds for Sharjah Islamic Bank up to 12 months which is referred as short-term transaction and more than 1 year and up to 5 years which is referred as long-term transaction from other banks. The product shall require SIB to pledge or offer bank's sukuk investments in the Amortised cost (AC) or other comprehensive income (OCI) portfolio as collateral to the counterparties. These sukuks will be held under the custody of these other banks in their custody accounts and can be replaced anytime during the period of financing with mutual consent. The financing value will be based on the fund-to-value (FTV) or Loan -to-Value (LTV) of individual sukuks which was selected or chosen for pledge as collateral.



## 15) Market Risk (MRA)

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

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

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

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

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

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

### Equity Risk

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

### Profit Margin Risk

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

### Profit rate risk

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



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

### Currency Risk / Foreign Exchange Risk

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

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

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

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

AED 000

Details	RWA
<b>General Interest rate risk (General and Specific)</b>	-
<b>Equity risk (General and Specific)</b>	-
<b>Foreign exchange risk</b>	175,690
<b>Commodity risk</b>	-
<b>Options</b>	-
<b>Simplified approach</b>	-
<b>Delta-plus method</b>	-
<b>Securitisation</b>	-
<b>Total</b>	<b>175,690</b>

Market risk, as of Q4 /2025, primarily consisted of foreign exchange risk amounting to AED 0.175 billion in Risk-Weighted Assets (RWA). The bank does not have significant exposure to other types of market risks like equity, commodity, or general interest rate risk under the standardized approach, suggesting a focused market risk profile.

### 16) Profit Rate Risk in the Banking Book (PRRBBA)

1. Profit Rate Risk in the Banking Book (PRRBBA) refers to the risk to SIB's capital and earnings arising from the adverse movements in profit rates on its banking book. When profit rates change, the present value and the timing of the future cash flows change, impacting the economic value of SIB's balance sheet. Changes in profit rates affect SIB's earnings by altering profit rate-sensitive income and costs, impacting its Net Profit Income (NPI).
2. SIB's Board is responsible for risk management through provision of overall strategy and oversight through the Board approved Market Risk Policy which covers the management of PRRBBA. The policy also sets the overall risk appetite for PRRBBA.

SIB Board policy is executed via delegated authority to the Bank's Board and Management Committees, which includes the Asset Liability Committee (ALCO). These committees are responsible for the setting, approval and implementation of limits that are within their Board-approved authority. These committees also ensure that appropriate processes and controls



are in place so that relevant risks are identified, measured and reported against approved risk limits as well as to authorize appropriate action (if required) in case of a limit breach.

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

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

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

3. The calculation of the Bank's PRRBB measurements are reported on a monthly basis to ALCO. The procedures adopted to calculate the impact of the PRRBB measures are as outlined under the Basel framework and Central Bank of UAE guidelines. The impact of profit rates shocks is factored as part of the Bank's stress testing and within ICAAP and the results are presented to the senior management.

The key standard measurements applied are:

- Economic Value of Equity based on Basel prescribed standardized profit rate shocks;
  - Sensitivity to Net Profit Income (NPI) over a 12 month horizon;
4. The prescribed standardized profit rate shocks are used in line with the Basel and CBUAE guidelines. Scenario 1 - Parallel Shock Up - A constant parallel shock up across all time buckets; Scenario 2 - Parallel Shock Down - A constant parallel shock down across all time buckets; Scenario 3 - Steepener Shock - Short rates move down and long rates move up; Scenario 4 - Flattener Shock - Short rates move up and long rates move down; Scenario 5 - Short Rate Shock Up - A shock up which is greatest at the shortest tenor midpoint. The shock diminishes towards zero at the tenor of the longest point; 6. Short Rate Shock Down - A shock down which is greatest at the shortest tenor midpoint. The shock diminishes to zero at the tenor of the longest point.
  5. Where significant modelling assumptions used in the bank's internal measurement systems (IMS) (i.e. the EVE metric generated by the bank for purposes other than disclosure, eg for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure Template PRRBB1, description of those assumptions and their directional implications and explanation of its rationale for making those assumptions (eg. historical data, published research, management judgment and analysis), are disclosed to the ALCO.
  6. Bank's PRRBB exposures are managed by the Treasury function. In order to hedge the rate risks, primarily Profit Rate Swaps (derivatives) deals are undertaken with buy and hold till



maturity basis matching with the underlying transactions in the Bank's book for which the profit rate risk is mitigated. Natural hedges are preferred in terms of matching of assets and liabilities with similar tenors. Hedging strategies are approved by the ALCO.

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

Bank does not have significant exposure in foreign currencies other than USD.

8. Quantitative disclosure

Sl.No	Re-pricing maturity assigned to non-maturity	Q4/ 2025
1.	Average repricing maturity assigned to NMDs	1.32 Years
2.	Longest repricing maturity assigned to NMDs	5 Years

9. Modelling assumptions:

- Commercial margins are included in the computation of the  $\Delta EVE$  for the cash flows as well as the discount rate;
- The bank uses historical behavioral analysis to estimate:
  - i. Withdrawal rates on customers deposits;
  - ii. Prepayment rates of customer financing; and
  - iii. Repricing maturity of the non-maturity deposits (NMDs).



### 16.1) Profit Rate Risk in the Banking Book (PRRBB)

AED 000

Details	ΔEVE		ΔNPI	
	Q4/2025	Q4/2024	Q4/2025	Q4/2024
Parallel up	(826,144)	(686,236)	343,643	274,721
Parallel down	763,732	786,386	(461,173)	(398,541)
Steeper	(314,078)	(211,659)		
Flattener	47,098	56,018		
Short rate up	(393,873)	(245,013)		
Short rate down	260,798	257,689		
Maximum	(826,144)	(686,236)		
Period	Q4/2025		Q4/2024	
Tier 1 capital	8,636,882		7,670,663	

The bank defines PRRBB as the risk to its capital and earnings from adverse movements in profit rates. The management strategy includes monitoring economic value, hedging practices, and stress testing, overseen by the Asset Liability Committee (ALCO) and the Risk Management Division. This approach shows the bank's proactive measures to mitigate profit rate risks.

### 17) Operational Risk (OR1)

#### 1. Operational Risk:

Sharjah Islamic Bank has adopted BASEL definition of Operational risk as risk of loss resulting from inadequate or failed internal processes, systems, and people or from external events and includes legal risk but excludes strategic and reputational risk. This definition provides a measurable basis for operational risks and is based on the underlying causes of operational risk events classified as People, Processes, Systems & External events.

#### 2. SIB Operational Risk Governance:

Sharjah Islamic Bank's Board Risk Committee assumes overall responsibility for operational risk management.

The Bank's Operational Risk Management (ORM) function reports to Head of Risk Management who in turn reports to Group Chief Risk Officer and is an integral part of the Risk Management control function. Group Chief Risk Officer directly reports to the Board Risk Committee.

Sharjah Islamic Bank has a comprehensive framework in place to enable Sharjah Islamic Bank & its subsidiaries to identify, assess, evaluate, monitor, mitigate and control operational risk. The operational risk governance framework consists of strategies, policies, processes, procedures, systems & controls.

The operational risk governance framework has been developed as part of the Board & Senior Management commitment and endeavour to implement the best operational risk management practices across the Bank & its Subsidiaries and will be reviewed & revised annually in line with Bank's Business Strategy.



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 defence.

#### **a. First Line of Defence**

Sharjah Islamic Bank Business line management is responsible for identification and control of risks. Sharjah Islamic focus has been to foster a sense of accountability amongst the Business Units and facilitate the ownership and management of Risks by the Business Units. Hence it has adopted a "designated" model for managing Operational Risks whereby individuals (designated "Risk Champions" and "Risk Assessors") within BUs are nominated to facilitate OR activities within their Department and coordinating with Group Operational Risk Management.

#### **b. Second Line of Defence**

The Second Line of defence for Operational Risk includes the Group Operational Risk Management Department which is responsible for the overall development and governance of the OR framework and coordinating on all the Operational Risk activities of the Bank.

#### **c. Third Line of Defence**

The Third Line of Defense includes the Internal Audit Unit, which is responsible for providing independent assurance on the Bank's Operational risk management activities.

### **3. Operational Risk Management Process:**

The Bank's ORM process includes Risk identification and assessment, control & mitigation, monitoring & reporting and communication & consultation. The objectives of Operational Risk Management (ORM) process in the Bank are to achieve adequate and strong risk control, enable adequate capital allocation in respect of potential impact of operational risk and to minimize the impact of operational risks and reduce losses.

#### **Tools for Operational Risk (OR) Management.**

The Bank uses a combination of tools for identifying, assessing, monitoring, controlling or mitigating and reporting operational risks.

##### **1. Risk Control Self-Assessment**

The identification and assessment of Risks and Controls of the Bank is at the heart of SIB risk management strategy and practice. An effective Risk and Control Self-Assessment program is a key component in managing Operational Risk and is a primary means through which Business Units/Divisions can identify and assess risks against which they can evaluate the quality of control structure within their areas of responsibility. Risk assessment evaluates the likelihood and severity of a potential risk, determine whether further mitigation actions are required and if so, what is the most appropriate and cost effective strategy for its treatment and mitigation. The objective of the procedure is to define the key elements of the Risk and Control Assessment



framework and also to establish the guidelines for sound testing and assessment of controls for risks related to Business operations.

## 2. Key Risk Indicators

Key risk indicator (KRI) is one of the tools used to measure operational risk. KRI is an early warning indicator to assist in indicating the presence of a risk with the potential to adversely affect achievement of the Bank's business objectives. Risk indicators by themselves may not always indicate occurrence of operational risk event. The trend in values of the risk indicators is analyzed in context of the Bank's operating environment and other related information to make meaningful interpretation on the operational risk profile of the Bank. KRIs are used in conjunction with a system of thresholds defined by the Bank. When the threshold or tolerance level for any KRI is breached, it triggers review, escalation or management action, as required.

## 3. Loss Data Collection & Analysis

Internal operational loss data provides meaningful information for assessing the bank's exposure to operational risk and the effectiveness of internal controls. Analysis of loss events provides insight into the causes of large losses and information on whether control failures are isolated or systemic. The business and support units are responsible for reporting of incidents and loss events. Operational Risk Management team further analyses & collates the information. Capturing and reporting near misses and actual loss data is an essential prerequisite to the development and functioning of a complete operational risk management system. Loss data sharing and collection is important to arrive at a comprehensive assessment of operational risk.

For facilitating an effective operational risk management, the Bank has implemented a sound operational risk management system comprising the different tools.

Bank's approach to assessment of operational risk also address the following items:

- Establishing and monitoring thresholds / limits for risk exposure.
- Calibration of identified risks against operational risk appetite limits.
- Providing for common operational risk terminology.

Basel III framework outlines three methods for calculating the risk charge for operational risk charge: Basic indicator approach, standardized approach and Alternative Standardized Approach. Bank follows Basic indicator Approach for calculation. The total capital requirement for operational risk as at 31 December 2025 is AED 539 million (2024 AED 468 million).

## 4. Risk controls and mitigation:

Sharjah Islamic Bank's Control Environment includes segregation of duties and dual controls, clearly established authorities and/or processes for approvals, close monitoring of adherence to assigned risk thresholds or limits, safeguards for access to and use of Bank assets and records, appropriate staffing level and training to maintain expertise, on-going processes to identify business lines or products where returns appear to be out of line with reasonable expectations, regular verification and reconciliation of transactions and accounts, a vacation policy that requires officers and employees to take a minimum leave of absence.



All risks that have been identified as requiring mitigation during the risk assessment stage are treated in one of the following ways:

1. Avoiding the risk
2. Transfer/sharing the risk
3. Implementing improved control procedures
4. Accepting the risk.

As part of the evaluation and selection of a mitigation strategy, Sharjah Islamic Bank considers the cost effectiveness of the strategy. To be effective, the cost of any mitigating action is measured against the potential losses that may arise from the risk event occurring. Sharjah Islamic Bank also has in place various insurance arrangements (such as property insurance including business interruptions, electronic equipment, motor fleet, bankers blanket bond, professional indemnity, cyber-crimes, etc.) to further reduce the impact of operational losses.

Sharjah Islamic Bank currently follows the Basic Indicator Approach in calculating operational risk capital requirements in line with CBUAE requirements. Additional frameworks are in place complementing the Operational Risk Governance Framework in addressing specific risk types including but not limited to:

- a) Fraud Risk Management policy.
- b) Business Continuity Management Policy including the periodical testing.
- c) Outsourcing Risk Policy.

## **5. Operational Risk reporting**

As operational risks continuously evolve in response to dynamic business strategies and shifting external market conditions, the implementation of the operational risk governance framework, the utilization of ORM tools, and their performance are regularly monitored, reviewed, and reported to the Group Chief Risk Officer and the Board Risk Committee on a quarterly basis. This ensures a comprehensive understanding and assessment of the Bank's operational risk exposures. Further, the ORM system also provides real time reports and dashboards to Senior Management facilitating the overview of the risk exposure.

## **6. Operational 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 critical functions.

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 the Group's commitment to robust risk management and long-term sustainability.

The Business Continuity Management (BCM) process identifies potential threats to the Group and assesses their possible impact on business operations. 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.

## **18) Remuneration Policy (REMA)**

This Compensation & remuneration policy establishes SIB's endeavor to ensure the appropriate compensation and benefits offered are the best to attract, motivate and retain the right talent in line with requirements of business, labor market and legal clauses of the UAE Labor Law. This policy forms a framework of administration and organization of salary and benefits components by relating pay to the job and recognizing difference in skill levels corresponding to job value. It encompasses the SIB compensation philosophy, Emiratization vision and fair dealing for all.

The Board Nomination Compensation & Governance Committee has concurred to apply this policy across SIB and its subsidiaries.

BNCGC approves all / any revisions to the compensation structure on behalf of the Board of Directors and maintains an independent oversight and control to review and approve HR policies and strategies endorsed by the CEO of the Bank. BNCGC also focuses on issues related to Rewards including bonus distribution criteria, variable pay, to ensure the appropriate balance and fair dealing.

### **Material Risk Takers identification:**

From a risk and reputation perspective, SIB has identified the criteria of individuals with substantial influence on the strategic & financial decisions having long-term implications for the bank. It includes individuals whose duty involves the assumption of risk or exposure, who are engaged in the design, management of financial securities and products for the Bank. In SIB we have 3 Seniors identified as material risk takers.

- Senior Management includes but not limited to- the CEO, CFO, CRO and heads of compliance and internal audit functions, as defined by CBUAE from time to time.
- Individuals with a substantial influence on the strategic planning of the bank, as strategic decisions can have long-term implications for the bank's risk profile.
- Heads of all subsidiaries who are responsible and authorized to take key decisions for the company, shall be a part of this list.

The list of material risk takers will be reviewed annually as per current regulatory requirements, and the bank's risk management needs, which may also evolve over time based on changes in the financial industry.

SIB Compensation and Remuneration Policy aims to establish guidelines detailing compensation and remuneration practice in SIB. It provides an established framework that recognizes and rewards employee performance aligned to business strategy and vision. The policy provides competitive



remuneration to attract and retain qualified individuals whose values and performance contributes to the success and growth of SIB. The policy supports sound corporate governance and incentives aligned to prudent risk taking.

- Presents a structure and details of the applicable compensation & benefits components.
- Ensure a visible and transparent view of overall compensation & benefits practice, in SIB.
- Set approved guidelines for overall administration of all compensation & benefits components, included in this policy.
- Supplement other HR functions like talent acquisition, performance management and employee retention, through a well-defined remuneration & benefits package.
- Promote and sustain a high performance culture to support overall business strategy by adopting a competitive reward & benefit strategy.
- Ensure compliance with UAE Labor Law and CBUAE regulations.
- Ensure that all employees are treated fairly and equitably, regardless of their gender, race, or any other characteristics.

SIB regularly benchmarks its policies and practices with the local banks to stay ahead of the market. Our bonus are defined using performance/target based criteria, through yearly appraisals towards rewarding employees for high and qualitative performance.

## 19) Remuneration (REM 1)

### 19.1) Remuneration awarded during the financial year (REM 1)

AED 000

Remuneration Amount		Senior Management	Other Material Risk-takers
<b>Fixed Remuneration</b>	Number of employees	18	7
	Total fixed remuneration	31,877	5,972
	Of which: cash-based	31,877	5,972
	Of which: deferred	-	-
	Of which: shares or other share-linked instruments	-	-
	Of which: deferred	-	-
	Of which: other forms	-	-
	Of which: deferred	-	-
<b>Variable Remuneration</b>	Number of employees	-	-
	Total variable remuneration	-	-
	Of which: cash-based	-	-
	Of which: deferred	-	-
	Of which: shares or other share-linked instruments	-	-
	Of which: deferred	-	-



*Pillar 3 Disclosure*

	Of which: other forms	-	-
	Of which: deferred	-	-
<b>Total Remuneration</b>		<b>31,877</b>	<b>5,972</b>

The bank's remuneration policy for 2025 included fixed and variable components, with details on number of employees receiving each type and the total remuneration amount. The policy align employee incentives with the bank's overall risk management and performance goals.

**19.2 Special payments (REM2)**

AED 000

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	-----	-----	-----	-----	1	538,898
Other material risk-takers	-----	-----	-----	-----	-----	-----



19.3 Deferred remuneration (REM3)

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



20) Details of Not Applicable Tables

Sl. No	Topic	Information	Table	Details
01.	Prudential valuation adjustments	Prudent valuation adjustments	PV1	Not Applicable
02.	Liquidity	Liquidity Coverage Ratio	LIQ1	
		Net Stable Funding Ratio	LIQ2	
03. 04.	Counterparty credit risk (CCR)	Credit derivatives exposures	CCR6	
		Exposures to central counterparties	CCR8	
05.	Securitisation	Qualitative disclosures related to securitisation exposures	SECA	
06.		Securitisation exposures in the banking book	SEC1	
		Securitisation exposures in the trading book	SEC2	
08.		Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor	SEC3	
9.		Securitisation exposures in the trading book and associated capital requirements - bank acting as investor	SEC4	
10.	Remuneration Policy	Deferred remuneration	REM3	



## 21) Abbreviation

ALCO – Asset Liability Committee  
ASRR – Advance to Stable Resource Ratio  
BIA – Basic Indicator Approach  
GBRC – Group Board Risk Committee  
CCB – Capital Conservation Buffer  
CCF – Credit Conversion Factor  
CCP – Central Counterparty  
CCyB – Countercyclical Buffer  
CET – Common Equity  
CRM – Credit Risk Mitigation  
CVA – Credit Valuation Adjustment  
EAD – Exposure at Default  
ECL – Expected Credit Loss  
EIF – Equity Investment in Funds  
ELAR – Eligible Liquid Assets Ratio  
EVE – Economic Value of Equity  
FCD – Financial Control Division  
HSA – Higher Shari’ah Authority  
ICAAP –Internal Capital Adequacy Assessment Process  
ILAA – Internal Liquidity Adequacy Assessment  
IRB – Internal Rating Based  
LCR – Liquidity Coverage Ratio  
LGD – Loss Given Default  
NSFR – Net Stable Funding Ratio  
NAV – Net Asset Value  
OCI – Other Comprehensive Income  
PD – Probability of Default  
PL – Profit and Loss  
PRRBB – Profit Rate Risk in the Banking Book  
RWA –Risk weighted assets  
SIB –Sharjah Islamic Bank  
SRP – Supervisory Review Process