SHARJAH ISLAMIC BANK

Pillar 3 Disclosure

30th June 2026

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Contents

1) Introduction 3
2) Key Metrics (at Consolidated Group Level) and RWA – (KM1): 14
3) Overview of Risk Management, Key Prudential Metrics and RWA (OV1) 16
4) Composition of Regulatory Capital – (CC1) 18
5) Reconciliation of Regulatory Capital to Balance Sheet – (CC2) 21
6) Main Features of Regulatory Capital Instruments – (CCA) 24
7) Geographic distribution of credit exposures used in the countercyclical buffer (CCyB1) 26
8) Leverage Ratio 27
9) Liquidity 29
10) Credit Risk 32
11) Counterparty Credit Risk 39
12) Market Risk (MRA) 43
13) Abbreviation 47

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1) Introduction

1.1. Introduction & Basis of Preparation

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

1.2. Scope of pillar 3 disclosures:

The Basel banking framework contains three main pillars:

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

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

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

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

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

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

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

This report should be read in conjunction with the risk disclosures in audited financial statements of 30th June 2026 (Page 15 to Page 18).

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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

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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.
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 ("SIBS"), ASAS Real Estate LLC SP ("ASAS") as well as special purpose vehicle established in the Cayman Island, SIB Sukuk Company III limited and SIB Tier 1 Sukuk IIND Limited (altogether referred to as the "Group"). SNH through its division is engaged in operating hotels and resorts, catering and related services, whereas SIBS 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 IIND Limited were established for the Bank's Sukuk program.

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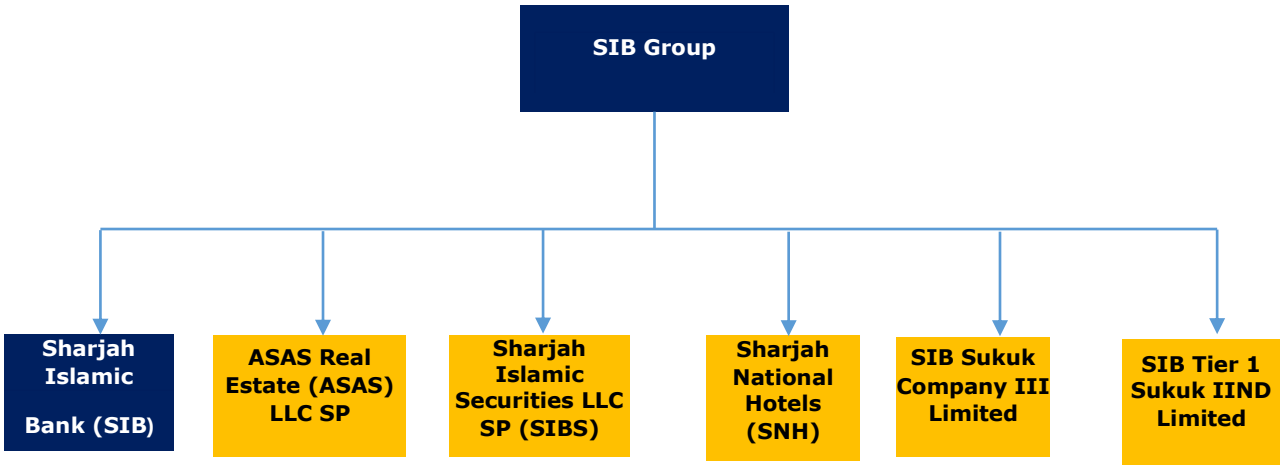

Subsidiaries	Country of Incorporation	Description	Consolidation	Regulatory restrictions on capital movement
Sharjah Islamic Securities LLC SP (SIBS)	United Arab Emirates	Conducting intermediation in dealing in local market Shari'a compliant shares	Fully consolidated for Regulatory purpose (Basel III 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 IIND Limited	Cayman Islands			

1.7. Internal Controls and Verification

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

a) 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 shariáh at all times.
b) Segregation of duties – maker-checker process is strictly followed in compiling Pillar 3 report;
c) 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;

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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	25.00%
Sharjah Social Security Fund	19.69%

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.

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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. Board Risk Committee (BRC)

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

- Overseeing the risks inherent in the businesses of the Group and the control processes with respect to such risks;
- Reviewing the risk profile of the Group;
- 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.

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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

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- 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, 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.

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

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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.

l) Business Continuity Management (BCM) Committee

The purpose of the committee is to define and formalize the actions and resources needed to continue banking operations and services, limit losses, and protect customers, employees, and stakeholders during and after a significant disruption. This also includes the following:

The committee also formalizes the actions and resources needed to continue banking operations and services, ensure comprehensive plans for crisis management, emergency response, and IT disaster recovery are created and implemented.

They report key findings, action items, and progress on incorporating lessons learned to the Senior Management/Board.

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m) Internal Controls over Financial Reporting (ICFR)

The purpose of the committee is to oversee, strengthen and ensure the effectiveness of the Bank's internal controls over financial reporting ("ICFR") in accordance with applicable laws, regulations, Bank's internal control framework and corporate governance standards.

It provides focused oversight on the design, implementation, operating effectiveness and remediation of the Bank's internal control over financial reporting, ensuring integrity, accuracy and reliability of the Bank's financial statements.

n) ESG & Sustainability Committee (ESG)

The committee support the effective implementation of bank's ESG Strategy, policy and related frameworks, Risk Appetite, ensuring alignment with the bank's strategic objectives, regulatory requirements and in line with Shariah compliant principles.

It facilitates cross-functional coordination to integrate ESG risks and opportunities into lending, investment, operational and product development processes, including sustainable initiatives.

Promote a culture of sustainability, ethical conduct, operational transparency and responsible environmental and social practices throughout the Bank.

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;

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- 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.

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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.

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		a	b	c	d	e
		Q2 /2026	Q1 /2026	Q4 / 2025	Q3 / 2025	Q2 / 2025
	Available capital (amounts) -					
1	Common Equity Tier 1 (CET1)	9,913,801	6,975,249	6,800,382	6,643,015	6,370,493
1a	Fully loaded ECL accounting model	9,913,801	6,975,249	6,800,382	6,643,015	6,370,493
2	Tier 1	11,750,301	8,811,749	8,636,882	8,479,515	8,206,993
2a	Fully loaded ECL accounting model Tier 1	11,750,301	8,811,749	8,636,882	8,479,515	8,206,993
3	Total capital	12,357,201	9,397,540	9,257,522	9,039,227	8,746,420
3a	Fully loaded ECL accounting model total capital	12,357,201	9,397,540	9,257,522	9,039,227	8,746,420
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	63,441,690	60,449,901	57,243,516	55,450,001	55,498,212
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	15.63%	11.54%	11.88%	11.98%	11.48%
5a	Fully loaded ECL accounting model CET1 (%)	15.63%	11.54%	11.88%	11.98%	11.48%
6	Tier 1 ratio (%)	18.52%	14.58%	15.09%	15.29%	14.79%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.52%	14.58%	15.09%	15.29%	14.79%
7	Total capital ratio (%)	19.48%	15.55%	16.17%	16.30%	15.76%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.48%	15.55%	16.17%	16.30%	15.76%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
10	Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8.63%	4.54%	4.88%	4.98%	4.48%
	Leverage Ratio					
13	Total leverage ratio measure	104,785,360	100,137,760	100,204,566	95,143,987	92,658,232
14	Leverage ratio (%) (row 2/row 13)	11.21%	8.80%	8.62%	8.91%	8.86%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	11.21%	8.80%	8.62%	8.91%	8.86%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	

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		a	b	c	d	e
		Q2 /2026	Q1 /2026	Q4 / 2025	Q3 / 2025	Q2 / 2025
	Liquidity Coverage Ratio					
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-
	Net Stable Funding Ratio					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	ELAR					
21	Total HQLA	15,317,885	15,360,619	12,719,954	12,464,977	10,958,355
22	Total liabilities	82,345,805	81,893,314	77,968,596	78,060,280	74,443,114
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.60%	18.76%	16.31%	15.97%	14.72%
	ASRR					
24	Total available stable funding	68,671,269	65,847,417	63,420,071	61,367,363	58,738,431
25	Total Advances	54,233,609	51,572,963	51,038,735	48,605,787	47,555,300
26	Advances to Stable Resources Ratio (%)	78.98%	78.32%	80.48%	79.20%	80.96%

Highlights Q2 /2026 VS Q1/2026

- Q2 2026 saw a 4.95% increase in Total RWA by AED 2.99 billion as compared to Q1 2026, due to growth in corporate sector and investment in securities.
- CET 1 ratio as of Q2 2026 stands at 15.63% VS 11.54% Q1 2026, increase in ratio seen due to increase in capital by rights issue.
- Tier 1 ratio as of Q2 2026 stands at 18.52% VS 14.58% Q1 2026, improvement in ratio seen due to increase in capital by rights issue.
- Total Capital ratio as of Q2 2026 stands at 19.48% VS 15.55% Q1 2026, improvement in ratio due to increase in capital by rights issue.
- Leverage Ratio: Increase in total exposure by AED 4.67 billion & increase in Tier 1 Capital by AED 2,939 million seen in Q2 2026 as compared to Q1 2026. Ratio improved from 8.80% to 11.21%.
- Eligible Liquid Asset Ratio: Bank maintain sufficient buffer of high-quality liquid asset Ensuring the ratio at 16.58% for the period ending Q2 2026 (quarterly average of 18.60%) vs. 10% CBUAE requirement.
- Advance to Stable Resources Ratio: Bank maintains balanced and stable funding structure, ratio stands at 78.98% vs. 100% which is the CBUAE prescribed maximum limit.

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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 Q2/2026. 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.

AED 000

		a	b	c
		RWA		Minimum capital requirements -1
		Q2/2026	Q1/2026	Q2/2026
1	Credit risk (excluding counterparty credit risk)-2	58,005,643	55,080,253	7,540,734
2	Of which: standardised approach (SA)	58,005,643	55,080,253	7,540,734
3				
4				
5				
6	Counterparty credit risk (CCR)	25,931	35,767	3,371
7	Of which: standardised approach for counterparty credit risk	25,931	35,767	3,371
8				
9				
10				
11				
12	Equity investments in funds - look-through approach	622,940	623,054	80,982
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	167,483	169,978	21,773
21	Of which: standardised approach (SA)	167,483	169,978	21,773
22				

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23	Operational risk	4,619,693	4,540,849	600,560
24				
25				
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**63,441,690**	**60,449,901**	**8,247,420**

1- Minimum capital requirement (10.5% +2.5% = 13%)
2- Including CVA but excluding equity investment in funds.

Credit Risk Weighted Assets (CRWAs) increased by AED 2.92 billion in Q2 – 2026 as compared to Q1 – 2026 due to an overall increase in the volume of investment in financing and property held for sale.

Market Risk Weighted Assets (MRWAs) decreased marginally by AED 2.5 million in Q2-2026 as compared to Q1-2026 due to decrease in exposure to the SAR.

Operation Risk Weighted Asset (ORWAs) Bank uses basic indicator approach for ORWAs calculation. For Q2 2026 gross income considered is of previous three years i.e. Q2-2026, Q1-2026, Q4-2025, Q3 -2025, FY 2025 & FY 2024. Increase in ORWAs had been due to increase in Net profit income and Net non-profit income.

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4) Composition of Regulatory Capital – (CC1)

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

AED 000

		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	4,413,813	CC2(a) + CC2 (b)
2	Retained earnings	2,370,453	CC2(f)
3	Accumulated other comprehensive income (and other reserves)	3,177,755	CC2(e)+Treasury Shares-General Provision Reserve + Fair Value
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**9,962,021**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(48,408)	
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	10,613	
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)	(10,425)	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)	-	

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		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	**(48,220)**	
25	**Common Equity Tier 1 capital (CET1)**	**9,913,801**	
	Additional Tier 1 capital: instruments		
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	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
32	Additional Tier 1 capital before regulatory adjustments	**1,836,500**	CC2 (c)
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	**1,836,500**	**CC2 (c)**
39	**Tier 1 capital (T1= CET1 + AT1)**	**11,750,301**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	

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		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
44	Provisions	606,900	
45	**Tier 2 capital before regulatory adjustments**	**606,900**	
	Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	**Total regulatory adjustments to Tier 2 capital**	-	
51	**Tier 2 capital (T2)**	**606,900**	
52	**Total regulatory capital (TC = T1 + T2)**	**12,357,201**	
53	**Total risk-weighted assets**	**63,441,690**	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**15.63%**	
55	**Tier 1 (as a percentage of risk-weighted assets)**	**18.52%**	
56	**Total capital (as a percentage of risk-weighted assets)**	**19.48%**	
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**2.50%**	
58	**Of which: capital conservation buffer requirement**	**2.50%**	
59	**Of which: bank-specific countercyclical buffer requirement**	**0.00%**	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	**0.00%**	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	**8.63%**	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%	

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		a	b
			Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	606,900	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	*Current cap on CET1 instruments subject to phase-out arrangements*	-	
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	
75	*Current cap on AT1 instruments subject to phase-out arrangements*	-	
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-	
77	*Current cap on T2 instruments subject to phase-out arrangements*	-	
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-	

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

5) Reconciliation of Regulatory Capital to Balance Sheet – (CC2)

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

The table provides a reconciliation of the bank's capital as reported in the published financial statements with the regulatory capital under the scope of consolidation as of Q2/2026. 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

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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	
Assets			
Cash and balances with banks and financial institutions	3,210,360	3,210,125	
Murabaha and wakalah with financial institutions	16,531,011	16,531,011	
Investment securities measured at fair value	5,752,145	6,502,145	
Investment securities measured at amortised cost	12,588,812	12,588,812	
Investments in Islamic financing	49,873,452	50,291,755	
Acceptances	373,309	373,309	
Properties held-for-sale	2,202,808	1,806,062	
Investment properties	1,760,931	1,061,893	
Other assets	1,291,257	1,623,925	
Property and equipment	888,698	735,943	
Intangible assets	72,311	70,617	
Total assets	**94,545,094**	**94,795,597**	
Liabilities			
Customers' deposits	59,367,812	60,227,247	
Due to banks	13,890,926	13,890,926	
Acceptances	373,657	373,657	
Sukuk payable	5,481,580	5,481,580	
Other liabilities	3,245,730	2,753,151	
Zakat payable	8,021	8,021	
Total liabilities	**82,367,726**	**82,734,582**	
Shareholders' equity			
Share capital	4,314,237	4,314,237	(a)
Share Premium	99,576	99,576	(b)
Tier 1 sukuk	1,836,500	1,836,500	(c)
Fair value reserve	(34,481)	(34,481)	(d)
Other reserves and treasury shares	3,474,880	3,474,730	(e)
Retained earnings	2,486,656	2,370,453	(f)
Total shareholders' equity	**12,177,368**	**12,061,015**	

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	Balance sheet as in published financial statements (a)	Under regulatory scope of consolidation (b)	Reference (c)
Total Liabilities & Shareholders' Equity	**94,545,094**	**94,795,597**	

* 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 30th June 2026 page number 1 Directors Report.

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

Quantitative / qualitative information			
		Share Capital & Share premium	**Additional Tier 1**
1	Issuer	**Sharjah Islamic Bank**	**SIB Tier 1 Sukuk IInd Ltd**
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	**AES000201013**	**XS3039166791**
3	Governing law(s) of the instrument	UAE Law	English Law
	Regulatory treatment	Common Equity Tier 1	Tier 1 Capital
4	Transitional arrangement rules (i.e. grandfathering)	Common Equity Tier 1	Additional Tier 1 Capital Certificate
5	Post-transitional arrangement rules (i.e. grandfathering)	Common Equity Tier 1	Additional Tier 1 Capital Certificate
6	Eligible at solo/group/group and solo	Group & Solo	Group & Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Perpetual additional Tier 1 sukuk
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	AED 4,414 Mio	AED 1,836 Mio
9	Nominal amount of instrument	AED 4,314 Mio	USD 500,000,000
9a	Issue price	NA	USD 100
9b	Redemption price	NA	USD 100
10	Accounting classification	Equity	Tier 1 Equity
11	Original date of issuance	Various	04th Jun, 2025
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No Maturity	No Maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	NA	04-12-2030 *Refer Terms & condition for details.
16	Subsequent call dates, if applicable	NA	Every 6th Anniversary after 1st call date
	Coupons / dividends	Dividends	Dividends
17	Fixed or floating dividend/coupon	NA	fixed
18	Coupon rate and any related index	NA	6.125
19	Existence of a dividend stopper	NA	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: 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,

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Quantitative / qualitative information			
		Share Capital & Share premium	**Additional Tier 1**
			dividend or other payment is declared before such Dividend Stopper Date); or 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 c. directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any class of ordinary shares issued by SIB; or 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)	Fully Discretionary	Full Discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary	Full Discretionary
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-Cumulative	Non-Cumulative
23	Convertible or non-convertible	NA	Non-convertible
24	Write-down feature	NA	Yes
25	If write down, write down trigger(s)	NA	Non-Viability Loss Absorption (NVLA) Contractual NVLA: Full or partial write down upon a Non-Viability Event.
26	If write down, full or partial	NA	Partially

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Quantitative / qualitative information			
		Share Capital & Share premium	**Additional Tier 1**
27	If write down, permanent or temporary	NA	Permanent
28	If temporary write-down, description of write-up mechanism	NA	NA
28a	Type of subordination	NA	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).	NA	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	NA	No
31	If yes, specify non-compliant features	NA	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).
SIB has issued common shares by raising subscription from Rights Issue in the previous period and link containing the invitation for subscription is available here.

7) Geographic 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 5 bps:

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30 June 2026- AED 000	a	b	c	d	e
Geographical breakdown	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
		Exposure values	Risk-weighted assets		
Saudi Arabia	1.00%	5,263,134	2,150,560	0.045%	21,506
United Arab Emirates	0.00%	55,722,754	43,462,896	0	
Other Countries	0.00%	2,135,127	2,090,273	0	
Total		**63,121,015**	**47,703,729**	**0.045%**	**21,506**

8) Leverage Ratio

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

7.1 Summary comparison of accounting assets vs leverage ratio exposure LR1

AED 000

		a
1	Total consolidated assets as per published financial statements	94,545,094
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	250,503
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	65,446
9	Adjustment for securities financing transactions (i.e. repos and similar secured financing)	1,320,951
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	6,629,926
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	1,973,440
13	**Leverage ratio exposure measure**	**104,785,360**

The total exposure increased by AED 4.67 billion due to increase in investment in Islamic financing & properties held for sale while Tier 1 Capital increased by AED 2,939 million from Q2 2026 to Q1

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2026, primarily due to increase in capital due to rights issue & increase in profit. As a result, the ratio improved from 8.80% in Q1 2026 to 11.21% in Q2 2026.

7.2 Leverage ratio common disclosure template – (LR2)

AED 000

		a Q2/2026	b Q1/2026
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	88,054,438	85,053,597
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)	(48,408)	(46,148)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	88,006,030	85,007,449
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,905	9,086
9	Add-on amounts for PFE associated with *all* derivatives transactions	46,203	49,449
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	67,351.28	81,949.00
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	8,761,102	7,866,138
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	1,320,951	1,102,173
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	10,082,053	8,968,311
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	11,671,930	10,759,006
20	(Adjustments for conversion to credit equivalent amounts)	(5,042,004)	(4,678,955)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	6,629,926	6,080,051
Capital and total exposures			
23	**Tier 1 capital**	11,750,301	8,811,749
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	104,785,360	100,137,760

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		a Q2/2026	b Q1/2026
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	11.21%	8.80%
25 a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	-	-

The total exposure increased by AED 4.67 billion due to increase in investment in Islamic financing & properties held for sale while Tier 1 Capital increased by AED 2,939 million from Q2 2026 to Q1 2026, primarily due to increase in capital due to rights issue & increase in profit. As a result, the ratio improved from 8.80% in Q1 2026 to 11.21% in Q2 2026.

9) Liquidity

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

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

1. Governance

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

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

2. Funding strategy & Liquidity Risk Mitigation

The Bank's liquidity and funding positions are supported by the Bank's significant government and retail deposit base, accompanied by funding from wholesale funding markets. The Bank's retail deposit base comprises current and savings deposits which, although payable on demand,

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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 support preserving depositors' confidence and ensure liquidity. The Bank accesses the wholesale funding markets through the issuance of debt instruments, time deposits and CBUAE facilities to meet short-term obligations.

The Bank, to limit the Liquidity risk, has arranged diversified funding sources in addition to its core retail deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. It also maintains and monitor a sufficient inventory of eligible liquid assets that can be used to raise short to medium term funding through a collateralized Murabaha agreements. 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 BRC 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, system-wide and combined 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 BRC.

4. Contingency funding plan

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

5. Liquidity Risk Measurement tools

The Group has in the Liquidity risk management policy identified various measurement tools and metrics to assess the structure of the bank's balance sheet or projected 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.

8.1. Eligible Liquid Assets Ratio (ELAR)

The table presents the calculation of the Eligible Liquid Assets Ratio (ELAR) for a bank for Q2/2026. 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 15.32 billion against total liabilities of AED 82.34 billion. The average, calculated as the ratio of eligible liquid assets to total liabilities over the last quarter, is reported as 18.60%. This

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ratio is a key indicator of the bank's liquidity position, reflecting its capacity to meet short-term obligations with high-quality liquid assets.

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High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
Physical cash in hand at the bank + balances with the CBUAE	14,524,165	
UAE Federal Government Bonds and Sukuks	58,394	
Sub Total	**14,582,559**	**14,582,559**
UAE local governments publicly traded debt securities	320,834	-
UAE Public sector publicly traded debt securities	0	
Subtotal	**320,834**	**320,834**
Foreign Sovereign debt instruments or instruments issued by their respective central banks	414,492	414,492
Total	**15,317,885**	**15,317,885**
Total liabilities		**82,345,805**
Eligible Liquid Assets Ratio (ELAR)		**18.60%**

*Note – Calculation is based on an average of last three months.

8.2. Advances to Stables Resource Ratio (ASRR)

The table shows the computation of the Advances to Stable Resources Ratio (ASRR) of the bank as at Q2 /2026. 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 54.23 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
Computation of Advances	
Net financing (gross financing - specific and collective provisions + interest in suspense)	49,617,070
financing to non-banking financial institutions	1,227,720
Net Financial Guarantees & Stand-by LC (issued - received)	771,844
Interbank Placements	2,616,975
Total Advances	**54,233,609**
Calculation of Net Stable Resources	
Total capital + general provisions	12,576,079
Deduct:	
Goodwill and other intangible assets	70,060
Fixed Assets	735,461
Funds allocated to branches abroad	-
Unquoted Investments	3,523,410
Investment in subsidiaries, associates and affiliates	850,000
Total deduction	**5,178,931**
Net Free Capital Funds	**7,397,148**
Other stable resources:	

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Items	Amount
Funds from the head office	-
Interbank deposits with remaining life of more than 6 months	2,542,964
Refinancing of Housing financing	-
Borrowing from non-Banking Financial Institutions	976,035
Customer Deposits	52,273,542
Capital market funding/ term borrowings maturing after 6 months from reporting date	5,481,580
Total other stable resources	**61,274,121**
Total Stable Resources	**68,671,269**
Advances to Stable Resources Ratio	**78.98**

10) Credit Risk

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

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

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

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

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 unlikeliness to pay.
2. The customer is past due for a period greater than 90 days on any material credit obligation.
3. The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising collateral (if any is held);
4. It is becoming probable that the customer will restructure the asset as a result of bankruptcy due to the customer's inability to pay its credit obligations.

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

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

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

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

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

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

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

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

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

However, for retail and credit card facilities that include both a financing and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group ' s exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL.

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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.

9.1 Credit Quality of Assets – (CR1)

The Credit Quality of Assets table as of Q2/2026 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.

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Details	Gross carrying values of		Allowances/ Impairments	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	
Customer Financing	1,845,985	50,140,982	1,695,212	1,161,004	534,208	50,291,755
Sukuk	23,579	12,608,018	42,785	23,579	19,206	12,588,812
Off-balance sheet exposures	18,740	1,869,123	19,909	9,327	10,582	1,867,954
Total	**1,888,304**	**64,618,123**	**1,757,906**	**1,193,910**	**563,996**	**64,748,521**

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- Either or both of the following events have taken place i.e. non-payment and/or unlikeliness to pay.
- The customer is past due for a period greater than 90 days on any material credit obligation.
- The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising collateral (if any is held);
- It is becoming probable that the customer will restructure the asset as a result of bankruptcy due to the customer's inability to pay its credit obligations.
- As of Q2 / 2026, the gross carrying values of defaulted exposure amounted to AED 1.88 billion while non-defaulted exposures totaled AED 64.62 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

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

The Changes in The Stock of Defaulted customer financing and sukuk (CR2) table as of Q2 /2026 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	1,802,828
2	Customer financing and sukuk that have defaulted since the last reporting period	200,979
3	Returned to non-default status	-
4	Amounts written off	(71,484)
5	Other changes	(62,759)
6	Defaulted customer financing and sukuk at the end 30 June 2026 (1+2-3-4+5)	**1,869,564**

Defaulted loans and debt securities at the end of reporting period increased from AED 1,802 million Q4 – 2025 to AED 1,869 million in Q2 2026. The overall increase is by AED 66.73 million which is due to increase in defaulted customer financing and sukuk at the end of the previous reporting period.

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9.6 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	50,291,755	11,761,600	2,419,662	181,243	107,739	-	-
2	Sukuk	12,588,812	-	-	-	-	-	-
3	**Total**	**62,880,567**	**11,761,600**	**2,419,662**	**181,243**	**107,739**	-	-
4	Of which defaulted	1,869,564					-	-

As of Q2/2026, 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 11.76 billion with AED 2.41 billion secured by collateral. This approach reflects the bank's strategy to minimize credit risk exposure through effective collateralization.

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9.8 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	31,997,172	99,171	31,997,172	99,171	4,239,151	13%
2	Public Sector Entities	7,612,388	485,483	7,612,388	248,443	6,441,837	82%
3	Multilateral development banks	1,213,768	-	1,213,768	-	-	0%
4	Banks	9,664,682	1,756,784	9,646,247	1,622,898	5,238,213	46%
5	Securities firms	-	-	-	-	-	
6	Corporates	30,873,964	8,781,681	30,878,963	4,469,732	29,454,271	83%
7	Regulatory retail portfolios	3,548,416	512,948	3,548,415	126,680	2,628,079	72%
8	Secured by residential property	1,804,979	20	1,804,979	-	1,610,601	89%
9	Secured by commercial real estate	-	-	-	-	-	
10	Equity Investment in Funds (EIF)	424,778	-	424,778	-	622,940	147%
11	Past-due financing	2,003,427	35,843	788,243	35,841	979,589	119%
12	Higher-risk categories	-	-	-	-	-	
13	Other assets	7,684,471	-	7,684,471	-	7,305,708	95%
14	**Total**	**96,828,045**	**11,671,930**	**95,599,424**	**6,602,765**	**58,899,152**	58%

The credit risk exposure under standardized approach as of 30 June 2026 shows that the largest exposures are in sovereign, public sector entities, Banks and corporates.

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9.9 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**

									AED 000
Risk weight Asset classes	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereigns and their central banks	27,125,501	1,370,202	-	73,460	-	2,724,778	802,402	-	32,096,343
Public Sector Entities	21,764	824,018	-	1,476,032	-	5,539,017	-	-	7,860,831
Multilateral development banks	1,213,768	-	-	-	-	-	-	-	1,213,768
Banks	-	4,646,516	-	4,627,999	-	1,994,072	559	-	11,269,146
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	2,196,375	620,791	-	4,373,481	-	19,538,157	428,166	8,191,724	35,348,694
Regulatory retail portfolios	207,112	-	-	-	3,359,619	108,365	-	-	3,675,096
Secured by residential property	10,325	-	-	-	736,211	1,058,443	-	-	1,804,979
Secured by commercial real estate	-	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	424,778	424,778
Past-due financing	-	-	-	-	-	513,074	311,010	-	824,084
Higher-risk categories	-	-	-	-	-	-	-	-	-
Other assets	861,159	-	-	-	-	5,858,520	964,792	-	7,684,471
Total	31,636,004	7,461,527	-	10,550,972	4,095,830	37,334,426	2,506,929	8,616,502	102,202,190

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.

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11) Counterparty Credit Risk

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 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.

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

Counterparty Credit Risk Limits:

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

Counterparty Credit Risk Capital Calculation:

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

Analysis of CCR by approach-CCR1

		a	b	c	d	e	f
		Replacement cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
1	SA-CCR (for derivatives)	1,905	40,436		1.4	59,277	25,931
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**						**25,931**

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Credit Valuation Adjustment (CVA) Capital Charge-CCR2

AED 000

	Details	a EAD post-CRM	b RWA
1	All portfolios subject to the Standardised CVA capital charge*	1,196,957	134,125
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

The table presents the Credit Valuation Adjustment (CVA) for Capital Charge as of Q2/2026. 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 / Regulatory portfolio	a 0%	b 20%	c 50%	d 75%	e 100%	f 150%	g Others	h Total credit exposure
Sovereigns								
Public Sector Entities (PSEs)								
Multilateral development banks (MDBs)								
Banks		53,465	1,143,492					1,196,957
Securities firms								
Corporates								
Regulatory retail portfolios								
Secured by residential property								
Secured by commercial real estate								
Equity Investment in Funds (EIF)								
Past-due loans								
Higher-risk categories								
Other assets								
Total		**53,465**	**1,143,492**					**1,196,957**

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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				7,224	7,663,158	39,735
Domestic sovereign debt						296,966
Government agency debt						1,073,559
Corporate bonds						7,573,847
Equity securities						
Other collateral						
Total				7,224	**7,663,158**	**8,984,109**

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.

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12) 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

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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**
General Interest rate risk (General and Specific)	-
Equity risk (General and Specific)	-
Foreign exchange risk	167,483
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	-
Securitisation	-
Total	**167,483**

Market risk, as of Q2 /2026, primarily consisted of foreign exchange risk amounting to AED 167 Million in Risk-Weighted Assets (RWA). The bank does not have significant exposure to other types of market risks like equity, commodity, or general interest rate risk under the standardized approach, suggesting a focused market risk profile.

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Details of Not Applicable Tables

Sl. No	Topic	Information	Table	Details
01.	Overview of risk management and RWA	Bank Risk management approach	OVA	Not Applicable
02.	Linkages between financial statements and regulatory exposures	Difference between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	LI1	
		Main sources of differences between regulatory exposure amounts and carrying values in financial statements	LI2	
		Explanation of differences between accounting and regulatory exposure amounts.	LIA	
03.	Prudential valuation adjustments	Prudent valuation adjustments	PV1	
04.	Liquidity	Liquidity Coverage Ratio	LIQ1	
		Net Stable Funding Ratio	LIQ2	
05.	Credit Risk	General qualitative information about credit risk	CRA	
		Additional disclosure related to credit quality of assets	CRB	
		Qualitative information on the mitigation of credit risk	CRC	
		Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	CRD	
06.	Counterparty credit risk (CCR)	Counterparty credit risk (CCR)	CCRA	
		Credit derivatives exposures	CCR6	
		Exposures to central counterparties	CCR8	
07.	Securitisation	Qualitative disclosures related to securitisation exposures	SECA	
		Securitisation exposures in the banking book	SEC1	
		Securitisation exposures in the trading book	SEC2	
		Securitisation exposures in the banking book and associated regulatory capital requirements -	SEC3	

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Sl. No	Topic	Information	Table	Details
		bank acting as originator or as sponsor		
		Securitisation exposures in the trading book and associated capital requirements - bank acting as investor	SEC4	
8.	Market risk	General qualitative disclosure requirements related to market risk	MRA	Not Applicable
9.	Interest rate risk in the banking book (IRRBB)	IRRBB risk management objectives and policies.	IRRBBA	
		Quantitative information on IRRBB	IRRBB1	
		Qualitative disclosures on operational risk	OR1	
10.	Operational risk	Remuneration policy	REMA	
11.	Remuneration Policy	Remuneration awarded during the financial year	REM1	
		Special payments	REM2	
		Deferred remuneration	REM3	

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13) Abbreviation

ALCO – Asset Liability Committee
ASRR – Advance to Stable Resource Ratio
BIA – Basic Indicator Approach
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
BRC – Group Board Risk Committee
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
NAV – Net Asset Value
NSFR – Net Stable Funding Ratio
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

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