



بنك الشارقة
Bank of Sharjah



2025 Integrated Report



**His Highness
Sheikh Mohamed bin Zayed Al Nahyan**

President of the UAE and Ruler of Abu Dhabi



**His Highness
Sheikh Mohammed bin Rashid Al Maktoum**

Vice President and Prime Minister of the UAE
and Ruler of Dubai



**His Highness
Sheikh Dr. Sultan bin Muhammad Al Qasimi**

UAE Supreme Council Member
and Ruler of Sharjah

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“As we enter 2026, we do so with strong momentum across all business lines. We remain committed to advancing our strategic priorities, enhancing customer experience, maximizing shareholder returns, and contributing to the UAE’s vision of a resilient and prosperous economy. I am confident that the Bank will continue to build on its achievements and deliver sustained success in the years ahead.”

Message from the Chairman

On behalf of the Board of Directors, it is my privilege to present the Annual Report and audited financial statements of Bank of Sharjah for the financial year ended 31 December 2025.

The Bank delivered an exceptional result in 2025, achieving record net profit growth of 89% to AED 729 million, alongside substantial improvements across all key financial metrics. This outstanding performance underscores the consistent and disciplined execution of our new strategy across all business segments, despite operating within a dynamic and challenging financial environment.

Reflecting both the strength of our financial position and our confidence in the Bank’s future outlook, I am pleased to announce that the Board of Directors has proposed a cash dividend of AED 6.5 fils per share, our first distribution since 2016.

Our strategy of deepening customer relationships, increasing share of wallet, and broadening product penetration continued to yield strong results. This is evidenced by sustained growth in fee income, transactional banking, and trade finance activities, reinforcing our role as a trusted partner in supporting the growth and expansion of UAE-based businesses. At the same time, we further strengthened our funding profile by expanding and diversifying our deposit base, with notable growth in Current Account and Savings Account (CASA) balances. In addition, our successful USD 500 million bond issuance last November, oversubscribed by 3.6 times, demonstrates strong international investor confidence in the Bank and enabled us to secure funding at highly competitive pricing relative to previous issuances.

We also accelerated the execution of our digital transformation agenda through targeted investments, innovation, and strategic partnerships. During the year, the Bank launched a range of modern banking solutions designed to enhance customer experience, while continuing to invest in the transformation of our core digital infrastructure to support scalability, efficiency, and future readiness.

In parallel, Bank of Sharjah reinforced its commitment to the UAE’s Emiratization agenda, embedding it as a core pillar of our long-term strategy. We continued to prioritize the recruitment, development, and retention of UAE National talent, ensuring that our workforce reflects the ambitions and diversity of the nation. Our initiatives have focused on attracting Emirati talent into leadership roles and establishing clear and structured career progression pathways. These efforts not only strengthen our internal capabilities but also empower UAE Nationals to contribute meaningfully to innovation and excellence across the organization. By investing in national talent, we remain closely aligned with the UAE’s strategic priorities and well-positioned to deliver sustainable value for all stakeholders.

As we enter 2026, we do so with strong momentum across all business lines. We remain committed to advancing our strategic priorities, enhancing customer experience, maximizing shareholder returns, and contributing to the UAE’s vision of a resilient and prosperous economy. I am confident that, through the collective efforts of the Board, management, and employees, the Bank will continue to build on its achievements and deliver sustained success in the years ahead.

In closing, on behalf of the Board of Directors, I would like to express our sincere appreciation to the UAE’s wise leadership for their continued vision, guidance, and support. I also extend my gratitude to our shareholders, management team, employees, and valued customers for their trust and support throughout 2025.

Sheikh Mohammed bin Saud Al Qasimi
Chairman of the Board of Directors

Message from the CEO

2025 marked a defining chapter in Bank of Sharjah's journey, one in which ambition translated decisively into execution, and strategy into measurable results. During the year, the Bank delivered record financial performance alongside meaningful progress across all core business lines, reinforcing our position as a trusted financial partner in the UAE and the broader region.

“At the core of our strategy is a clear and ambitious vision: to build a high-performance culture anchored in ownership, accountability, and a firm focus on delivering exceptional customer experiences. In this respect, we have continued to modernize our technology and data infrastructure, while further strengthening our risk management and compliance frameworks to support scalable and disciplined growth.”

Profit before tax reached AED 803 million, representing a significant increase of 93% compared to 2024. This performance was underpinned by diversified income streams, sustained balance sheet expansion, and continued strength in asset quality. Our transformation strategy is clearly delivering - driving sustainable growth while enhancing resilience and long-term value creation.

We achieved strong outperformance across all key financial metrics, including revenue growth, operating profitability, return on equity, and overall business expansion. Reflecting both our robust financial position and confidence in the Bank's outlook, the Board of Directors has proposed a cash dividend of AED 6.5 fils per share, our first distribution since 2016. This milestone underlines our commitment to delivering shareholder value while maintaining the capacity to fund our future growth ambitions.



At the core of our strategy is a clear and ambitious vision: to build a high-performance culture anchored in ownership, accountability, and a firm focus on delivering exceptional customer experiences. We have continued to modernize our technology and data infrastructure, while further strengthening our risk management and compliance frameworks to support scalable and disciplined growth. This enhanced operational leverage, combined with ongoing portfolio diversification, has enabled us to generate consistent and sustainable value for all stakeholders.

We also made tangible progress in improving operational efficiency, optimizing resource allocation, and reinforcing governance structures. These efforts have ensured that the Bank remains agile and well-positioned to navigate an evolving financial landscape, while continuing to meet the changing needs of our customers with high-quality, innovative financial solutions.

Strong Financial Performance

In 2025, total assets exceeded AED 48 billion for the first time, while customer deposits reached AED 31.5 billion, reflecting the strength of our balance sheet and the deep trust placed in us by our customers. Operating profit grew by 57.8%, and return on equity reached a record 15.7%.

Our performance was broad-based, with strong contributions from Commercial Banking, Treasury, and Investment Banking. Growth in corporate lending and debt securities, up 33% both locally and regionally, further supported our results. At the same time, we significantly improved our cost-to-income ratio to 25.7%, positioning the Bank among the most efficient in the market. This achievement reflects our disciplined approach to cost management, operational streamlining, and productivity enhancement. Finally, our capital position remained robust with the capital adequacy ratio strengthening to 17%, providing a solid foundation to support future growth and strategic expansion.

Investing in People and Digital Transformation

Our people remain the foundation of our success. In 2025, we continued to invest in building a high-performing organization by advancing our Emiratization agenda, strengthening leadership capabilities, and attracting top-tier talent. Particular focus was placed on developing middle management, ensuring we are building a strong pipeline of future leaders equipped to drive the Bank's long-term transformation.

In parallel, we accelerated our digital transformation journey, focusing on automating core banking processes and enhancing our digital platforms. These initiatives are enabling us to deliver seamless, efficient, and intuitive experiences for both corporate and retail customers. Our progress is reflected not only in improved customer engagement, but also in stronger profitability, enhanced liquidity, and a well-capitalized balance sheet.

Strengthening Customer Relationships

Customer centricity remains at the heart of our strategy. During the year, we expanded and deepened our commercial banking offering, driving diversified and sustainable growth across key sectors aligned with our strategic priorities. We strengthened relationships with existing customers while successfully building new partnerships with strategic customers across the region.

Enhancing the customer experience remained a key focus, supported by continuous upgrades to our digital channels. These enhancements have delivered greater speed, transparency, flexibility, and personalization, ensuring that our customers benefit from a modern and responsive banking experience.

Looking Ahead

Our strong performance in 2025 reflects the disciplined execution of our strategy, underpinned by customer focus, operational excellence, innovation, and prudent risk management. As we move into 2026, we remain committed to further empowering our customers through seamless, secure, and personalized financial solutions, while supporting the UAE's continued economic growth and global ambitions.

With a strong balance sheet, clear strategic direction, and a renewed sense of purpose, we are well-positioned to sustain our growth trajectory, differentiate Bank of Sharjah in an increasingly competitive landscape, and continue delivering long-term value to our shareholders.

I would like to extend my sincere appreciation to our Board of Directors for their continued guidance, to our shareholders and regulators for their trust, and to our employees for their dedication and exceptional performance. The journey ahead is filled with opportunity, and I am confident that, together, we will continue to build a resilient, innovative, and future-ready Bank.

Mohamed Khadiri
Chief Executive Officer

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Bank of Sharjah at a Glance





History and Development

Established in 1973 as the first commercial bank in the emirate of Sharjah and the fifth-oldest bank in the UAE, Bank of Sharjah commenced operations in 1974 and has since built a strong and progressively expanding presence across the UAE. Its domestic network was developed in a phased manner, with key branch openings in Abu Dhabi (1988), Dubai (1996), Al Ain (2007), followed by Dubai Media City (2011), Dubai Motor City (2012), and Mussafah, Abu Dhabi (2018).

In 2004, the Bank achieved a significant milestone with its listing on the Abu Dhabi Securities Exchange, reinforcing its capital base and enhancing governance, transparency, and market visibility.



Bank of Sharjah was
founded in Sharjah in

1973

The Bank initiated its regional expansion in 2007 with the acquisition of Banque de la Bekaa SAL in Lebanon, followed in 2008 by the acquisition of the assets and liabilities of BNP Paribas Intercontinental Beirut, part of the BNP Paribas Group. These transactions were consolidated into Emirates Lebanon Bank, representing the first full-scale banking operation by a UAE-based bank in Lebanon.

In line with its strategic focus on high-value client segments, the Bank strengthened its Private Banking and Wealth Management platform through international partnerships. A collaboration agreement was signed with Commerzbank International S.A. in 2012, followed by a strategic partnership with Julius Baer Group in 2017. The Bank's Private Banking and Wealth Management operations are based in Dubai Media City, serving high-net-worth clients across the region.

Today, Bank of Sharjah is a trusted, UAE-focused financial institution committed to supporting the growth and stability of the UAE's economy. With a strong emphasis on responsible banking, the Bank provides high-quality financial services, while promoting sustainability, good governance, and inclusion. The Bank stands as a reliable partner for individuals, businesses, and communities, combining local expertise with a forward-looking approach to deliver long-term value and support the UAE's strategic economic and social priorities.

Strategic Direction

The Bank's strategy is anchored in three fundamental pillars: Growth, People, and Governance. These pillars are underpinned by a clear set of core values, including sustainable business growth, continuous people development, a high-performance culture, a robust organizational framework, and proactive stakeholder management. Together, they form a cohesive foundation to support the Bank's long-term ambitions and reinforce its positioning as a disciplined, relationship-driven financial institution.

Our strategic vision is to consolidate and expand our established position as a premier wholesale and commercial bank, with an increased emphasis on government-related entities (GREs), financial institutions (FIs), and large to mid-sized Corporate Clients.

The Bank will continue to position commercial banking as the cornerstone of its operations. Leveraging our historical focus on large to mid-sized corporates and our proven ability to cultivate enduring relationships with key corporate clients, the Bank is exceptionally well-positioned to accelerate the growth of its wholesale and commercial banking franchise. We are committed to enhancing our revenue generation capabilities within this core segment across the UAE, with a strategic emphasis on expanding ancillary businesses and diversifying revenue streams. In alignment with this wholesale-centric model, our retail banking proposition is deliberately tailored to supporting our existing corporate client base, providing a more integrated and holistic banking proposition, with a distinct and growing focus on premium wealth management services.

The Bank's strategic direction is articulated through the following key priorities:

Excellence in Transaction Banking and Treasury Solutions

The Bank delivers a comprehensive, integrated suite of banking solutions designed to support the complex operational and financial requirements of our clients across the UAE. Central to this commitment is the strategic elevation of our transaction banking capabilities, encompassing sophisticated cash management, trade finance, and supply chain finance solutions. Through these targeted and competitive offerings, we aim to deepen client relationships, drive growth in operating account balances, and cultivate a resilient, diversified fee income stream.

Our client focus spans government and semi-government entities, financial institutions, and commercial enterprises, with the explicit objective of serving as the primary operating bank for clients requiring seamless payment, collection, and trade solutions. This is powerfully complemented by our Treasury department, which provides bespoke foreign exchange, liquidity management, and structured solutions to address broader financial mandates.

Together, these capabilities position the Bank to generate sustainable, capital-efficient revenue while reinforcing our role as a trusted financial partner.

The Treasury department continues to play a central role in optimizing the Bank's liquidity profile, managing interest rate risk, and enhancing net interest margins through active balance sheet management.

Strategic SME Engagement

The Bank maintains a disciplined and selective approach to the Small and Medium Enterprise (SME) sector, focusing on clients that demonstrate strong growth potential and sustainable business models over the medium to long term. We are committed to nurturing these relationships, acting as a catalyst for their expansion and facilitating their transition into larger corporate entities, thereby seamlessly integrating them into our traditional core client base.

Expanding International Business

Our international business is driven by the International & Financial Institutions division, which expertly manages and develops institutional and multinational corporate relationships. The Bank is highly active in cross-border lending, supporting international and regional clients through bilateral loans, syndicated facilities, and bespoke financing structures. Our target sectors include sovereigns, GREs, financial institutions, and select top-tier corporates, with strong credit profiles. This measured approach enables the Bank to diversify its asset base across regional geographies and sectors, enhance risk-adjusted returns, and participate in attractive cross-border opportunities. Furthermore, we seamlessly facilitate our customers' cross-border requirements, including payments, Letters of Credit (LCs), and Letters of Guarantee (LGs) - through our extensive correspondent banking and trade network.

Competitive Advantages

The Bank enjoys a strong and well-established market position, which is based on a set of clear and sustainable competitive advantages:

Focused Strategy

Our long-term strategy has been, and will continue to be, centered on wholesale and commercial banking. We differentiate ourselves from the competition through our passionate dedication to this core segment, which has enabled us to develop deep and long-standing relationships with our clients. This strategic clarity allows us to intimately understand our customers' complex needs and deploy profound expertise in structuring bespoke commercial banking solutions. Consequently, the Bank enjoys consistent deal flow and a highly stable, long-term income profile that provides a strong foundation for future growth.

Unparalleled Service Quality

The Bank prides itself on delivering exceptional, highly personalized service. We place our clients at the absolute center of our operational model, recognizing that enduring business relationships are the primary catalyst for our success. We proactively anticipate our clients' unique requirements, ensuring swift, effective, and tailored responses.

Our clients are served by seasoned relationship managers who engage at the senior executive level, supported by product specialists across treasury, trade finance, and cash management. This collaborative approach enables us to provide highly customized solutions rather than rigid, standardized products. We structure cash management and trade finance arrangements precisely around each client's operational workflows, payment cycles, and working capital needs. The result is a highly integrated, responsive banking relationship that frequently surpasses the capabilities of larger, less agile institutions.

Our agility in decision-making, facilitated by a lean internal structure and highly efficient processes, empowers us to deliver bespoke financing solutions rapidly. This customer-centric culture fosters deep loyalty among our key client base, generating continuous business opportunities and reinforcing our competitive edge.

Committed and Experienced Workforce

The Bank benefits from a highly experienced Board and Senior Management team with deep expertise in the banking sector. The Chairman has been closely associated with the Bank since 2004, providing continuity and strategic oversight. In line with the growth strategy approved in 2024, the Bank has selectively strengthened its senior leadership team by bringing in best-in-class professionals with broader and more specialized expertise. This enhancement supports the Bank's ambitions to expand its client base, diversify its product offering, and strengthen cross-selling capabilities.

Robust Credit Framework

The Bank operates under well-defined and prudent credit policies and procedures, reflecting a disciplined approach to risk management. Its conservative underwriting standards and structured credit processes support asset quality, portfolio resilience, and long-term sustainability.

A Stable, Cost-Effective, and Diversified Funding Base

The Bank benefits from a highly loyal and well-established corporate deposit base, providing a stable, low-cost, and reliable source of funding. In parallel, the Bank maintains robust and well-diversified access to wholesale funding across multiple channels, including global capital markets and leading international financial institutions. As a regular and well-regarded issuer in the debt capital markets, the Bank has consistently and successfully executed bond issuances, reinforcing its credibility and market access while further strengthening its funding profile.

The Bank's funding strategy is focused on optimizing the cost of funds, improving the proportion of low-cost CASA deposits, and preserving diversified funding sources. This disciplined approach ensures resilience across market cycles and positions the Bank to navigate evolving liquidity conditions with confidence.

Strong Brand and Community Presence

The Bank enjoys a strong brand presence in the UAE, particularly in Sharjah, supported by long-standing relationships with its clients and stakeholders. It is also committed to contributing to national and regional development through the financing of educational, cultural, and sports initiatives, as well as through direct support to charitable organizations. This active engagement reinforces the Bank's reputation and strengthens its ties with the community.

Description of the Bank's Business

The Bank is predominantly a wholesale bank, offering a full suite of credit facilities, transaction banking services, debt capital markets and treasury products. On the liabilities side, the Bank provides a comprehensive range of products, including deposits, current and savings accounts, as well as structured deposits.

The Bank also provides Investment Banking solutions to corporate clients, and is in the process of establishing a fully-fledged Retail Banking department.

Commercial Banking

Commercial Banking represents our largest business line by revenue, assets, and liabilities. Our principal activity is domestic lending to large and mid-sized corporates, GREs, and financial institutions. We provide robust, tailored corporate lending solutions designed to meet the complex and specific requirements of our wholesale banking clients.

Growth in corporate lending is pursued with a strong focus on risk-adjusted returns, sector selectivity, and disciplined pricing, ensuring an optimal balance between yield and credit quality.

Retail Banking

The Bank is in the process of establishing its Retail Banking department, marking a strategic expansion of its business model to serve individual customers with a comprehensive and competitive suite of products and services. As an initial step, the retail banking proposition is thoughtfully designed to complement and enhance the Bank's existing corporate banking relationships. By leveraging its strong corporate client base, the Bank aims to offer an integrated and holistic banking experience, extending services to business owners, employees, and affiliated stakeholders. A key pillar of the Retail Banking strategy is the development of a differentiated premium offering, with an increasing emphasis on wealth management and advisory services. The division will offer solutions designed to support clients' everyday banking, savings, and financing needs. Retail Banking services will include current and deposit accounts, payment services, retail lending products, and other consumer banking solutions. These products will be delivered through the Bank's approved product framework and in accordance with applicable regulatory requirements.

The development of the retail franchise is designed to enhance funding diversification, improve margin resilience, and create cross-selling opportunities, while maintaining a disciplined approach to risk and cost management.

Transaction Banking

The Bank provides a comprehensive range of transaction banking solutions to its corporate and commercial clients across the UAE. In cash management, the Bank offers domestic and foreign currency payments, payroll and bulk payment processing, bill payments, account services and host-to-host connectivity for high-volume clients, supported by MT940 consolidated reporting. Escrow account services are also provided to real estate developers in connection with off-plan project financing.

In trade finance, the Bank supports the full lifecycle of import and export transactions, including the issuance and confirmation of letters of credit, documentary collections, bills discounting, letters of guarantee and invoice financing. The Bank serves manufacturing, trading and contracting clients across the UAE, and extends structured trade finance solutions to financial institutions through risk participation and trade distribution arrangements.

Looking ahead, the Bank is investing in broadening its transaction banking proposition. Planned enhancements include expanded collections infrastructure, virtual accounts, receivables discounting, supply chain finance programs, instant cross-border payments and a strengthened digital channel capability for corporate clients. These developments are intended to grow the Bank's operating account base, increase fee income, and deepen wallet share across its existing client franchise. Transaction banking remains a key driver of low-cost CASA growth and fee income diversification, supporting margin stability and reducing reliance on interest income.

Project finance

The Bank has a good project finance franchise and actively finances strategic local projects which support the country's infrastructure and oil & gas sectors. The Bank is well positioned, with experienced and capable resources, to assist in the development and delivery of complex project finance. The Bank offers commercial, financial and strategic advisory services to customers, as well as structuring, arranging and syndicating finance for projects.

Distribution and delivery channels

The Bank's corporate clients are served through teams of professional corporate bankers with in-depth industry knowledge and personalised customer service. These corporate bankers are located in Sharjah, Dubai, Abu Dhabi, and Al Ain. Corporate banking teams work alongside treasury sales and transaction banking product specialists across cash management and trade finance, who structure solutions to meet the clients' specific operational requirements. Client access to banking services is provided through the Bank's online and mobile banking platforms in addition to host-to-host connectivity for high-volume payment and reporting needs.

Private Banking Wealth Management

The Bank's Private Banking and Wealth Management (PBWM) division provides a range of wealth management and investment services to high-net-worth individual clients. The division facilitates client access to a broad spectrum of investment products and solutions designed to support portfolio diversification, alongside capital growth and preservation.

Our offering includes access to multiple asset classes, including, but not limited to equities, fixed income instruments, mutual funds, structured investments, and precious metals. These investment vehicles are made available through the Bank's established product platform and approved counterparties.

All PBWM activities are conducted in strict accordance with the Bank's internal governance framework, product approval processes, and applicable regulatory requirements.

Investment Banking

The Investment Banking division delivers expert advisory and execution services across corporate finance, debt capital markets, equity capital markets, leveraged and management buyouts, and acquisition financing. The division is dedicated to structuring and delivering highly bespoke financial solutions that precisely align with our clients' strategic corporate objectives.



Executive Management



Mohamed Khadiri
Chief Executive Officer

Mohamed Khadiri is the Chief Executive Officer of Bank of Sharjah, a role he assumed in May 2023 to lead the Bank's strategic transformation. Under his leadership, the Bank is focused on strengthening its market position, enhancing operational performance, and elevating customer experience.

With over 26 years of experience in corporate and investment banking across the United States, the Middle East, and North Africa, Mr. Khadiri has held senior leadership positions at some of the world's leading financial institutions, including Salomon Smith Barney, Citibank, Barclays, and HSBC. Throughout his career, he has spearheaded the development and implementation of growth strategies, customer-centric innovations, and digital transformation initiatives.

Prior to joining Bank of Sharjah, Mr. Khadiri served for over six years as General Manager of Kuwait International Bank, where he played a pivotal role in driving the Bank's domestic and international expansion. In addition to his executive responsibilities, Mr. Khadiri is a member of the Board of Trustees at the American University of Sharjah (AUS) and a member of the Board of Advisors at the Sharjah Entrepreneurship Center (Sheraa), where he contributes strategic insights to support entrepreneurship and innovation in the UAE and beyond.

Mr. Khadiri holds an MBA in Finance and Information Technology from Boston College, where he was a Fulbright Scholar. He also earned an MSc in Finance from Northeastern University and a bachelor's degree with highest honors in Business Administration and Accounting from the Institut Supérieur de Commerce et d'Administration des Entreprises (ISCAE) in Casablanca, Morocco.



Walid Abboud
Chief Financial Officer

Walid Abboud is a seasoned financial leader with over 26 years in financial services. As Chief Financial Officer of Bank of Sharjah, he shapes financial strategy, capital management, and risk framework, drives operational efficiency, and sustainable growth. He also served as Acting Chief Operations Officer in 2024.

He has led the transformation of financial planning, reporting, and governance under IFRS and regulatory frameworks, directed capital and liquidity management, optimized funding strategies, and strengthened relations with regulators, rating agencies, and partners.

Earlier in his career, he gained extensive experience in external audit at Deloitte and PwC, specializing in financial services, and served as a Senior Internal Auditor at Byblos Bank Group, providing board-level insights into risk, control, and performance.

He holds a Bachelor of Science in Accounting & Finance from the Lebanese University and multiple global certifications, including CPA (USA and Lebanon), CIA, CFSA, CGAP, and the International Certificate in Banking Risk & Regulation (GARP). He completed the Oxford Strategic Management Executive Program at Saïd Business School, University of Oxford.



Nasser Salem Al-Ali
Chief Wholesale Banking Officer

Nasser Salem Al-Ali brings over 25 years of distinguished experience in the banking sector, with deep expertise in corporate banking. He has led landmark transactions and driven innovative digital initiatives across the UAE and the wider region. His strong understanding of institutional client needs enables the delivery of tailored, advanced financial solutions. In his current role, he sets the strategic direction of Wholesale Banking, aligning with the Bank's vision, profitability targets, and regulatory requirements, while enhancing operational efficiency, fostering a high-performance culture, and building skilled teams.

Prior to joining Bank of Sharjah, he served as Senior Managing Director and Head of Commercial Banking for the UAE at First Abu Dhabi Bank (FAB). Before that, he spent over two decades at HSBC, where he held several senior roles, including Deputy Regional Head of Corporate Client Coverage & Sectors for MENAT, Managing Director, Deputy Head of Corporate & Commercial Banking UAE, and Regional Head of Islamic Corporate Banking MENAT, among other senior assignments.

He holds a Master's in Big Data and Business Analytics from ESCP Business School, a Master's in International Business Law from the University of Paris - Sorbonne-Assas International Law School, and a Bachelor of Applied Science in Business Administration from the Higher Colleges of Technology in Dubai. He is an alumnus of executive programs at Harvard, Oxford, INSEAD, London Business School, and other leading institutions, and has graduated from the Young Leaders and Impactful Leaders programs at the Mohammed bin Rashid Center for Leadership Development.



Paul Cox
Chief Retail Banking Officer

Paul Cox has over 30 years of experience in Retail and Wealth Financial Services across multiple functions, geographies, and jurisdictions. He has led complex change programs, strategic development, organizational restructure, digital transformation, risk and regulatory enhancement, and customer service excellence, delivering sustained growth and profitability.

In his current role, he is responsible for creating Bank of Sharjah's Retail and Private Banking franchise from inception, defining the end-to-end customer proposition, establishing robust governance, risk, and control foundations, and building cutting-edge digital and operational infrastructure for scalable, sustainable growth with a performance-oriented culture at its core. He has been based in the UAE for the past decade and has deep expertise in regulatory processes for Retail and Wealth Management, frequently consulted by regulators on potential changes.

Previously, he served as Executive Director Consumer Banking and Products (UAE), leading business model transformation, new mobile origination journeys, significant balance sheet growth, record profitability and customer expansion; and as Regional Head of Retail Banking and Wealth Management (MENAT), where he devised product market growth strategies, increased market share, implemented Consumer Protection Framework with UAE regulators, launched a new Private Banking franchise and Digital Trading Platform in 2022, and achieved #1 NPS for customer experience.



Amir AlSalous
Chief Marketing and Corporate Communications Officer

Amir AlSalous is the Chief Marketing and Corporate Communications Officer at Bank of Sharjah, bringing 20 years of experience in marketing and corporate communications.

Prior to joining Bank of Sharjah, he served as Head of Marketing and Corporate Communications at Invest Bank, overseeing marketing strategy and communications initiatives. Earlier in his career, he held the role of Head of Marketing and Corporate Affairs at Standard Chartered Middle East, covering Jordan, Egypt, Iraq, and Lebanon. He began his professional journey in the media and advertising industry, which gave him a solid foundation in strategic communications.

He holds a Bachelor's degree in Computer Science and is a recipient of a MEPRA Award for Crisis Management.



Asim Shrivastava
Chief Credit Officer

Asim Shrivastava is a seasoned banking professional with over 35 years of experience across Corporate Banking, Trade Finance, Asset Finance, Project & Export Finance, Credit Risk Management, Credit Risk Rating model development, Enterprise Risk Management, and Portfolio Management in India, Vietnam, the UAE, Oman, and Canada.

His previous roles include Head of Corporate Banking at HSBC Oman, Head of Corporate Banking & Trade Finance at HSBC Vietnam, Regional Credit Manager at HSBC Middle East Management, Senior Portfolio & Enterprise Risk Manager at HSBC Canada, Director Credit Risk at HSBC Canada, and Senior VP, Wholesale Credit Risk Management at Mashreqbank. As a senior Regional Credit Risk executive at HSBC and Mashreq, he led Credit Risk Management across the GCC, Egypt, the Levant, and North Africa.

He holds a bachelor's degree from St. Stephen's College, New Delhi, an MBA from Mumbai University, and has completed an executive management course in Advanced Risk Management at Wharton Business School.



Sridhar Karlapudi
Chief Operating Officer

Sridhar Karlapudi brings 25 years of distinguished experience across India, the Middle East, and the United Kingdom. Prior to joining Bank of Sharjah, he held senior roles at Citibank, Barclays, Mashreq and Abu Dhabi Islamic Bank. Most recently, at Ahli United Bank UK, he served as COO, where he led the Bank's successful transition to Sharia-compliant banking and spearheaded major technology modernization initiatives.

He is a Chartered Accountant and holds a Bachelor's degree in Commerce from the University of Madras.



Sri Krishna Polepeddi
Acting Chief Treasury Officer

Sri Krishna Polepeddi is a seasoned Treasury professional with over three decades of experience in India and the GCC. He brings deep expertise in trading, investments, and Asset Liability Management. His experience spans foreign exchange, fixed income, and derivatives, underpinned by a consistent track record of optimising funding strategies and enhancing balance-sheet performance.

Prior to joining Bank of Sharjah, he held Treasurer and senior leadership positions in global financial markets at Emirates Investment Bank, Al Rajhi Bank, Scotiabank, Global Trust Bank, and GFH.

He holds a PGDBA from the Delhi Productivity Council and a Bachelor's in Commerce from the University of Delhi. He also has certifications in the Data Scientist Master's Programme and the Executive Programme in Algorithmic Trading.



Amina Al Halwaji
Chief Human Resources Officer

Amina Al Halwaji serves as Chief Human Resources Officer at Bank of Sharjah. She oversees the HR department's performance and deliverables, evaluates and enhances the overall HR strategy to improve employee productivity, manages performance effectively, supports career development, and achieves human capital cost efficiency to improve the customer experience.

She has a strong background in HR with a career in leading international and regional banks. Known for her people-friendly approach combined with deep organizational understanding, she has built a formidable reputation in the banking community by championing inclusiveness, diversity, and capable team development.

She pursued undergraduate studies at the University of Toledo (USA), specializing in Human Resources, and completed projects covering all HR specialties. She also holds a Diploma in Human Resources Practice.



Hoseyn Khosravani
Head of Strategy & Business Management

Hoseyn Khosravani is Head of Strategy & Business Management at Bank of Sharjah. He leads the strategy and business management function, driving long-term value creation and disciplined execution. He works closely with the CEO and Executive Committee to shape strategic priorities, oversee corporate planning, performance management frameworks, and support digital transformation and innovation.

He brings over 16 years of experience in financial services across the UK, North America, the Middle East, and North Africa. He has held progressive leadership roles in strategy, corporate banking, investment banking, business development, capital management, compliance, and transformation at international and regional institutions, including HSBC and Royal Bank of Canada.

His experience bridges frontline banking and enterprise management, combining strategic design with structured execution, strong governance, and regulatory awareness to align growth ambitions, optimize the balance sheet, enhance operational performance, and ensure oversight.

He holds a BA (Hons) in Business & Management from Leeds Metropolitan University (UK) and a Postgraduate Certificate in Management Consulting from George Brown College (Canada).



Graeme Woods
Chief Risk Officer

Graeme Woods was appointed Group Chief Risk Officer of Bank of Sharjah in October 2018. With over 30 years of experience in banking, he has held senior risk leadership roles at ANZ Banking Group (Australia), NBAD, and FAB (UAE), covering Australia, Asia Pacific, and the Middle East. He has served on subsidiary boards in Australia and Asia Pacific.

At Bank of Sharjah, he is a member of several management committees and reports to the Board Risk Committee, providing an enterprise-wide risk view. He is also a member of the UAE Bankers Federation Risk Committee.

He holds a Bachelor of Business from Victoria University in Melbourne and a Post Graduate Diploma in Banking and Finance from Monash University in Melbourne.



Sunil Edwards
Chief Internal Auditor

Sunil Edwards is the Chief Internal Auditor at Bank of Sharjah. With extensive experience across the UAE and GCC, he specializes in internal audit, risk management, governance, and financial crime compliance, supporting strong regulatory alignment and effective risk oversight.

He holds globally recognized certifications: Certified Internal Auditor (CIA), Certification in Risk Management Assurance (CRMA), Certified Anti-Money Laundering Specialist (CAMS), and an MBA in Finance. He has completed executive education in Board Governance (IMD, Switzerland), Fintech (Harvard University), Organizational Design for Digital Transformation (MIT), Business Relations (London School of Economics), and Removing Barriers to Change in Organizations (Wharton).

He serves as Chair of the UAE Banks Federation (UBF) Internal Audit Committee and as Ambassador of the UAE Institute of Internal Auditors.



Arun Prabhu
Acting Chief Compliance Officer

Arun Prabhu brings almost three decades of banking and senior management experience at international banks, with expertise in financial and non-financial risks, as well as oversight of Enterprise Risks, Risk Appetite, Stress Testing, and Balance Sheet Management. As Acting Chief Compliance Officer, he oversees the Bank's compliance and regulatory frameworks.

Prior to joining Bank of Sharjah, Arun spent 23 years with HSBC Group, where he most recently held the roles of Chief Risk Officer - Wholesale and Markets & Securities Services, and Regional Head of Risk Strategy for MENA and Turkey.

Arun holds an MBA with a specialization in Finance and is also a qualified Cost & Works Accountant.



Branches and Subsidiaries

Bank of Sharjah was the first commercial bank in Sharjah and is headquartered in Sharjah's Al Khan area, while having branches throughout the UAE.



Subsidiaries

EL Capital FZC

Emirates Lebanon Bank SAL

BOS Real Estate FZC

BOS Capital FZC

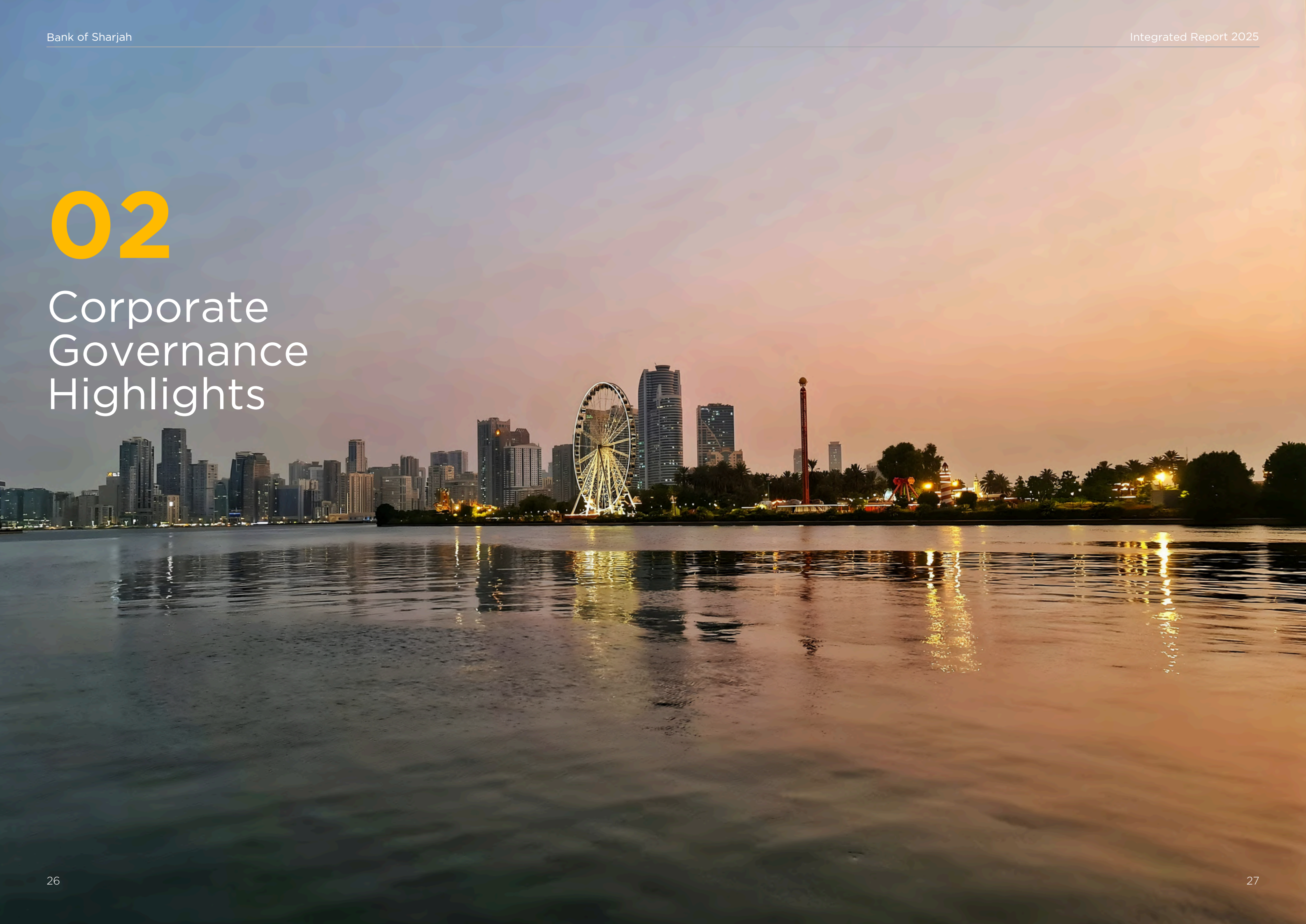
Polyco General Trading L.L.C

Muwaileh Capital FZC



02

Corporate Governance Highlights



Message from the Chairman

The Board of Directors of Bank of Sharjah remains steadfast in its commitment to exemplary corporate governance, recognizing it as the foundation for long-term resilience and sustainable value creation. In 2025, we continued to enhance our governance framework to ensure full alignment with the evolving regulations of the Central Bank of the United Arab Emirates and the Capital Market Authority, while embedding international best practices across our oversight structures.

The Board maintains rigorous oversight of strategy, risk, compliance, and performance, ensuring that governance remains deeply integrated into decision-making at every level of the Bank. Through strengthened committee effectiveness, enhanced risk governance, and continuous board evaluation processes, we have reinforced our accountability framework and further sharpened our institutional resilience.

In an increasingly dynamic financial landscape, characterized by technological acceleration and regulatory evolution, the Board has placed particular emphasis on proactive risk management, capital discipline, and prudent growth. Our governance culture promotes transparency, ethical conduct, and constructive challenge, ensuring that management actions remain aligned with shareholder interests and regulatory expectations.

Cybersecurity, data governance, and digital risk oversight remained key priorities in 2025. As digital transformation advances, we remain vigilant in safeguarding customer data and maintaining robust internal controls, consistent with the UAE's regulatory standards and global security benchmarks.

The Board also continued to oversee the integration of sustainability principles into the Bank's long-term strategy. Our Environmental, Social and Governance (ESG) roadmap is maturing significantly, with clearer accountability structures and measurable targets under development. We remain aligned with national sustainability ambitions and committed to responsible banking practices that contribute to the UAE's broader economic vision.

Emiratization, talent development, and diversity remain central to our governance philosophy. We believe strong institutions are built on capable leadership, inclusive cultures, and continuous professional development. The Board actively monitors succession planning and leadership development to ensure continuity and long-term stability.

On behalf of the Board, I extend sincere appreciation to our Regulators, Customers, Shareholders, Senior Management and Employees for their continued trust. We present this Corporate Governance Report for 2025 with confidence, reflecting a year of strengthened oversight, disciplined execution, and enduring commitment to integrity and responsible growth.

Sheikh Mohammed bin Saud Al Qasimi
Chairman of the Board of Directors

The Board of Directors



Sheikh Mohammed bin Saud Al Qasimi

Chairman



Sheikh Saif bin Mohammed bin Butti Al Hamed

Vice Chairman



Mr. Abdulaziz Mubarak Al Hasawi

Board Member



Mr. Amer Abdulaziz Khansaheb

Board Member



Mr. Mubarak Saud Al Besharah

Board Member



Mr. Salem Humaid Al Ghammai

Board Member



Mr. Waleed Ibrahim Al Sayegh

Board Member



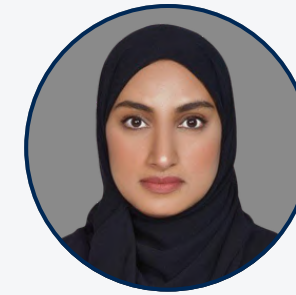
Mr. Salah Ahmed Abdalla Al Noman Al Shamsi

Board Member



Mr. Abdulla Mohamed Sharif Al Fahim

Board Member



Mrs. Arwa Mohamed Al Owais

Board Member



Mr. Talal Abdulaziz Al Midfa

Board Member

Corporate Governance Framework

At Bank of Sharjah, robust corporate governance is a cornerstone of sustainable growth, accountability, and long-term value creation. The Bank is committed to maintaining a governance framework that promotes integrity, transparency, and disciplined decision-making across all levels of the organization. The Board of Directors, Executive Management, and employees collectively uphold the highest ethical and professional standards.

The Bank's governance framework is underpinned by a comprehensive set of policies and governance instruments, including Board and Board Committee Charters, a Bank-wide Code of Conduct, and a suite of corporate governance policies and procedures. These frameworks establish clear lines of authority, accountability, and oversight, ensuring consistency and rigor in governance practices across the organization.

The Bank operates in full compliance with the UAE corporate governance requirements and adheres to the regulatory frameworks set by the Central Bank of the UAE and the Capital Market Authority. The Bank remains committed to continuously enhancing its governance practices in line with evolving regulatory expectations and leading international standards.

A clear distinction is maintained between strategic oversight and executive management. The Board of Directors provides independent oversight and strategic direction, approving the Bank's strategy, key policies, and governance frameworks, while monitoring performance, risk management, and the effectiveness of internal control systems. Day-to-day management is delegated to the Chief Executive Officer and the Executive Management team, who are responsible for executing the approved strategy and managing operations in line with established policies and governance standards.

In 2025, the Bank continued to strengthen its Corporate Governance Framework through targeted enhancements aimed at improving governance effectiveness and organizational resilience. Key initiatives included enhancements to senior management succession planning and related policies, as well as refinements to remuneration frameworks to further promote transparency, fairness, and alignment with long-term strategic objectives.



The Board of Directors

Bank of Sharjah's Board of Directors comprises 11 members and reflects a diverse and experienced leadership body with strong representation across key professional disciplines. All Directors are non-executive, with a majority being independent, in line with regulatory requirements. The Board is committed to diversity and inclusion, including female representation, reinforcing its commitment to balanced and effective governance.

The Board convenes regularly to discharge its responsibilities effectively and receives comprehensive and timely updates on key developments across Board Committees, Management Committees, and the Bank's operations.

The Board is supported by 10 Management Committees, which oversee day-to-day operational matters, enhancing transparency, strengthening accountability, and ensuring alignment with regulatory and strategic priorities.

To further strengthen oversight, the Board operates through seven specialized Board Committees, each with clearly defined mandates and responsibilities in accordance with applicable regulations:

- Board Credit & Investment Committee
- Board Audit Committee
- Board Risk Committee
- Board Corporate Governance, Compliance, AML/CFT Committee
- Board Remuneration, Nomination & Compensation Committee
- Board Central Bank Affairs Committee
- Board Non-Performing Loans & Real Estate Committee

The Board comprises individuals with extensive experience, diverse expertise, and strong professional standing. In line with the "Fit and Proper" criteria of the Central Bank of the UAE, Directors possess the competence, integrity, and judgment required to effectively oversee the Bank's activities.

The Board plays a central role in defining the Bank's strategic direction and risk appetite, working closely with Executive Management to ensure alignment with the Bank's objectives and risk profile. It also regularly reviews and enhances the governance framework to ensure continued relevance in a dynamic regulatory and business environment.

Directors uphold the highest fiduciary standards, acting with integrity, confidentiality, and loyalty in safeguarding the interests of shareholders and stakeholders. Their oversight ensures that the Bank maintains a strong governance culture, supported by effective internal controls and full compliance with applicable regulatory requirements.



General Responsibilities of the Board

The Board of Directors oversees the Bank's operations, maintains strong governance, and ensures compliance with the Central Bank of the UAE's regulatory framework. Key responsibilities include, but are not limited to:

- **Strategic Oversight:** Approve and oversee the implementation of the Bank's strategic objectives, ensuring alignment with its mission and vision.
- **Risk Management:** Approve and oversee the implementation of the Bank's Risk Governance Framework, ensuring alignment with strategic objectives and adherence to the Bank's Risk Appetite.
- **Corporate Culture and Values:** Establish and communicate the Bank's culture and values through a written code of conduct, conflict of interest policy, whistleblowing mechanism, insider trading policy, and robust internal controls.
- **Organizational Structure:** Define and oversee the Bank's organizational structure, specifying the responsibilities and authorities of the Board, its committees, and Senior Management.
- **Senior Management Oversight:** Ensure Senior Management conducts the Bank's activities in line with the business strategy, Risk Governance Framework, compensation policies, and other Board-approved policies.
- **Fit and Proper Process:** Establish a Fit and Proper Process for selecting Senior Management, including heads of risk management, compliance, and internal audit, and maintain succession plans for these roles.
- **Risk Management Culture and Internal Controls:** Promote an effective risk management culture and implement an internal control framework to ensure operations remain within the Risk Governance Framework, Risk Appetite, and Risk Limits.
- **Policy Approval and Implementation:** Approve and oversee key policies, including credit, liquidity, and the Internal Capital Adequacy Assessment Process (ICAAP).
- **Financial Oversight:** Approve annual financial statements and require periodic independent reviews of critical business areas and internal controls.
- **Stakeholder Communication and Transparency:** Ensure effective communication channels to promote transparency and maintain trust with stakeholders, including shareholders, customers, and regulators.
- **Regulatory Compliance:** Ensure the Bank complies with all applicable laws, regulations, and standards set by the Central Bank of the UAE and other relevant authorities.
- **Capital and Liquidity Oversight:** Ensuring the Bank maintains adequate capital buffers, liquidity coverage, and funding stability in line with regulatory and internal thresholds.



Directors' Duties

Directors are responsible for complying with governance protocols and the organizational conduct guidelines established by the Central Bank of the UAE (CBUAE) for Corporate Governance. They must also incorporate the directives and requirements of the Capital Market Authority (CMA) into their decision-making.

Conflict of interests

If any Director has an interest that conflicts with the Bank's interests in any transaction presented to the Board for approval, they must disclose their interest to the Board and ensure the declaration is recorded in the minutes. The Director shall refrain from participating in the discussion or voting on such a transaction.

Directors' responsibilities include, but are not limited to, the following:

- Attend Board meetings and offer independent perspectives on strategy, policy, performance, accountability, resource allocation, senior appointments, and labor standards.
- Prioritize the interests of the Bank and its shareholders in situations involving potential conflicts of interest.
- Actively participating in the Board Audit Committee and other relevant Board Committees.
- Oversee the Bank's performance to ensure alignment with its objectives and reviewing performance reports.
- Establish governance procedures and oversee their implementation in line with the Bank's Articles of Association.
- Facilitate the active involvement of Directors and committees by leveraging their capabilities, experience, and expertise for the benefit of the Bank. This includes regular attendance and proactive participation in General Meetings, as well as ensuring a comprehensive understanding of Shareholders' perspectives.
- Act with integrity, exercising due care, confidentiality, and loyalty in all decisions.
- Ensure the Bank, and where applicable the Group, maintains robust corporate governance policies and processes aligned with its risk profile and systemic significance.
- Oversee the organizational structure of the Bank, and if applicable the Group, including defining key responsibilities and authorities for its committees and Senior Management.
- Oversee Senior Management to ensure the Bank's operations align with the approved business strategy, Risk Governance Framework, compensation policies, and other Board-approved policies.
- Establish a comprehensive process for selecting Senior Management, compliance, and internal audit, and maintain an effective succession plan.



52nd Ordinary General Assembly

The Bank held its 52nd Ordinary General Assembly Meeting on Wednesday, April 23, 2025, at 11:00 a.m., with shareholders participating both in person and remotely.

The General Assembly approved the following resolutions:

1. The General Assembly approved the Board of Directors' report on the Bank's activities for the year ended December 31, 2024, by a majority of 99.7310%.
2. The General Assembly approved the auditor's report for the year ended December 31, 2024, by a majority of 99.7310%.
3. The General Assembly approved the balance sheet and profit and loss statement as at December 31, 2024, by a majority of 95.8784%.
4. The General Assembly approved the Board of Directors' recommendation not to distribute dividends, whether in the form of cash or bonus shares for the year ended December 31, 2024, based on the justifications presented by the Board in its report to shareholders, by a majority of 99.7344%.
5. The General Assembly approved the decision to discharge the members of the Board of Directors from their responsibilities for the financial year ended December 31, 2024, by a majority of 89.3143%.
6. The General Assembly approved the decision to discharge the external auditor from their responsibilities for the financial year ended December 31, 2024, by a majority of 99.9933%.
7. The General Assembly appointed Grant Thornton UAE as the Bank's external auditor for the financial year 2025 and set their annual fees at AED 1,755,694 by a majority of 96.0833%.

After completing the vote on the agenda items under ordinary resolutions, and in the absence of any further questions, particularly regarding the special decisions, the Secretary opened the voting process on the agenda items under special decisions. These resolutions require the approval of 75% of the shareholders present to be passed. The General Assembly, with the majority needed for the issuance of special resolutions, approved the agenda items under special decisions as follows:

8- (a) The General Assembly approved, by a majority of 99.9767%, to renew the Bank's USD 2,500,000,000 Euro Medium Term Note Programme (Non-convertible to shares) and issue any bonds under the Program, which should be completed within one year from the date of the Annual General Assembly Meeting, with delegation to the Board of Directors to decide on the modalities of such issuance and the amendment of any document related to the Programme, subject to obtaining the necessary approvals from the relevant regulatory authorities.

(b) The General Assembly approved, by a majority of 99.6136%, the Board of Directors' proposed draft resolution regarding the issuance of Tier 1 Capital Bonds in the form of Perpetual Bonds (Non-Equity Convertible) amounting to up to USD 1,000,000,000 (or the equivalent in other currencies); authorizing the Board of Directors to set the date of issuance within one year from the date of the General Assembly's approval, if the Board of Directors decides to proceed with the issuance; and authorizing the Board of Directors to set the terms and conditions of the issuance and to sign any documents and instruments related to the issuance (subject to the approval of relevant authorities). The Perpetual Bonds shall be considered additional Tier 1 Capital in accordance with the Central Bank of the United Arab Emirates' guidelines on Basel III standards for capital bonds.

Competencies

Our commitment to gender balance and inclusive leadership is embedded in our governance philosophy and reflected in the composition of our Board and senior management. The strategic inclusion of a female Board member, alongside strong representation of women across key leadership roles, underscores our belief that diversity enhances the quality of oversight and decision-making. By fostering an environment where diverse perspectives are valued, we promote innovation, strengthen institutional resilience, and create a culture that empowers talent at all levels. This approach not only supports sustainable business growth but also reinforces our core values and our commitment to governance excellence.

We place strong emphasis on ensuring that our Board members remain well-informed and equipped to navigate an increasingly complex and evolving landscape. Through continuous professional development, targeted briefings, and regular updates, the Board stays abreast of emerging trends, regulatory developments, and industry best practices. Particular focus is given to governance standards, environmental, social and governance (ESG) principles, and critical compliance areas, including anti-money laundering (AML) and combating the financing of terrorism (CFT). This ongoing investment in knowledge and awareness enables the Board to discharge its responsibilities effectively and reinforces a culture of informed, ethical, and forward-looking leadership.

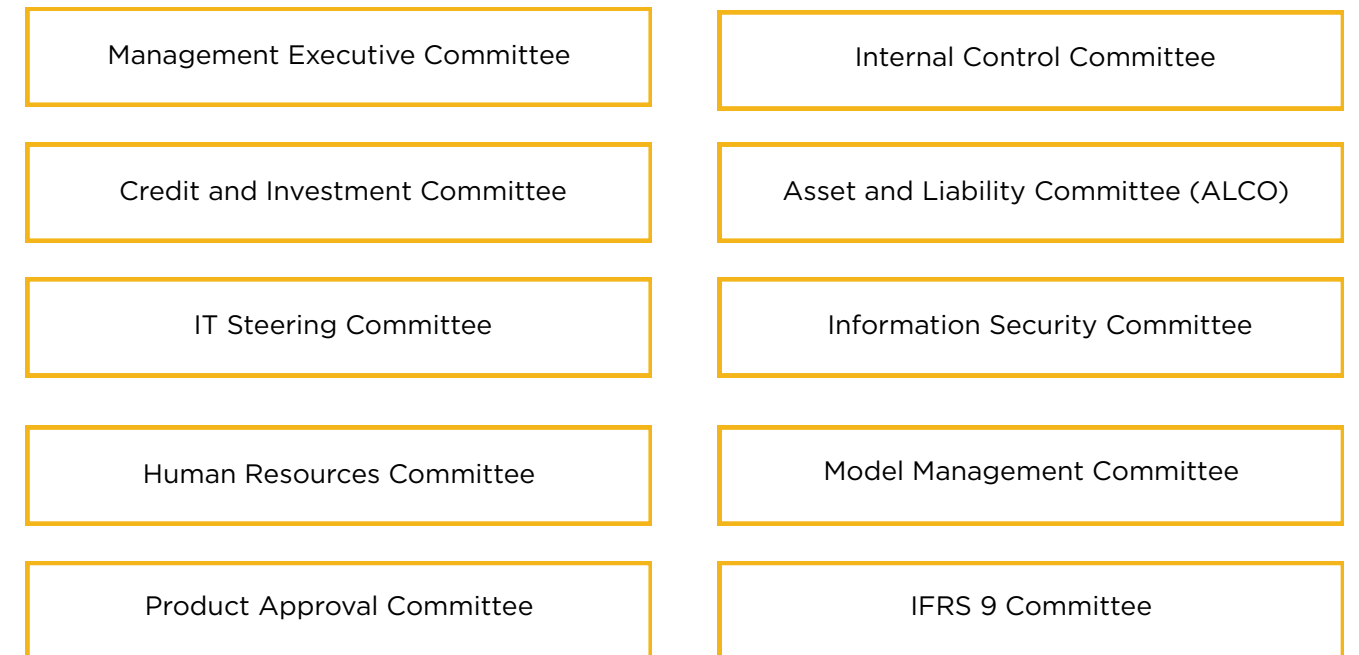
In 2025, the Bank undertook a comprehensive evaluation of the performance and effectiveness of its Board of Directors and Board Committees. This structured assessment reflects our commitment to continuous improvement and to maintaining the highest standards of corporate governance. The evaluation process is designed not only to ensure alignment with regulatory expectations but also to benchmark our practices against leading international standards, thereby enhancing overall Board effectiveness, professionalism, transparency, and accountability.

Through continuous monitoring, periodic assessments, and a proactive approach to governance enhancement, the Bank remains committed to strengthening its Board performance and governance framework. This disciplined approach enables us to respond effectively to evolving stakeholder expectations and a rapidly changing operating environment. It also reinforces our position as a trusted institution with a strong governance foundation, well-equipped to address future challenges with integrity, confidence, and strategic clarity.



Management Committees

To ensure strong governance, effective risk management, and sound decision-making, the Bank operates through several specialized management committees. Each committee oversees specific operational, financial, and strategic areas, supporting the Bank's overall performance and regulatory compliance.



Board Committee Meetings and Attendance in 2025

The Board and its committee members regularly received comprehensive information on the activities of the Board, its committees, and Management, together with updates on key business developments and performance.

Members of the Senior Management team were invited to attend Board meetings as required to present and discuss specific matters. All such invitations were extended in full compliance with applicable regulatory requirements governing restrictions on Senior Management attendance at certain sessions.

BOARD OF DIRECTORS Meetings Attendance 2025

Board of Directors	Date & Meeting Number						
	30-1-2025 No. 263	13-3-2025 No. 264	23-4-2025 No. 265	23-7-2025 No. 266	1-10-2025 No. 267	27-11-2025 No. 268	18-12-2025 No. 269
Sheikh Mohammed bin Saud Al Qasimi Chairman	✓	✓	-	✓	✓	✓	✓
Sheikh Saif bin Mohammed bin Butti Al Hamed Vice Chairman	✓	-	-	-	✓	-	✓
Mr. Abdulaziz Mubarak Al Hasawi Board Member	-	✓	✓	-	✓	✓	✓
Mr. Salem Humaid Al Ghammai Board Member	✓	✓	✓	✓	✓	✓	✓
Mr. Abdulla Mohamed Sharif Al Fahim Board Member	✓	✓	✓	-	✓	✓	✓
Mr. Salah Ahmed Abdalla Al Noman Al Shamsi Board Member	✓	✓	✓	✓	✓	-	-
Mr. Amer Abdulaziz Khansaheb Board Member	-	✓	-	✓	✓	✓	✓
Mr. Waleed Ibrahim Al Sayegh Board Member	✓	✓	✓	✓	✓	✓	✓
Mr. Mubarak Saud Al Besharah Board Member	✓	-	-	✓	✓	-	✓
Mr. Talal Abdulaziz Al Midfa Board Member	✓	✓	✓	✓	✓	✓	✓
Mrs. Arwa Mohamed Al Owais Board Member	✓	✓	✓	✓	✓	✓	✓

BOARD COMMITTEES Meetings Attendance 2025

Board Credit and Investment Committee	Date & Meeting Number					
	23-1-2025 No. 320	6-3-2025 No. 321	22-4-2025 No. 322	11-6-2025 No. 323	8-9-2025 No. 324	27-11-2025 No. 325
Sheikh Mohammed bin Saud Al Qasimi	✓	-	-	-	-	✓
Mr. Salem Humaid Al Ghammai	✓	✓	✓	✓	✓	✓
Mr. Salah Ahmed Abdalla Al Noman Al Shamsi	✓	-	✓	✓	-	-
Mr. Waleed Ibrahim Al Sayegh	✓	✓	✓	✓	✓	✓
Mr. Mubarak Saud Al Besharah	✓	✓	✓	✓	✓	-

Board Audit Committee	Date & Meeting Number			
	13-3-2025 No. 68	6-5-2025 No. 69	17-7-2025 No. 70	22-10-2025 No. 71
Mr. Amer Abdulaziz Khansaheb	✓	✓	✓	✓
Sheikh Saif bin Mohammed bin Butti Al Hamed	-	-	-	-
Mr. Abdulla Mohamed Sharif Al Fahim	✓	✓	✓	✓
Mr. Talal Abdulaziz Al Midfa	✓	✓	✓	✓
Mrs. Arwa Mohamed Al Owais	✓	✓	✓	✓

Board Risk Committee	Date & Meeting Number			
	28-5-2025 No. 51	24-7-2025 No. 52	6-11-2025 No. 53	18-12-2025 No. 54
Mr. Abdulla Mohamed Sharif Al Fahim	✓	✓	✓	✓
Sheikh Saif bin Mohammed bin Butti Al Hamed	✓	-	-	-
Mr. Amer Abdulaziz Khansaheb	✓	-	✓	-
Mr. Talal Abdulaziz Al Midfa	✓	✓	✓	✓
Mrs. Arwa Mohamed Al Owais	✓	✓	✓	✓

Board Corporate Governance & Compliance AML/CFT	Date & Meeting Number			
	17-7-2025 No. 64	28-10-2025 No. 65	27-11-2025 No. 66	9-12-2025 No. 67
Mr. Salem Humaid Al Ghammai	✓	✓	✓	✓
Mr. Abdulaziz Mubarak Al Hasawi	✓	✓	✓	-
Mr. Salah Ahmed Abdalla Al Noman Al Shamsi	-	✓	-	✓
Mr. Mubarak Saud Al Besharah	✓	✓	-	✓

Board Remuneration, Nomination & Compensation Committee	Date & Meeting Number			
	19-2-2025 No. 55	1-5-2025 No. 56	11-6-2025 No. 57	9-12-2025 No. 58
Mr. Salah Ahmed Abdalla Al Noman Al Shamsi	✓	✓	✓	✓
Mr. Salem Humaid Al Ghammai	-	✓	✓	✓
Mr. Abdulaziz Mubarak Al Hasawi	✓	✓	-	✓
Mr. Waleed Ibrahim Al Sayegh	N/A	N/A	N/A	✓
Mr. Mubarak Saud Al Besharah	✓	✓	✓	✓

Board Non-Performing Loans & Real Estate Committee	Date & Meeting Number				
	27-3-2025 No. 6	2-7-2025 No. 7	27-8-2025 No. 8	1-10-2025 No. 9	27-10-2025 No. 10
Mr. Waleed Ibrahim Al Sayegh	✓	✓	✓	✓	✓
Mr. Abdulla Mohamed Sharif Al Fahim	✓	✓	✓	✓	✓
Mr. Amer Abdulaziz Khansaheb	✓	-	✓	✓	✓

Related Party Transactions for the year 2025

(AED 000s) Balances as at 31 December 2025	Major Shareholders	Directors	Senior Management	Total
Financial assets	4,273,099	838,888	-	5,111,987
Financial liabilities	8,167,279	583,641	5	8,750,925
Capital notes	4,862,721	-	-	4,862,721
Contingent liabilities	-	230,670	-	230,670

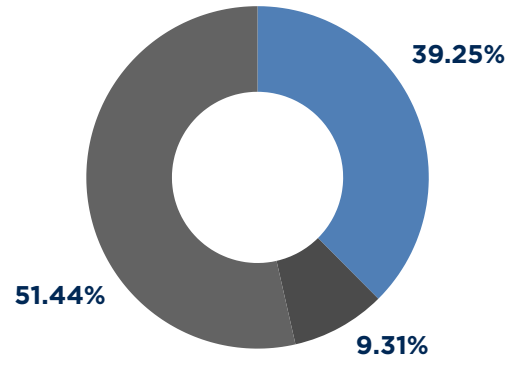
(AED 000s) Transactions for the year ended 31 December 2025	Major Shareholders	Directors	Senior Management	Total
Interest income and other income	494,842	61,927	-	556,769
Interest expense and other expenses	489,882	18,692	-	508,574

Organizational Chart



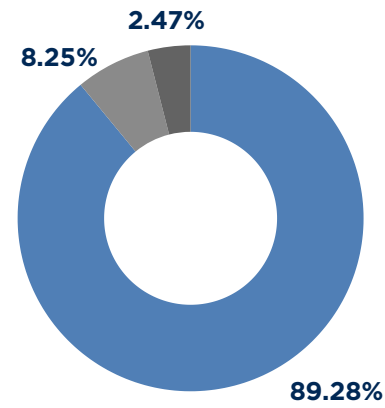
Shareholding

Major Shareholders as at 31-12-2025



- Sharjah Asset Management
- United Alsaqer Group
- Others

Shareholders Distribution by Region as at 31-12-2025

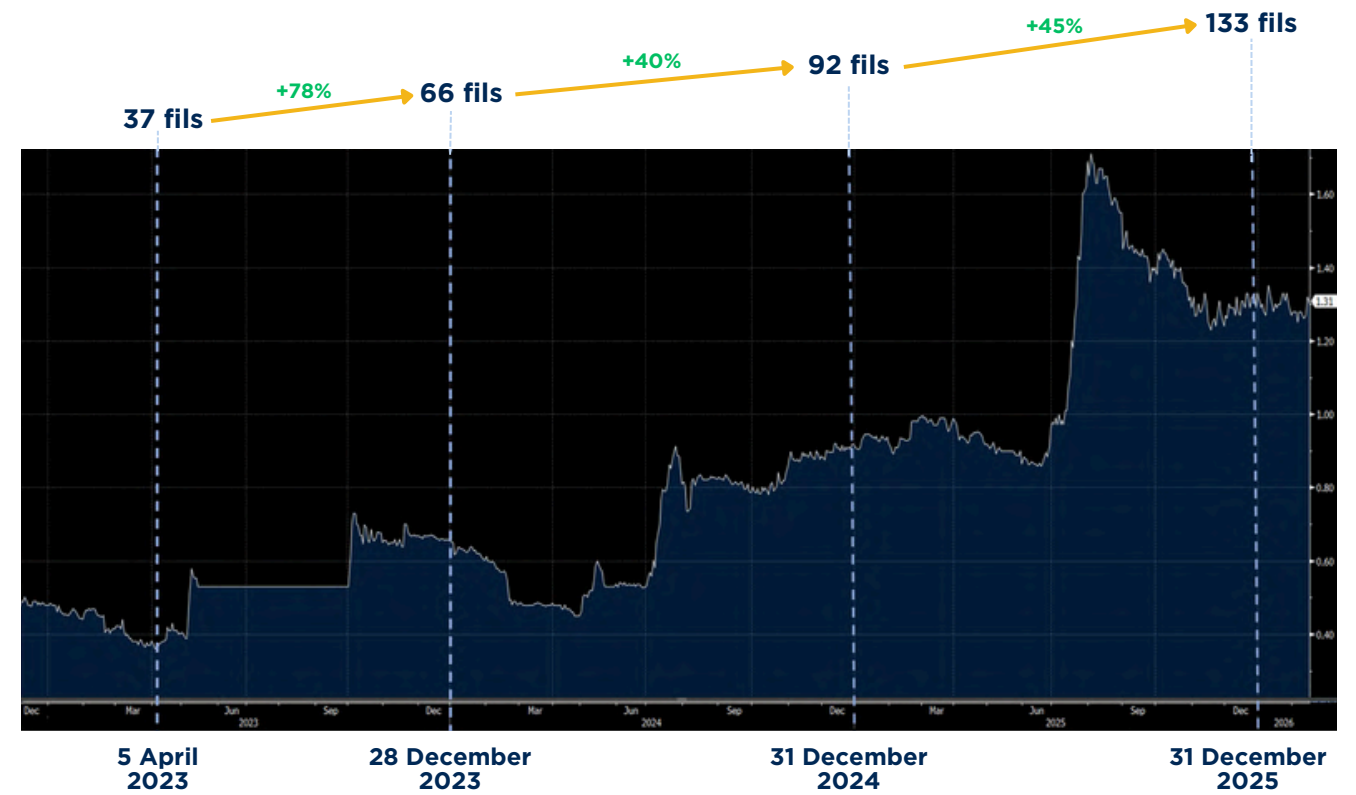


- UAE
- GCC
- Foreign

Comparative analysis of the Company's share-price performance against the general market index and the relevant sector index during 2025.

Date	BOS		ADSMI Index		FADFSI Index	
	Price	Return	Price	Return	Price	Return
31-1-2025	0.920	0.22%	9,586.12	1.77%	17167.17	2.33%
28-2-2025	0.991	7.95%	9,564.62	1.55%	17160.67	2.29%
31-3-2025	0.988	7.63%	9,368.81	-0.53%	16834.71	0.34%
30-4-2025	0.918	0.00%	9,534.33	1.22%	17331.54	3.31%
31-5-2025	0.863	-5.99%	9,685.10	2.83%	17641.51	5.15%
30-6-2025	0.963	4.90%	9,957.52	5.72%	18064.84	7.68%
31-7-2025	1.690	84.10%	10,370.66	10.10%	18858.57	12.41%
31-8-2025	1.550	68.85%	10,094.67	7.17%	18321.56	9.21%
30-9-2025	1.400	52.51%	10,014.60	6.32%	18117.95	7.99%
31-10-2025	1.290	40.52%	10,099.90	7.23%	18370.37	9.50%
30-11-2025	1.240	35.08%	9,747.17	3.48%	17961.82	7.06%
31-12-2025	1.330	44.88%	9,992.72	6.09%	18348.7	9.37%

Bank of Sharjah - Share Price Evolution



03

Sustainability Highlights



Alignment with the UAE and Sharjah's Ambitions

The United Arab Emirates continues to advance its role as a regional leader in sustainability and climate action, moving decisively toward structured, measurable, and accountable ESG practices across all sectors. Building on the momentum of COP28 and the UAE's long-term climate vision, 2025 marked a year in which national ambitions were translated into concrete regulatory frameworks and sector-wide expectations.

UAE Climate Law (Decree-Law No. 11 of 2024)

A central development is the implementation of the UAE Climate Law, which came into effect in early 2025. This landmark legislation establishes a national framework for climate governance and requires entities to measure and report their greenhouse gas emissions, assess climate-related risks, and incorporate climate considerations into strategic planning.

Emiratization & the Nafis Initiative

To enhance the participation of UAE nationals in the private sector, the government launched the Nafis program, aiming to employ 75,000 Emiratis over five years. Companies with 50 or more employees are required to increase their Emiratization rate by 2% annually, reaching 10% by 2026. Starting in 2024, companies with 20 to 49 employees in specific sectors must employ at least one Emirati, with financial penalties imposed on non-compliant establishments. For the banking sector, the Central Bank of the UAE is progressively increasing these targets, with local banks required to achieve a minimum Emiratization rate of 45% of total employees by 2026, with UAE nationals holding at least 30% of senior executive roles.

Central Bank UAE's Climate-related Financial Risk Management Regulation

In November 2023, the Central Bank of the UAE issued the Principles for the Effective Management of Climate-related Financial Risks, followed by the Sustainability-related Disclosure Principles in June 2024, strengthening the regulatory framework for climate risk and sustainability disclosures. Building on these initiatives, the Central Bank of the UAE issued the Climate-related Financial Risk Management Regulation in 2025, establishing an overarching framework to ensure Financial Institutions have appropriate governance and risk management processes in place to identify and manage climate-related financial risks.

Net Zero by 2050 Strategic Initiative

The UAE was the first nation in the GCC to commit to net-zero emissions by 2050, outlining its decarbonization strategy in the 'Net Zero by 2050 Pathway' released in late 2022. Through this initiative, the UAE has set clear sustainability targets, including a 19% reduction in greenhouse gas emissions by 2030, tripling renewable energy capacity, and investing USD 50 billion to meet growing energy demands.

Consumer Protection

In 2025, the UAE strengthened its consumer protection framework through Federal Decree-Law No. 6 of 2025, introducing clearer obligations for transparency, fair treatment, and responsible conduct across licensed financial institutions. The law reinforces customer rights not only through enhanced disclosure requirements but also by ensuring that all individuals have equitable access to appropriate banking and financial services tailored to their needs. It also places new emphasis on financial literacy and inclusion, requiring the Central Bank of the UAE and licensed institutions to deliver nationwide programmes that educate the public on responsible borrowing, savings, investment risks, and the use of digital financial services.



Bank of Sharjah's Contributions to Sharjah

The Donor Appreciation Get-Together

Under the esteemed patronage of Her Highness Sheikha Bodour Al Qasimi, President of the American University of Sharjah, the Donor Appreciation Get-Together was held to celebrate generosity, express gratitude, and honor the individuals and institutions shaping the future of the American University of Sharjah. The event brought together key supporters whose contributions continue to elevate AUS's mission of academic excellence and empower the next generation of leaders.

Bank of Sharjah was proud to take part in this meaningful occasion, presented by Chief Executive Officer, Mr. Mohamed Khadiri. His presence reaffirmed the Bank's commitment to advancing education, investing in future generations, and driving long-term impact through strategic partnerships.



Sharjah International Book Fair (44th Edition)

Bank of Sharjah proudly participated as a key sponsor of the 44th Sharjah International Book Fair, reinforcing its commitment to cultural enrichment, education, and community engagement. The Bank's involvement aligned with its ESG objectives by promoting knowledge, creativity, and financial literacy, while celebrating UAE cultural heritage.

At its dedicated booth, Bank of Sharjah hosted interactive activities designed to engage children and families. A flagship initiative was a children's colouring activity that encouraged young participants to illustrate Sharjah's landmarks, traditions, and heritage.

This activity combined creativity with cultural learning, strengthening appreciation for local identity while fostering artistic expression among youth.

Complementing its cultural engagement, the Bank also delivered financial education sessions for visitors of all ages. These sessions focused on responsible money management, basic financial concepts, and practical financial skills, supporting broader national goals on financial literacy and economic empowerment. Strong audience participation reflected the relevance of these discussions and the Bank's role as a socially responsible financial institution.



Blood Donation Drive

In 2025, Bank of Sharjah organised a comprehensive Blood Donation Drive at its headquarters in collaboration with Emirates Health Services (EHS) and the Sharjah Blood Transfusion & Research Center. The initiative was designed to support national healthcare efforts and address the ongoing need for blood donations across medical facilities in the UAE.

Employees from multiple departments actively participated, reflecting a strong culture of solidarity, civic responsibility, and community care within the Bank. Beyond providing life-saving blood units, the campaign also raised awareness among staff about the importance of regular blood donation and its direct impact on public health.



Sharjah Invest Forum & World Investment Conference "Seal the Deal"

Bank of Sharjah played an active role in the "Seal the Deal" initiative, a platform aimed at supporting startups and emerging entrepreneurs in the UAE. This participation aligned with the Bank's ESG objectives on economic inclusion, innovation, and capacity building.

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Sharjah City for Humanitarian Services

Since 2019, Bank of Sharjah has been a steadfast partner of Sharjah City for Humanitarian Services (SCHS) as part of a ten-year pledge to support the development of modern educational and rehabilitation facilities, aimed at enhancing accessibility, improving learning environments, and expanding specialized services for individuals with diverse abilities. This initiative continues to strengthen SCHS's capacity to deliver high-quality support, foster independence, and promote social integration.

In 2025, SCHS implemented a wide range of high-profile initiatives that reinforced its leadership in inclusive education and social advocacy. A key milestone was the inauguration of its new steel building in Al Braishi, officially opened by His Highness Sheikh Dr. Sultan bin Muhammad Al Qasimi, Member of the Supreme Council and Ruler of Sharjah. The new facility represents a significant step in expanding SCHS's capacity to deliver specialised services as it approaches its 50th anniversary.

At a regional and international level, SCHS also played a leading role in convening the Global Conference for Inclusive Inclusion 2025 - "We Are Inclusion", held for the first time in the Middle East and North Africa at Expo Centre Sharjah. The conference brought together 152 speakers from 74 countries, representing 160 organisations, and featured 59 dialogue sessions on inclusive practices. This event positioned Sharjah as a global hub for disability inclusion and policy dialogue.

To mark the International Day of Persons with Disabilities on 3 December 2025, SCHS's Al Wafaa School for Capacity Development hosted a symposium titled "Towards Comprehensive Leisure Through Building Inclusive Environments." The event featured self-advocates, community leaders, and experts discussing inclusive urban design, accessibility, and social participation under the theme "Promoting Inclusive Communities for Persons with Disabilities to Advance Social Progress."

Through its continued partnership with SCHS, Bank of Sharjah contributes to initiatives that strengthen inclusive education, enhance accessibility, and support the full participation of People of Determination in society.



Sharjah's Contributions to Sustainability

As a key emirate within the UAE, Sharjah continues to make meaningful contributions to the country's sustainability agenda, advancing environmental, economic, and social progress in alignment with national priorities:

Environmental Stewardship

In 2025, Sharjah continued to strengthen its environmental leadership through innovative waste management, clean energy, and conservation projects. The Sharjah Waste-to-Energy Plant, already the first of its kind in the region, advanced into its Phase Two expansion, a major development undertaken by BEEAH and Masdar that will nearly double its processing capacity and further support the UAE's national waste-diversion and decarbonisation goals. Sharjah Sustainable City also continues to set benchmarks for resource-efficient urban development, creating new opportunities for sustainable finance and green lending.

Economic Diversification

Sharjah continues to advance its economic diversification agenda by investing in innovation-driven and sustainability-aligned sectors. In 2025, the emirate launched the India Startup Hub under Sheraa, strengthening international entrepreneurship and supporting knowledge-based economic growth. Sharjah has also advanced green mobility infrastructure, including the introduction of new low-emission public transport options, which align with the UAE's green economy agenda and create emerging opportunities for sustainable finance and infrastructure investment. The emirate's continued focus on culture, research, sustainable tourism, and knowledge-based sectors contributes to a more resilient and diversified economy, enabling banks to broaden their sectoral exposure and support long-term economic growth.

Social Development

Sharjah remains committed to social inclusion and community well-being, which are important in shaping financial inclusion and responsible banking priorities. Initiatives such as the Ghaith 6 social support programme, which provided essential goods and services to thousands of low-income families in 2025, reinforce the emirate's broader focus on reducing inequality and enhancing quality of life. These efforts align with national priorities under the UN SDGs and support the financial sector's role in promoting access to fair, transparent and inclusive financial services.

Bank of Sharjah's Role

As part of the UAE and Sharjah's broader sustainability vision, Bank of Sharjah remains committed to playing an active role in supporting the country's environmental, economic, and social transformation. Guided by principles of responsible banking, long-term partnerships, and sustainable growth, we aim to contribute meaningfully to the UAE's sustainability goals through the following key areas

Financing the Transition to a Low-Carbon Economy

Supporting businesses and industries in decarbonizing their operations by providing tailored financial solutions that align with the UAE's Net Zero 2050 strategy.

Strengthening Governance, Risk Management, and Consumer Protection

Embedding ESG factors into our decision-making frameworks to align with global best practices for responsible banking, while upholding the highest levels of transparency, fairness, and consumer rights in financial transactions.

Expanding Sustainable Finance Offerings

Ensuring our clients have access to green lending solutions, ESG-aligned investments, and responsible financing to support the growth of sustainable businesses and projects.

Supporting Emiratization and Workforce Development

Aligning with the UAE's Nafis program and the Central Bank's Emiratization targets, we are committed to enhancing the representation of UAE Nationals in the banking sector, providing career development opportunities, and fostering a knowledge-based economy.

Promoting Economic Diversification and Social Inclusion

By financing innovation-driven enterprises and key sectors that support economic diversification, we contribute to Sharjah and the UAE's long-term economic resilience and social well-being.





Achievements in 2025

Mindful that sustainability is integral to the long-term future of society, business, and the planet, Bank of Sharjah is working to embed it throughout its operations. In 2025, the Bank delivered measurable progress across multiple areas, several of which include:

Implementing Strong Environmental Practices

Bank of Sharjah achieved significant operational efficiency gains in 2025. The Bank reduced total energy consumption by 25.9% and vehicle fuel consumption by 82.8%, completed LED lighting upgrades at the Head Office, and maintained 100% recycling of both e-waste and paper waste, saving an estimated 142.9 trees and conserving substantial natural resources.

Promoting Sustainable Financing in Line with the UAE Net Zero 2050 Strategy

The Bank played an active role in supporting the country's sustainability ambitions by mobilizing approximately AED 1.5 billion in green financing. This included investments in sustainable bonds and sukuks, ESG-linked loans, and financing to multilateral development banks, helping clients transition to a low-carbon economy while aligning with national net-zero targets.

Supporting the Country's Emiratization and Inclusion Drive


Bank of Sharjah maintained strong momentum on national priorities, achieving 32% Emirati representation across the workforce and 30% in senior leadership. Women represented 53% of the workforce, and the Bank continued to deliver ongoing training (a minimum of 4 hours per employee) and inclusive development programs.

Climate Change & GHG Emissions

Bank of Sharjah remains committed to monitoring and managing its greenhouse gas (GHG) emissions in line with the GHG Protocol—the globally recognized standard for measuring and reporting corporate emissions. As part of its Environmental Leadership pillar, the Bank continues to strengthen its climate-related data collection processes and enhance transparency in emissions reporting, supporting alignment with the UAE’s Net Zero by 2050 strategic initiative.

In 2025, the Bank measured and reported Scope 1 and Scope 2 emissions across all operational locations in the United Arab Emirates. These emissions cover direct fuel consumption from company-owned vehicles and indirect emissions associated with purchased electricity.

In accordance with the GHG Protocol, emissions are categorised as follows:



Scope 1

Direct emissions from sources owned or controlled by the Bank, primarily fuel consumption from company-owned vehicles.



Scope 2

Indirect emissions from purchased electricity consumed across branches and offices.



Scope 3

Other indirect emissions occurring across the value chain, including business travel, employee commuting, supplier activities, and financed emissions.

This year, only Scope 1 and Scope 2 emissions have been measured and reported, as the Bank continues to establish the necessary systems and data frameworks required to calculate Scope 3 emissions accurately. Given the complexity of Scope 3 emissions and the level of data dependency on external stakeholders, the Bank is exploring improved data collection methodologies to support more comprehensive climate reporting in future years.

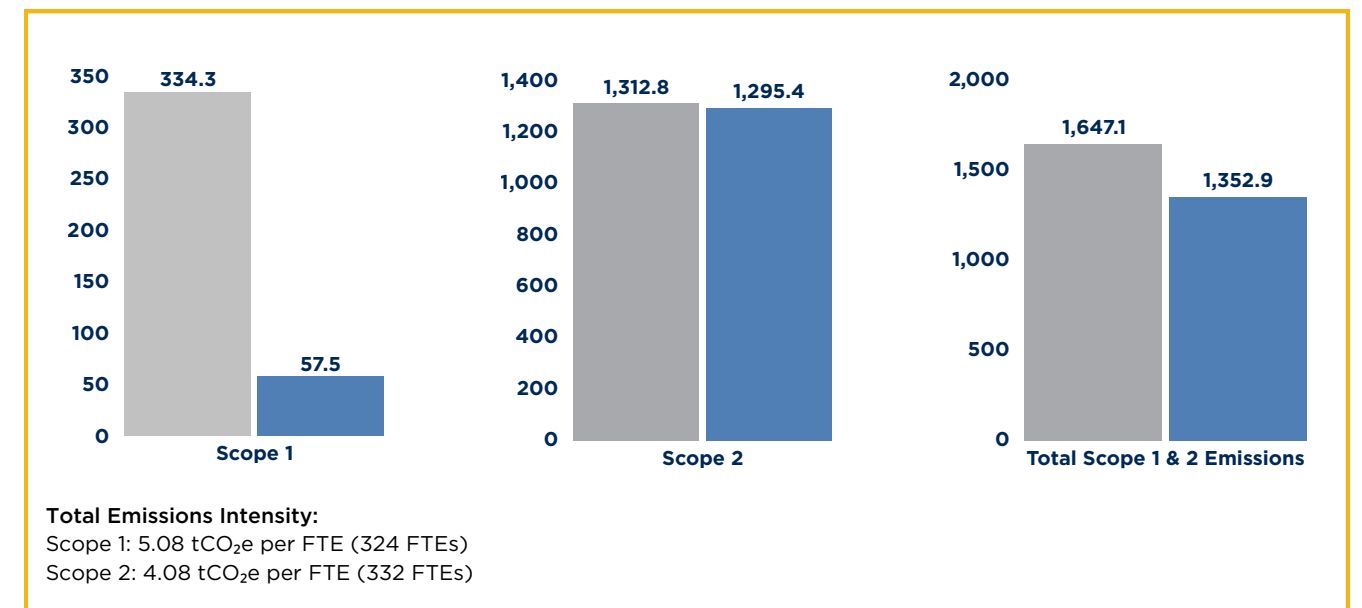
GHG Emissions Performance

In 2025, Bank of Sharjah recorded total Scope 1 emissions of 57.5 tCO₂e, representing a significant reduction compared to 334.3 tCO₂e in 2024. This decrease was primarily driven by improved fleet management practices, enhanced monitoring of vehicle usage, and more efficient refuelling controls implemented across branches.

Scope 2 emissions from purchased electricity consumption totaled 1,295.4 tCO₂e in 2025, compared to 1,312.8 tCO₂e in 2024. The marginal reduction reflects stable electricity demand across operations, alongside the early impacts of energy efficiency initiatives, including the phased replacement of office lighting with LED systems during the year.

To support meaningful year-on-year comparability, the Bank also measures its emissions intensity based on full-time employees (FTEs). In 2025, total emissions intensity stood at 4.08 tCO₂e per FTE, calculated using an average workforce of 332 employees. This represents an improvement compared to 5.08 tCO₂e per FTE in 2024, demonstrating enhanced emissions efficiency despite a slight increase in employee numbers.

Overall, the Bank’s total operational emissions (Scope 1 and Scope 2 combined) decreased year on year, reflecting continued progress in managing its direct environmental footprint.



As part of its ongoing climate strategy, Bank of Sharjah remains focused on strengthening internal systems for emissions monitoring, enhancing data quality, and expanding the scope of climate-related disclosures over time. Future priorities include improving Scope 3 data readiness, embedding climate considerations within operational decision-making, and supporting the transition toward a lower-carbon economy in line with national and global climate ambitions.

Innovative Projects and Initiatives

Anti-Money Laundering (AML) and Watch List Monitoring (WLM) Solution

Bank of Sharjah completed the implementation of its enhanced AML and Watch List Monitoring solution. The upgraded platform strengthens the Bank's compliance framework through improved monitoring, automation and risk detection capabilities.

New Payment Standards (ISO 20022)

The Bank completed the adoption of ISO 20022 messaging standards across relevant payment systems, supporting improved interoperability, enriched payment data and more efficient domestic and cross-border payment processing.

Paper Reduction and Digital Customer Communication

As part of its sustainability and digital transformation initiatives, the Bank enhanced its banking applications to reduce paper printing and migrate customer communications to digital channels, supporting environmental objectives and operational efficiency.

Straight-Through Processing (STP) Enhancements

The Bank enhanced multiple operational processes to increase straight-through processing and reduce manual intervention, including fixed deposits, incoming/outgoing remittances and incoming/outgoing cheque clearing. These enhancements improved turnaround times and reduced operational risk.

eBOS Mobile Application Enhancements

The eBOS MA was enhanced to include additional products and services such as Fixed Deposit management, Push Notifications, Aani mass enrolment, SEWA bill payments and other self-service features. The security posture of the Bank's MA was further strengthened through Application Shielding. In addition, a long-term digital roadmap was established to continue enhancing the eBOS platform, including digital onboarding and migrating additional branch-based services to digital channels.

ATM Network Enhancements

The Bank implemented new self-service features in its ATMs to facilitate card-less cash and cheque deposits. The Bank has also optimized its ATM network through relocation and accessibility enhancements to better serve People of Determination (POD). The Bank's website was also enhanced with accessibility features to support POD.

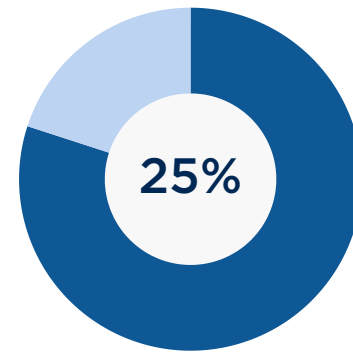
Card Domestic Scheme (Jaywan)

The Bank enhanced multiple operational processes to The Bank implemented new self-service features in its ATMs to facilitate card-less Cash and Cheque deposits. The Bank has also optimized its ATM network through relocation and accessibility enhancements to better serve People of Determination (POD). The Bank's website was also enhanced with accessibility features to support POD.

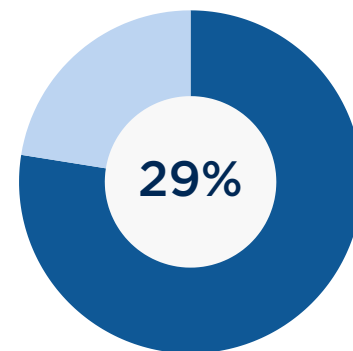
Customer Relationship Management (CRM) Solution

Bank of Sharjah is currently evaluating the implementation of a CRM solution to enhance customer engagement, service personalization and data-driven relationship management.

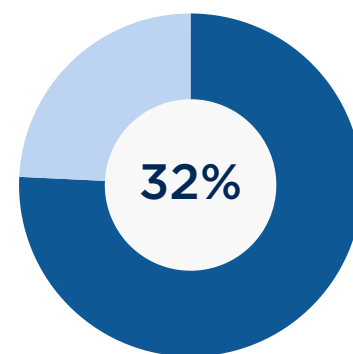
Emiratization



2023



2024



2025



Advancing with Purpose

At Bank of Sharjah, sustainability is not a standalone initiative; it is embedded into how we operate, serve our clients, and engage with the wider community.

In alignment with the UAE's Net Zero by 2050 Strategic Initiative and the UAE Climate Law, the Bank continued to advance its responsible banking approach throughout 2025. Our efforts focused on four key pillars: sustainable finance, environmental leadership, social responsibility, and governance & ethical business.

As we advance, we remain committed to embedding ESG principles across our operations and contributing meaningfully to the UAE's and Sharjah's sustainability ambitions.



Driving Sustainable Finance

Bank of Sharjah expanded its green financing to support the transition to a low-carbon economy.

- In 2025, the Bank achieved approximately USD 395 million (AED 1.5 billion) in total green financing, including sustainable bonds of USD 24 million (AED 88 million), sustainable sukuks of USD 77 million (AED 283 million), ESG-linked loans of USD 143 million (AED 525 million), and financing to multilateral development banks of USD 152 million (AED 554 million).

Advancing Environmental Operations

Bank of Sharjah continued to reduce its operational footprint through energy efficiency, waste management, and circular-economy practices.

- Achieved a 25.9% reduction in overall energy consumption and an 82.8% reduction in vehicle fuel consumption.
- Maintained 100% recycling of e-waste (5,640 kg) and paper waste (8,407 kg), saving 142.9 trees and conserving significant natural resources.

Empowering People and Culture

Our people remain central to our success. We strengthened an inclusive and skilled workforce in line with the UAE's Emiratization and Nafis targets.

- Women represented 53% of our workforce.
- Achieved 32% Emirati representation across the Bank and 30% among senior leadership.
- Delivered a minimum of 4 training hours per employee, focused on continuous learning and development.

Enriching Community Engagement

Bank of Sharjah remains a committed partner in the social and economic development of Sharjah and the UAE.

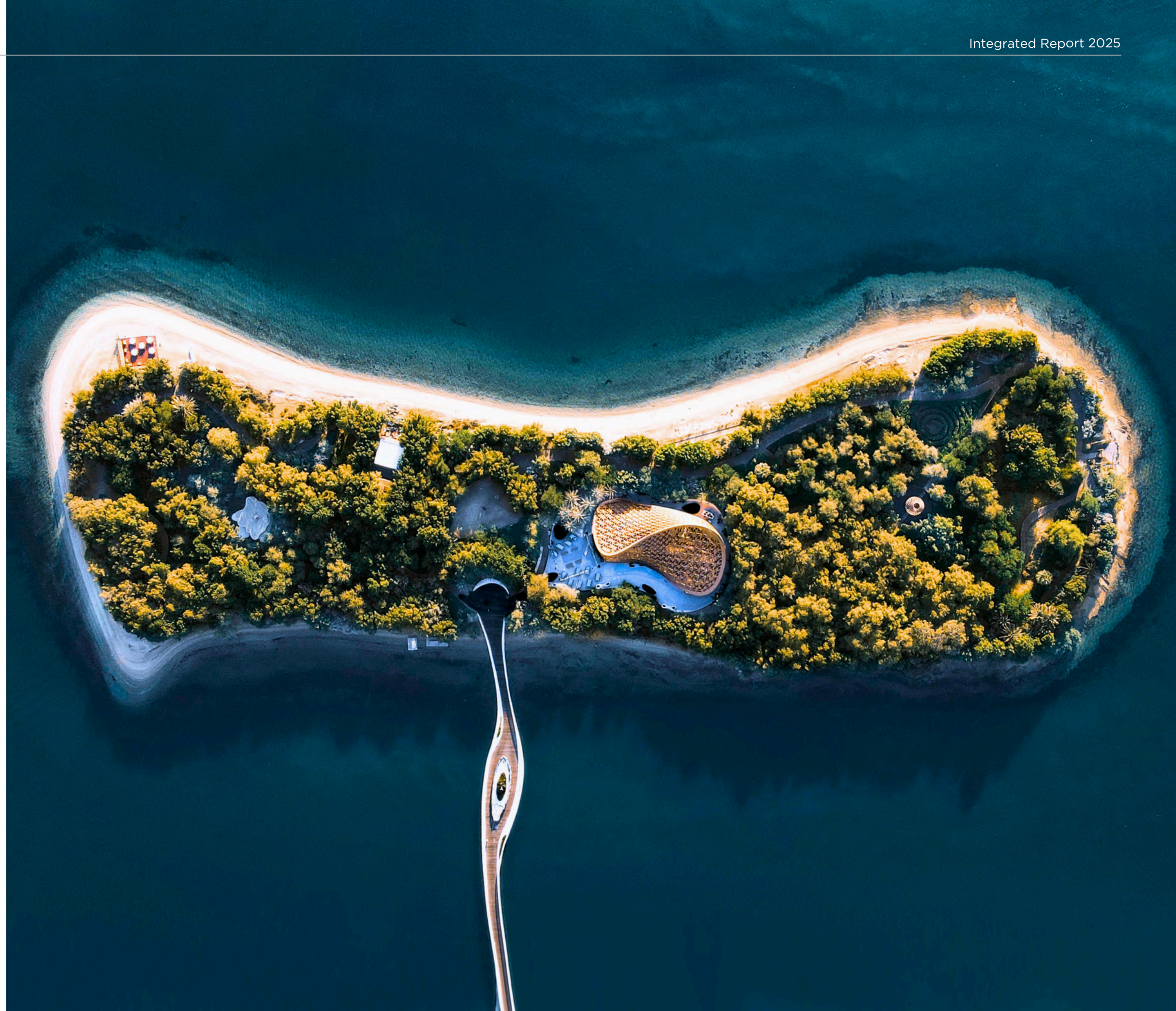
- Contributed AED 1.6 million to community initiatives.
- Advanced financial inclusion, with 75% of all customer payments were conducted through digital channels compared to 69% in 2024.

Future Outlook

Looking ahead, Bank of Sharjah views the implementation of a Sustainable Finance Policy in 2026 as a key milestone in scaling its sustainable finance activities. The policy will be reviewed and progressively enhanced in the coming years to include clearer targets, eligibility criteria, and reporting mechanisms for sustainable finance.

The Bank recognises several challenges in expanding its sustainable finance portfolio, including data availability, the need for continued staff education and capacity building, and the importance of establishing a clear board-level strategy and risk appetite for sustainable finance. Addressing these challenges will remain a priority as BoS continues to embed ESG considerations into its financing decisions.

By strengthening governance, building internal capabilities, and expanding its sustainable finance offerings, Bank of Sharjah aims to play an increasingly active role in financing the transition to a more sustainable and resilient economy.



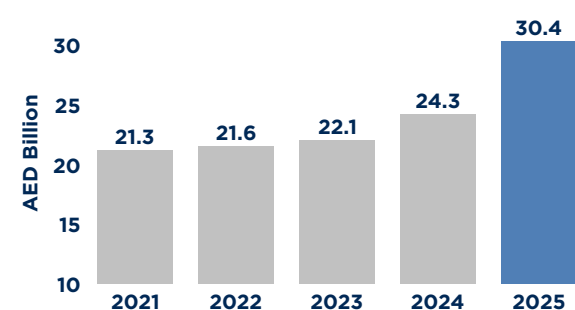
04

Financial Highlights

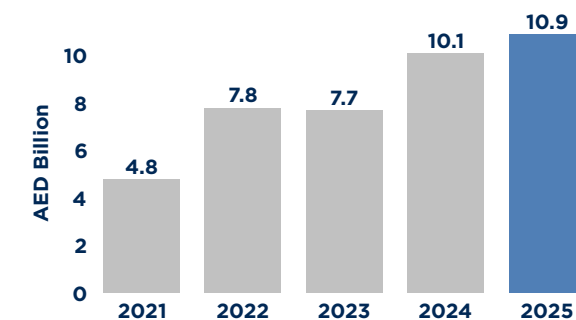


Robust Balance Sheet and Growth

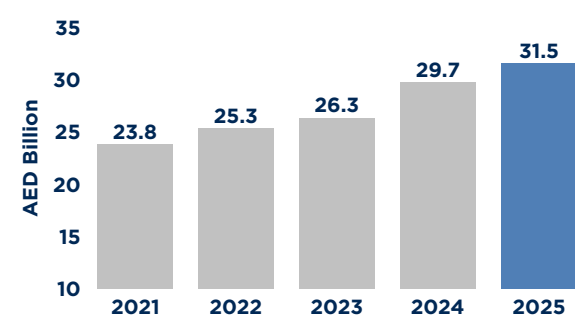
Net Loans and Advances



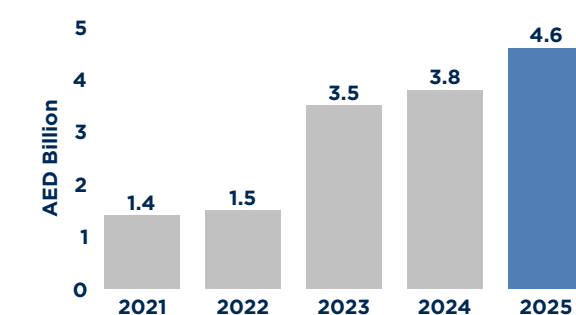
Net Investment Securities



Customers' Deposits

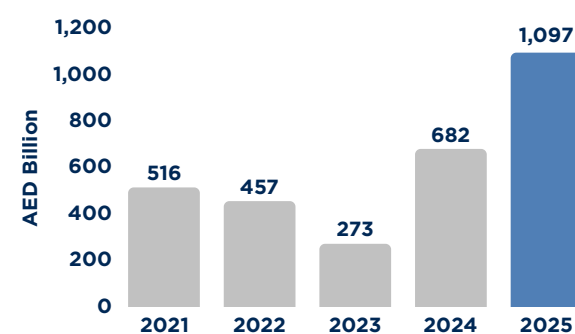


Total Equity

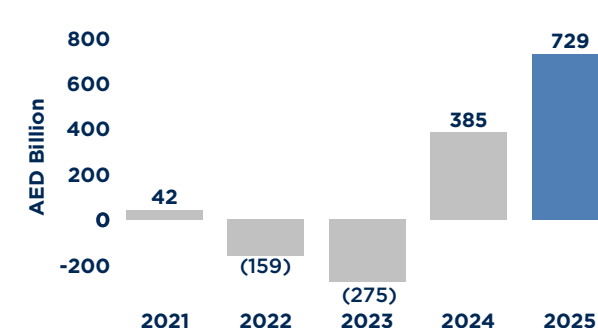


Strong Profitability

Net Operating Income



Net Profit/(Loss)



Statement of Profit or Loss Highlights (AED Mn)	FY25	FY24	Change
Net interest income	678	429	58%
Non-interest income	468	298	57%
Operating income	1,147	727	58%
Net impairment (loss)/reversal on financial assets	(50)	(44)	12%
Net operating income	1,097	682	61%
General and administrative expenses	(294)	(266)	11%
Profit before tax	803	416	93%
Income tax expense	(74)	(32)	134%
Net profit for the year	729	385	89%

Statement of Financial Position Highlights (AED Bn)	31-12-2025	31-12-2024	Change
Loans and advances, net	30.4	24.3	25%
Investments securities, net	10.9	10.1	8%
Total assets	48.4	43.6	11%
Customers' deposits	31.5	29.7	6%
Total equity	4.6	3.8	21%

Key Highlights (FY2025)

Key Profitability Ratios	FY25	FY24	Change
Net interest margin	1.6%	1.2%	40 bps
Cost to income	25.7%	36.6%	(1,090 bps)
Return on equity	15.7%	10.1%	560 bps
Return on assets	1.5%	0.9%	60 bps

Key Financial Position Ratios	31-12-2025	31-12-2024	Change
Loans & advances to customers' deposits ratio	96.6%	81.8%	1,480 bps
Capital adequacy ratio	16.9%	15.3%	160 bps
Tier 1 capital ratio	15.7%	14.1%	160 bps
Common equity tier 1 capital ratio	15.7%	14.1%	160 bps

Bank of Sharjah P.J.S.C.
Board of Directors' report and consolidated financial statements
for the year ended 31 December 2025

Bank of Sharjah P.J.S.C.

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Bank of Sharjah P.J.S.C.

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Board of Directors' report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of Bank of Sharjah P.J.S.C. (the "Bank") and its subsidiaries, together referred to as (the "Group") for the year ended 31 December 2025.

Financial Highlights

As of 31 December 2025, the total assets of the Group amounted to AED 48.4 billion, an increase of 11.0% compared to AED 43.6 billion as at 31 December 2024. Net loans and advances amounted to AED 30.4 billion, an increase of 25.3% from AED 24.3 billion as at 31 December 2024. Investments securities increased by 8.0% to AED 10.9 billion as at 31 December 2025 from AED 10.1 billion as at 31 December 2024. Customers' deposits increased by 6.1% to reach AED 31.5 billion as compared to AED 29.7 billion as at 31 December 2024, demonstrating overall strengthening of the Group's liquidity position. Total equity amounts to AED 4.6 billion as of 31 December 2025.

Net interest income recorded a significant increase of 58.1% and reached AED 678 million for the year ended 31 December 2025 from AED 429 million in the previous year. Operating income for the Group increased by AED 420 million and reached AED 1,146.5 million for the year ended 31 December 2025 compared to AED 726.5 million in the previous year. Income on properties recorded AED 210.6 million for the year ended 31 December 2025 compared to AED 104.4 million in the previous year, Profit before tax increased by 92.8% and reached AED 802.8 million for the year ended 31 December 2025 compared to AED 416.4 million in the previous year. As a result, net profit of AED 728.8 million was recorded for the year ended 31 December 2025, compared to AED 384.7 million in the previous year, reflecting an 89.4% increase.

Auditors

Grant Thornton Audit and Accounting Limited (Dubai Branch) were appointed as auditors of the Group for the year ended 31 December 2025 at the Annual General Meeting held on 23 April 2025.

Directors

The Directors during the year were:

1. Sheikh Mohammed Bin Saud Al Qasimi (Chairman)
2. Sh. Saif Bin Mohammed Bin Butti Al Hamed (Vice Chairman)
3. Mrs. Arwa Al Owais
4. Mr. Talal Al Midfa
5. Mr. Abdul Aziz Al Hasawi
6. Mr. Mubarak Al Besharah
7. Mr. Salem Al Ghammai
8. Mr. Salah Ahmed Abdalla Al Noman
9. Mr. Abdulla Sherif Al Fahim
10. Mr. Amer Abdulaziz Khansaheb
11. Mr. Waleed Ibrahim AlSayegh

On behalf of the Board



Mohammed Bin Saud Al Qasimi
Chairman



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC**Report on the Audit of the Consolidated Financial Statements****Opinion**

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

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

Basis for Opinion

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

Key Audit Matters

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)
Key Audit Matters (continued)

Description of Key Audit Matters	How the Matter was Addressed in our Audit
Measurement of Expected Credit Loss ("ECL") on Loans and Advances to Customers	
<p>As described in note 8 to the consolidated financial statements, the Group had loans and advances of AED 30,440 million as at 31 December 2025 representing 62.93% of total assets. The expected credit loss ("ECL") allowance was AED 1,846 million as at this date, which comprises of an allowance of AED 1,418 million against Stage 1 and 2 exposures and an allowance of AED 428 million against exposures classified under Stage 3.</p> <p>The Group calculates Expected Credit Loss ("ECL") on its loans and advances balance using model estimations by exercising significant judgments and making a number of assumptions to estimate probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), adjusted for the forward-looking information, associated with the underlying financial assets.</p> <p>The Group's determination of impairment allowances for loans and advances to customers also requires management to make judgements over the staging of financial assets by assessing certain risk parameters, resulting in manual staging adjustments allowed as per the Group's policies and regulatory requirements, where appropriate.</p> <p>Given the level of complexity, number of significant judgements and assumptions required to measure the ECL on loans and advances to customers, we have considered this represents a Key Audit Matter.</p> <p>Note (4.1) of the Group's consolidated financial statements explains the accounting policies applied when determining the ECL and note (35) provides the risk management disclosures relating to ECL.</p>	<p>We have performed the following audit procedures on the measurement of ECL on loans and advances to customers included in the Group's consolidated financial statements for the year ended 31 December 2025:</p> <ul style="list-style-type: none"> ➤ we have obtained an understanding of the control environment associated with the process for calculation of ECL and assessed the design and tested the operating effectiveness of relevant controls in that process; ➤ we have tested the completeness and accuracy of the data used in the calculation of ECL; ➤ for a sample of exposures, we have checked the appropriateness of the Group's application of the staging criteria and staging adjustments; ➤ we have involved our IFRS 9 'Financial Instruments' experts to assess the following areas: <ul style="list-style-type: none"> • conceptual framework used for developing the Group's impairment policy in the context of its compliance with the requirements of IFRS 9. • ECL modelling methodology and calculations used to compute the probability of default (PD), loss given default (LGD), and exposure at default (EAD) including reasonableness of the assumptions. • parameters and definitions used to determine significant increase in credit risk. • the appropriateness of the macro-economic variables, multiple economic scenarios chosen and scenario weightings. • Re-computation of ECL provision for a sample of corporate exposures to assess the mathematical accuracy of the ECL calculation. ➤ for the Stage 3 portfolio we have assessed the appropriateness of the provisioning assumptions for a sample of corporate exposures selected on the basis of risk and the significance of individual exposures. This included assessing, on a sample basis, the appropriateness of consideration of repayments and collateral valuations, by involving our property valuation experts; ➤ we have assessed the appropriateness of significant assumptions used in management judgmental adjustments, including provisioning overlays due to regulatory requirements; and ➤ we have evaluated the disclosures in the consolidated financial statements to assess their compliance with the requirements of IFRS Accounting Standards.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)
Key Audit Matters (continued)

Description of Key Audit Matters	How the Matter was Addressed in our Audit
Classification and Measurement of Wholly Owned Subsidiary namely 'Emirates Lebanon Bank S.A.L.' (the 'Subsidiary') as held for sale under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'	
<p>The Group has classified its wholly owned Subsidiary, namely Emirates Lebanon Bank S.A.L. (the 'Subsidiary') as held for sale with effect from 1 April 2023.</p> <p>The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification in order to meet the condition for classification as held for sale under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations (subject to limited exceptions).</p> <p>Additionally, once classified in this category, the group of assets and liabilities for the Subsidiary are measured at the lower of carrying amount and fair value less costs to sell. On classification as held for sale, if the fair value less cost to sell is less than the carrying amount, an impairment loss is recognized in the consolidated financial statements. The determination and subsequent measurement of fair value less cost to sell is an estimate and requires significant judgement.</p> <p>However, due to the current geopolitical conditions in Lebanon, the sale has not been completed within one year from the date of classification. Further, it was impractical for the Bank to obtain an updated valuation to arrive at the fair value less costs to sell for the Subsidiary as of 31 December 2025.</p> <p>Given the level of uncertainty and significant judgements required to determine the fair value of the asset, we have considered this represents a Key Audit Matter</p> <p>Notes (2.1) and (5.1) of the Group's consolidated financial statements explain the accounting policy for the Subsidiary held for sale and the disclosure related to the Subsidiary held for sale.</p>	<p>We have performed the following audit procedures on the classification and measurement of the Subsidiary as held for sale included in the Group's consolidated financial statements for the year ended 31 December 2025:</p> <ul style="list-style-type: none"> ➤ we have held inquiries with management and those charged with governance regarding the Group's progress in relation to sale of the Subsidiary; ➤ we have assessed management's activity since the date of classification of the Subsidiary and action taken to progress the sale of the Subsidiary, specifically we have performed the following procedures: <ul style="list-style-type: none"> • we have inspected a copy of the decision whereby the board of directors approved the delinking of the Subsidiary. • we have inspected the approval from the regulator to delink the Subsidiary. We sighted supplementary correspondence from the regulator re-affirming their approval for the delinking of the Subsidiary. • we have inspected letter(s) of intent received from potential buyer(s) to acquire the Subsidiary at the offer value(s). We have sighted supplementary correspondence from potential buyer(s) confirming their continued intention to acquire the Subsidiary at unchanged offer value(s). • we have inspected documentation that demonstrates the bank has appointed an exclusive advisor to facilitate the sale of the Subsidiary and provide further necessary transaction related support. ➤ we have held inquiries with the management of the Subsidiary to understand the current banking operations and financial performance of the Subsidiary; ➤ we have assessed the mathematical accuracy of management's calculations and determination of measurement of the Subsidiary on initial recognition and on an on-going basis. We have assessed the appropriateness of the related accounting entries; and ➤ we have reviewed the disclosures in the consolidated financial statements to assess their compliance with the requirements in IFRS Accounting Standards.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC
(continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

The Board of Directors of the Group are responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report and the Management Discussion and Analysis Report are expected to be made available to us after the date of Auditor's report.

Our opinion on the consolidated financial statements does not cover the other information except for the financial information given in the Board of Directors' report, and accordingly we do not and will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Annual Report and the Management Discussion and Analysis Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

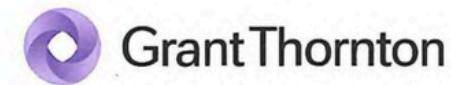
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC
(continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BANK OF SHARJAH PJSC
(continued)**


Report on Other Legal and Regulatory Requirements

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

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree-Law No (32) of 2021, as amended;
- iii) The Group has maintained proper books of account in accordance with established accounting principles;
- iv) The financial information included in the Board of Directors' report is consistent with the books of account of the Group;
- v) Note 9 to the consolidated financial statements discloses purchases or investment in shares during the financial year ended 31 December 2025;
- vi) Note 32 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) Note 29 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2025; and
- viii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has, during the year ended 31 December 2025, contravened any of the applicable provisions of the UAE Federal Decree-Law No (32) of 2021, as amended or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2025.

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

GRANT THORNTON UAE

J. Anand Prabhu

Anand Prabhu
 Registration No: 5567
 Dubai, United Arab Emirates

17 March 2026

Bank of Sharjah P.J.S.C.

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**Consolidated statement of financial position
As at 31 December**

	Notes	2025 AED'000	2024 AED'000
ASSETS			
Cash and balances with central bank	6	3,245,127	4,639,575
Deposits and balances due from banks	7	917,953	595,972
Loans and advances, net	8	30,440,444	24,302,758
Investment securities, net	9	10,913,596	10,101,570
Investment properties	10	1,247,068	1,157,453
Assets acquired in settlement of debts	11	122,875	1,070,090
Other assets	12	482,372	679,832
Properties and equipment	14	157,188	190,932
Subsidiary held for sale	2.1	844,790	844,790
Total assets		48,371,413	43,582,972
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	15	31,507,048	29,704,942
Deposits and balances due to banks	16	3,654,192	2,822,812
Repo borrowings	17	1,994,572	2,420,284
Other liabilities	18	1,141,143	1,245,042
Issued bonds	19	5,440,315	3,563,070
Total liabilities		43,737,270	39,756,150
Equity			
Capital and reserves			
Share capital	20	3,000,000	3,000,000
Statutory reserve	20	1,161,347	1,088,469
Impairment reserve	8 (b)	226,946	190,316
Investment fair value reserve		(731,440)	(811,062)
Currency translation reserve		(386,675)	(386,675)
Retained earnings		1,363,047	744,234
Equity attributable to equity holders of the Bank		4,633,225	3,825,282
Non-controlling interests		918	1,540
Total equity		4,634,143	3,826,822
Total liabilities and equity		48,371,413	43,582,972

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group as of, and for the year ended 31 December 2025. The consolidated financial statements of the Group were approved by the Board of Directors and authorised for issue on 17 March 2026.


Mohammed Bin Saud Al Qasimi
 Chairman


Mohamed Khadiri
 Chief Executive Officer

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Bank of Sharjah P.J.S.C.

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Consolidated statement of profit or loss
for the year ended 31 December

	Notes	2025 AED'000	2024 AED'000
Interest income	24	2,373,164	2,085,080
Interest expense	25	(1,694,995)	(1,656,071)
Net interest income		678,169	429,009
Net fee and commission income	26	176,541	154,667
Exchange profit		34,814	25,771
Income on investments	27	45,462	11,164
Net income on properties		210,626	104,431
Other income		937	1,474
Operating income		1,146,549	726,516
Net impairment loss on financial assets	28	(49,645)	(44,384)
Net operating income		1,096,904	682,132
Personnel expenses	29	(159,490)	(136,944)
Depreciation	14 & 29	(21,739)	(21,068)
Other expenses	29	(112,877)	(107,760)
Profit before tax		802,798	416,360
Income tax expense	30	(74,016)	(31,670)
Net profit for the year		728,782	384,690
Attributable to:			
Equity holders of the Bank		729,404	384,474
Non-controlling interests		(622)	216
Net profit for the year		728,782	384,690
Basic and diluted profit per share (AED)	21	0.24	0.13

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Bank of Sharjah P.J.S.C.

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Consolidated statement of comprehensive income
for the year ended 31 December

	2025 AED'000	2024 AED'000
Net profit for the year	728,782	384,690
Other comprehensive income/(loss) items		
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>		
Net change in fair value of equity instruments measured at fair value through other comprehensive income	61,426	(67,542)
<i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>		
Net change in fair value of debt instruments measured at fair value through other comprehensive income	17,981	(2,058)
Expected credit loss on FVOCI bonds (note 28)	(868)	6,217
Other comprehensive income/ (loss) for the year	78,539	(63,383)
Total comprehensive income for the year	807,321	321,307
Attributable to:		
Equity holders of the Bank	807,943	321,091
Non-controlling interests	(622)	216
Total comprehensive income for the year	807,321	321,307

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Bank of Sharjah P.J.S.C.

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Consolidated statement of changes in equity
for the year ended 31 December

	Share capital AED'000	Statutory reserve AED'000	Impairment reserve AED'000	Investment fair value reserve AED'000	Currency translation reserve AED'000	Retained earnings AED'000	Equity attributable to equity holders of the bank AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance as at 1 January 2024	3,000,000	1,050,000	190,316	(754,382)	(386,675)	404,932	3,504,191	1,324	3,505,515
Net profit for the year	-	-	-	-	-	384,474	384,474	216	384,690
Other comprehensive loss for the year	-	-	-	(63,383)	-	-	(63,383)	-	(63,383)
Total comprehensive income for the year	-	-	-	(63,383)	-	384,474	321,091	216	321,307
Adjustment on disposal of FVOCI investment	-	-	-	6,703	-	(6,703)	-	-	-
Transfer to statutory reserve	-	38,469	-	-	-	(38,469)	-	-	-
Balance as at 31 December 2024	3,000,000	1,088,469	190,316	(811,062)	(386,675)	744,234	3,825,282	1,540	3,826,822
Net profit for the year	-	-	-	-	-	729,404	729,404	(622)	728,782
Other comprehensive income for the year	-	-	-	78,539	-	-	78,539	-	78,539
Total comprehensive income for the year	-	-	-	78,539	-	729,404	807,943	(622)	807,321
Adjustment on disposal of FVOCI investment	-	-	-	1,083	-	(1,083)	-	-	-
Transfer to statutory reserve	-	72,878	-	-	-	(72,878)	-	-	-
Transfer from Impairment reserve	-	-	(190,316)	-	-	190,316	-	-	-
Excess provision held	-	-	226,946	-	-	(226,946)	-	-	-
Balance as at 31 December 2025	3,000,000	1,161,347	226,946	(731,440)	(386,675)	1,363,047	4,633,225	918	4,634,143

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Bank of Sharjah P.J.S.C.

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Consolidated statement of cash flows
for the year ended 31 December

	Notes	2025 AED'000	2024 AED'000
Cash flows from operating activities			
Net profit before tax for the year		802,798	416,360
Adjustments for:			
Depreciation of property and equipment	14&29	21,739	21,068
Gain on sale on property and equipment		(17,004)	(792)
Gain on sale on investment properties		(3,700)	-
Discount on debt securities		(56,334)	(6,271)
Unrealised gain on investments	27	(5,745)	(5,766)
Realised gain on investments	27	(23,456)	(4,269)
Realised gain on financial assets		-	(4,077)
Gain on sale of assets acquired in settlement of debts		(71,454)	(43,832)
Unrealized gain on investment properties	10	(111,886)	(54,700)
Unrealized gain on assets acquired in settlement of debts	11	(18,955)	(6,006)
Net impairment charge on financial assets	28	49,645	44,384
Dividends income	27	(16,261)	(1,129)
Amortization of the discount and other changes in debt securities		8,799	-
Interest on Lease Liability		2,181	-
Issued bond cost		(4,497)	-
Operating profit before changes in operating assets and liabilities		555,870	354,970
Changes in:			
Deposits and balances due from banks maturing after three months from dates of placements		(86,372)	206,106
Statutory deposits with central bank		(443,650)	250,634
Loans and advances		(5,155,558)	(2,290,106)
Other assets		235,269	576,343
Customers' deposits		1,802,108	3,362,344
Other liabilities		(134,763)	(742,874)
Cash (used in)/ generated from operations		(3,227,096)	1,717,417
Cash flows from investing activities			
Purchase of property and equipment	14	(4,612)	(7,255)
Payment for Right of Use Assets		(16,396)	-
Purchase of financial assets		(6,386,582)	(2,727,165)
Proceeds from sale of investment properties		29,000	-
Proceeds from sale of property and equipment		-	5,433
Proceeds from sale of assets acquired as settlement of debt		-	32,742
Proceeds from sale of investments		5,711,644	297,418
Dividends received	27	16,261	1,129
Proceeds from shares		147	-
Cash used in investing activities		(650,538)	(2,397,698)
Cash flows from financing activities			
Proceeds from issued bond		1,817,750	1,818,484
Proceeds from repo borrowings and due to banks		1,890,479	1,532,375
Proceeds from sale of issued bonds		52,582	-
Settlement of issued bonds		-	(2,247,189)
Cash generated from financing activities		3,760,811	1,103,670
Net (decrease)/ increase in cash and cash equivalents during the year		(116,823)	423,389
Cash and cash equivalents at the beginning of the year	6	2,818,405	2,395,016
Cash and cash equivalents at the end of the year	6	2,701,582	2,818,405

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Bank of Sharjah P.J.S.C.

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Notes to the consolidated financial statements
for the year ended 31 December 2025

1 General information

Bank of Sharjah P.J.S.C. (the "Bank"), is a public joint stock company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness The Ruler of Sharjah and was registered in February 1993 under the Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced its operations under a banking license issued by the United Arab Emirates Central Bank dated 26 January 1974. The Bank is engaged in commercial and investment banking activities.

The Bank's registered office is located at Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank operates through six branches in the United Arab Emirates located in the Emirates of Sharjah, Dubai, Abu Dhabi, and City of Al Ain. The accompanying consolidated financial statements combine the activities of the Bank and its subsidiaries (collectively the "Group"), as listed in Note 31.

2. Basis of preparation

2.1 Subsidiary held for sale

The Central Bank of the UAE continues to support the Bank's strategic initiative to delink and deconsolidate its Lebanese subsidiary, in line with the Central Bank of the UAE recommendations and Board approval, effective 1 April 2023. This approach aims to reduce accounting volatility and address historical anomalies arising from consolidation. The subsidiary remains classified as an asset held for sale and is measured in accordance with IFRS 5 at the lower of carrying amount and fair value less costs to sell, based on a market-oriented valuation approach.

During the year ended 31 December 2025, Lebanon's political and economic environment showed gradual improvement, contributing to a more stable operating landscape and renewed interest in potential transactions within the banking sector. The Bank made tangible progress in advancing the sale process, engaging multiple credible potential buyers who have executed confidentiality agreements and entered structured discussions. As at year-end, transaction materials were finalized and shared to support ongoing due diligence.

While completion remains subject to regulatory approvals and market conditions, the improving external environment and continued buyer engagement support management's expectation that the disposal process will continue to advance. Accordingly, the Lebanese subsidiary continues to meet the criteria for classification as held for sale under IFRS 5.

The results of the Lebanese subsidiary for the year ended 31 December 2025 and 2024 are considered to be immaterial to the overall financial statements of the Group, accordingly, these have not been included in these consolidated financial statements.

The breakdown of the Lebanese subsidiary's net assets as at 1 April 2023 is as follows:

	AED'000
ASSETS	
Cash and balances with central bank	2,892,460
Deposits and balances due from banks	10,497
Loans and advances, net	1,090,017
Investments measured at fair value	29,567
Investments measured at amortised cost	43,344
Other intangibles	345
Assets acquired in settlement of debt	79,641
Other assets	17,989
Property and equipment	6,040
Total assets	4,169,900
LIABILITIES	
Customers' deposits	2,318,968
Deposits and balances due to banks	617,261
Other liabilities	189,728
Total liabilities	3,125,957
Net assets	1,043,943
Fair value of net assets	844,790

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Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

2. Basis of preparation (continued)

2.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board ("IASB") and applicable requirements of the laws of the United Arab Emirates ("UAE"). Group has also complied with provisions of the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") which was issued on 20 September 2021 and came into effect on 2 January 2022.

Basis of measurement - The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values as explained in the accounting policies below.

Functional and presentation currency - The consolidated financial statements are presented in United Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands' dirham, except when otherwise indicated.

Basis of consolidation - The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

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

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. This includes circumstances in which protective rights (e.g. more from a lending relationship) becomes substantive and lead to the Bank having power over as investee. When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders and other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributable to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributable to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to owners of the Group. When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the

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Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

2. Basis of preparation (continued)

2.2 Basis of preparation (continued)

subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Bank had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 (IFRS 9 Financial Instruments) issued in 2010, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3 Application of other new and revised International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB)

3.1 New and amended IFRS Accounting Standards that are effective for the current period

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

New and revised IFRS Accounting Standard	Summary
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Lack of Exchangeability	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Other than the above, there are no other significant IFRS Accounting Standards and amendments that were effective for the first time for the financial year beginning on or after 1 January 2025.

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Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

3 Application of other new and revised International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) (continued)

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

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures regarding the classification and measurement of financial instruments The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.	1 January 2026
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures regarding purchase power arrangements The amendments aim at enabling entities to include information in their financial statements that in the IASB's view more faithfully represents contracts referencing nature-dependent electricity.	1 January 2026
Annual improvements to IFRS Accounting Standards - Volume 11 The pronouncement comprises the following amendments: <ul style="list-style-type: none"> IFRS 1 First-time Adoption of International Financial Reporting Standards: Hedge accounting by a first-time adopter IFRS 7 Financial Instruments - Disclosures: Gain or loss on derecognition IFRS 7 Financial Instruments - Disclosures: Disclosure of deferred difference between fair value and transaction price IFRS 7 Financial Instruments - Disclosures: Introduction and credit risk disclosures IFRS 9 Financial Instruments: Lessee derecognition of lease liabilities IFRS 9 Financial Instruments: Transaction price IFRS 10 Consolidated Financial Statements: Determination of a "de facto agent" IAS 7 Statement of Cash Flows: Cost method 	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027
Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures The amendments cover new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 that were not considered when IFRS 19 was first issued.	1 January 2027

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3 Application of other new and revised International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) (continued)

3.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS Accounting Standards	Effective for annual periods beginning on or after
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to Translation to a Hyperinflationary Presentation Currency The amendments clarify how companies should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.	1 January 2027
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) The amendments relate to the treatment of the sale or contribution of assets from an investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of Group in the period of initial application.

4 Material accounting policies

4.1 Financial instruments

Recognition and Initial Measurement

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities respectively, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in consolidated statement of profit or loss.

Classification of financial assets

Balances with central bank, due from banks and financial institutions, financial assets and certain items in receivables and other assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition). IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Classification of financial assets (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at amortised cost

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

Financial assets measured at FVTPL

Investments in equity instruments are classified as financial assets measured at FVTPL, unless the Group designates fair value through other comprehensive income (FVTOCI) at initial recognition. Financial assets that do not meet the amortised cost criteria described above, or that meet the criteria but the Group has chosen to designate it as at FVTPL at initial recognition, are measured at FVTPL. Financial assets (other than equity instruments) may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains or losses on them on different basis. Financial assets are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financial assets (other than equity instruments) designated as at FVTPL at initial recognition is not permitted. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the consolidated statement of profit or loss at the end of each reporting period. The net gain or loss recognised in the consolidated statement of profit or loss. Fair value is determined in the manner described in note 37.

Financial assets measured at FVTOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. A financial asset is held for trading if:

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Financial assets measured at FVTOCI (continued)

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments fair value reserve is not transferred to consolidated statement of profit or loss.

Business model assessment

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

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

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

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Assessments whether contractual cash flows are solely payments of principal and interest (continued)

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECLs are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Derecognition

Financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all their risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Financial assets (continued)

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion.

The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan; and
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and whether the Group will benefit from any upside from the underlying assets.

Measurement of ECL

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Measurement of ECL (continued)

ECLs are an unbiased probability-weighted estimate of the present value of credit losses that is determined by evaluating a range of possible outcomes. For funded exposures, ECL is measured as follows:

- for financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's coupon rate as a proxy for effective interest rate (EIR);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

However, for unfunded exposures, ECL is measured as follows:

For undrawn loan commitments, as the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and for financial guarantee contracts, the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party. The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic and credit risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's coupon rate, regardless of whether it is measured on an individual basis or a collective basis.

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

- Probability of default (PD) – PD estimates are estimates at a certain date, which are calculated based on statistical rating models currently used by the Group, and assessed using rating tools tailored to the various categories and sizes of counterparties.
- Exposure at default (EAD) – EAD represents the expected exposure upon default of an obligor. 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 lending 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.
EAD is calculated as below:
 - For Loans and other Direct Facilities: EAD reflects only the drawn exposure. Since all facilities show 100% drawn, no CCF is applied to undrawn amounts
 - For Indirect Facilities: EAD is derived by applying UGD to the outstanding exposure.
- Loss given default (LGD) – LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, considering cash flows from the proceeds from liquidation of any collateral.
LGD is derived as below:
 - Senior Unsecured: 45%
 - Eligible Securities as per Basel lower LGD, taking into consideration applicable Basel haircuts on collateral as well as LGD floors to certain collateral

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement. The group formulates three economic scenarios: a base case with a 40% weight, upside scenario with a 30% weight and a downside scenario with 30% weight.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Macroeconomic factors

In its models, the Group relies on a broad range of forward-looking information as economic inputs, such as: GDP (Gross Domestic Product) growth and oil prices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement. The economic scenarios used as at 31 December 2025 included the following key indicators for the years ending 31 December 2026 to 2030.

	Macro Variable	Scenario	2026	2027	2028	2029	2030
UAE	Oil Price	Base	(6%)	2%	3%	2%	2%
		Upside	2%	(0%)	(1%)	2%	2%
		Downside	(33%)	9%	27%	5%	2%
	GDP	Base	5%	4%	4%	4%	4%
		Upside	7%	6%	4%	4%	4%
		Downside	2%	(0%)	5%	6%	4%

Assessment of significant increase in credit risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1, if certain criteria are met, if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

The group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between wholesale and retail. The credit risk may be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management process that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences. As a backstop, the group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to the initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Assessment of significant increase in credit risk (continued)

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD [stage 1] and lifetime PD [stage 2].

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations)

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators
- a backstop of 30 days past due.

Improvement in credit risk profile

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

The Group has defined below criteria in accordance with regulatory guidelines to assess any improvement in the credit risk profile which will result into upgrading of customers moving from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

For Wholesale Obligors, moving from Stage 3 to Stage 2 is done when at least 3 instalments have been made for monthly repayment schedule, and at least 1 instalment for any other repayment schedule for longer intervals.

For Wholesale Obligors, moving from Stage 2 to Stage 1 is done when at least 6 instalments have been made in case of monthly repayment, 2 instalments in case of quarterly repayment, 2 instalments in case of half yearly repayment, 2 instalments in case of yearly repayment and 12 months minimum in the case of any other frequency.

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: (as a deduction from the gross carrying amount of the assets);
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as deduction from the gross carrying amount of the drawn component.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the statement of profit or loss.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. The amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. In the case where the financial asset is derecognised, the loss allowances for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. On derecognition of a financial asset in its entirety, the difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain / loss allocated to it that had been recognised in OCI is recognised in consolidated statement of profit or loss. Any cumulative gain / loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'amortised cost'. The Group initially recognises financial liabilities such as deposits and debt securities issued on the date at which they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes party to the contractual provision of the instrument.

**Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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4 Material accounting policies (continued)

4.1 Financial instruments (continued)

Financial liabilities at amortized cost

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished - that is when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group trading activity. The Group is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts.

4.2 Derivative financial instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward foreign exchange contracts, interest rate swaps and currency swaps. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate.

Hedge Accounting - The Bank may designate a recognised asset or liability, a firm commitment, highly probable forecast transaction or net investment of a foreign operation into a formal hedge accounting relationship with a derivative that has been entered to manage interest rate and/or foreign exchange risks present in the hedged item. The Bank continues to apply the hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement. For the purpose of hedge accounting, the Group classifies hedges into two categories: (a) fair value hedges, which hedge the exposure to changes in the fair value of a recognised asset or liability; and (b) cash flow hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction that will affect future reported net income. In order to qualify for hedge accounting, it is required that the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objectives and strategies are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

Fair value hedges - Where a hedging relationship is designated as at fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the re-measurement of both the derivative and the hedged item are recognised in the consolidated statement of profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same consolidated statement of profit or loss category as the related hedged item. Any ineffectiveness is also recognised in the same consolidated statement of profit or loss category as the related hedged item. If the derivative is expired, sold, terminated, exercised, it no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortised in the consolidated statement of profit or loss as part of the recalculated effective interest rate over the period to maturity.

**Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025**

4 Material accounting policies (continued)

4.2 Derivative financial instruments (continued)

Cash flow hedges - The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in the cash flow hedging reserve in equity. The ineffective part of any gain or loss is recognised immediately in the consolidated statement of profit or loss as trading revenue/loss. Amounts accumulated in equity are transferred to the consolidated statement of profit or loss in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument is expired or sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gains or losses recognised in other comprehensive income remain in equity until the forecast transaction is recognised, in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the consolidated statement of profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in other comprehensive income are immediately transferred to the consolidated statement of profit or loss and classified as trading revenue/loss.

Derivatives that do not qualify for hedge accounting - All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss as trading revenue/loss. However, the gains and losses arising from changes in the fair values of derivatives that are managed in conjunction with financial instruments designated at fair value are included in net income from financial instruments designated at fair value under other non-interest revenue/loss. Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the consolidated statement of profit or loss.

4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with Central Bank, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

4.4 Reverse-repo placements

Assets purchased with a simultaneous commitment to resell at a fixed price on a specified future date are not recognised. The amount paid to the counterparty under these agreements is shown as reverse repurchase agreements in the consolidated statement of financial position. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement and charged to the consolidated statement of profit or loss using the effective interest rate method and recognized initially at amortised cost.

4.5 Investment properties

Investment properties are held to earn rental income and/or capital appreciation. Investment properties include cost of initial purchase, developments transferred from property under development, subsequent cost of development, and fair value adjustments. Investment properties are reported at valuation based on fair value at the end of the reporting period. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the consolidated statement of profit or loss in the period in which these gains or losses arise. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

4 Material accounting policies (continued)

4.6 Assets acquired in settlement of debt

The Group often acquires real estate and other collateral in settlement of certain loans and advances. Properties acquired in settlement of debt are held as inventory and are stated at lower of cost or net realizable value at the date of acquisition. Subsequently, the real estate are measured at lower of carrying amount or fair value, less impairment losses, if any. Gains or losses on disposal and unrealized losses on revaluation are recognized in the consolidated statement of profit or loss. Directly attributable costs incurred in the acquisition of inventory is included as part of cost of the inventory. Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date.

4.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives using the straight-line method as follows:

	Years
Buildings	20 - 40
Furniture and office equipment	2 - 6
Installation, partitions and decorations	3 - 4
Leasehold improvements	5 - 10
Motor vehicles	3

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss statement when incurred. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognised in the consolidated statement of profit or loss. Capital work-in-progress is carried at cost, less any accumulated impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

4.8 Impairment of tangible

At the end of each reporting period, the Group reviews the carrying amounts of its tangible to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.9 Customers' deposits

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

4.10 Acceptances

Acceptances arise when the Group is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

4 Material accounting policies (continued)

4.10 Acceptances (continued)

After acceptance, the instrument becomes an unconditional liability (time draft) of the Group and is therefore recognized as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognized as a financial asset. Acceptances have been considered within the scope of IFRS 9 - Financial Instruments and continued to be recognized as a financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments with respect to acceptances have been accounted for as financial assets and financial liabilities.

4.11 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms. Financial guarantee contracts are initially recognised at fair value, generally equal to the premium received. After initial recognition, financial guarantees are measured at the higher of (i) the loss allowance determined in accordance with IFRS 9 (based on 12-month or lifetime expected credit losses), and (ii) the amount initially recognised, less the cumulative income recognised over the life of the guarantee in line with IFRS 15. Guarantee fee income is recognised in profit or loss over the term of the guarantee.

4.12 Employees' end-of-service benefits

The Group provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

4.13 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

4.14 Leasing

The Group has applied IFRS 16 using the modified retrospective approach. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

4 Material accounting policies (continued)

4.14 Leasing (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 6.45%. The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets - The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to the accounting policies on financial assets for more details.

4.15 Revenue and expense recognition

Interest income and expense

Interest income and interest expense are recognised in consolidated statement of profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

4 Material accounting policies (continued)

4.15 Revenue and expense recognition (continued)

Interest income and expense (continued)

The calculation of the effective interest rate includes transactions costs, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction cost and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fee and commission

Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided by the Group to its customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Group based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee income is accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- other fees and commission income and expense are recognised as the related services are performed or received.

Fee income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded in 'Interest income'.

**Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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4 Material accounting policies (continued)

4.15 Revenue and expense recognition (continued)

Dividend income

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

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment properties or assets acquired in settlement of debts.

Rental income arising from operating leases on investment properties or assets acquired in settlement of debts is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets measured at amortised cost;
- Interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost; and
- The effective portion of fair value changes in qualifying hedging derivatives designated as cash flows hedges of variability in interest cash flows; in the same period as the hedged cash flows affect interest income/ expense

Interest income and expenses on all trading assets and liabilities were considered to be incidental to the Groups trading operations and were presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities carried at FVTPL were presented in net income from other financial instruments at FVTPL.

4.16 Foreign currency transactions

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the consolidated statement of financial position date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using rate of exchange at the date of initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined. Foreign currency differences are generally recognised in the statement of profit or loss.

For financial assets measured at FVTPL, the foreign exchange component is recognised in the consolidated statement of profit or loss. For financial assets measured at FVTOCI any foreign exchange component is recognised in other comprehensive income. For foreign currency denominated debt instruments measured at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in the consolidated statement of profit or loss.

**Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025**

4 Material accounting policies (continued)

4.17 Foreign operations

Group companies

The results and financial position of foreign operations that have a functional currency that is different from the group's presentation currency are translated into the group's presentation currency as follows:

- assets and liabilities (including goodwill, intangible assets and fair value adjustments arising on acquisition) are translated at the closing rate at the reporting date
- income and expenses are translated at average exchange rates for each month; and
- all resulting foreign exchange differences are accounted for directly in a separate component of OCI, being the group's FCTR.

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transactions is utilised, for example an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges). Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (trading revenue) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (trading revenue) in profit or loss. Foreign currency gains and losses on intragroup loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases, the foreign currency gains and losses are recognised in the group's FCTR. The results, cash flows and financial position of group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its parent at the exchange rate at the reporting date. These foreign exchange gains and losses on a hyperinflationary foreign operation are presented in OCI.

4.18 Fiduciary activities

The Group acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Group's consolidated financial statements as they are not assets of the Group.

4.19 Taxation

The income tax expense represents the sum of current and deferred income tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
for the year ended 31 December 2025

4 Material accounting policies (continued)

4.19 Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination or for transactions that give rise to equal taxable and deductible temporary differences) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

5 Critical accounting judgements

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

5.1 Subsidiary held for sale

The Central Bank of the UAE continues to support the Bank's strategic initiative to delink and deconsolidate its Lebanese subsidiary, in line with the Central Bank of the UAE recommendations and Board approval, effective 1 April 2023. This approach aims to reduce accounting volatility and address historical anomalies arising from consolidation. The subsidiary remains classified as an asset held for sale and is measured in accordance with IFRS 5 at the lower of carrying amount and fair value less costs to sell, based on a market-oriented valuation approach.

When the Group classifies the Lebanese subsidiary as an "asset held for sale" involving loss of control and the sale is highly probable within 12 months, all the assets and liabilities of that subsidiary are classified as held for sale. Once classified in this category, the group of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell. If the group of assets and liabilities becomes impaired, an impairment loss is recognised in the consolidated statement of profit and loss. Impairment losses may be reversed. The fair value less cost to sell estimate is a significant judgement and it is determined based on the market offer approach.

Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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5 Critical accounting judgements (continued)

5.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Loss (ECL) is further detailed in note 35.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL, including measurement of ECL for default exposures;
- Determining the fair values of underlying collaterals values, if any, for each financial asset;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

5.3 Valuation of investment properties and assets acquired in settlement of debts

The fair values of investment properties and assets acquired in settlement of debts are determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. Investment properties and assets acquired in settlement of debts are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined and on the basis of price offerings from potential buyers.

In one case, the fair value of the investment properties under development could not be reliably determined because it is situated in an area in which there is considerable political uncertainty and economic instability. Therefore, the circumstances do allow for an expert adjustment to the fair values' estimate; based on certain haircut that is suitable in the market. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in notes 10 and 11.

5.4 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

5.5 Determination of fair value of restructured loans

Loan modifications that are not identified as renegotiated are considered to be commercial restructuring. Where a commercial restructuring results in a modification such that the Group rights to the cash flows under the original contract have expired, the old loan is derecognised and a new financial asset is recognised at fair value.

In order to determine the fair value of loans and advances to customers, loans are segregated, as far as possible, into portfolios of similar characteristics. Fair values are based on observable market transactions, when available. When they are unavailable, fair values are estimated using valuation models incorporating a range of input assumptions.

These assumptions may include: forward-looking discounted cash flow models, taking account of expected customer prepayment rates, using assumptions that the Group believes are consistent with those that would be used by market participants in valuing such loans; and new business rates estimates for similar loans. The fair value of loans reflects expected credit losses at the balance sheet date and the fair value effect of repricing between origination and the balance sheet date. For credit impaired loans, fair value is estimated by discounting the future cash flows over the time period they are expected to be recovered.

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6 Cash and balances with central bank

(a) The analysis of the Group's cash and balances with central bank is as follows:

	2025 AED'000	2024 AED'000
Cash on hand	40,991	44,843
Statutory deposits*	513,672	70,022
Current accounts	2,690,464	4,524,710
	<u>3,245,127</u>	<u>4,639,575</u>

*As per the CBUAE regulations, the Bank is allowed to draw their balances held in the UAE reserve account, while ensuring that they meet the reserve requirements over a 14-day period.

Cash and cash equivalents

For the statement of consolidated statement of cash flows, cash and cash equivalents includes:

	2025 AED'000	2024 AED'000
Cash and balances with central bank (Note 6)	3,245,127	4,639,575
Deposits and balances due from banks (Note 7)	1,051,488	728,654
Deposits and balances due to banks (Note 16)	(3,654,192)	(2,822,812)
Repo borrowings (Note 17) *	(1,994,572)	(1,620,284)
	<u>(1,352,149)</u>	<u>925,133</u>
Less: Deposits with central bank and balances due from banks – original maturity more than three month	(455,452)	(369,081)
Less: Statutory deposits with central bank (Note 6)	(513,672)	(70,022)
Add: Deposits and balances due to banks – original maturity more than three month	3,151,677	1,372,622
Add: Repo borrowings – original maturity more than three month	1,871,178	959,753
	<u>2,701,582</u>	<u>2,818,405</u>

*No Repo borrowing have been deducted from cash and cash equivalents as at 31 December 2025 (2024: AED 0.8 billion). Considering the underlying substance of the borrowing and nature of the underlying collateral, the Group has classified the proceeds/ repayments from the Repo borrowing as a cash inflow/ outflow from financing activities. (Note 17)

7 Deposits and balances due from banks

(a) The analysis of the Group's deposits and balances due from banks is as follows:

	2025 AED'000	2024 AED'000
Demand	596,036	352,848
Time	455,452	375,806
	<u>1,051,488</u>	<u>728,654</u>
Expected credit losses (Note 28)	(133,535)	(132,682)
	<u>917,953</u>	<u>595,972</u>

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7 Deposits and balances due from banks (continued)

(b) The geographical analysis of the deposits and balances due from banks is as follows:

	2025 AED'000	2024 AED'000
Banks abroad	828,972	697,204
Banks in the U.A.E.	222,516	31,450
	<u>1,051,488</u>	<u>728,654</u>
Expected credit losses (Note 28)	(133,535)	(132,682)
	<u>917,953</u>	<u>595,972</u>

8 Loans and advances, net

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

	2025 AED'000	2024 AED'000
Overdrafts	7,446,315	6,511,448
Commercial loans	20,083,900	16,665,417
Bills discounted	2,506,218	1,180,987
Other advances	2,249,678	1,731,476
Gross amount of loans and advances	<u>32,286,111</u>	<u>26,089,328</u>
Expected credit losses (Note 28)	(1,845,667)	(1,786,570)
Net loans and advances	<u>30,440,444</u>	<u>24,302,758</u>

(b) Impairment reserve

The CBUAE issued its IFRS 9 guidance addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE.

Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the credit risk weighted assets as calculated under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called "the impairment reserve- general". The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for banks) when computing the regulatory capital.

	2025 AED'000	2024 AED'000
Non-distributable impairment reserve- General		
Minimum provision for stage 1 & 2 as per CBUAE requirements	413,874	384,985
Less: Stage 1 and Stage 2 impairment provision taken against income*	625,678	194,669
Shortfall in stage 1 & 2 provision to meet minimum CBUAE requirements	<u>-</u>	<u>190,316</u>
Excess provision held	<u>226,946</u>	<u>-</u>

*For the purpose of calculation, the movement in impairment reserve provisions under IFRS 9 are determined based on CB UAE classification of loans and advances, only for the purpose of this disclosure.

(c) The geographic analysis of the gross loans and advances of the Group is as follows:

	2025 AED'000	2024 AED'000
Loans and advances resident in the U.A.E.	27,817,991	24,313,793
Loans and advances non-resident	4,468,120	1,775,535
	<u>32,286,111</u>	<u>26,089,328</u>

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8 Loans and advances, net (continued)

(d) The Group monitors concentration of credit risk by economic sector which is as follows:

	2025 AED'000	2024 AED'000
Economic sector		
Services	12,066,010	8,204,969
Government	5,813,946	851,433
Trading	3,774,092	3,783,964
Manufacturing	3,578,614	3,270,766
Financial institutions	3,210,514	1,685,173
Personal loans	1,519,418	3,738,521
Construction	991,757	542,450
Government related entities	849,279	2,762,518
Mining and quarrying	275,475	435,817
Transport and communication	161,086	178,339
Other	45,920	635,378
	<u>32,286,111</u>	<u>26,089,328</u>
Expected credit losses (Note 28)	<u>(1,845,667)</u>	<u>(1,786,570)</u>
	<u>30,440,444</u>	<u>24,302,758</u>

(e) The composition of the non-performing loans and advances portfolio by economic sector is as follows:

	2025 AED'000	2024 AED'000
Economic sector		
Trading	1,893,258	1,204,504
Services	694,142	653,713
Manufacturing	146,116	132,815
Personal loans	84,659	88,924
Construction	26,787	24,337
Others	8	95
Total non-performing loans and advances	<u>2,844,970</u>	<u>2,104,388</u>

9 Investment securities, net

(a) The analysis of the Group's investments measured at fair value is as follows:

	2025 AED'000	2024 AED'000
Investments measured at fair value		
<i>Investments measured at FVTPL</i>		
Quoted debt securities	336,871	423,181
	<u>336,871</u>	<u>423,181</u>
<i>Investments measured at FVTOCI</i>		
Quoted equity securities	902,562	400,844
Unquoted equity securities	80,812	76,173
Quoted debt securities	1,236,686	1,319,444
	<u>2,220,060</u>	<u>1,796,461</u>
Total investments measured at fair value	<u>2,556,931</u>	<u>2,219,642</u>
Investments measured at amortised cost		
Quoted debt securities	3,862,456	883,579
Unquoted debt securities	4,501,206	7,001,400
Expected credit losses (Note 28)	(6,997)	(3,051)
Total investments measured at amortised cost	<u>8,356,665</u>	<u>7,881,928</u>
Total investments	<u>10,913,596</u>	<u>10,101,570</u>

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9 Investment securities, net (continued)

All of the quoted equity securities are listed on the securities exchanges in the U.A.E. (Abu Dhabi Securities Exchange and Dubai Financial Market). Included in the debt securities are bonds and sukuk with the fair value of AED 2.23 billion (2024: AED 2.72 billion) given as collateral against borrowings under repo agreements (Note 17). Included in the quoted equity securities are investments in perpetual bonds amounting to AED 614 million (2024: AED 186 million).

(b) The composition of investments by geography is as follows:

	2025 AED'000	2024 AED'000
United Arab Emirates	7,836,878	8,454,142
Other MENA (including G.C.C. countries)	2,400,405	1,593,071
Rest of the world	683,310	57,408
	<u>10,920,593</u>	<u>10,104,621</u>
Expected credit losses (Note 28)	<u>(6,997)</u>	<u>(3,051)</u>
	<u>10,913,596</u>	<u>10,101,570</u>

Investments measured at FVTOCI are not held to benefit from changes in their fair value and are not held for trading. The management believes therefore that designating these investments as at FVTOCI provides a more meaningful presentation of its medium to long-term interest in its investments rather than fair valuing through profit or loss.

During the year ended 31 December 2025, dividends from financial assets measured at FVTOCI amounting to AED 16 million (2024: AED 1 million) have been recognised as investment income in the consolidated statement of profit or loss.

10 Investment properties

Details of investment properties are as follows:

	AED'000
Opening balance at 1 January 2024	1,102,753
Increase in fair value during the year	54,700
Balance at 31 December 2024	1,157,453
Increase in fair value during the year	111,886
Transfer from properties and equipment during the year	10,826
Other movement during the year	(7,797)
Disposals during the year	(25,300)
Fair value at 31 December 2025	1,247,068

The fair value of the Group's investment properties is estimated using sales comparison, income capitalisation, residual approach and discounted cash flow method, considering the property being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The valuations, where applicable were carried out by RICS certified professional valuers not related to the Group who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. The fair values have been determined based on varying valuation models depending on the intended use of the investment properties; in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards. The valuation of investment properties performed by external valuer is based on the information available to them at the time of the valuation and relies on several inputs.

Nature of property	Country	Valuation technique	Significant unobservable inputs
Office Units	UAE	Income capitalisation	Capitalization rate of 6.5%
Residential buildings	UAE	Income capitalisation	Capitalization rate of 6.75% and 8.0% on Term & 7.0% and 8.0% on Reversion
Land	UAE	Direct comparison approach	Comparable transactions
Land	Lebanon	Direct comparison approach	Comparable transactions
Residential buildings	Lebanon	Direct comparison approach	Comparable transactions
Villa	UAE	Direct comparison approach	Comparable transactions

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11 Assets acquired in settlement of debts

	Real estate properties AED'000	Investment securities AED'000	Total AED'000
Balance at 1 January 2024	1,072,257	5,827	1,078,084
Reversal of impairment during the year	5,526	480	6,006
Disposals during the year	(14,000)	-	(14,000)
Balance at 31 December 2024	1,063,783	6,307	1,070,090
Reversal of impairment during the year	18,636	319	18,955
Disposals during the year	(13,400)	-	(13,400)
Transfer to loans during the year *	(952,770)	-	(952,770)
Balance at 31 December 2025	116,249	6,626	122,875

*The transfer to loans during the year is related to certain properties acquired by the Bank in settlement of specific credit exposures. As at the reporting date, legal matters at the respective client level prevented the Bank from executing the disposal of these properties within the regulatory stipulated period. Accordingly, and in line with a prudent and well-established risk management approach, management elected to reclassify these balances to the respective client credit exposures, a portion of which was classified as non-performing at the reporting date. This treatment ensures appropriate alignment between the legal enforceability of the assets, regulatory requirements, and their presentation in the consolidated financial statements.

Real estate properties represent properties and plots of lands acquired in settlement of debt. During the year, net unrealised profit of AED 19 million (2024: net unrealised profit of AED 6 million) are recognised in the consolidated statement of profit or loss on real estate properties. The realisable values of the properties and plots of land were carried out by RICS certified independent valuers having appropriate professional qualifications and are based on recent experience in the location and category of the properties and plots of land being valued. The fair value of these properties and plots of land as at 31 December 2025 amounted to AED 128 million (2024: AED 1,245 million), out of which AED 116 million (2024: AED 1,064 million) was reflected in the statement of financial position as at year end.

Description of valuation techniques and key inputs used to determine the realisable values of real estate properties acquired in settlement of debt as at 31 December 2025:

Nature of property	Country	Valuation technique	Significant unobservable inputs
Land	UAE	Direct comparison approach	Comparable transactions
Residential buildings	UAE	Income capitalization	Capitalization rate of 7.50% on Term & 8.50% on Reversion
Office buildings	UAE	Income capitalization	Capitalization rate of 7.50% on Term & 8.00% on Reversion

The assessment of realisable values performed by external valuer at 31 October 2025 is based on the information available to them at the time of assessment and relies on several inputs. No material change has been in the market since then.

12 Other assets

	2025 AED'000	2024 AED'000
Acceptances – contra (Note 18)	200,638	349,408
Interest receivable	150,530	98,793
Prepayments	11,660	12,492
Others	119,544	247,103
	482,372	707,796
Expected credit losses (Note 28)	-	(27,964)
Total	482,372	679,832

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13 Derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivatives. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instruments, reference rate, or index. Derivative financial instruments which the Group enters into include forwards and swaps. The Group uses the following derivative financial instruments for both hedging and non-hedging purposes.

Forward currency transactions - Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

Swap transactions – Interest rate (IRS) and cross currency interest rate swaps (CCIRS) - are commitments to exchange one set of cash flows for another. CCIRS result in an economic exchange of currency cash flows. Exchange of principal may or may not take place. Under interest rate swaps, the Bank agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities, and applies cash margining with market counterparties to mitigate the credit risk involved.

Derivative related credit risk - Credit risk with respect to derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The Group enters into derivative contracts with a number of financial institutions of good credit rating.

Derivatives held or issued for hedging purposes - The Group uses derivative financial instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in interest rates and exchange rates. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as fair value hedges.

	Notional amounts by term to maturity					
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000
2025						
Currency swaps	41	(3,017)	692,180	692,180	-	-
Total	41	(3,017)	692,180	692,180	-	-
2024						
Currency swaps	1,144	(1,432)	4,535,782	4,515,128	20,654	-
Total	1,144	(1,432)	4,535,782	4,515,128	20,654	-

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14 Properties and equipment

	Land & buildings AED'000	Right of use assets AED'000	Furniture, office equipment and software AED'000	Leasehold improvements AED'000	Motor vehicles AED'000	Total AED'000
Cost						
At 1 January 2024	194,357	116,731	62,247	9,611	5,579	388,525
Additions	-	1,730	5,432	-	93	7,255
Disposals	(5,720)	(3,887)	(1,623)	-	(1,148)	(12,378)
Others	818	-	-	-	-	818
At 31 December 2024	189,455	114,574	66,056	9,611	4,524	384,220
Additions	-	-	4,612	-	-	4,612
Disposals	(19,775)	-	-	-	(276)	(20,051)
Transfer to investment properties	(24,604)	-	-	-	-	(24,604)
Others	438	-	-	-	-	438
At 31 December 2025	145,514	114,574	70,668	9,611	4,248	344,615
Accumulated depreciation						
At 1 January 2024	42,102	79,260	48,678	5,253	3,718	179,011
Charge for the year	2,651	12,159	4,960	755	543	21,068
Disposals	(1,219)	(3,923)	(1,358)	-	(420)	(6,920)
Others	-	36	-	-	93	129
At 31 December 2024	43,534	87,532	52,280	6,008	3,934	193,288
Charge for the year	3,647	12,207	4,750	755	380	21,739
Disposals	(13,779)	-	-	-	(276)	(14,055)
Transfer to investment properties	(13,778)	-	-	-	-	(13,778)
Others	233	-	-	-	-	233
At 31 December 2025	19,857	99,739	57,030	6,763	4,038	187,427
Net book value:						
At 31 December 2025	125,657	14,835	13,638	2,848	210	157,188
At 31 December 2024	145,921	27,042	13,776	3,603	590	190,932

15 Customers' deposits

The analysis of customers' deposits is as follows:

	2025 AED'000	2024 AED'000
Current and other accounts	7,041,927	6,324,769
Saving accounts	116,174	95,283
Time deposits	24,348,947	23,284,890
	31,507,048	29,704,942

16 Deposits and balances due to banks

The analysis of deposits and balances due to banks is as follows:

	2025 AED'000	2024 AED'000
Demand	38,564	1,469
Time	3,615,628	2,821,343
	3,654,192	2,822,812

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16 Deposits and balances due to banks (continued)

Due to banks represent due to:

	2025 AED'000	2024 AED'000
Banks in the U.A.E.	2,191,842	1,887,387
Banks abroad	1,462,350	935,425
	3,654,192	2,822,812

17 Repo borrowings

The analysis of the repo borrowing agreements is as follows:

	2025 AED'000	2024 AED'000
Banks in the U.A.E.	1,260,956	2,420,284
Banks abroad	733,616	-
	1,994,572	2,420,284

The Group entered into repo agreements under which bonds with fair value of AED 2.23 billion (2024: AED 2.72 billion) were given as collateral against borrowings. The risks and rewards relating to these bonds remain with the Group.

Repo borrowings include a nil amount in 31 December 2025 (2024: AED 0.8 billion) which is represented as part of the group's financing activities in the consolidated statement of cashflows. (Note 6)

18 Other liabilities

	2025 AED'000	2024 AED'000
Interest payable	572,540	561,938
Acceptances – contra (Note 12)	200,638	349,408
Unearned income	128,058	53,025
Tax liability	71,877	31,670
Provision for employees' end of service benefits (Note 18.1)	50,880	50,165
Lease liabilities	33,094	55,106
Managers' cheques	28,489	31,044
Accrued expenses	2,531	3,755
ECL on unfunded exposure (Note 28)	1,431	18,104
Clearing balances	-	52,714
Others	51,605	38,113
	1,141,143	1,245,042

18.1 The movement in the provision for employees' end of service benefits is as follows:

	2025 AED'000	2024 AED'000
At 1 January	50,165	62,236
Charged during the year	7,407	(1,793)
Payments during the year	(6,692)	(10,278)
At 31 December	50,880	50,165

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19 Issued bonds

Issue date	Maturity	Currency	Face value Million	2025	2024
				Carrying value AED' 000	Carrying value AED' 000
14 March 2023	Mar 2028	USD	500	1,812,305	1,809,280
12 September 2024	Sep 2029	USD	500	1,811,418	1,753,790
19 November 2025	Nov 2030	USD	500	1,816,592	-
				<u>5,440,315</u>	<u>3,563,070</u>

On 14 March 2023, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836.5 million) for a five-year maturity at a coupon of 7%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the Irish Stock Exchange.

On 12 September 2024, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836.5 million) for a five-year maturity at a coupon of 5.25%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the London Stock Exchange's International Securities Market.

On 19 November 2025, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836.5 million) for a five-year maturity at a coupon of 4.8750%, classified at amortized cost. The Notes were issued under the Bank's EMTN Programme which is listed on the London Stock Exchange's International Securities Market.

The fair value and the change in that fair value that can be ascribed to changes in underlying credit risk are set out below:

	2025	2024
	AED'000	AED'000
Fair value of issued bonds	5,549,279	3,686,719
Difference between carrying amount and amount contractually required to be paid at maturity	(69,185)	(109,930)

The Group estimates changes in fair value due to credit risk by estimating the amount of change in fair value that is not due to changes in market conditions that give rise to market risk.

20 Capital and reserves

Issued and paid-up capital

	2025		2024	
	Number of shares	AED'000	Number of shares	AED'000
Issued capital	<u>3,000,000,000</u>	<u>3,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000</u>
	<u>3,000,000,000</u>	<u>3,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000</u>

Statutory reserve - In accordance with the Bank's Articles of Association, and in compliance with Decretal Federal Law No. (14) of 2018, a minimum of 10% of profit should be transferred to a non-distributable statutory reserve until such time as this reserve equals 50% of the Bank's issued capital. During the year ended 31 December 2025, AED 72.9 million were transferred from retained earnings to statutory reserve (2024: AED 38.5 million).

At the forthcoming annual general meeting, the Group is proposing a cash dividend of 6.5% of share capital for the year (2024: nil) amounting to AED 195 million (2024: nil).

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21 Profit per share

Profit per share are computed by dividing the profit for the year by the average number of shares outstanding during the year as follows:

	2025	2024
Basic and diluted profit per share		
Profit attributable to owners of the Bank for the year (AED'000)	<u>729,404</u>	<u>384,474</u>
<i>Weighted average number of ordinary shares:</i>		
Ordinary shares at the beginning of the year (in thousands shares)	3,000,000	3,000,000
Weighted average number of shares outstanding during the year (in thousands shares)	<u>3,000,000</u>	<u>3,000,000</u>
Basic and diluted profit per share (AED)	<u>0.24</u>	<u>0.13</u>

As at the reporting date, the diluted profit per share is equal to the basic profit per share as the Group has not issued any financial instruments that should be taken into consideration when the diluted profit per share is calculated.

22 Commitments and contingent liabilities

	2025	2024
	AED'000	AED'000
Financial guarantees for loans	207,829	207,829
Other guarantees	1,820,963	1,540,525
Letters of credit	<u>227,417</u>	<u>292,343</u>
	<u>2,256,209</u>	<u>2,040,697</u>
Irrevocable commitments to extend credit	<u>872,321</u>	<u>545,953</u>
	<u>3,128,530</u>	<u>2,586,650</u>

These contingent liabilities have off-balance sheet credit risk as only the related fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expired. Many of the contingent liabilities will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash-flows.

Credit-related commitments include commitments to extend credit, standby letters of credit, and guarantees which are designed to meet the requirements of the Group's customers. Commitments to extend credit represent contractual commitments to make loans and advances and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. The bank and its subsidiaries are party to legal proceedings, including regulatory investigations, in the ordinary course of business. While there is inherent difficulty in predicting the outcome of these proceedings, management does not expect the outcome of any of these proceedings, individually or in the aggregate, to have a material adverse effect on the consolidated financial position or the results of operations of the bank.

23 Fiduciary assets

The Group holds investments amounting to AED 789 million (2024: AED 284 million) which are held on behalf of customers and not treated as assets in the consolidated statement of financial position.

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Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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24 Interest income

	2025 AED'000	2024 AED'000
Loans and advances to customers	1,722,216	1,455,747
Investment securities	572,380	484,419
Loans and advances to banks	78,568	144,914
	<u>2,373,164</u>	<u>2,085,080</u>

25 Interest expense

	2025 AED'000	2024 AED'000
Deposits from customers	1,182,062	1,222,734
Borrowings from banks	268,603	207,202
Issued bonds	244,330	226,135
	<u>1,694,995</u>	<u>1,656,071</u>

26 Net fee and commission income

	2025 AED'000	2024 AED'000
Management & commitment fees	87,972	75,689
Corporate banking credit related fees	56,734	41,957
Letters of guarantee	21,310	19,448
Trade finance activities	8,835	15,923
Others	1,690	1,650
	<u>176,541</u>	<u>154,667</u>

27 Income on investments

	2025 AED'000	2024 AED'000
Realized gain on investments	23,456	4,269
Dividends	16,261	1,129
Unrealized gain on investments	5,745	5,766
	<u>45,462</u>	<u>11,164</u>

28 Net impairment loss on financial assets

2025	Opening balance AED'000	Net charge/ (reversal) during the year AED'000	Closing balance AED'000
Deposits and balances due from banks	132,682	853	133,535
Loans and advances	1,786,570	59,097	1,845,667
Investments	3,051	3,946	6,997
Unfunded exposure	18,104	(16,673)	1,431
Other assets	27,964	(27,964)	-
Total	<u>1,968,371</u>	<u>19,259</u>	<u>1,987,630</u>
Charge on FVOCI Bonds		(868)	
Other adjustments		31,254	
Net impairment loss on financial assets		<u>49,645</u>	

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Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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28 Net impairment loss on financial assets (continued)

2024	Opening balance AED'000	Net charge/ (reversal) during the year AED'000	Write off during the year AED'000	Closing balance AED'000
Deposits and balances due from banks	132,582	100	-	132,682
Loans and advances	1,731,369	55,239	(38)	1,786,570
Investments	3,599	(548)	-	3,051
Unfunded exposure	30,263	(12,159)	-	18,104
Other assets	27,964	-	-	27,964
Total	<u>1,925,777</u>	<u>42,632</u>	<u>(38)</u>	<u>1,968,371</u>
Charge on FVOCI Bonds		6,217		
Other adjustments		(4,465)		
Net impairment loss on financial assets		<u>44,384</u>		

29 General and administrative expenses

	2025 AED'000	2024 AED'000
Personnel expenses	159,490	136,944
Depreciation (Note 14)	21,739	21,068
Other expenses*	112,877	107,760
	<u>294,106</u>	<u>265,772</u>

*Other expenses include an amount of AED 1.6 million (2024: AED 2.3 million) representing social contributions made during the year ended 31 December 2025.

30 Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ('CT Law') to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023.

Income tax expense relating to Profit and Loss

Income tax expense recorded in the statement of profit or loss comprises of the following:

	2025 AED'000	2024 AED'000
Current Tax		
Current tax on profits for the year	72,252	32,934
Adjustments for current tax of prior periods	2,744	-
Total current tax expense	<u>74,996</u>	<u>32,934</u>
Deferred income tax		
Increase in deferred tax assets	(980)	(1,264)
Total deferred tax expense	<u>(980)</u>	<u>(1,264)</u>
Income Tax	<u>74,016</u>	<u>31,670</u>

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Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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30 Taxation (continued)

Reconciliation of tax expense and the accounting profit multiplied by applicable tax rate for 2025 and 2024

The Group's consolidated effective tax rate in the year ended 31 December 2025 is 9.22% (2024: 7.61%). The reconciliation of profit before tax is presented below:

	2025	2024
	AED'000	AED'000
Net Profit for the year before income tax expense	802,798	416,360
Tax at the company domestic rate of 9% (FY 2024: 9%)	72,252	37,473
Tax effect of income not taxable in determining taxable profit	(1,464)	(102)
Tax effect on OCI that will not be reclassified subsequently to consolidated statement of profit or loss	(3)	(6,134)
Tax effect of expenses that are not deductible in determining taxable profit	507	467
Tax effect of prior periods	2,787	-
Other adjustments	(63)	(34)
Tax expense for the year	74,016	31,670
Effective Tax Rate	9.22%	7.61%

31 Subsidiaries

The Bank's interests, held directly or indirectly, in the subsidiaries are as follows:

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Year of acquisition	Country of incorporation	Principal activities
	2025	2024				
Emirates Lebanon Bank S.A.L.	100%	100%	1965	2008	Lebanon	Financial institution
EI Capital FZC	100%	100%	2007	2017	U.A.E.	Investment in a financial institution
BOS Real Estate FZC	100%	100%	2007	2007	U.A.E.	Real estate development activities
BOS Capital FZC	100%	100%	2007	2007	U.A.E.	Investment
Polyco General Trading L.L.C.	100%	100%	2008	2008	U.A.E.	General trading
Borealis Gulf FZC	100%	100%	2010	2010	U.A.E.	Investment & Real estate development activities
Muwaileh Capital FZC	90%	90%	2010	2017	U.A.E.	Developing of real estate & related activities
BOS Funding Limited	100%	100%	2015	2015	Cayman Islands	Financing activities
BOS Repos Limited	100%	100%	2018	2018	Cayman Islands	Financing activities
BOS Derivatives Limited	100%	100%	2018	2018	Cayman Islands	Financing activities
GTW Holding LTD	100%	100%	2022	2022	U.A.E. (ADGM)	Facilitate the sale of real estate assets
GDLR Holding LTD	100%	100%	2022	2022	U.A.E. (ADGM)	Facilitate the sale of real estate assets
BOS Real Estate Egypt	100%	100%	2023	2023	Egypt	Real estate development activities

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32 Related party balances and transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control, their shareholders and key management personnel. Transactions with associate and other related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties. Transactions within the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The related parties' balances included in the consolidated statement of financial position and the significant transactions with related parties are as follows:

Balances at the end of the reporting year

	2025	2024
	AED'000	AED'000
Loans and advances, net	5,111,987	1,634,507
Letters of credit, guarantee and acceptances	230,670	213,565
Total	5,342,657	1,848,072
Cash deposits	(8,750,925)	(7,262,848)
Net exposure	(3,408,268)	(5,414,776)
Investment in securities	4,862,721	7,174,847

Transactions during the reporting year

	2025	2024
	AED'000	AED'000
Interest income	556,769	491,459
Interest expense	500,074	480,412
Rent expense	8,500	8,500

Compensation of Directors and key management personnel

	2025	2024
	AED'000	AED'000
Short term benefits	18,942	15,904
End of service benefits	385	244
Total compensation	19,327	16,148

No impairment loss has been recognised against balances outstanding with key management personnel and other related parties.

33 Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focused on the type of business activities undertaken as a Group. For operating purposes, the Group is organised into two major business segments:

- (i) Commercial, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and
- (ii) Investment and treasury, which involves the management of the Group's investment portfolio.

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Notes to the consolidated financial statements
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33 Segmental information (continued)

The following table presents information regarding the Group's operating segments for the year ended 31 December 2025:

	Commercial AED'000	Investment and treasury AED'000	Unallocated* AED'000	Total AED'000
Operating income				
- Net interest income	406,235	271,934	-	678,169
- Net fee and commission income	176,541	-	-	176,541
- Exchange profit	34,814	-	-	34,814
- Income on investments	-	45,462	-	45,462
- Net income on properties	-	210,626	-	210,626
- Other income	937	-	-	937
Total operating income	618,527	528,022	-	1,146,549
Other material non-cash items				
- Net impairment charge on financial assets	(53,591)	3,946	-	(49,645)
- Depreciation	-	-	(21,739)	(21,739)
- General and administrative expenses	(231,512)	(40,855)	-	(272,367)
- Income tax expense	-	-	(74,016)	(74,016)
Net profit for the year	333,424	491,113	(95,755)	728,782
Segment assets	34,804,161	13,005,454	561,798	48,371,413
Segment liabilities	37,356,450	5,440,315	940,505	43,737,270

The following table presents information regarding the Group's operating segments for the year ended 31 December 2024:

	Commercial AED'000	Investment and treasury AED'000	Unallocated* AED'000	Total AED'000
Operating income				
- Net interest income	176,938	252,071	-	429,009
- Net fee and commission income	154,667	-	-	154,667
- Exchange profit	25,771	-	-	25,771
- Income on investments	-	11,164	-	11,164
- Net income on properties	-	104,431	-	104,431
- Other income	1,474	-	-	1,474
Total operating income	358,850	367,666	-	726,516
Other material non-cash items				
- Net impairment charge on financial assets	(43,836)	(548)	-	(44,384)
- Depreciation	-	-	(21,068)	(21,068)
- General and administrative expenses	(208,000)	(36,704)	-	(244,704)
- Income tax expense	-	-	(31,670)	(31,670)
Net profit for the year	107,014	330,414	(52,738)	384,690
Segment assets	29,887,713	12,103,812	1,591,447	43,582,972
Segment liabilities	35,297,446	3,563,070	895,634	39,756,150

* Unallocated items comprise mainly head office expenses and tax assets.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2024: Nil). Transactions between segments, inter-segment cost of funds and allocation of expenses are not determined by management for resource allocation purpose. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments except for property and equipment, goodwill and other intangibles and certain amounts included in other assets; and
- All liabilities are allocated to reportable segments except for certain amounts included in other liabilities.

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Bank of Sharjah P.J.S.C.
Notes to the consolidated financial statements
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33 Segmental information (continued)

33.1 Geographical information

The Group currently operates in one principal geographical area – United Arab Emirates. The Group's operating income and information about its non-current assets by geographical location are detailed below:

	Country of domicile AED'000	Foreign AED'000	Total AED'000
2025			
Operating income	1,146,549	-	1,146,549
Non-Current Assets	1,077,557	373,367	1,450,924
2024			
Operating income	726,516	-	726,516
Non-Current Assets	1,013,914	373,367	1,387,281

34 Classification of financial assets and financial liabilities

(a) The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2025:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central bank	-	-	3,245,127	3,245,127
Deposits and balances due from banks	-	-	917,953	917,953
Loans and advances, net	-	-	30,440,444	30,440,444
Investment securities, net	336,871	2,220,060	8,356,665	10,913,596
Other assets	-	-	470,712	470,712
Total	336,871	2,220,060	43,430,901	45,987,832
Financial liabilities:				
Customers' deposits	-	-	31,507,048	31,507,048
Deposits and balances due to banks	-	-	3,654,192	3,654,192
Repo borrowings	-	-	1,994,572	1,994,572
Other liabilities	-	-	962,205	962,205
Issued Bonds	-	-	5,440,315	5,440,315
Total	-	-	43,558,332	43,558,332

(b) The table below sets out the Group's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2024:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and balances with central bank	-	-	4,639,575	4,639,575
Deposits and balances due from banks	-	-	595,972	595,972
Loans and advances, net	-	-	24,302,758	24,302,758
Investment securities, net	423,181	1,796,461	7,881,928	10,101,570
Other assets	1,144	-	666,196	667,340
Total	424,325	1,796,461	38,086,429	40,307,215
Financial liabilities:				
Customers' deposits	-	-	29,704,942	29,704,942
Deposits and balances due to banks	-	-	2,822,812	2,822,812
Repo borrowings	-	-	2,420,284	2,420,284
Other liabilities	-	-	1,141,852	1,141,852
Issued Bonds	-	-	3,563,070	3,563,070
Total	-	-	39,652,960	39,652,960

**Bank of Sharjah P.J.S.C.
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35 Financial risk management

The Group has Senior Management committees to oversee the risk management. The Board of Directors' Executives define policies, processes, and systems to manage and monitor credit risk. It also sets policies, system and limits for interest rate risk, market risk, foreign exchange risk, and liquidity risk. This is also overseen by the Board Risk Committee and the Board Credit and Investment Committee. The Group also has a Credit Risk function which independently reviews adherence to all risk management policies and processes. The Group's internal audit function, which is part of risk review, primarily evaluates the effectiveness of the controls addressing operational risk.

Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counter-parties in appropriate circumstances, and by limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counter-parties to mitigate credit risk. Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

Policies relating to credit are reviewed and approved by the Board of Directors. All credit lines are approved in accordance with the Group's credit policy set out in the Credit Policy Manual and delegated authority as issued by the Board of Directors. Credit and business underwriting functions are segregated. In addition, whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The Group further limits risk through diversification of its assets by economic and industry sectors. All credit facilities are administered and monitored by the Credit Administration Department. Periodic reviews are conducted by Credit Risk and facilities are risk graded based on criterion established in the Credit Policy Manual. Cross border exposure and financial institutions exposure limits for money market and treasury activities are approved as per guidelines established by the Board of Directors and are monitored by the Senior Management on a daily basis. The Board or its delegated committee's also establishes industry caps, approves policy exceptions, and conducts periodic portfolio reviews to ascertain portfolio quality.

Commercial/Institutional lending underwriting - All credit applications for Commercial and Institutional lending are subject to the Group's credit policies, underwriting standards and industry caps (if any) and to regulatory requirements, as applicable from time to time. The Group does not lend to companies operating in industries that are considered by the Group inherently risky and where industry knowledge specialisation is required. In addition, the Group sets credit limits for all customers based on their creditworthiness. All credit facilities extended by the Group are made subject to a delegated authority system, including a Board Credit and Investment Committee and Management Credit and Investment Committee, under the ultimate authority of the Board of Directors.

Credit review procedures and loan classification - The Group's Credit Risk department subjects the Group's risk assets to an independent quality evaluation on a regular basis in conformity with the guidelines of the Central Bank of the U.A.E. and the Group's internal policies in order to assist in the early identification of accrual and potential performance problems. The Credit Risk department validates the risk ratings of all commercial clients, provides an assessment of portfolio risk by product and industry and monitors observance of all approved credit policies, guidelines and operating procedures across the Group. All commercial/institutional loan facilities of the Group are assigned one of ten risk ratings (1-10) where 1 is being excellent and 10 being loss with no reimbursement capacity and total provisioning. If a Loan is impaired, interest will be suspended and not be credited to the consolidated statement of profit or loss. Specific allowance for impairment of classified assets is made based on recoverability of outstanding and risk ratings of the assets. The Group also measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

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Notes to the consolidated financial statements
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35 Risk management (continued)

Credit risk management (continued)

Expected credit loss allowance

As of 31 December 2025

	Stage 1		Stage 2		Stage 3		Total	
	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL
Balances with central bank	3,245,127	-	-	-	-	-	3,245,127	-
Due from banks and financial institutions	427,361	1,319	5,134	4	618,993	132,212	1,051,488	133,535
Loans and advances	18,474,478	377,952	10,966,663	1,040,215	2,844,970	427,500	32,286,111	1,845,667
Investments measured at FVOCI	2,220,060	5,349	-	-	-	-	2,220,060	5,349
Investments measured at amortised cost	8,363,662	6,997	-	-	-	-	8,363,662	6,997
Unfunded exposure	1,259,520	444	29,941	987	-	-	1,289,461	1,431
	<u>33,990,208</u>	<u>392,061</u>	<u>11,001,738</u>	<u>1,041,206</u>	<u>3,463,963</u>	<u>559,712</u>	<u>48,455,909</u>	<u>1,992,979</u>

As of 31 December 2024

	Stage 1		Stage 2		Stage 3		Total	
	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL	AED'000 Exposure	AED'000 ECL
Balances with central bank	4,639,575	-	-	-	-	-	4,639,575	-
Due from banks and financial institutions	111,303	461	679	9	616,672	132,212	728,654	132,682
Loans and advances	12,534,991	59,087	11,449,949	1,330,250	2,104,388	397,233	26,089,328	1,786,570
Investments measured at FVOCI	1,796,461	6,217	-	-	-	-	1,796,461	6,217
Investments measured at amortised cost	7,884,979	3,051	-	-	-	-	7,884,979	3,051
Other assets	707,796	27,964	-	-	-	-	707,796	27,964
Unfunded exposure	1,365,725	71	88,676	18,033	-	-	1,454,401	18,104
	<u>29,040,830</u>	<u>96,851</u>	<u>11,539,304</u>	<u>1,348,292</u>	<u>2,721,060</u>	<u>529,445</u>	<u>43,301,194</u>	<u>1,974,588</u>

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35 Risk management (continued)

Credit risk management (continued)

Stage migration of loans and advances

	Non-credit impaired		Stage 2		Credit impaired Stage 3		Total	
	Stage 1	Impairment allowance	Exposure	Impairment allowance	Exposure	Impairment allowance	Exposure	Impairment allowance
	Exposure	AED'000	Exposure	AED'000	Exposure	AED'000	Exposure	AED'000
Retail banking loans								
As of 1 January 2025	2,903,143	666	29,867	166	23,178	326	2,956,188	1,158
Transfers from stage 1 to stage 2	(4,838)	-	4,838	-	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-	-	-	-	-
Transfers from 1&2 to stage 3	-	-	-	-	-	-	-	-
Transfers from stage 3	11	-	30	-	(41)	-	-	-
Change in exposure	(2,829,476)	25	(29,214)	79	(5,411)	224	(2,864,101)	328
As of 31 December 2025	68,840	691	5,521	245	17,726	550	92,087	1,486
Wholesale banking loans								
As of 1 January 2025	9,631,848	58,421	11,420,082	1,330,084	2,081,210	396,907	23,133,140	1,785,412
Transfers from stage 1 to stage 2	(204,238)	(3,791)	204,238	3,791	-	-	-	-
Transfers from stage 2 to stage 1	1,084,906	345,329	(1,084,906)	(345,329)	-	-	-	-
Transfers from 1&2 to stage 3	(20,220)	(247)	(1,265)	(41)	21,485	288	-	-
Transfers from stage 3	1	-	13,648	1,804	(13,649)	(1,804)	-	-
Change in exposure	7,913,341	(22,451)	409,345	49,661	738,198	31,559	9,060,884	58,769
As of 31 December 2025	18,405,638	377,261	10,961,142	1,039,970	2,827,244	426,950	32,194,024	1,844,181
Total	18,474,478	377,952	10,966,663	1,040,215	2,844,970	427,500	32,286,111	1,845,667

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Notes to the consolidated financial statements
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35 Risk management (continued)

Credit risk management (continued)

Stage migration of loans and advances (continued)

	Non-credit impaired		Credit impaired		Total			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total	
	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000	Exposure AED'000	Impairment allowance AED'000
Retail banking loans								
As of 1 January 2024	2,696,205	1,084	31,346	38	21,938	197	2,749,489	1,319
Transfers from stage 1 to stage 2	-	-	-	-	-	-	-	-
Transfers from stage 2 to stage 1	306	-	(306)	-	-	-	-	-
Transfers from 1&2 to stage 3	(107)	-	(26)	-	133	-	-	-
Transfers from stage 3	-	-	120	-	(120)	-	-	-
Change in exposure	206,739	(418)	(1,267)	128	1,227	129	206,699	(161)
As of 31 December 2024	2,903,143	666	29,867	166	23,178	326	2,956,188	1,158
Wholesale banking loans								
As of 1 January 2024	7,871,898	41,486	11,183,272	1,292,513	1,994,560	396,051	21,049,730	1,730,050
Transfers from stage 1 to stage 2	(113,278)	(3,607)	113,278	3,607	-	-	-	-
Transfers from stage 2 to stage 1	827,992	101	(827,992)	(101)	-	-	-	-
Transfers from 1&2 to stage 3	(4,728)	(16)	-	-	4,728	16	-	-
Transfers from stage 3	-	-	-	-	-	-	-	-
Change in exposure	1,049,964	20,457	951,524	34,065	81,922	840	2,083,410	55,362
As of 31 December 2024	9,631,848	58,421	11,420,082	1,330,084	2,081,210	396,907	23,133,140	1,785,412
Total	12,534,991	59,087	11,449,949	1,330,250	2,104,388	397,233	26,089,328	1,786,570

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35 Risk management (continued)

Credit risk management (continued)

ECL change/(flow) of loans and advances

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Retail banking loans:				
ECL allowance as of 1 January 2025	666	166	326	1,158
Others	25	79	224	328
ECL allowance as of 31 December 2025	691	245	550	1,486
Wholesale banking loans:				
ECL allowance as of 1 January 2025	58,421	1,330,084	396,907	1,785,412
Emirates governments	(337)	-	-	(337)
GREs (Gov ownership >50%)	(8,747)	-	-	(8,747)
Other corporates	319,812	(298,662)	17	21,167
High net worth individuals	(3,293)	3,744	612	1,063
SMEs	4,509	4,804	29,414	38,727
Banks	6,607	-	-	6,607
NBFI	289	-	-	289
ECL allowance as of 31 December 2025	377,261	1,039,970	426,950	1,844,181
Total	377,952	1,040,215	427,500	1,845,667
2024				
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Retail banking loans:				
ECL allowance as of 1 January 2024	1,084	38	197	1,319
Others	(418)	128	129	(161)
ECL allowance as of 31 December 2024	666	166	326	1,158
Wholesale banking loans:				
ECL allowance as of 1 January 2024	41,486	1,292,513	396,051	1,730,050
Emirates governments	(152)	-	-	(152)
GREs (Gov ownership >50%)	337	-	-	337
Other corporates	8,627	36,213	64	44,904
High net worth individuals	(75)	363	17	305
SMEs	335	995	775	2,105
Banks	7,863	-	-	7,863
ECL allowance as of 31 December 2024	58,421	1,330,084	396,907	1,785,412
Total	59,087	1,330,250	397,233	1,786,570

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35 Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk

2025	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Loans and advances				
Grade 1	-	-	-	-
Grade 2	-	-	-	-
Grade 3	1,185,774	-	-	1,185,774
Grade 4	6,946,834	484,368	-	7,431,202
Grade 5	3,656,919	20,995	-	3,677,914
Grade 6	6,683,183	1,950,000	-	8,633,183
Grade 7	1,768	8,511,300	-	8,513,068
Default grades 8-10	-	-	2,844,970	2,844,970
Total gross carrying amount	18,474,478	10,966,663	2,844,970	32,286,111
Allowance for impairment losses	(377,952)	(1,040,215)	(427,500)	(1,845,667)
Net carrying amount	18,096,526	9,926,448	2,417,470	30,440,444
2024				
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Loans and advances				
Grade 1	-	-	-	-
Grade 2	-	-	-	-
Grade 3	621,551	45,641	-	667,192
Grade 4	3,965,720	514,571	-	4,480,291
Grade 5	6,197,154	157,532	-	6,354,686
Grade 6	1,651,855	5,936,091	-	7,587,946
Grade 7	98,711	4,796,114	-	4,894,825
Default grades 8-10	-	-	2,104,388	2,104,388
Total gross carrying amount	12,534,991	11,449,949	2,104,388	26,089,328
Allowance for impairment losses	(59,087)	(1,330,250)	(397,233)	(1,786,570)
Net carrying amount	12,475,904	10,119,699	1,707,155	24,302,758

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35 Risk management (continued)

Credit risk management (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including contingent liabilities and commitments. The maximum exposure is shown, before the effect of mitigation through the use of credit enhancements, master netting and collateral agreements.

	Notes	2025 AED'000	2024 AED'000
Balances with Central Bank	6	3,204,136	4,594,732
Deposits and balances due from banks	7	917,953	595,972
Loans and advances, net	8	30,440,444	24,302,758
Investments measured at amortised cost	9	8,356,665	7,881,928
Other assets (excluding prepayments & other non-financial assets)	34	470,712	667,340
Total		43,389,910	38,042,730
Letters of credit	22	227,417	292,343
Guarantees	22	2,028,792	1,748,354
Undrawn loan commitments	22	872,321	545,953
Total		3,128,530	2,586,650
Total credit risk exposure		46,518,440	40,629,380

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Impaired loans

Impaired loans are loans for which the Group determines that it is likely the collectability of all principal and interest due according to the contractual terms of the loan/securities agreement(s) would be doubtful. These loans are graded 8 to 10 in the Group's internal credit risk grading system.

Write-off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when the Group determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The Group holds collateral against loans and advances in the form of mortgage interests over properties, vehicles and machineries, cash margins, fixed deposits, guarantees and others. The Group accepts guarantees mainly from well-reputed local or international banks, well-established local or multinational corporate and high net worth private individuals. Management has estimated the fair value of collateral to be AED 13.2 billion (2024: AED 12.5 billion) out of which AED 569 million is collateral held against stage 3 loans and advances (2024: AED 662 million). The fair value of the collateral includes cash deposits which are not under lien and the Group has right to set-off against the outstanding facilities. Concentration risk arises when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group measure its exposure to credit risk by reference to gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any. Concentration of credit risk by industrial sector for loans and advances are presented in notes 8(d) and 8(e). Concentration of credit risk by geographical distribution of loans and advances and financial investments is set out in note 8(c).

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35 Risk management (continued)

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Board of Directors and Board Risk Committee (BRC) - In addition to its credit related activity, the Board Risk Committee has a broad range of authority delegated by the Board of Directors to manage the Group's asset and liability structure and funding strategy. The BRC reviews liquidity ratios; asset and liability structure; interest rate and foreign exchange exposures; internal and statutory ratio requirements; funding gaps; and general domestic and international economic and financial market conditions. The BRC formulates liquidity risk management guidelines for the Group's operation on the basis of such review.

The Group's Senior Management monitors the liquidity on a daily basis and uses an interest rate simulation model to measure and monitor interest rate sensitivity and varying interest rate scenarios. The Board has also established a management Asset and Liability Committee (ALCO) to manage the banks liquidity risk. The ALCO is chaired by the CEO and includes the Head of Treasury, CFO, CRO and other relevant senior executives. It meets monthly or more often if required. The Group manages its liquidity in accordance with U.A.E. Central Bank requirements and the Group's internal guidelines and risk appetite. The U.A.E. Central Bank sets cash ratio reserve requirements on overall deposits ranging between 1.0 percent for time deposits and 14.0 percent for demand deposits, according to the tenor of the deposits. In addition, the U.A.E. Central Bank requires that banks regulated under the Eligible Liquid Asset Ratio (ELAR) regime maintain a stock of High-Quality Liquid Assets (HQLA), as a buffer against unexpected deposit outflows, of a minimum of 10% (reduced during the Covid-19 pandemic to 7%) of all deposits. The Group complies with this regulation at all times, and applies a higher standard in its internal guidelines and risk appetite. The U.A.E. Central Bank also imposes a mandatory 1:1 utilisation ratio, whereby; loans and advances (combined with inter-bank placements having a remaining term of 'greater than three months') should not exceed stable funds as defined by the U.A.E. Central Bank. Stable funds are defined by the U.A.E. Central Bank to mean free-own funds, inter-bank deposits with a remaining term of more than six months, and stable customer deposits. To guard against liquidity risk, the Group diversifies its funding sources and manages its assets with liquidity in mind, seeking to maintain a preferable proportion between cash, cash equivalent, and readily marketable securities. The Board Risk Committee sets and monitors liquidity ratios and regularly revises and updates the Group's liquidity management policies to ensure that the Group would be in a position to meet its obligations as they fall due.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or potential damage to the Group's reputation.

The Treasury department communicates with other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury maintains a portfolio of liquid assets to ensure liquidity is maintained within the Group's operations as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is performed under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board. The Daily Position sheet, which reports the liquidity and exchange positions of the Group is reviewed by Senior Management. A summary report, including any exceptions and remedial action taken, is submitted to the Board Risk Committee.

Exposure to liquidity risk

The key measure used by the Group for measuring liquidity risk is the advances to stable resources ratio (regulatory ratio) which is 84.0% as at 31 December 2025 (2024: is 78.7%). In addition, the Group also uses the following ratios/information on a continuous basis for measuring liquidity risk:

- Liquid assets to total assets ratio;
- Net loans to deposits ratio (LDR);
- Basel III ratios (including ASRR, ELAR, etc.) are also monitored internally and shared with the Board on quarterly basis.

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35 Risk management (continued)

Liquidity risk management (continued)

The maturity profile of the assets and liabilities at 31 December 2025 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	No fixed maturity AED'000	Total AED'000
Assets					
Cash and balances with central bank	3,204,136	-	-	40,991	3,245,127
Deposits and balances due from banks	734,303	183,650	-	-	917,953
Loans and advances, net	10,006,608	5,107,035	15,326,801	-	30,440,444
Investment securities, net	1,162,387	5,791,705	3,959,504	-	10,913,596
Investment properties	-	-	-	1,247,068	1,247,068
Assets acquired in settlement of debt	-	-	-	122,875	122,875
Other assets	434,442	47,930	-	-	482,372
Properties and equipment	-	-	-	157,188	157,188
Subsidiary held for sale	-	844,790	-	-	844,790
Total assets	15,541,876	11,975,110	19,286,305	1,568,122	48,371,413
Liabilities					
Customers' deposits	17,072,246	13,820,371	614,431	-	31,507,048
Deposits and balances due to banks	3,179,576	474,616	-	-	3,654,192
Repo borrowings	1,994,572	-	-	-	1,994,572
Other liabilities	1,141,143	-	-	-	1,141,143
Issued Bonds	-	-	5,440,315	-	5,440,315
Total liabilities	23,387,537	14,294,987	6,054,746	-	43,737,270
Net liquidity gap	(7,845,661)	(2,319,877)	13,231,559	1,568,122	4,634,143

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35 Risk management (continued)

Liquidity risk management (continued)

The maturity profile of the assets and liabilities at 31 December 2024 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	No fixed maturity AED'000	Total AED'000
Assets					
Cash and balances with central bank	4,594,732	-	-	44,843	4,639,575
Deposits and balances due from banks	228,672	183,650	183,650	-	595,972
Loans and advances, net	11,399,216	3,371,281	9,532,261	-	24,302,758
Investment securities, net	473,310	7,415,912	1,920,903	291,445	10,101,570
Investment properties	-	-	-	1,157,453	1,157,453
Assets acquired in settlement of debt	-	-	-	1,070,090	1,070,090
Other assets	679,832	-	-	-	679,832
Properties and equipment	-	-	-	190,932	190,932
Subsidiary held for sale	-	844,790	-	-	844,790
Total assets	17,375,762	11,815,633	11,636,814	2,754,763	43,582,972
Liabilities					
Customers' deposits	16,708,089	12,696,448	300,405	-	29,704,942
Deposits and balances due to banks	2,583,224	239,588	-	-	2,822,812
Repo borrowings	1,631,776	788,508	-	-	2,420,284
Other liabilities	1,245,042	-	-	-	1,245,042
Issued Bonds	-	-	3,563,070	-	3,563,070
Total liabilities	22,168,131	13,724,544	3,863,475	-	39,756,150
Net liquidity gap	(4,792,369)	(1,908,911)	7,773,339	2,754,763	3,826,822

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35 Risk management (continued)

Market risk management

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into trading, or non-trading /banking book.

Market risk - non-trading or banking book

Market risk on non-trading or banking positions mainly arises from the interest rate, foreign currency exposures and equity price changes.

i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities. The Group uses simulation-modelling tools to periodically measure and monitor interest rate sensitivity. The results are monitored and analysed by the Senior Management. Since most of the Group's financial assets and liabilities are floating rate, deposits and loans generally re-price simultaneously providing a natural hedge, which reduces interest rate exposure. Moreover, the majority of the Group's assets and liabilities will be re-priced within one year or less, thereby further limiting interest rate risk.

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35 Risk management (continued)

Market risk management (continued)

Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The Group's interest sensitivity position, based on the contractual re-pricing or maturity dates, whichever dates are earlier as at 31 December 2025 was as follows:

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	Non- interest sensitive AED'000	Total AED'000
Assets					
Cash and balances with central bank	3,204,136	-	-	40,991	3,245,127
Deposits and balances due from banks	734,303	183,650	-	-	917,953
Loans and advances, net	18,014,732	3,130,624	7,324,492	1,970,596	30,440,444
Investment securities, net	1,162,388	5,791,705	3,588,743	370,760	10,913,596
Investment properties	-	-	-	1,247,068	1,247,068
Assets acquired in settlement of debt	-	-	-	122,875	122,875
Other assets	-	-	-	482,372	482,372
Properties and equipment	-	-	-	157,188	157,188
Subsidiary held for sale	-	-	-	844,790	844,790
Total assets	23,115,559	9,105,979	10,913,235	5,236,640	48,371,413
Liabilities and equity					
Customers' deposits	17,072,246	13,820,371	614,431	-	31,507,048
Deposits and balances due to banks	3,179,576	474,616	-	-	3,654,192
Repo borrowings	1,994,572	-	-	-	1,994,572
Other liabilities	-	-	-	1,141,143	1,141,143
Issued Bonds	-	-	5,440,315	-	5,440,315
Equity	-	-	-	4,634,143	4,634,143
Total liabilities and equity	22,246,394	14,294,987	6,054,746	5,775,286	48,371,413
On statement of financial position gap	869,165	(5,189,008)	4,858,489	(538,646)	-
Cumulative interest rate sensitivity gap	869,165	(4,319,843)	538,646	-	-

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35 Risk management (continued)

Market risk management (continued)

Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The Group's interest sensitivity position, based on the contractual re-pricing or maturity dates, whichever dates are earlier as at 31 December 2024 was as follows:

	Within 3 months AED'000	Over 3 months to 1 year AED'000	Over 1 year AED'000	Non- interest sensitive AED'000	Total AED'000
Assets					
Cash and balances with central bank	-	-	-	4,639,575	4,639,575
Deposits and balances due from banks	228,672	183,650	183,650	-	595,972
Loans and advances, net	20,735,221	1,507,660	2,059,877	-	24,302,758
Investment securities, net	576,083	7,438,471	1,795,570	291,446	10,101,570
Investment properties	-	-	-	1,157,453	1,157,453
Assets acquired in settlement of debt	-	-	-	1,070,090	1,070,090
Other assets	-	-	-	679,832	679,832
Properties and equipment	-	-	-	190,932	190,932
Subsidiary held for sale	-	-	-	844,790	844,790
Total assets	21,539,976	9,129,781	4,039,097	8,874,118	43,582,972
Liabilities and equity					
Customers' deposits	16,708,089	12,696,448	300,405	-	29,704,942
Deposits and balances due to banks	2,583,224	239,588	-	-	2,822,812
Repo borrowings	1,631,776	788,508	-	-	2,420,284
Other liabilities	-	-	-	1,245,042	1,245,042
Issued Bonds	-	3,563,070	-	-	3,563,070
Equity	-	-	-	3,826,822	3,826,822
Total liabilities and equity	20,923,089	17,287,614	300,405	5,071,864	43,582,972
On statement of financial position gap	616,887	(8,157,833)	3,738,692	3,802,254	-
Cumulative interest rate sensitivity gap	616,887	(7,540,946)	(3,802,254)	-	-

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35 Risk management (continued)

Market risk management (continued)

Market risk - non-trading or banking book (continued)

i) Interest rate risk (continued)

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument, excluding non-interest-bearing items. The rate is a historical rate for a fixed rate instrument carried at amortised cost and the current market rate for a floating rate instrument or for an instrument carried at fair value. The following table depicts the sensitivity to a reasonable possible change in interest rates, with other variables held constant, on the Group's consolidated statement of profit or loss or equity. The sensitivity of the income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2025, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate, including the effect of any associated hedges as at 31 December 2025 for the effect of assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset or swap. All the banking book exposures are monitored and analysed in currency concentrations and relevant sensitivities are disclosed in AED thousands.

As at 31 December 2025	Increase in basis	Sensitivity of interest income	Sensitivity of equity
Rates Up	200 bps	(14,040)	(14,040)
Rates Down	200 bps	14,040	14,040

As at 31 December 2024	Increase in basis	Sensitivity of interest income	Sensitivity of equity
Rates Up	200 bps	(74,185)	(74,185)
Rates Down	200 bps	74,185	74,185

ii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging instruments are also used to ensure that positions are maintained within the limits. The Group's assets are typically funded in the same currency as that of the business transacted in order to eliminate foreign exchange exposure. However, in the normal course of business the Group provides foreign currency exposures to finance its client's activities. The Executive Committee sets the limits on the level of exposure by currency for both overnight and intra-day positions, which are closely monitored by Senior Management. As at 31 December 2025 and 2024, the Group's net currency position was not material, and all the positions were within limits approved by the Executive Committee. As the UAE Dirham and other GCC currencies are currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk. The table below shows the foreign currencies to which the Group has a significant exposure to:

	2025 AED'000 equivalent short	2024 AED'000 equivalent short
EURO	(14,052)	(8,489)
GBP	(5,480)	(1,021)

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35 Risk management (continued)

Market risk management (continued)

Market risk - non-trading or banking book (continued)

ii) Currency risk (continued)

The analysis below calculates the effect of a possible movement of the currency rate against AED, with all other variables held constant, on the consolidated statement of profit or loss (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity (due to change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A positive effect shows a potential increase in consolidated statement of profit or loss or equity; whereas a negative effect shows a potential decrease in consolidated statement of profit or loss or equity.

(AED'000)			
Currency exposure as at 31 December 2025	Change in currency rate in %	Change on net profit	Change on Equity
EURO	+5%	(703)	(703)
EURO	-5%	703	703
GBP	+5%	(274)	(274)
GBP	-5%	274	274

(AED'000)			
Currency exposure as at 31 December 2024	Change in currency rate in %	Change on net profit	Change on Equity
EURO	+5%	(424)	(424)
EURO	-5%	424	424
GBP	+5%	(51)	(51)
GBP	-5%	51	51

iii) Equity price risk

Equity price risk refers to the risk of a decrease in the fair value of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. The effect on the Group's quoted equity investments held as financial assets at FVTOCI due to reasonable possible change in equity prices, with all other variables held constant is as follows:

Market indices	2025		2024	
	Change in equity price %	Effect on equity AED'000	Change in equity price %	Effect on equity AED'000
Global stock markets	+1%	9,026	+1%	4,008
Global stock markets	-1%	(9,026)	-1%	(4,008)

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud, or external events. When controls fail to perform, operational risks can cause damage to reputation, and may have legal or regulatory implications, or lead to financial losses. The Group would not be able to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group could minimise the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

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36 Capital adequacy and capital management

Capital management process

The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial positions, are:

- To comply with the capital requirements set by the Central Bank of United Arab Emirates;
- To safeguard the Group's ability to continue as a going concern and increase the returns for the shareholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the authority on a quarterly basis. The Group assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Group's regulatory capital is analysed into two tiers:

- Common equity tier 1 (CET 1) capital, which includes ordinary share capital, legal reserve, general reserve and retained earnings; fair value reserves, after deductions for intangibles, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under "CBAUE" guidelines.
- Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

The minimum capital adequacy requirements as set out by the Central Bank are as follows:

- Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs).
- Minimum tier 1 ratio of 8.5% of RWAs.
- Total capital adequacy ratio of 10.5% of RWAs.

In addition to CET 1 ratio of 7% of RWAs, a capital conservation buffer (CCB) of 2.5% of RWAs shall be maintained in the form of CET 1. Further, counter cyclical buffer (CCyB) requirement shall be met by using CET 1. The level of CCyB to be notified by 'the Central Bank'. There is no CCyB requirement during the current year. The Group has complied with all the externally imposed capital requirements and has prepared the capital adequacy ratios excluding the currency translation resulting from the Lebanese operations.

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36 Capital adequacy and capital management (continued)

Capital management process (continued)

Basel III

	2025 AED'000	2024 AED'000
Capital base		
Common Equity Tier 1	4,596,122	3,865,227
Additional Tier 1 capital	-	-
Tier 1 capital	4,596,122	3,865,227
Tier 2 capital	344,895	320,821
Total capital base	4,941,017	4,186,048
Risk-weighted assets:		
Credit risk	27,591,629	25,665,669
Market risk	346,424	587,802
Operational risk	1,339,846	1,185,911
Total risk-weighted assets	29,277,899	27,439,382
Capital ratios		
Common equity Tier 1 capital ratio	15.70%	14.09%
Tier 1 capital ratio	15.70%	14.09%
Total capital ratio	16.88%	15.26%

Proposed dividends of AED 195 million were deducted from the capital base for the year ended 31 December 2025, which is still subject to shareholders' approval at the forthcoming annual general meeting.

37 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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37 Fair value of financial instruments (continued)

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Investments held at fair value through profit and loss

Investments held for trading or designated at fair value through profit and loss represent investment securities that present the Group with opportunity for returns through dividend income, trading gains and capital appreciation. Including in these investments listed equity securities for which the fair values are based on quoted prices at close of business as of 31 December 2025, and unlisted bonds for which the fair values are derived from internal valuation performed based on generally accepted pricing models, all inputs used for the valuation are supported by observable market prices or rates.

Unquoted investments held at fair value through other comprehensive income

The consolidated financial statements include holdings in unquoted securities amounting to AED 81 million (2024: AED 76 million) which are measured at fair value. Fair values are determined in accordance with generally accepted pricing models based on comparable ratios backed by discounted cash flow analysis depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

For investments valued using comparable ratios, share prices of comparable companies represent significant inputs to the valuation model. If the share prices of the comparable companies were 5% higher/lower while all other variables were held constant, then the fair value of the securities would increase/decrease by AED 4 million (2024: AED 4 million). The impact of the change in fair valuation from previously existing carrying amounts have been recognised as a part of cumulative changes in fair value in equity.

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

2025	Carrying amount				Fair value
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000	Total AED'000
Financial assets					
- Investments measured at amortised cost	3,855,459	4,501,206	-	8,356,665	8,402,714
- Loans and advances	-	-	30,440,444	30,440,444	30,440,444
Financial liabilities					
- Customers' deposits	-	-	31,507,048	31,507,048	31,507,048
- Issued Bonds	5,440,315	-	-	5,440,315	5,549,279

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37 Fair value of financial instruments (continued)

2024

	Carrying amount				Fair value
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000	Total AED'000
Financial assets					
- Investments measured at amortised cost	880,528	7,001,400	-	7,881,928	7,873,959
- Loans and advances	-	-	24,302,758	24,302,758	24,302,758
Financial liabilities					
- Customers' deposits	-	-	29,704,942	29,704,942	29,704,942
- Issued Bonds	3,563,070	-	-	3,563,070	3,686,719

The fair value for other financial assets measured at amortised cost is based on market prices.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value. They are banked into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices, including over-the-counter quoted prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1 and Level 2 during the current year.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
2025				
Investments measured at fair value				
<i>Investment measured at FVTPL</i>				
Quoted debt securities	336,871	-	-	336,871
<i>Investments carried at FVTOCI</i>				
Quoted equity securities	902,562	-	-	902,562
Unquoted equity securities	-	-	80,812	80,812
Quoted debt securities	1,236,686	-	-	1,236,686
Total	2,476,119	-	80,812	2,556,931
Other assets				
Positive fair value of derivatives	-	41	-	41
Negative fair value of derivatives	-	(3,017)	-	(3,017)
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
2024				
Investments measured at fair value				
<i>Investment measured at FVTPL</i>				
Quoted debt securities	423,181	-	-	423,181
<i>Investments carried at FVTOCI</i>				
Quoted equity securities	400,844	-	-	400,844
Unquoted equity securities	-	-	76,173	76,173
Quoted debt securities	1,319,444	-	-	1,319,444
Total	2,143,469	-	76,173	2,219,642
Other assets				
Positive fair value of derivatives	-	1,144	-	1,144
Negative fair value of derivatives	-	(1,432)	-	(1,432)

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37 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of other financial assets measured at FVTOCI:

	2025 AED'000	2024 AED'000
Opening balance	76,173	120,222
Gain/(Loss) recognised in other comprehensive income	4,639	(44,049)
Closing balance	80,812	76,173

Unobservable inputs used in measuring fair value

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, 10% change in the underlying value of these investments would have the following effects.

	<u>Effect on OCI (AED 000)</u>	
	Favourable	Unfavourable
2025	8,081	(8,081)
	<u>Effect on OCI (AED 000)</u>	
2024	7,617	(7,617)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument is negligible.

Financial Instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with Central Bank, due from banks and financial institutions, loans and advances, net, other assets (excluding prepayments), due to banks, customers' deposits and other liabilities that are categorised as level 2 based on market observable inputs. The fair values of financial instruments not recorded at fair value are not materially different to their carrying values. The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit and maturity. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

38. Subsequent events

There are no material subsequent events that have occurred that require adjustment to, or disclosure in, the consolidated financial statements.

Further Enquiries

For more information and enquiries regarding this report, please reach out to:

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For detailed information on policies and procedures, please refer to the following documents available on the website of the Bank:

- [Integrated Report 2025](#)
- [Corporate Social Responsibility Report 2025](#)
- [Sustainability Report 2025](#)
- [Financial Report 2025](#)

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