Pillar 3 Report

30 September 2025

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1. Introduction

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.

2. Purpose and Basis of preparation

The Central Bank of the UAE continues to support the Bank's strategic effort to delink/deconsolidate its Lebanese Subsidiary, as the underlying accounting anomalies impact is not sustainable for the Bank and pose a threat of unnecessary volatility. Accordingly, the objective remains to cease the consolidation of the Lebanese Subsidiary's financial statements in the Group's financial statements, as per the Central Bank of the UAE recommendations effective 1st April 2023. This step is necessary to mitigate the accounting anomalies and disruptions resulting from the consolidation of the Lebanese Subsidiary. On 22nd June 2023, the Board approved the de-linking.

When the Group classified the Lebanese subsidiary as an "asset held for sale," all the subsidiary's assets and liabilities were categorized accordingly. Once classified in this category, the group of assets and liabilities is measured at the lower of carrying amount or fair value less costs to sell. If impairment occurs, an impairment loss is recognized in the condensed consolidated interim statement of profit and loss. Impairment losses may be reversed. The fair value less cost to sell estimate remains a significant judgment, determined based on the market offer approach.

The previously heightened geopolitical environment in Lebanon had delayed the sale beyond the 12-month timeframe stipulated by IFRS 5. However, recent political and economic developments clearly indicate a more stable and promising outlook, prompting renewed interest from potential buyers. During the period ended 30 September 2025, the Bank received reconfirmed offers from potential acquirers, reflecting a more positive market sentiment. Discussions are advancing, with buyers demonstrating increased confidence in Lebanon's financial sector recovery. The Bank has received expressions of interest from other potential buyers and is engaged in further discussions. An accredited multinational sell-side advisory firm has been appointed to support the sale process, including initiating due diligence procedures.

While the Bank remains confident in the successful sale of Emirates Lebanon Bank, it acknowledges that delays may still occur due to external factors. Nonetheless, the improving political and financial landscape is expected to facilitate and expedite the completion of the transaction. Additionally, the Bank has received an updated letter from the regulator reaffirming support for the classification of EL Bank as held for sale under IFRS 5, reflecting the improved market conditions and ongoing strategic efforts to finalize the sale.

2. Purpose and Basis of preparation (continued)

The complete listing of all direct subsidiaries of Bank of Sharjah PJSC as at 30 September 2025 is as follows:

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

3. Overview of Pillar III

Pillar III complements the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing disclosure requirements which allow market participants to assess certain specified information on the scope of application of Basel III, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the institution. Disclosures consist of both quantitative and qualitative information and are provided on the consolidated level.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (‘CET1’), Additional Tier 1 (‘AT1’) and Total Capital.

The minimum capital adequacy requirements as set out by the Central Bank of UAE 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. A further counter cyclical buffer (CCyB) requirement shall be met by using CET 1. The level of CCyB is to be notified by 'the Central Bank' and there is no CCyB requirement during the current period. The Group has complied with all the externally imposed capital requirements and has prepared the capital adequacy ratios excluding the currency translation reserve resulting from the Lebanese operations.

3. Overview of Pillar III (continued)

Following are the changes in the revised standards which have been adopted:

- The Tier Capital Supply Standard
- Tier Capital Instruments Standard
- Pillar 2 Standard: Internal Capital Adequacy Assessment Process (ICAAP)
- Credit Risk, Market Risk and Operational Risk
- Equity Investment in Funds, Securitisation, Counterparty Credit Risk, Leverage Ratio
- Credit Value Adjustment (CVA) for Pillar I and III

CBUAE requires the Pillar 2 - Supervisory Review Process to focus on each bank's Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 Capital calculations. The ICAAP should include a risk based forward looking view of, but not limited to, Credit, Market and Operational Risk Capital.

3.1 Verification

The Pillar 3 Disclosures for the period ending 30 September 2025 have been reviewed by the Group's internal and statutory auditors.

3.2 Implementation of Basel III standards and guidelines

The Group is compliant with Standardised Approach for Credit, Market and the Basic Indicator Approach for Operational Risk (Pillar 1) as applicable as of 30 September 2025.

4. Key Metrics for the group (KM1)

Key prudential regulatory metrics have been included in the following table:

		Sep 2025	Jun 2025	Mar 2025	Dec 2024	Sep 2024
Available capital (amounts)		**AED 000**	**AED 000**	**AED 000**	**AED 000**	**AED 000**
1	Common Equity Tier 1 (CET1)	4,224,939	4,052,756	3,924,362	3,865,227	3,799,543
1a	Fully loaded ECL accounting model	4,224,939	4,052,756	3,924,362	3,850,872	3,785,129
2	Tier 1	4,224,939	4,052,756	3,924,362	3,865,227	3,799,543
2a	Fully loaded ECL accounting model Tier 1	4,224,939	4,052,756	3,924,362	3,850,872	3,785,129
3	Total capital	4,399,892	4,428,761	4,290,843	4,186,048	4,097,388
3a	Fully loaded ECL accounting model total capital	4,399,892	4,428,761	4,290,843	4,171,693	4,082,974
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	31,590,709	31,549,316	30,998,249	27,439,382	25,500,054
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	**13.37%**	**12.85%**	**12.67%**	**14.09%**	**14.90%**
5a	Fully loaded ECL accounting model CET1 (%)	**13.37%**	**12.85%**	**12.67%**	**14.03%**	**14.84%**
6	Tier 1 ratio (%)	**13.37%**	**12.85%**	**12.67%**	**14.09%**	**14.90%**
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	**13.37%**	**12.85%**	**12.67%**	**14.03%**	**14.84%**
7	Total capital ratio (%)	**13.93%**	**14.04%**	**13.84%**	**15.26%**	**16.07%**
7a	Fully loaded ECL accounting model total capital ratio (%)	**13.93%**	**14.04%**	**13.84%**	**15.20%**	**16.01%**
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
12	CET1 available after meeting the bank's minimum capital requirements (%)	**3.43%**	**3.54%**	**3.34%**	**4.76%**	**5.57%**
Leverage Ratio						
13	Total leverage ratio measure	50,690,378	48,306,640	46,076,297	44,808,326	43,313,478
14	Leverage ratio (%) (row 2/row 13)	**8.33%**	**8.39%**	**8.55%**	**8.63%**	**8.77%**
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	**8.33%**	**8.39%**	**8.55%**	**8.59%**	**8.74%**
14b	"Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)"	**8.33%**	**8.39%**	**8.55%**	**8.63%**	**8.77%**
Liquidity Coverage Ratio						
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-
Net Stable Funding Ratio						
18	-	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
ELAR						
21	Total HQLA	7,078,161	5,530,389	4,833,300	7,046,178	5,012,761
22	Total liabilities	45,824,695	43,484,658	41,182,676	40,109,352	37,284,971
23	Eligible Liquid Assets Ratio (ELAR) (%)	**15.45%**	**12.72%**	**11.74%**	**17.57%**	**13.44%**
ASRR						
24	Total available stable funding	37,697,692	36,906,475	34,474,533	33,430,893	32,490,645
25	Total Advances	32,820,432	32,302,516	27,917,078	26,297,734	25,629,534
26	Advances to Stable Resources Ratio (%)	**87.06%**	**87.53%**	**80.98%**	**78.66%**	**78.88%**

5. Overview of Risk Weighted Assets (OV1)

The following table provides an overview of RWAs, calculated in accordance with Basel III, by risk type and calculation approach.

		RWA				Minimum capital requirements
		Sep 2025	Jun 2025	Dec 2024	Sep 2024	Sep 2025
		AED 000	AED 000	AED 000	AED 000	AED 000
1	Credit risk (excluding counterparty credit risk)	30,051,822	30,066,447	25,629,851	23,778,099	3,155,441
2	Of which: standardised approach (SA)	30,051,822	30,066,447	25,629,851	23,778,099	3,155,441
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-	-
6	Counterparty credit risk (CCR)	-	-	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-	-	-
8	Of which: Internal Model Method (IMM)	-	-	-	-	-
9	Of which: other CCR	-	-	-	-	-
10	Credit valuation adjustment (CVA)	18,003	13,973	35,818	49,507	1,890
11	Equity positions under the simple risk weight approach	-	-	-	-	-
12	Equity investments in funds - look-through approach	-	-	-	-	-
13	Equity investments in funds - mandate-based approach	-	-	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-	-	-
15	Settlement risk	-	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-	-
20	Market risk	303,326	295,795	587,802	668,650	31,849
21	Of which: standardised approach (SA)	303,326	295,795	587,802	668,650	31,849
22	Of which: internal models' approach (IMA)	-	-	-	-	-
23	Operational risk	1,217,558	1,173,102	1,185,911	1,003,798	127,844
24	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-	-	-
25	Floor adjustment	-	-	-	-	-
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**31,590,709**	**31,549,317**	**27,439,382**	**25,500,054**	**3,317,024**

6. Leverage Ratio

6.1 Summary comparison of accounting assets versus leverage ratio exposure (LR1)

The following table reconciles the total assets in the published financial statements to the leverage ratio exposure measure.

		Sep 2025	Jun 2025	Dec 2024	Sep 2024
		AED 000	AED 000	AED 000	AED 000
1	Total consolidated assets as per published financial statements	49,589,011	47,076,350	43,582,972	40,728,842
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	-	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-	-	-	1,305,711
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-	-	-	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-	-	-	-
7	Adjustments for eligible cash pooling transactions	-	-	-	-
8	Adjustments for derivative financial instruments	55,148	42,752	79,493	106,157
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-	-	-
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	(1,491,256)	(1,939,873)	(1,440,899)	(1,474,166)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-	-
12	Other adjustments	2,537,475	3,127,411	2,586,760	2,646,934
13	**Leverage ratio exposure measure**	**50,690,378**	**48,306,640**	**44,808,326**	**43,313,478**

6. Leverage Ratio (continued)

6.2 Leverage ratio common disclosure template (LR2)

The table below provides a breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements, and buffers as of period end.

		Sep 2025 AED 000	Jun 2025 AED 000	Dec 2024 AED 000	Sep 2024 AED 000
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	49,351,214	46,901,298	43,233,675	40,230,976
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	14,031	11,496	110	110
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(201,738)	(191,355)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**49,163,507**	**46,721,439**	**43,233,785**	**40,231,086**
	Derivative exposures				
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,861	4,844	3,870	4,588
9	Add-on amounts for PFE associated with *all* derivatives transactions	36,256	26,412	75,512	101,459
10	(Exempted CCP leg of client-cleared trade exposures)	-	-	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	**41,117**	**31,256**	**79,382**	**106,047**
	Securities financing transactions	-	-	-	-
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-	1,132,215
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-
16	CCR exposure for SFT assets	-	-	-	173,496
17	Agent transaction exposures	-	-	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	**-**	**-**	**1,305,711**
	Other off-balance sheet exposures				
19	Off-balance sheet exposure at gross notional amount	2,977,010	3,493,818	2,936,058	3,144,800
20	(Adjustments for conversion to credit equivalent amounts)	(1,491,256)	(1,939,873)	(1,440,899)	(1,474,166)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**1,485,754**	**1,553,945**	**1,495,159**	**1,670,634**
	Capital and total exposures				
23	**Tier 1 capital**	**4,224,939**	**4,052,756**	**3,865,227**	**3,799,543**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**50,690,378**	**48,306,640**	**44,808,326**	**43,313,478**
	Leverage ratio				
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**8.33%**	**8.39%**	**8.63%**	**8.77%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.33%	8.39%	8.63%	8.77%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%
27	**Applicable leverage buffers**	**5.33%**	**5.39%**	**5.63%**	**5.77%**

7. Liquidity risk management

7.1 Eligible Liquid Asset Ratio (ELAR)

	Sep 2025		Jun 2025		Dec 2024		Sep 2024	
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
High Quality Liquid Assets	**Nominal Amount**	**Eligible Liquid Assets**	**Nominal Amount**	**Eligible Liquid Assets**	**Nominal Amount**	**Eligible Liquid Assets**	**Nominal Amount**	**Eligible Liquid Assets**
Physical cash in hand at the bank + balance with the CBUAE	3,473,288		2,644,703		4,614,865		3,735,219	
UAE Federal Government Bonds and Sukuks	1,939,423		1,584,418		773,389		98,069	
Subtotal	**5,412,711**	**5,412,711**	**4,229,121**	**4,229,121**	**5,388,254**	**5,388,254**	**3,833,288**	**3,833,288**
UAE local governments publicly traded debt securities	3,315,651		3,668,000		5,208,657		4,216,114	
UAE Public sector publicly traded debt securities	-		-		-		-	
Subtotal	**3,315,651**	**1,665,450**	**3,668,000**	**1,301,268**	**5,208,657**	**1,657,924**	**4,216,114**	**1,179,473**
Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-	-	-	-	-	-	-
Total	**8,728,362**	**7,078,161**	**7,897,121**	**5,530,389**	**10,596,911**	**7,046,178**	**8,049,402**	**5,012,761**
Total liabilities		**45,824,695**		**43,484,658**		**40,109,352**		**37,284,971**
Eligible Liquid Assets Ratio (ELAR)		**15.45%**		**12.72%**		**17.57%**		**13.44%**

7. Liquidity risk management (continued)

7.2 Advances to Stables Resources Ratio (ASRR)

	Sep 2025 AED 000	Jun 2025 AED 000	Dec 2024 AED 000	Sep 2024 AED 000
Computation of Advances				
Net Lending (Gross loans - specific and collective provisions + interest in suspense)	32,048,066	31,456,794	25,692,081	24,695,538
Lending to Non-banking financial institutions	57,016	56,572	13	24,909
Financial Guarantees & Stand-by LC (Issued - Received)	219,495	232,350	236,561	236,561
Interbank placements	495,855	556,800	369,079	672,526
Total Advances	**32,820,432**	**32,302,516**	**26,297,734**	**25,629,534**
Calculation of Net Stable Resources				
Total capital + general provision	5,741,094	5,538,932	5,216,155	5,096,054
Deduct:				
Goodwill and other intangible assets	-	-	-	-
Fixed Assets	1,253,419	1,257,818	1,254,715	1,257,707
Funds allocated to branches abroad	-	-	-	-
Unquoted Investments	82,586	77,792	77,572	102,922
Investment in subsidiaries, associates and affiliates	-	-	-	-
Total deduction	**1,336,005**	**1,335,610**	**1,332,287**	**1,360,629**
Net Free Capital Funds	**4,405,089**	**4,203,322**	**3,883,868**	**3,735,425**
Other stable resources:				
Funds from the head office	-	-	-	-
Interbank deposits with remaining life of more than 6 months	-	-	-	476,046
Refinancing of Housing Loans	-	-	-	-
Borrowing from non-banking financial institutions	551,635	546,497	857,756	483,021
Customer Deposits	29,115,745	28,578,777	25,126,199	24,218,891
Capital market funding/ term borrowings maturing after 6 months from reporting date	3,625,223	3,577,880	3,563,070	3,577,262
Total other stable resources	**33,292,603**	**32,703,154**	**29,547,025**	**28,755,220**
Total Stable Resources	**37,697,692**	**36,906,475**	**33,430,893**	**32,490,645**
Advances to stable resources ratio	**87.06%**	**87.53%**	**78.66%**	**78.88%**