



بنك الشارقة
Bank of Sharjah

**Basel III- Pillar III Disclosures
for the period ended 30 September
2022**

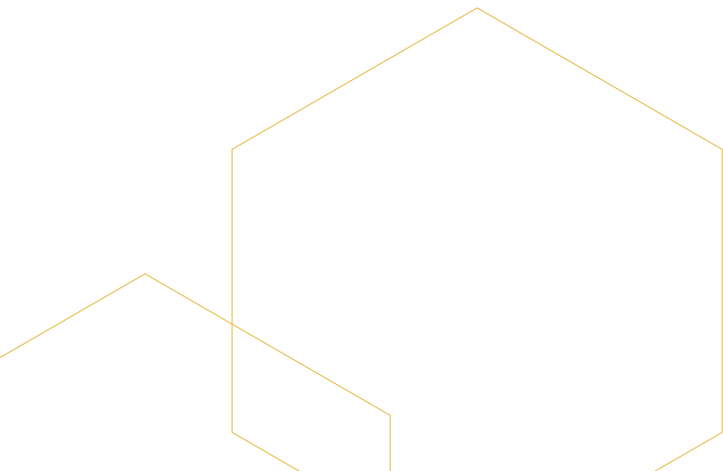


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Bank of Sharjah P.J.S.C.

Pillar III Disclosure for the period ended 30 September 2022

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 eight 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 CBUAE supervises Bank of Sharjah (“BOS” or the “bank”) and its subsidiaries (together referred to as the “Group”) on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. The capital requirements are computed at a Group level using the Basel III framework of the Basel Committee on Banking Supervision (“Basel Committee”), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework is structured around three ‘pillars’: minimum capital requirements (Pillar I); supervisory review process (Pillar II); and market discipline (Pillar III).

The disclosures have been prepared in line with the disclosures template introduced by the CBUAE guidelines on disclosure requirements published in November 2020 and November 2021 respectively.

The Pillar III report of the Group for the period ended 30 September 2022 comprises detailed information on the underlying drivers of risk-weighted assets (RWA), capital of the Bank, its wholly owned subsidiaries (together referred to as “The Group”). The report should be read in conjunction with the Group’s Reviewed Financial Statements as at 30 September 2022.

The complete listing of all direct subsidiaries of Bank of Sharjah PJSC as at 30 September 2022 is as follows:

Name of Subsidiary	Group percentage shareholding	Country of incorporation	Principal activities
Emirates Lebanon Bank S.A.L.	100%	Lebanon	Financial institution
El Capital FZC	100%	U.A.E.	Investment in a financial institution
BOS Real Estate FZC	100%	U.A.E.	Real estate development activities
BOS Capital FZC	100%	U.A.E.	Investment
Polyco General Trading L.L.C.	100%	U.A.E.	General trading
Borealis Gulf FZC	100%	U.A.E.	Investment & Real estate development activities
BOS Funding Limited	100%	Cayman Islands	Financing activities
Muwaileh Capital FZC	90%	U.A.E.	Developing of real estate & related activities
BOS Repos Limited	100%	Cayman Islands	Financing activities
BOS Derivatives Limited	100%	Cayman Islands	Financing activities

Bank of Sharjah P.J.S.C.

Pillar III Disclosure for the period ended 30 September 2022

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 at 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.

The Group has complied with all the externally imposed capital requirements.

Following are the changes in the revised standards which have been adopted either prior to or during 2021:

- 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

In addition, Credit Value Adjustment (CVA) for Pillar 1 and 3 will be effective from 30 September 2022.

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 2022 have been reviewed by the Group's internal 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 in 2022.

Bank of Sharjah P.J.S.C.
Pillar III Disclosure for the period ended 30 September 2022
4. Key Metrics for the group (KM1)

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

		30 September 2022	30 June 2022	31 March 2022	31 December 2021
Available capital (amounts)		AED 000	AED 000	AED 000	AED 000
1	Common Equity Tier 1 (CET1)	3,149,977	3,161,077	3,100,596	2,920,471
1a	Fully loaded ECL accounting model	3,039,395	3,073,104	3,023,318	2,886,001
2	Tier 1	3,149,977	3,161,077	3,100,596	2,920,471
2a	Fully loaded ECL accounting model Tier 1	3,039,395	3,073,104	3,023,318	2,886,001
3	Total capital	3,515,842	3,519,166	3,461,794	3,277,073
3a	Fully loaded ECL accounting model total capital	3,405,260	3,431,193	3,384,516	3,242,604
Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	30,791,161	30,210,358	30,452,401	30,359,658
Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	10.23%	10.46%	10.18%	9.62%
5a	Fully loaded ECL accounting model CET1 (%)	9.87%	10.17%	9.93%	9.51%
6	Tier 1 ratio (%)	10.23%	10.46%	10.18%	9.62%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	9.87%	10.17%	9.93%	9.51%
7	Total capital ratio (%)	11.42%	11.65%	11.37%	10.79%
7a	Fully loaded ECL accounting model total capital ratio (%)	11.06%	11.36%	11.11%	10.68%
Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	-	-	-	-
9	Countercyclical buffer requirement (%)	-	-	-	-
10	Bank D-SIB additional requirements (%)	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	-	-	-	-
12	CET1 available after meeting the bank's minimum capital requirements (%)	0.92%	1.15%	0.87%	0.29%
Leverage Ratio					
13	Total leverage ratio measure	38,758,330	39,268,216	39,198,417	39,659,855
14	Leverage ratio (%) (row 2/row 13)	8.13%	8.05%	7.91%	7.36%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	7.84%	7.83%	7.71%	7.28%
14b	"Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)"	8.13%	8.05%	7.91%	7.36%
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	3,258,010	3,958,740	3,559,771	3,998,238
22	Total liabilities	31,765,430	32,176,995	32,038,955	32,471,965
23	Eligible Liquid Assets Ratio (ELAR) (%)	10.26%	12.30%	11.11%	12.31%
ASRR					
24	Total available stable funding	27,442,773	29,575,149	29,168,014	28,316,938
25	Total Advances	24,276,473	24,562,654	24,822,560	24,990,604
26	Advances to Stable Resources Ratio (%)	88.46%	83.05%	85.10%	88.25%

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Pillar III Disclosure for the period ended 30 September 2022
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	RWA	RWA	RWA	Minimum capital requirements
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2022
		AED 000	AED 000	AED 000	AED 000	AED 000
1	Credit risk (excluding counterparty credit risk)	29,269,213	28,608,497	28,895,861	28,528,198	3,073,267
2	Of which: standardised approach (SA)	29,269,213	28,608,497	28,895,861	28,528,198	3,073,267
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)	69,912	38,623	-	-	7,341
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	324,246	365,536	358,838	633,757	34,046
21	Of which: standardised approach (SA)	324,246	365,536	358,838	633,757	34,046
22	Of which: internal models' approach (IMA)	-	-	-	-	-
23	Operational risk	1,197,702	1,197,702	1,197,702	1,197,703	125,759
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)	30,861,073	30,210,359	30,452,401	30,359,658	3,240,413

Pursuant to the above regulation, CBUAE issued a regulation for a 'Prudential Filter' that permits Banks to add back increase in IFRS 9 provisions (stage 1 and stage 2) to the regulatory capital over a transition period of 5 years, on a proportionate basis. The increase in IFRS 9 provision requirements is determined by calculating the difference between the IFRS 9 provision as of 31 December 2019 and the IFRS 9 provision as at the respective reporting date. The proportion of the increase in IFRS 9 provisions that is permitted to be added-back to regulatory capital from 1 January 2020 onwards will be phased out over a 5-year transition period as follows:

Years	2020	2021	2022	2023	2024
Proportion of provision	100%	100%	75%	50%	25%

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Pillar III Disclosure for the period ended 30 September 2022
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.

		30 September 2022	30 June 2022	31 March 2022	31 December 2021
		AED 000	AED 000	AED 000	AED 000
1	Total consolidated assets as per published financial statements	40,216,668	41,463,573	41,429,875	42,095,365
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	-	-	-	-
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	144,852	27,808	17,340	37,158
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)	(1,600,803)	(2,215,121)	(2,225,148)	(2,454,454)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-	-
12	Other adjustments	(2,387)	(8,044)	(23,650)	(18,214)
13	Leverage ratio exposure measure	38,758,330	39,268,216	39,198,417	39,659,855

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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.

		30 September 2022	30 June 2022	31 March 2022	31 December 2021
		AED 000	AED 000	AED 000	AED 000
	On-balance sheet exposures				
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	36,294,409	36,752,350	36,752,070	37,069,787
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-	-	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	36,294,409	36,752,350	36,752,070	37,069,787
	Derivative exposures				
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-	-	-
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	-	-	-	-
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)	-	-	-	-
	Securities financing transactions				
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(2,387)	(8,044)	(23,650)	(18,214)
16	CCR exposure for SFT assets	147,239	35,852	40,990	55,372
17	Agent transaction exposures	-	-	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	144,852	27,808	17,340	37,158
	Other off-balance sheet exposures				
19	Off-balance sheet exposure at gross notional amount	3,919,871	4,703,179	4,654,155	5,007,364
20	(Adjustments for conversion to credit equivalent amounts)	(1,600,803)	(2,215,121)	(2,225,148)	(2,454,454)
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)	2,319,068	2,488,058	2,429,007	2,552,910
	Capital and total exposures				
23	Tier 1 capital	3,149,977	3,161,077	3,100,596	2,920,471
24	Total exposures (sum of rows 7, 13, 18 and 22)	38,758,330	39,268,216	39,198,417	39,659,855
	Leverage ratio				
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.13%	8.05%	7.91%	7.36%
25 a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.13%	8.05%	7.91%	7.36%
26	CBUAE minimum leverage ratio requirement	4.00%	4.00%	4.00%	4.00%
27	Applicable leverage buffers	4.13%	4.05%	3.91%	3.36%

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Pillar III Disclosure for the period ended 30 September 2022
7. Liquidity risk management
7.1 Eligible Liquid Asset Ratio (ELAR)

	30 September 2022		30 June 2022		31 March 2022		31 December 2021	
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
High Quality Liquid Assets	Nominal Amount	Eligible Liquid Asset	Nominal Amount	Eligible Liquid Asset	Nominal Amount	Eligible Liquid Asset	Nominal Amount	Eligible Liquid Asset
Physical cash in hand at the bank + balance with the CBUAE	2,559,550		2,990,542		2,685,448		3,044,620	
UAE Federal Government Bonds and Sukuks	73,460		36,730		36,730		12,856	
Subtotal	2,633,010	2,633,010	3,027,272	3,027,272	2,722,178	2,722,178	3,057,476	3,057,476
UAE governments publicly traded debt securities	625,000		2,716,825		2,112,761		3,175,261	
UAE Public sector publicly traded debt securities	-	-	-	-	-	-	-	-
Subtotal	625,000	625,000	2,716,825	931,468	2,112,761	837,593	3,175,261	940,762
Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-	-	-	-	-	-	-
Total	3,258,010	3,258,010	5,744,097	3,958,740	4,834,939	3,559,771	6,232,737	3,998,238
Total liabilities		31,765,430		32,176,995		32,038,955		32,471,965
Eligible Liquid Assets Ratio (ELAR)		10.26%		12.30%		11.11%		12.31%

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Pillar III Disclosure for the period ended 30 September 2022
7. Liquidity risk management (continued)
7.2 Advances to Stables Resources Ratio (ASRR)

	30 September 2022 AED 000	30 June 2022 AED 000	31 March 2022 AED 000	31 December 2021 AED 000
Computation of Advances				
Net Lending (Gross loans - specific and collective provisions + interest in suspense)	23,682,188	23,457,850	23,596,152	23,704,214
Lending to Non-banking financial institutions	-	-	-	-
Financial Guarantees & Stand-by LC (Issued - Received)	594,285	1,104,804	1,226,408	1,280,808
Interbank placements with a remaining life of more than 3 months	-	-	-	5,582
Total Advances	24,276,473	24,562,654	24,822,560	24,990,604
Calculation of Net Stable Resources				
Total own funds	4,617,160	4,703,186	4,647,910	4,510,602
Deduct:				
Goodwill and other intangible assets	22,424	22,736	23,048	23,362
Fixed Assets	1,594,332	1,641,799	1,715,942	1,793,398
Funds allocated to branches abroad	-	-	-	-
Unquoted Investments	267,509	273,028	272,771	272,910
Investment in subsidiaries, associates and affiliates	-	-	-	-
Total deduction	1,884,265	1,937,563	2,011,761	2,089,670
Net Free Capital Funds	2,732,895	2,765,623	2,636,149	2,420,932
Other stable resources:				
Interbank deposits with remaining life of more than 6 months	-	-	-	-
Refinancing of Housing Loans	-	355,239	354,175	332,961
Deposits from non-banking financial institutions remaining life of more than 6 months	241,391	296,692	230,147	165,515
85% of the rest of NBFI Deposits	568,746	544,166	824,199	902,791
Total customer deposits with remaining life of more than 6 months	13,178,796	6,926,171	4,849,819	5,575,792
85% of the rest of Customer Deposits	8,143,029	15,640,638	17,213,890	15,873,972
Capital market funding/ term borrowings maturing after 6 months from reporting date	2,577,916	3,046,620	3,059,635	3,044,975
Total other stable resources	24,709,878	26,809,526	26,531,865	25,896,006
Total Stable Resources	27,442,773	29,575,149	29,168,014	28,316,938
Advances to stable resources ratio	88.46%	83.05%	85.10%	88.25%