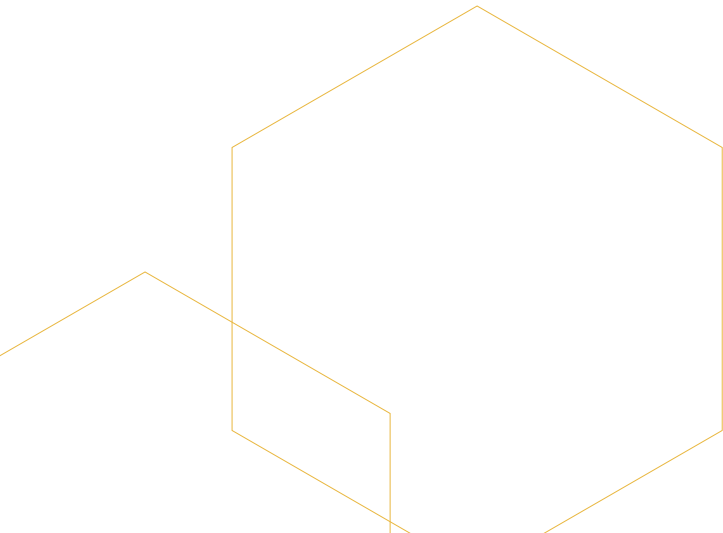




بنك الشارقة
Bank of Sharjah

Pillar 3 Report

30 September 2024



Bank of Sharjah P.J.S.C.
Pillar III Disclosure for the period ended 30 September 2024

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Bank of Sharjah P.J.S.C.**Pillar III Disclosure for the period ended 30 September 2024****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 supports 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 for even greater unnecessary volatility. Accordingly, the ultimate immediate objective was to cease the consolidation of the Lebanese Subsidiary financial statements in the Group's financial statements as per the Central Bank of the UAE recommendations effective 1 April 2023. This is required in order to avoid the unnecessary accounting anomalies and/or disruptions resulting from the consolidation of the Lebanese Subsidiary. On 22 June 2023, the board approved the de-linking.

When the Group classified the Lebanese subsidiary as an "asset held for sale", all the assets and liabilities of that subsidiary were classified as held for sale. After it is 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 condensed consolidated interim 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.

The disclosures have been prepared in line with the disclosures template introduced by the CBUAE guidelines on disclosure requirements published in November 2020, November 2021 and December 2022 respectively.

The Pillar III report of the Group for the period ended 30 September 2024 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 2024.

Bank of Sharjah P.J.S.C.

Pillar III Disclosure for the period ended 30 September 2024

2. Purpose and Basis of preparation (continued)

The complete listing of all direct subsidiaries of Bank of Sharjah PJSC as at 30 September 2024 is as follows:

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Country of incorporation	Principal activities
	2024	2023			
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 the 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, a counter cyclical buffer (CCyB) requirement shall be met by using CET 1. The level of CCyB is to be notified by 'the Central Bank'. There is no CCyB requirement during the current period. The Group has complied with all the externally imposed capital requirements.

Bank of Sharjah P.J.S.C.**Pillar III Disclosure for the period ended 30 September 2024****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 2024 have been reviewed by the Group's internal auditors.

3.2 Implementation of Basel III standards and guidelines

The Group is compliant with the Standardised Approach for Credit, Market and the Basic Indicator Approach for Operational Risk (Pillar 1) as of 30 September 2024.

Bank of Sharjah P.J.S.C.
Pillar III Disclosure for the period ended 30 September 2024
4. Key Metrics for the group (KM1)

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

		Sep 2024	Jun 2024	Mar 2024	Dec 2023	Sep 2023
		AED 000	AED 000	AED 000	AED 000	AED 000
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	3,799,543	3,716,254	3,657,867	3,700,274	3,912,860
1a	Fully loaded ECL accounting model	3,785,129	3,696,885	3,637,576	3,651,240	3,856,939
2	Tier 1	3,799,543	3,716,254	3,657,867	3,700,274	3,912,860
2a	Fully loaded ECL accounting model Tier 1	3,785,129	3,696,885	3,637,576	3,651,240	3,856,939
3	Total capital	4,097,388	4,032,398	3,988,536	4,024,445	4,240,350
3a	Fully loaded ECL accounting model total capital	4,082,974	4,013,029	3,968,246	3,975,411	4,184,429
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	25,500,054	26,847,622	27,843,006	27,437,506	27,905,075
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	14.90%	13.84%	13.14%	13.49%	14.02%
5a	Fully loaded ECL accounting model CET1 (%)	14.84%	13.77%	13.06%	13.31%	13.82%
6	Tier 1 ratio (%)	14.90%	13.84%	13.14%	13.49%	14.02%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14.84%	13.77%	13.06%	13.31%	13.82%
7	Total capital ratio (%)	16.07%	15.02%	14.33%	14.67%	15.20%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.01%	14.95%	14.25%	14.49%	15.00%
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 (%)	5.57%	4.52%	3.83%	4.17%	4.70%
Leverage Ratio						
13	Total leverage ratio measure	43,313,478	40,783,714	40,604,088	40,742,953	39,735,830
14	Leverage ratio (%) (row 2/row 13)	8.77%	9.11%	9.01%	9.08%	9.85%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.74%	9.06%	8.96%	8.96%	9.71%
14b	"Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)"	8.77%	9.11%	9.01%	9.08%	9.85%
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	5,012,761	4,278,551	4,324,397	6,068,218	4,407,093
22	Total liabilities	37,284,971	35,555,710	35,786,133	36,269,375	35,056,917
23	Eligible Liquid Assets Ratio (ELAR) (%)	13.44%	12.03%	12.08%	16.73%	12.57%
ASRR						
24	Total available stable funding	28,755,220	28,775,758	28,654,605	31,721,223	31,057,765
25	Total Advances	32,492,089	24,481,849	24,529,099	24,284,750	24,296,922
26	Advances to Stable Resources Ratio (%)	78.88%	85.08%	85.60%	76.56%	78.23%

Bank of Sharjah P.J.S.C.
Pillar III Disclosure for the period ended 30 September 2024
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 2024	Dec 2023	Sep 2024
		AED 000	AED 000	AED 000
1	Credit risk (excluding counterparty credit risk)	23,778,099	25,877,852	2,496,700
2	Of which: standardised approach (SA)	23,778,099	25,877,852	2,496,700
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)	49,507	55,817	5,199
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	668,650	272,735	70,208
21	Of which: standardised approach (SA)	668,650	272,735	70,208
22	Of which: internal models' approach (IMA)	-	-	-
23	Operational risk	1,003,798	1,231,102	105,399
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)	25,500,054	27,437,506	2,677,506

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%

Bank of Sharjah P.J.S.C.
Pillar III Disclosure for the period ended 30 September 2024
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 2024	Dec 2023
		AED 000	AED 000
1	Total consolidated assets as per published financial statements	40,728,842	39,459,680
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	117,683
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	106,157	115,036
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)	(1,474,166)	(1,403,846)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	2,646,934	2,454,400
13	Leverage ratio exposure measure	43,313,478	40,742,953

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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.

		Sep 2024	Dec 2023
		AED 000	AED 000
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	40,230,976	38,448,283
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)	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)	-	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	40,231,086	38,448,283
	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)	4,588	1,313
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	101,459	113,723
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)	106,047	115,036
	Securities financing transactions	-	-
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	1,132,215	117,536
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	173,496	147
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	1,305,711	117,683
	Other off-balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	3,144,800	3,465,800
20	(Adjustments for conversion to credit equivalent amounts)	(1,474,166)	(1,403,846)
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)	1,670,634	2,061,954
	Capital and total exposures		
23	Tier 1 capital	3,799,543	3,700,274
24	Total exposures (sum of rows 7, 13, 18 and 22)	43,313,478	40,742,953
	Leverage ratio		
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.77%	9.08%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.77%	9.08%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	5.77%	6.08%

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7. Liquidity risk management
7.1 Eligible Liquid Asset Ratio (ELAR)

	Sep 2024		Dec 2023	
	AED 000	AED 000	AED 000	AED 000
High Quality Liquid Assets	Nominal Amount	Eligible Liquid Assets	Nominal Amount	Eligible Liquid Assets
Physical cash in hand at the bank + balance with the CBUAE	3,735,219		4,566,942	
UAE Federal Government Bonds and Sukuks	98,069		73,460	
Subtotal	3,833,288	3,833,288	4,640,402	4,640,402
UAE local governments publicly traded debt securities	4,216,114		5,000,000	
UAE Public sector publicly traded debt securities	-		-	
Subtotal	4,216,114	1,179,473	5,000,000	1,427,816
Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-	-	-
Total	8,049,402	5,012,761	9,640,402	6,068,218
Total liabilities		37,284,971		36,269,375
Eligible Liquid Assets Ratio (ELAR)		13.44%		16.73%

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7. Liquidity risk management (continued)
7.2 Advances to Stables Resources Ratio (ASRR)

	Sep 2024 AED 000	Dec 2023 AED 000
Computation of Advances		
Net Lending (Gross loans - specific and collective provisions + interest in suspense)	24,695,538	23,377,541
Lending to Non-banking financial institutions	24,909	25,430
Financial Guarantees & Stand-by LC (Issued - Received)	236,561	319,049
Interbank placements	672,526	562,730
Total Advances	25,629,534	24,284,750
Calculation of Net Stable Resources		
Total capital + general provision	5,096,054	4,840,633
Deduct:		
Goodwill and other intangible assets	-	-
Fixed Assets	1,257,707	1,281,870
Funds allocated to branches abroad	-	-
Unquoted Investments	101,478	120,221
Investment in subsidiaries, associates and affiliates	-	-
Total deduction	1,359,185	1,402,091
Net Free Capital Funds	3,736,869	3,438,542
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	483,021	620,596
Customer Deposits	24,218,891	23,657,087
Capital market funding/ term borrowings maturing after 6 months from reporting date	3,577,262	4,004,998
Total other stable resources	28,755,220	28,282,681
Total Stable Resources	32,492,089	31,721,223
Advances to stable resources ratio	78.88%	76.56%