بنك الشـــارقـــة
Bank of Sharjah

Basel III- Pillar III Disclosures for the year ended 31 December 2021

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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 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 annual Pillar III report of the Group for the year ended 31 December 2021 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 Audited Financial Statements as at 31 December 2021.

The complete listing of all direct subsidiaries of Bank of Sharjah PJSC as at 31 December 2021 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

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 June 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 year 2021 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 in 2021.

4. Key Metrics for the group (KM1)

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

		2021
Available capital (amounts)		**AED 000**
1	Common Equity Tier 1 (CET1)	2,920,471
1a	Fully loaded ECL accounting model	2,886,001
2	Tier 1	2,920,471
2a	Fully loaded ECL accounting model Tier 1	2,886,001
3	Total capital	3,277,073
3a	Fully loaded ECL accounting model total capital	3,242,604
Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	30,359,658
Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	**9.62%**
5a	Fully loaded ECL accounting model CET1 (%)	**9.51%**
6	Tier 1 ratio (%)	**9.62%**
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	**9.51%**
7	Total capital ratio (%)	**10.79%**
7a	Fully loaded ECL accounting model total capital ratio (%)	**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 (%)	**0.29%**
Leverage Ratio		
13	Total leverage ratio measure	39,659,855
14	Leverage ratio (%) (row 2/row 13)	**7.36%**
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	**7.28%**
14b	"Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)"	**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	3,998,238
22	Total liabilities	32,471,965
23	Eligible Liquid Assets Ratio (ELAR) (%)	**12.31%**
ASRR		
24	Total available stable funding	28,316,938
25	Total Advances	24,990,604
26	Advances to Stable Resources Ratio (%)	**88.25%**

5. Overview of Risk Management and Risk Weighted Assets (RWA)

Please refer Note 40 of the Group's annual financial statements for the risk management framework including: risk governance structure, risk profile and risk measurement systems of the bank, risk reporting to the board and senior management and risk mitigation.

The Group operates a wide-ranging stress testing program that support risk management and capital planning. It includes execution of stress tests mandated by regulators. The group's stress testing is supported by dedicated teams and infrastructure. The testing program assesses capital strength and enhances resilience to external shocks, thereby helping to understand and mitigate risks and informed decision making on capital levels.

5.1 Overview of Risk Weighted Assets (RWAs) (OV1)

The following table provides an overview of total RWAs forming the denominator of the risk-based capital requirements. Further breakdown of RWAs are presented in subsequent parts.

		RWA	**Minimum capital requirements**
		2021	**2021**
		AED 000	**AED 000**
1	Credit risk (excluding counterparty credit risk)	28,528,198	2,995,461
2	Of which: standardised approach (SA)	28,528,198	2,995,461
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)	-	-
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	633,757	66,545
21	Of which: standardised approach (SA)	633,757	66,545
22	Of which: internal models' approach (IMA)	-	-
23	Operational risk	1,197,703	125,758
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)**	**30,359,658**	**3,187,764**

5. Overview of Risk management (continued)

5.1 Overview of Risk Management and Risk Weighted Assets (RWA) (continued)

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%

5.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with relevant laws of the U.A.E. Differences are arising for the reason that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the application of IAS 29 *Financial reporting in Hyperinflationary Economies* in accordance with IAS 21 *The Effect of Changes in Foreign Exchange Rates*. However, the capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank, and thus the computation of the capital adequacy ratio does not include the effect of IAS 29 and IAS 21, currency translation resulting from the Lebanese operations.

5. Overview of Risk management (continued)

5.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) (continued)

31 December 2021			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Assets							
Cash and balances with central banks	3,223,357	6,565,551	6,565,551	-	-	-	-
Deposits and balances due from banks	64,354	96,241	96,241	-	-	-	-
Loans and advances, net	21,314,047	22,397,830	22,397,830	-	-	-	-
Investments measured at fair value	486,755	515,800	515,800	-	-	172,948	-
Investments measured at amortised cost	4,351,247	4,417,179	4,417,179	-	-	-	-
Investment properties	1,091,543	1,091,543	1,091,543	-	-	-	-
Other intangibles	22,075	23,362	-	-	-	-	23,362
Assets acquired in settlement of debt	1,448,800	1,492,699	1,492,699	-	-	-	-
Other assets	1,270,627	1,360,200	1,360,200	-	-	-	-
Derivative assets held for risk management	9,083	9,083	9,083	-	-	-	-
Property and equipment	280,170	300,700	300,700	-	-	-	-
Total Assets	**33,562,058**	**38,270,188**	**38,246,826**	**-**	**-**	**172,948**	**23,362**
Liabilities							
Customers' deposits	23,757,419	26,491,847	-	-	-	-	26,491,847
Deposits and balances due to banks	237,995	238,405	-	-	-	-	238,405
Repo borrowings	750,000	750,000	-	-	-	-	750,000
Other liabilities	2,043,171	2,226,078	-	-	-	-	2,226,078
Derivative liabilities held for risk management	8,922	8,922	-	-	-	-	8,922
Issued bonds	5,353,179	5,353,179	-	-	-	-	5,353,179
Total Liabilities	**32,150,686**	**35,068,431**	**-**	**-**	**-**	**-**	**35,068,431**

5. Overview of Risk management (continued)

5.3 Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

31 December 2021		Total	Items subject to:		
			Credit risk framework	Counterparty credit risk framework	Market risk framework
		AED 000	AED 000	AED 000	AED 000
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	38,419,774	38,246,826	-	172,948
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-
3	**Total net amount under regulatory scope of consolidation**	**38,419,774**	**38,246,826**	**-**	**172,948**
4	Off-balance sheet amounts Excluding Derivatives	5,007,364	5,007,364	-	-
5	Differences due to different netting rules	(971,720)	(971,720)	-	-
6	Differences due to consideration of provisions and interest in suspense	3,176,338	3,176,338	-	-
7	**Exposure amounts considered for regulatory purposes**	**45,631,756**	**45,458,808**	**-**	**172,948**

6. Composition of Capital

6.1 Capital Management

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.

6.2 Regulatory Capital

The Group's capital base is divided into three main categories, namely CET1, AT1 and Tier 2, depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.
- AT1 capital comprises eligible non-common equity capital instruments.
- Tier 2 capital comprises qualifying subordinated debt, and undisclosed reserve.

6. Composition of Capital (continued)

6.3 Composition of Regulatory Capital (CC1)

This provides a breakup of the elements constituting the Group's capital:

		2021 AED 000
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2,200,000
2	Retained earnings	(278,936)
3	Accumulated other comprehensive income (and other reserves)	1,016,240
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-
5	Common share capital issued by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory deductions**	**2,937,304**
	Common Equity Tier 1 capital regulatory adjustments	-
7	Prudent valuation adjustments	-
8	Goodwill (net of related tax liability)	23,362
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-
11	Cash flow hedge reserve	-
12	Securitisation gain on sale	-
13	Gains and losses due to changes in own credit risk on fair valued liabilities	(6,528)
14	Defined benefit pension fund net assets	-
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-
17	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-
18	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
19	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-
20	Amount exceeding 15% threshold	-
21	Of which: significant investments in the common stock of financials	-
22	Of which: deferred tax assets arising from temporary differences	-
23	CBUAE specific regulatory adjustments	-
24	**Total regulatory adjustments to Common Equity Tier 1**	**16,834**
25	**Common Equity Tier 1 capital (CET1)**	**2,920,471**
	Additional Tier 1 capital: instruments	-
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-

6. Capital Management (continued)

6.3 Composition of Regulatory Capital (CC1) (continued)

		2021
		AED 000
27	OF which: classified as equity under applicable accounting standards	-
28	Of which: classified as liabilities under applicable accounting standards	-
29	Directly issued capital instruments subject to phase-out from additional Tier 1	-
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-
32	**Additional Tier 1 capital before regulatory adjustments**	-
	Additional Tier 1 capital: regulatory adjustments	-
33	Investments in own additional Tier 1 instruments	-
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
36	CBUAE specific regulatory adjustments	-
37	Total regulatory adjustments to additional Tier 1 capital	-
38	**Additional Tier 1 capital (AT1)**	-
39	**Tier 1 capital (T1= CET1 + AT1)**	**2,920,471**
	Tier 2 capital: instruments and provisions	-
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
41	Directly issued capital instruments subject to phase-out from Tier 2	-
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
43	Of which: instruments issued by subsidiaries subject to phase-out	-
44	Provisions	356,602
45	**Tier 2 capital before regulatory adjustments**	**356,602**
	Tier 2 capital: regulatory adjustments	-
46	Investments in own Tier 2 instruments	-
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
49	CBUAE specific regulatory adjustments	-
50	Total regulatory adjustments to Tier 2 capital	-
51	**Tier 2 capital (T2)**	-
52	**Total regulatory capital (TC = T1 + T2)**	**3,277,073**
53	**Total risk-weighted assets**	**30,359,658**

6. Capital Management (continued)

6.3 Composition of Regulatory Capital (CC1) (continued)

		2021
		AED 000
	Capital ratios and buffers	
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	**9.62%**
55	Tier 1 (as a percentage of risk-weighted assets)	**9.62%**
56	Total capital (as a percentage of risk-weighted assets)	**10.79%**
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	**0.29%**
58	Of which: capital conservation buffer requirement	**0.29%**
59	Of which: bank-specific countercyclical buffer requirement	**-**
60	Of which: higher loss absorbency requirement (e.g. DSIB)	**-**
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	**2.62%**
		-
	The CBUAE Minimum Capital Requirement	-
62	Common Equity Tier 1 minimum ratio	**7.00%**
63	Tier 1 minimum ratio	**8.50%**
64	Total capital minimum ratio	**10.50%**
	Amounts below the thresholds for deduction (before risk weighting	-
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-
66	Significant investments in common stock of financial entities	**-**
67	Mortgage servicing rights (net of related tax liability)	**-**
68	Deferred tax assets arising from temporary differences (net of related tax liability)	**-**
	Applicable caps on the inclusion of provisions in Tier 2	**-**
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	**-**
70	Cap on inclusion of provisions in Tier 2 under standardised approach	**-**
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**-**
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**-**
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	**-**
73	Current cap on CET1 instruments subject to phase-out arrangements	**-**
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	**-**
75	Current cap on AT1 instruments subject to phase-out arrangements	**-**
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	**-**
77	Current cap on T2 instruments subject to phase-out arrangements	**-**
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	**-**

6. Capital Management (continued)

6.4 Reconciliation of regulatory capital to balance sheet (CC2)

The following table enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between the bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1. Variances between the financial and regulatory consolidated balance sheets are consistent with LI1 disclosure.

31 December 2021	Balance sheet as published in the financial statements	Under regulatory scope of consolidation
	AED 000	AED 000
Assets		
Cash and balances with central banks	3,223,357	6,565,551
Deposits and balances due from banks	64,354	96,241
Loans and advances, net	21,314,047	22,397,830
Investments measured at fair value	486,755	515,800
Investments measured at amortised cost	4,351,247	4,417,179
Investment properties	1,091,543	1,091,543
Other intangibles	22,075	23,362
Assets acquired in settlement of debt	1,448,800	1,492,699
Other assets	1,270,627	1,360,200
Derivative assets held for risk management	9,083	9,083
Property and equipment	280,170	300,700
Total assets	**33,562,058**	**38,270,188**
Liabilities		
Customers' deposits	23,757,419	26,491,847
Deposits and balances due to banks	237,995	238,405
Repo borrowings	750,000	750,000
Other liabilities	2,043,171	2,226,078
Derivative liabilities held for risk management	8,922	8,922
Issued bonds	5,353,179	5,353,179
Total liabilities	**32,150,686**	**35,068,431**
Share capital	2,200,000	2,200,000
Statutory reserve	1,050,000	1,050,000
Contingency reserve	640,000	640,000
General and impairment reserve	220,972	220,972
Investment fair value reserve	(681,292)	(680,288)
Currency translation reserve	(2,083,048)	-
Retained earnings/ (Accumulated losses)	57,404	(236,263)
Non-controlling interest	7,336	7,336
Total equity	**1,411,372**	**3,201,757**

7. Leverage Ratio

7.1 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.

		2021 AED 000
1	Total consolidated assets as per published financial statements	42,095,366
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	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)	(2,454,454)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	(18,214)
13	**Leverage ratio exposure measure**	**39,659,856**

7. Leverage Ratio (continued)

7.2 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.

		2021 AED 000
	On-balance sheet exposures	
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	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)**	**37,069,787**
	Derivative exposures	
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-
9	Add-on amounts for PFE associated with *all* 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 *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(18,214)
16	CCR exposure for SFT assets	55,372
17	Agent transaction exposures	
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**37,158**
	Other off-balance sheet exposures	
19	Off-balance sheet exposure at gross notional amount	5,007,364
20	(Adjustments for conversion to credit equivalent amounts)	(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)**	**2,552,910**
	Capital and total exposures	
23	**Tier 1 capital**	**2,920,471**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**39,659,855**
	Leverage ratio	
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**7.36%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.36%
26	CBUAE minimum leverage ratio requirement	4.00%
27	**Applicable leverage buffers**	**3.36%**

8. Credit Risk

8.1 General qualitative information about credit risk (CRA)

✓ **How the business model translates into the components of the bank's credit risk profile**

Credit risk is the most significant risk facing the Bank in the normal course of business. It is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms causing a financial loss to the bank. Obligors may be borrowers, issuers, counterparties or guarantors.

To identify, monitor and manage credit risk, BOS developed a key set of credit principles representing the pillar of its credit policy. Credit risk is managed through a framework that sets out policies and procedures and delegations covering the measurement and management of credit risk with a clear segregation of duties and accountabilities.

The Bank controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Bank further limits risk through diversification of its assets by economic and industry sectors. The Bank has also put in place three lines of defence to ensure that the oversight of credit risk has appropriate independence.

Policies relating to credit are reviewed and approved by the Bank's Board periodically. The Board is responsible for setting the credit policy of the Bank. It also establishes industry caps, approves policy exceptions, and conducts periodic portfolio reviews to ascertain portfolio quality. The Banks Risk Appetite also sets out the acceptable parameters relating to Credit Risk and credit concentrations.

✓ **Criteria and approach used for defining credit risk management policy and for setting credit risk**

All credit applications are subject to the Banks Credit policies, underwriting standards which are established within the boundaries of the Risk Appetite statement. The Credit Risk policy was developed by the Risk department in the second line of defence and approved by the Board. These policies and processes define the standards and criteria for the approval, monitoring and remedial action of the Banks credit risk. The bank is selective and cautious when onboarding new customers to the Bank or are in industries that require specialisation. In addition, the Bank sets credit limits for all customers based on their creditworthiness.

All credit facilities extended by the Bank are made subject to prior approval pursuant to a delegated signature authority system under the ultimate authority of the Board Credit Committee or respective Management Credit Committee under the supervision of the Board.

✓ **Structure and organisation of the credit risk management and control function**

The Credit Risk Unit is a unit within the Risk Department and is separate from the Business Unit. The Unit is responsible to ensure that the process of assessing credit risk is appropriate and reflective of bank's objectives and the circumstances applicable at the time of analysis. Its main duties include:

validating credit proposals and risk ratings against the policy and risk appetite of the bank. It also monitors the ongoing credit risk exposures and identifies early warning signs of deterioration.

8. Credit Risk (continued)

8.1 General qualitative information about credit risk (CRA) (continued)

All credit facilities post approval are administered and monitored by the Credit Administration Department. The department is a support function, its main responsibilities is managing the disbursement and monitoring process to ensure compliance with credit approvals and obtaining all relevant documents and securities.
Both the Credit Risk Review Unit and Credit Administration Department are independent from the business underwriting teams and have a reporting line into the Chief Risk Officer (CRO). The CRO reports independently to the Board Risk Committee (BRC).

8.2 Relationships between the credit risk management, risk control, compliance and internal audit functions

All credit proposals submitted by the credit teams are independently reviewed by the Credit Risk department and must be respectively approved by the required level of delegation which will include either the Head of Credit Risk, the Management Credit Committee or the Board Credit Committee. The Management Credit Committee includes the CEO, CRO and the Head of Credit Risk. All proposals requiring approval by the Board Credit Committee will first be presented to the Management Credit Committee for their recommendation.

Credit Administration ensures that all credit risk data is reported into the independent credit risk systems and that it is timely accurate and completed.

Compliance teams ensures that guidelines are complied with, in the due diligence process for anti-money laundering laws and regulations, among other, such as confidentiality and conflicts of interests, as well as related parties, PEPs and insider trading.

Internal Audit as the third line of defence reviews the end-to end credit approval and management process from the origination to approval, loan booking and monitoring and reports its findings to the Board Audit Committee for review.

8.3 Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

It is the responsibility of the Credit Risk Management to define, construct and maintain an independent credit risk reporting framework for the bank that effectively, consistently and meaningfully communicates portfolio exposures. The reports that are provided to the Board and the Credit Committee, include but not limited to overall portfolio trends, risk ratings, IFRS 9 staging and provisions, portfolio deterioration and migration, large customer exposures, industry and other concentration limits, stress test and scenario planning, Central Bank classifications and compliance with relevant regulations relating to credit risk.

These reports are presented to the BRC who will escalate key issues to the Board of Directors.

8. Credit Risk (continued)

8.4 Credit quality of assets (CR1)

The table provides a comprehensive picture of the credit quality of the Group's (on- and off-balance sheet) assets.

31 December 2021		Gross carrying values of: Defaulted exposures	Gross carrying values of: Non-defaulted exposures	Allowances/ Impairments	Of which ECL provisions: Allocated in regulatory category of Specific	Of which ECL provisions: Allocated in regulatory category of General	Net values
		AED 000	**AED 000**	**AED 000**	**AED 000**	**AED 000**	**AED 000**
1	Loans	1,518,909	21,802,048	2,006,910	767,618	1,239,292	21,314,047
2	Debt securities	18,552	4,663,801	17,299	11,796	5,503	4,665,054
3	Off-balance sheet exposure	2,261	3,354,452	22,919	375	22,544	3,333,794
Total		**1,539,723**	**29,820,302**	**2,047,129**	**779,790**	**1,267,339**	**29,312,896**

8.5 Changes in Stock of Defaulted Loans (CR2)

The following table identifies the changes in the bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

		2021
		AED 000
1	Defaulted loans at the end of the previous reporting period	2,713,248
2	Impact of IAS 21 on the opening balance	(335,636)
3	Loans that have defaulted since the last year	37,512
4	Returned to non-default status	(1,167,437)
5	Change in exposures, net of repayments, write-off and others	271,222
6	**Defaulted loans at the end of the reporting period**	**1,518,909**

8.6 Credit Risk Mitigation Techniques (CR3)

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees
		AED 000	**AED 000**	**AED 000**	**AED 000**
1	Loans	5,427,338	17,893,619	14,330,462	2,608
2	Debt securities	270,656	4,099,840	4,099,840	-
3	**Total**	**5,697,994**	**21,993,459**	**18,430,302**	**2,608**
4	Of which defaulted	1,140,983	389,742	171,638	-

8. Credit Risk (continued)

8.7 Additional Disclosure related to the Credit Quality of Assets (CRB)

Definition of Default

Please refer Note 5 in the annual financial statements for scope and definitions of 'past due' exposures.

8.8 Past due exposures but not impaired

Aging analysis of past due but not impaired loans per class of on-balance sheet financial assets

	Less than 30 days 2021 AED 000	31 to 89 days 2021 AED 000	More than 90 days 2021 AED 000	Total 2021 AED 000
Loans and advances	**5,300**	**61,395**	**178,120**	**244,815**

	Less than 30 days 2020 AED 000	31 to 89 days 2020 AED 000	More than 90 days 2020 AED 000	Total 2020 AED 000
Loans and advances	147,763	118	509	148,390

8.9 Renegotiated Financial Assets

Carrying amount per class of on-balance sheet financial assets whose terms have been renegotiated

	2021 AED 000	2020 AED 000
Loans and advances	**4,664,060**	3,120,905

8. Credit Risk (continued)

8.10 Gross Credit Exposure - Currency Classification

The Group's gross credit exposure by foreign and local currency, both funded and non-funded is detailed below:

31 December 2021

	Loans and receivables AED 000	Cash & deposits with Central Bank AED 000	Due from Banks AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Financial guarantees AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
Foreign Currency	1,193,841	1,591,271	58,166	370,496	880,073	4,093,847	163,293	2,144,111	2,307,404	6,401,251
AED	22,127,116	1,802,134	8,518	4,000,000	3,754,994	31,692,762	16,047	1,231,847	1,247,894	32,940,656
Total	**23,320,957**	**3,393,405**	**66,684**	**4,370,496**	**4,635,067**	**35,786,609**	**179,340**	**3,375,958**	**3,555,298**	**39,341,907**

8. Credit Risk (continued)

8.11 Gross Credit Exposure by Maturity

The following table lists the Group's gross exposures by Residual Maturity:

31 December 2021	Within 3 months AED 000	Over 3 months to 1 year AED 000	Over 1 year AED 000	Undated AED 000	Total AED 000
Assets					
Cash and balances with central banks	2,979,325	23,508	56,756	163,768	**3,223,357**
Deposits and balances due from banks	58,772	5,582	-	-	**64,354**
Loans and advances, net	5,140,205	1,718,362	14,455,480	-	**21,314,047**
Investments measured at fair value	172,947	-	-	313,808	**486,755**
Investments measured at amortised cost	4,346,907	487	3,133	720	**4,351,247**
Investment properties	-	-	-	1,091,543	**1,091,543**
Other intangibles	-	-	-	22,075	**22,075**
Assets acquired in settlement of debt	-	-	-	1,448,800	**1,448,800**
Other assets	957,706	168,098	144,823	-	**1,270,627**
Derivative assets held for risk management	9,083	-	-	-	**9,083**
Property and equipment	-	-	-	280,170	**280,170**
Total assets	**13,664,945**	**1,916,037**	**14,660,192**	**3,320,884**	**33,562,058**
Liabilities					
Customers' deposits	11,956,660	11,453,798	345,627	1,334	**23,757,419**
Deposits and balances due to banks	237,995	-	-	-	**237,995**
Repo-borrowing	750,000	-	-	-	**750,000**
Other liabilities	2,028,885	4,773	18,435	-	**2,052,093**
Issued Bonds	2,308,204	439,655	2,605,320	-	**5,353,179**
Total liabilities	**17,281,744**	**11,898,226**	**2,969,382**	**1,334**	**32,150,686**
Net liquidity gap	**(3,616,799)**	**(9,982,189)**	**11,690,810**	**3,319,550**	**1,411,372**

8. Credit Risk (continued)

8.12 Gross Credit Exposure by Geography

The Group's gross credit exposure by Geography both funded and non-funded is detailed below:

31 December 2021	Loans and receivables AED 000	Cash & deposits with Central Bank AED 000	Due from Banks AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Financial guarantees AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
United Arab Emirates	21,514,791	3,083,946	21,998	4,133,700	4,238,840	32,993,275	174,805	3,236,608	3,411,413	36,404,688
GCC excluding UAE	63,793	-	7,279	183,650	-	254,722	160	78,454	78,614	333,336
Middle East	608,913	309,459	2,277	18,436	392,569	1,331,654	2,764	51,735	54,499	1,386,153
Asia	44,849	-	4,706	-	-	49,555	-	-	-	49,555
Africa	14,270	-	-	-	-	14,270	-	-	-	14,270
USA	36,738	-	6,550	-	-	43,288	-	46	46	43,334
Europe	5,402	-	23,334	34,710	3,658	67,104	1,611	9,109	10,720	77,824
Others	1,032,201	-	540	-	-	1,032,741	-	6	6	1,032,747
Total	**23,320,957**	**3,393,405**	**66,684**	**4,370,496**	**4,634,067**	**35,786,609**	**179,340**	**3,375,958**	**3,555,298**	**39,341,907**

8. Credit Risk (continued)

8.13 Gross Credit Exposure by Economic Activity

The group's gross credit exposure by Economic activity both funded and non-funded is detailed below:

31 December 2021	Loans and receivables AED 000	Cash & deposits with Central Bank AED 000	Due from Banks AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Financial guarantees AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
Trading	4,056,112	-	-	-	-	4,056,112	16,062	664,689	680,751	4,736,863
Personal loans	3,319,600	-	-	-	-	3,319,600	-	208,728	208,728	3,319,621
Services	7,956,984	-	-	-	-	7,956,984	158,799	356,263	515,062	8,472,046
Manufacturing	2,588,383	-	-	-	-	2,588,383	2,707	317,415	320,122	2,908,505
Construction	1,087,547	-	-	-	-	1,087,547	160	593,136	593,296	1,680,843
Government	214,017	-	-	4,152,136	-	4,366,153	-	609,212	609,212	4,975,365
Public utilities	-	-	-	-	-	-	-	2,649	2,649	2,649
Mining and quarrying	1,058,804	-	-	-	-	1,058,804	-	11,885	11,885	1,070,689
Transport and communication	229,301	-	-	-	-	229,301	-	469,883	469,883	699,184
Agriculture	1,109	-	-	-	-	1,109	-	74	74	1,183
Financial institution	823,004	3,393,405	66,684	-	-	4,283,093	1,612	113,546	115,158	4,398,251
Others	706,635	-	-	218,360	4,635,067	5,560,062	-	28,478	28,478	5,588,540
Government related entities	1,279,461	-	-	-	-	1,279,461	-	-	-	1,279,461
Total	**23,320,957**	**3,393,405**	**66,684**	**4,370,496**	**4,635,067**	**35,786,609**	**179,340**	**3,375,958**	**3,555,298**	**39,341,907**

8. Credit Risk (continued)

8.14 Impaired Loans by Geography

31 December 2021	Overdue (Gross of Interest in suspense) AED 000	Interest in suspense AED 000	Overdue (Net of Interest in suspense) AED 000	Expected Credit Losses (ECL) AED 000
United Arab Emirates	1,806,443	319,627	1,486,816	747,576
GCC excluding UAE	19,240	2,343	16,897	8,451
Middle East	15,196	-	15,196	11,591
Total	**1,840,879**	**321,970**	**1,518,909**	**767,618**

8.15 Impaired Loans by Economic Activity

31 December 2021	Net of Interest in Suspense AED 000	Expected Credit Losses (ECL) AED 000
Trading	1,115,914	537,581
Manufacturing	203,630	126,860
Services	117,905	59,175
Personal loans	41,799	13,437
Construction	38,231	29,146
Transport and communication	1,328	1,328
Financial institution	7	7
Others	95	84
Total	**1,518,909**	**767,618**

8. Credit Risk (continued)

8.16 Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects (CR4)

The following table illustrates the effect of CRM on capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
31 December 2021	**On-balance sheet amount AED 000**	**Off-balance sheet amount AED 000**	**On-balance sheet amount AED 000**	**Off-balance sheet amount AED 000**	**RWA AED 000**	**RWA Density**
Sovereigns and their central banks	10,701,571	-	10,701,571	-	3,394,656	32%
Public Sector Entities	1,209,360	300,229	969,177	300,229	1,057,885	83%
Multilateral development banks	-	-	-	-	-	-
Banks	84,754	35,753	63,317	35,753	40,203	41%
Securities firms	11,488	-	11,488	-	11,390	99%
Corporates	13,968,277	4,504,360	11,650,266	4,504,360	12,960,230	80%
Regulatory retail portfolios	213,578	167,022	138,755	167,022	165,371	54%
Secured by residential property	910,811	-	910,811	-	484,892	53%
Secured by commercial real estate	5,930,704	-	5,930,704	-	5,930,704	100%
Equity Investment in Funds (EIF)	-	-	-	-	-	-
Past-due loans	869,396	-	869,396	-	987,580	114%
Higher-risk categories	-	-	-	-	-	-
Other assets	3,727,370	-	3,727,370	-	3,495,286	94%
Total	**37,627,309**	**5,007,364**	**34,972,855**	**5,007,364**	**28,528,197**	**71%**

8. Credit Risk (continued)

8.17 Exposures by Asset classes and Risk Weights (CR5)

The following table presents the breakdown of credit risk exposures under the standardised approach by asset class and risk weight.

Exposures amount (post CCF and post-CRM)

31 December 2021	Risk weights											
								Others	Others	Others	Others	Total credit exposures
Regulatory portfolio	0% AED 000	20% AED 000	35% AED 000	50% AED 000	75% AED 000	100% AED 000	150% AED 000	250% AED 000	85% AED 000	2% AED 000	1250% AED 000	AED 000
Sovereigns	7,250,870	-	-	112,090	-	3,338,611	-	-	-	-	-	**10,701,571**
Public Sector Entities	211,521	-	-	-	-	1,057,885	-	-	-	-	-	**1,269,406**
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	**-**
Banks	-	44,895	-	45,900	-	8,275	-	-	-	-	-	**99,070**
Securities firms	-	122	-	-	-	11,366	-	-	-	-	-	**11,488**
Corporates	3,148,039	-	-	-	-	12,697,542	-	-	309,045	-	-	**16,154,626**
Regulatory retail portfolios	93,772	-	-	-	186,535	25,470	-	-	-	-	-	**305,777**
Secured by residential property	150	-	646,326	-	22,629	241,706	-	-	-	-	-	**910,811**
Secured by commercial real estate	-	-	-	-	-	5,930,704	-	-	-	-	-	**5,930,704**
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	-	-	**-**
Past-due loans	147	-	-	-	-	632,586	236,663	-	-	-	-	**869,396**
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-	**-**
Other assets	451,503	18,732	-	-	-	2,788,326	468,809	-	-	-	-	**3,727,370**
Total	**11,156,002**	**63,749**	**646,326**	**157,990**	**209,164**	**26,732,471**	**705,472**	**-**	**309,045**	**-**	**-**	**39,980,219**

8. Credit Risk (continued)

8.17 Exposures by Asset Classes and Risk Weights (CR5) (continued)

As per the revised capital adequacy standards and guidelines applicable from 2021, Claims on GCC sovereign in non-domestic currency attract risk weight based on country rating, previously risk weighted at 0%. Accordingly, there is a shift in sovereign exposure from 0% to 20% RW. Also, short term claims on banks in foreign currency can now attract preferential risk weight, resulting in increase in 20% RW bucket. Other movements are mostly volume driven.

8.18 Qualitative disclosure requirements related to credit risk mitigation techniques (CRC)

(a) Core features of policies and processes for, and indication of the extent to which the bank makes use of, on- and off-balance sheet netting.

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 net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

(b) Core features of policies and processes for collateral evaluation and management.

Collateral is a form of security that the borrower provides to the lender, to secure the loan in case it is not repaid from the returns as established at the time of availing the facility. Examples of acceptable security would be cash margins, fixed deposits under lien, guarantees or fixed assets such as property, vehicles or equipment.

Requesting adequate collateral or guarantees to cover partially or wholly the loan amount is used to mitigate the default risk as a secondary source of repayment.
Consideration of collateral will depend on may factors, including the ability of the bank to liquidate and the potential volatility in market value of the asset.

The bank's Credit Policy includes specific guidelines on the evaluation process for collateral. The policy includes the procedure for the empanelment of Professional Valuers and a register of approved list of valuers. This process is overseen by the Risk department to ensure there is independence in the evaluation process and that appropriately qualified valuers are used.

(c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

The Bank credit policies set out the key considerations for eligibility, enforceability and effectiveness of credit risk. The Bank manages its concentration risk through its Risk Appetite and Credit Policy statements. Information on key concentration risks is provided to the Board Risk Committee. The Bank further limits risk through diversification of its assets by economic and industry sectors.

8. Credit Risk (continued)

8.18 Qualitative disclosure requirements related to credit risk mitigation techniques (CRC) (continued)

(c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers) (continued)

Potential credit losses from any given account, client or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit derivatives and guarantees. Loans are secured by acceptable forms of collateral in order to mitigate credit risk. The Bank has credit policies and procedures in place setting out the criteria for collateral to be recognized as a credit risk mitigants, including requirements concerning legal certainty, priority, concentration and liquidity. Collateral types that are eligible as risk mitigates include: cash margins, fixed deposits, residential/ commercial property, assets such as motor vehicles, plant and machinery, marketable securities, commodities, standby letters of credit and certain guarantees. The Bank accepts guarantees mainly from well-reputed local or international banks, well-established local or multinational corporate and high net worth private individuals. The Bank also enters into collateralized reverse repurchase agreements.

Cross border exposure and financial institutions exposure limits for money market and treasury activities are approved as per guidelines established by the Group's Board Credit Committee and are monitored by the Financial Institutions Group on a daily basis.

8.19 Qualitative disclosures on bank's use of external credit ratings under the standardized approach for credit risk (CRD)

The group follows the standardized approach which requires banks to use risk assessments prepared by external credit assessment institutions ('ECAIs') to determine the risk weightings applied to rated counterparties. CBUAE had advised following ECAIs to be used for the rating purpose:

- Moody's Investor Service ('Moody's'); and
- Fitch ratings ('Fitch')

Based on the rating processes of these ECAIs, the CBUAE has established the following tables:

Moody's	**Fitch**
Aaa to Aa-	AAA to AA-
A1 to A3	A+ to A-
Baa1 to Baa3	BBB+ to BBB-
Ba1 to Ba3	BB+ to BB-
B1 to B3	B + to B-
Below B-	Below B-
Unrated	Unrated

If there is only one rating, that rating should be used to determine the risk weight of the exposure. If there are two rating that map to different risk weights, the higher risk weight must be applied.

If there are three or more ratings with different risk weights, the corresponding to the two lowest risk weights should be referred to. If this give rise to the same risk weight, that risk weight should be applied. If different, the higher risk weight should be applied.

9. Counterparty credit risk (CCR)

9.1 Analysis of Counterparty Credit Risk by approach (CCR1)

The following table provides counterparty credit risk requirements and is aligned to the Standardised Approach required by CBUAE to calculate CCR.

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	2,104	48,537	-	1.4	70,898	29,794
2	Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
5	VaR for SFTs	-	-	-	-	-	-
6	**Total**	**2,104**	**48,537**	**-**	**1.4**	**70,898**	**29,794**

9.2 Credit valuation adjustment (CVA) capital charge (CCR2)

The following table provides counterparty credit risk requirements and is aligned to the Standardised Approach required by CBUAE to calculate CCR.

		EAD post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge	70,898	29,794
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

9. Counterparty credit risk (CCR) (continued)

9.3 Standardized approach CCR exposures by regulatory portfolio and risk weights (CCR3)

The following table provides risk weights of the counterparty credit risk requirements and in aligned to the Standardised Approach by Regulatory portfolio

	Credit Exposure							
Regulatory portfolio	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	18,848	52,050	-	-	-	-	70,898
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**-**	**18,848**	**52,050**	**-**	**-**	**-**	**-**	**70,898**

9. Counterparty credit risk (CCR) (continued)

9.4 Composition of collateral for Counterparty Credit Risk exposure (CCR5)

The following table provides collateral posted and received for derivative transactions.

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	27,581	-	9,366	-	-
Domestic sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**27,581**	**-**	**9,366**	**-**	**-**

10. Market risk

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.

10.1 Market risk - trading book

The Executive Committee has set limits for acceptable level of risks in managing the trading book. The Group maintains a well-diversified portfolio. In order to manage the market risk in the trading book, the Group carries a limited amount of market risk based on the policy preference and this is continuously monitored by Senior Management.

The Group's trading book mainly comprises of equity instruments in companies listed on the U.A.E. exchanges. As such, the market risk in the trading book is limited to equity price risk.

Equity price risk refers to the risk of a decrease in the fair values of equities in the Group's 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 equity investments held in the trading book due to a reasonable possible change in U.A.E. equity indices, with all other variables held constant is as follows:

	31 December 2021		31 December 2020	
Market indices	**Change in equity price %**	**Effect on income AED 000**	Change in equity price %	Effect on income AED 000
Global Stock markets	**+1%**	**1,729**	+1%	1,218
Global Stock markets	**-1%**	**(1,729)**	-1%	(1,218)

10.2 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 (IRR) is defined as the exposure arising from movements in market interest rates. Typical instruments that give rise to IRR are interest bearing and discounted financial instruments and derivatives which are based on the movement of interest rates (foreign exchange forwards, and interest rate swaps). The interest rate risk faced by the Bank could be specific – due to the yield change in the instrument, or general – due to changes in the macro-economic factors governing the market.

The Bank uses two measures to monitor and control interest rate risk in the banking book that include

- Earnings at Risk Impact
- Economic Value of Equity

Accordingly, the bank's risk appetite for IRRBB is also articulated in terms of the risk to both economic value and earnings. Policy limits are aligned to Bank of Sharjah's overall approach for measuring IRRBB and are targeted to maintain the IRRBB exposures consistent with the risk appetite and the regulatory

10. Market risk (continued)

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

i) Interest rate risk (continued)

guidelines. The Treasury department is mandated to manage the interest rate risk with Market Risk Management acting as an independent oversight function. 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.

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 2021, 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 2021 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.

2021 Currency	**Increase in basis**	**Sensitivity of interest income**	**Sensitivity of equity**
AED	**+200**	**(56,710)**	**(56,710)**
USD	**+200**	**(7,757)**	**(7,757)**
Others	**+200**	**(213)**	**(213)**
AED	**-200**	**56,710**	**56,710**
USD	**-200**	**7,757**	**7,757**
Others	**-200**	**213**	**213**

2020 Currency	Increase in basis	Sensitivity of interest income	Sensitivity of equity
AED	+200	(25,586)	(25,586)
USD	+200	(3,044)	(3,044)
Others	+200	(256)	(256)
AED	-200	25,586	25,586
USD	-200	3,044	3,044
Others	-200	256	256

10. Market risk (continued)

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

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 2021, 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:

	2021 AED 000 equivalent long (short)	2020 AED 000 equivalent long (short)
EURO	**-**	(22,570)
GBP	**(460)**	-
AUD	**(6)**	-

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 net reduction in consolidated statement of profit or loss or equity.

		(AED 000)	
Currency exposure as at 31 December 2021	**Change in currency rate in %**	**Change on net profit**	**Change on Equity**
GBP	**+5%**	**(23)**	**(23)**
GBP	**-5%**	**23**	**23**

		(AED 000)	
Currency exposure as at 31 December 2020	Change in currency rate in %	Change on net profit	Change on Equity
EUR	+5%	(1,129)	(1,129)
EUR	-5%	1,129	1,129

10. Market risk (continued)

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

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:

	31 December 2021		31 December 2020	
Market indices	**Change in equity price %**	**Effect on equity AED 000**	Change in equity price %	Effect on equity AED 000
Global stock markets	**+1%**	**1,403**	+1%	948
Global stock markets	**-1%**	**(1,403)**	-1%	(948)

c) Market Risk Capital

The Group calculates market risk capital requirements using Basel III Standardised Approach. The following risk types are covered by Basel III Standardised Approach.

Interest rate risk:	Risk arising from fluctuations in the level of interest rates in the market environment and impacts prices of interest rate sensitivities financial instruments.
Equity risk:	Risk arising from fluctuations in equity prices, volatilities, and dividend yields.
Foreign exchange risk:	Risk arising from fluctuations in foreign exchange rates and impacts transactions denominated in a currency other than the domestic currency of the Group.
Commodity risk:	Risk arising from fluctuations in the prices of commodities.
Options Risk:	Risk arising from fluctuations in the volatilities and prices/ rates impacts financial instruments with optionality

10.3 Market Risk under the Standardised Approach – (MR1)

The following table provides the components of RWAs under the Standardised Approach for market risk:

		2021 RWA AED 000
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	36,319
3	Foreign exchange risk	30,226
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
	Total	**66,545**

10. Market risk (continued)

10.4 Market Risk

Market risks subject to capital charge are as follows:
- Interest Rate Risk
- Foreign Exchange Risk
- Equity Exposure Risk
- Commodity Risk
- Options Risk

Capital charge on interest rate risk and equity exposure risk is restricted to Bank's 'trading book', while capital charge on Foreign exchange risk applies on the bank's entire positions.

Realised and unrealised revaluation gain/ (loss) during the year	**2021** **AED 000**
Realised (loss)/ gain from sales and liquidation	(82)
Realised and unrealised gain/ (loss) on investments measured at fair value through profit or loss	50,196
Realised and unrealised gain/ (loss) on investments measured at fair value through other comprehensive income	58,803
Total	**108,917**

Items in table above included in Tier 1/Tier 2 capital	**2021**
Amount included in Tier 1 capital	58,803
Amount included in Tier 2 capital	-
Total	**58,803**

11. Interest rate risk in the banking book (IRRBB)

11.1 IRRBB risk management objectives and policies

a) Overview

Interest Rate Risk in the Banking Book (IRRBB) is defined as the potential loss to the net economic value of equity (EVE), capital and earnings arising from adverse movements in interest rates that affect the banking book positions.

b) Management

The IRRBB strategy is governed by the Board of Directors which delegates the management of Bank's overall strategy with reference to the IRRBB to the Asset and Liability Management Committee (ALCO). ALCO has a mandate to maintain the bank's IRRBB exposure at levels that are aligned to the Board of Directors' risk appetite towards IRRBB which is expressed through high-level limits included in the Risk Appetite Statement. Detailed IRRBB limits are reviewed by the ALCO and approved by the Board at least on an annual basis or more frequently where such an update appears appropriate. The IRRBB report is required to be presented to ALCO on a monthly basis where ALCO determines, if all risk measures are within limit, whether it is agrees with the bank's exposure to interest rate movements, considering the senior management view of the market outlook. The Risk Function is responsible for the model update and calibration assures the ALCO that the appropriate IRRBB models have been reviewed and validated by an independent unit on at least an annual basis. It is the responsibility of the Bank's Risk Function to ensure that any updates in the IRRBB framework are promptly reflected in the IRRBB policy, metrics and regular reporting as they are approved by ALCO. The Internal Audit function is responsible for periodic reviews in order to assess, review effectiveness and adherence to the Policy.

c) Measurement

The Bank uses two metrics for measuring the IRRBB:

- The earnings perspective which focuses on the impact interest rate changes might have on a bank's near-term earnings that will focus on assessing the earnings effects that may arise from changes in market interest rates.

- The economic value perspective which focuses on the impact interest rate changes might have on the economic value of the future cash flows and thus on the economic value of both interest rate book and capital.

d) IRRBB Calculations

The main objectives of the IRRBB measurement process consists of the following:

- Calculation of the NII is performed under parallel interest rate scenarios and a predefined holding period (known as a Gapping Period) for a year.
- Calculation of the EVE sensitivity under six regulatory scenarios.

11. Interest rate risk in the banking book (IRRBB)

11.2 Sensitivity of economic value of equity and NII - IRRBB1

The below table indicates the economic value of equity and net interest income under each of the prescribed interest rate shock scenarios.

In reporting currency	ΔEVE	ΔNII
Year	**2021 (AED 000)**	**2021 (AED 000)**
Parallel up	(132,352)	72,978
Parallel down	169,352	(72,978)
Steepener	(155,062)	-
Flattener	125,769	-
Short rate up	52,393	-
Short rate down	(52,476)	-
Maximum	(155,062**)**	**73,491**

Year	**2021**
Tier 1 capital	2,920,471

Average repricing maturity assigned to NMDs. – 4.59 years
Longest re-pricing maturity assigned to NMDs – 5 years

12. 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.

Basel III framework outlines three methods for calculating the risk charge for operational risk – Basic Indicator, Standardised Approach and Advanced Measurement Approach. The Group presently follows the Basic Indicator Approach.

13. Liquidity risk management

Executive Committee (EC) & Board Risk Committee (BRC)

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

In addition to its credit related activity, the Executive Committee along with the Board Risk Committee have a broad range of authority delegated by the Board of Directors to manage the Group’s asset and liability structure and funding strategy. The EC and BRC review 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

13. Liquidity risk management (continued)

EC & BRC formulate 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 Executive Committee members comprise of the Chairman and four Board Members. The Board Executive Committee meets once or more every 45 days, as circumstances dictate. The quorum requires all members to be present at the meeting and decisions taken to be unanimous.

The Group manages its liquidity in accordance with U.A.E. Central Bank requirements and the Group's internal guidelines. 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. 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. Management of liquidity risk within the parameters prescribed by the Board Risk Committee has been delegated to an Asset and Liability Committee (ALCO) comprising the General Manager (Operations) and senior executives from treasury, finance, risk, corporate credit, operations, and investment departments.

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.

13. Liquidity risk management (continued)

13.1 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 88.25% as at 31 December 2021 (2020: is 91.31%). 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.

13.2 Eligible Liquid Asset Ratio (ELAR)

	2021	2021
	AED 000	**AED 000**
High Quality Liquid Assets	**Nominal Amount**	**Eligible Liquid Asset**
Physical cash in hand at the bank + balance with the CBUAE	3,044,620	
UAE Federal Government Bonds and Sukuks	12,856	
Subtotal	**3,057,476**	**3,057,476**
UAE governments publicly traded debt securities	3,175,261	
UAE Public sector publicly traded debt securities	-	-
Subtotal	**3,175,261**	**940,762**
Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
Total	**6,232,737**	**3,998,238**
Total liabilities		**32,471,965**
Eligible Liquid Assets Ratio (ELAR)		**12.31%**

13. Liquidity risk management (continued)

13.3 Advances to Stables Resources Ratio (ASRR)

	2021 AED 000
Computation of Advances	
Net Lending (Gross loans - specific and collective provisions + interest in suspense)	23,704,214
Lending to Non-banking financial institutions	-
Financial Guarantees & Stand-by LC (Issued - Received)	1,280,808
Interbank placements with a remaining life of more than 3 months	5,582
Total Advances	**24,990,604**
Calculation of Net Stable Resources	
Total own funds	4,510,602
Deduct:	
Goodwill and other intangible assets	23,362
Fixed Assets	1,793,398
Funds allocated to branches abroad	-
Unquoted Investments	272,910
Investment in subsidiaries, associates and affiliates	-
Total deduction	**2,089,670**
Net Free Capital Funds	**2,420,932**
Other stable resources:	
Interbank deposits with remaining life of more than 6 months	-
Refinancing of Housing Loans	332,961
Deposits from non-banking financial institutions remaining life of more than 6 months	165,515
85% of the rest of NBFI Deposits	902,791
Total customer deposits with remaining life of more than 6 months	5,575,792
85% of the rest of Customer Deposits	15,873,972
Capital market funding/ term borrowings maturing after 6 months from reporting date	3,044,975
Total other stable resources	**25,896,006**
Total Stable Resources	**28,316,938**
Advances to stable resources ratio	**88.25%**

14 Remuneration Policy

14.1 Remuneration Policy (REMA)

The Board, through the Remuneration, Compensation and Nomination Committee is responsible for approving HR Policies at Bank of Sharjah.

These policies are subject to regular updates to reflect relevant changes in the regulatory landscape.

Bank of Sharjah's Performance metrics include aspects around Key Performance Indicators (KPI's), Behavioral Competencies, Performance against established Business Goals and Training and Development.

Currently, there is no framework that integrates Risk and Reward other than the KPI's. The Bank has set objectives of developing these specific frameworks in 2022 while endeavoring to fully adopt and implement the requirements of the Central bank of UAE's Corporate Governance Regulations for Banks.

14.2 Remuneration awarded during the financial year (REM1)

Fixed Remuneration- AED 000		**Senior Management**
1	Number of employees	**11**
2	Total fixed remuneration (3 + 5 + 7)	**20,632**
3	Of which: cash-based	20,632
4	Of which: deferred	-
5	Of which: shares or other share-linked instruments	-
6	Of which: deferred	-
7	Of which: other forms	-
8	Of which: deferred	-
Variable Remuneration- AED 000		
9	Number of employees	**8**
10	Total variable remuneration (11 + 13 + 15)	**1,825**
11	Of which: cash-based	1,825
12	Of which: deferred	-
13	Of which: shares or other share-linked instruments	-
14	Of which: deferred	-
15	Of which: other forms	-
16	Of which: deferred	-
17	**Total Remuneration (2+10)- AED 000**	**22,457**

14 Remuneration Policy (continued)

14.3 Special payments (REM2)

	Guaranteed Bonuses		Sign on Awards		Severance Payments	
Special Payments	**Number of employees**	**Total amount AED 000**	**Number of employees**	**Total amount AED 000**	**Number of employees**	**Total amount AED 000**
Senior Management	3	6,200	-	-	-	-

14.4 Deferred remuneration (REM3)

Deferred and retained remuneration	**Total amount of outstanding deferred remuneration AED 000**	**Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment AED 000**	**Total amount of amendment during the year due to ex post explicit adjustments AED 000**	**Total amount of amendment during the year due to ex post implicit adjustments AED 000**	**Total amount of deferred remuneration paid out in the financial year AED 000**
Senior management	-	-	-	-	-
Cash	-	-	-	-	-
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risk-takers	-	-	-	-	-
Cash	-	-	-	-	-
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-