



Pillar III Disclosure for Bank of Sharjah PJSC for the year ended 31 December 2020

Bank of Sharjah P.J.S.C.
Pillar III Disclosure for the year ended December 2020

Overview

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

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

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the authority on a quarterly basis.

The Group assets are risk weighted as to their relative credit, market, and operational risk. Credit risk includes both on and off-balance sheet risks. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

The Group's regulatory capital is analysed into two tiers:

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

The following limits have been applied for Tier 2 capital:

- Total Tier 2 capital shall not exceed 67% of tier 1 capital;
- Subordinated liabilities shall not exceed 50% of total Tier 1 capital; and
- Collective provision shall not exceed 1.25% of total credit risk weighted assets.

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

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

In addition to CET 1 ratio of 7% of RWAs, a capital conservation buffer (CCB) of 2.5% of RWAs shall be maintained in the form of CET 1.

Further, counter cyclical buffer (CCyB) requirement shall be met by using CET 1. The level of CCyB to be notified by 'the Central Bank'. There is no CCyB requirement during the current period.

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

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Introduction

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, like Basel II, is structured around three ‘pillars’: minimum capital requirements (Pillar I); supervisory review process (Pillar II); and market discipline (Pillar III).

Pillar III disclosures 2020

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. Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) - maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

Group Structure

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.

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Group Structure (continued)

The complete listing of all direct subsidiaries of Bank of Sharjah as of 31 December 2020 is as follows:

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Year of acquisition	Country of incorporation	Principal activities
	2020	2019				
Emirates Lebanon Bank S.A.L.	100%	100%	1965	2008	Lebanon	Financial institution
El Capital FZC	100%	100%	2007	2017	U.A.E.	Investment in a financial institution
BOS Real Estate FZC	100%	100%	2007	2007	U.A.E.	Real estate development activities
BOS Capital FZC	100%	100%	2007	2007	U.A.E.	Investment
Polyco General Trading L.L.C.	100%	100%	2008	2008	U.A.E.	General trading
Borealis Gulf FZC	100%	100%	2010	2010	U.A.E.	Investment & Real estate development activities
BOS Funding Limited	100%	100%	2015	2015	Cayman Islands	Financing activities
Muwaileh Capital FZC	90%	90%	2010	2017	U.A.E.	Developing of real estate & related activities
BOS Repos Limited	100%	100%	2018	2018	Cayman Islands	Financing activities
BOS Derivatives Limited	100%	100%	2018	2018	Cayman Islands	Financing activities

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Consolidated capital structure as per Basel III

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.

Regulatory Capital

The Bank's capital base is divided into three main categories, namely CET1, AT1 and Tier 2 ('T2'), 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.
- T2 capital comprises qualifying subordinated debt, and undisclosed reserve.

The capital overview as per Basel III framework is given below:

	2020	2019
	AED'000	AED'000
Available capital		
Common Equity Tier 1	2,723,616	2,920,581
Tier 1 capital	2,723,616	2,920,581
Tier 2 capital	339,773	329,871
Total eligible capital	3,063,389	3,250,452
Risk-weighted assets		
Credit risk	27,181,855	26,389,680
Market risk	266,517	360,838
Operational risk	1,149,361	1,290,982
Total risk-weighted assets	28,597,733	28,041,500
Capital Ratio		
	2020	2019
a. Total capital ratio for consolidated Group	10.71%	11.59%
b. Tier 1 ratio only for consolidated Group	9.52%	10.42%
c. CET1 ratio only for consolidated Group	9.52%	10.42%

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Consolidated capital structure as per Basel III (continued)

The consolidated capital structure as per Basel III is given below:

	2020	2019
	AED'000	AED'000
Common Equity Tier 1 (CET1) Capital		
Share Capital	2,100,000	2,100,000
Eligible reserves	1,071,365	1,129,911
Accumulated losses	(453,306)	(325,851)
Eligible amount of minority interest	8,706	20,220
CET1 capital before the regulatory adjustments and threshold deduction	2,726,765	2,924,280
Less: Regulatory deductions	3,149	3,699
Total CET1 capital after the regulatory adjustments and threshold deduction	2,723,616	2,920,581
Total CET1 capital after transitional arrangement for deductions (CET1) (A)	2,723,616	2,920,581
Total T2 capital after transitional arrangements (T2) (B)	339,773	329,871
Total Regulatory Capital (A+B)	3,063,389	3,250,452

Capital adequacy and capital management

	2020		2019	
	RWA	Capital Charge	RWA	Capital Charge
Capital Requirements (Standardised approach)				
Credit Risk	27,181,855	2,582,276	26,389,680	2,507,020
Market Risk	266,517	27,984	360,838	37,888
Operational Risk	1,149,361	120,683	1,290,982	135,553
Total Capital Requirement	28,597,733	2,730,943	28,041,500	2,680,461
Capital ratios:				
Capital Adequacy Ratio		10.71%		11.59%
Common Equity Tier 1 (CET 1)		9.52%		10.42%
Tier I		9.52%		10.42%
Tier II		1.19%		1.18%

Capital adequacy (standardised approach)

Standardised Approach – Credit risk & credit risk mitigation

Under Standardised Approach, all credit exposures are assessed according to the counterparty classifications and against the External Credit Assessment Institutions (“ECAI”) ratings as advised under national discretion (November 2009):

- Claims on sovereign and central banks in the GCC are risk weighted at 0% (where applicable).
- Domestic currency claims on a non-commercial GCC Public Sector Enterprise (PSE) are treated as claims on their sovereigns if their central bank or monetary authority treats them as such. Foreign currency claims on such a PSE are risk weighted one grade less favourable than its sovereign i.e. 20% risk weight. Claims on other foreign PSEs are risk weighted one grade less favourable than its sovereign.
- Claims on commercial companies owned by a GCC sovereign or PSEs that operate as commercial organisations are treated as claims on a corporate and risk weighted in accordance with ratings from acceptable ECAIs.
- ECAI ratings are also used to determine the capital requirements against exposures to banks and financial institutions. The group uses option 2 (one of alternative risk weight and ECAI ratings matrices as prescribed in the Basel II accord) for determining the capital requirements in line with the supervisory discretion adopted by the CBUAE.
- Claims on corporate entities are risk weighted at prescribed risk weights applicable per the latest ECAI rating of the counterparty. Claims on unrated corporate entities are risk weighted at 100%.
- Consumer banking exposure is classified into ‘Qualified Residential Mortgage’, ‘Qualified Regulatory Retail Portfolio’ and ‘Others’; per the CBUAE Basel II guidelines and are risk weighted at 35%, 75% and 100% respectively.
- All other assets are classified between ‘assets under higher risk categories’ and ‘others’; and risk weighted at prescribed risk weights.

For standardised capital adequacy calculations, the following rules are applied consistently to determine the appropriate ECAI ratings:

- Where more ECAI ratings of two acceptable rating agencies are available, the lower (worse) of the two is considered.
- Where the ECAI ratings are split evenly between all four rating agencies, the more conservative ratings are considered.
- Acceptable ECAI agencies are Moody’s, S&P, Fitch and Capital Intelligence.

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Credit Risk

The Gross Credit Exposures as per Standardised Approach with the effect of CRM is detailed below:

31 December 2020

	On Balance Sheet Gross Outstanding AED 000	Off-Balance Sheet Net Exposure after Credit Conversion Factors (CCF) AED 000	Total Gross Exposure AED 000	Exposure Before CRM AED 000	CRM AED 000	After CRM AED 000	Risk Weighted Assets AED 000
Claims on sovereigns	10,612,720	-	10,612,720	9,789,786	-	9,789,786	3,317,705
Claims on non-commercial public sector entities	10,757	434,837	445,594	445,594	-	98,863	-
Claims on banks	235,746	40,682	276,428	273,658	-	242,607	38,835
Claims on securities firms	10,303	-	10,303	10,303	-	10,303	10,080
Claims on corporate and Government related entities (GRE)	15,127,107	4,632,498	19,759,605	18,827,452	3,396,336	15,662,226	12,157,195
Claims included in the regulatory retail portfolio	341,289	123,404	464,693	464,693	88,237	404,527	263,302
Claims secured by residential property	1,258,062	-	1,258,062	1,258,062	309	1,258,062	646,340
Claims secured by commercial real estate	2,232,422	-	2,232,422	2,232,422	-	2,232,422	2,232,422
Past due loans	2,713,249	846,351	3,559,600	2,547,800	164	2,547,725	2,989,503
Other assets	5,688,148	-	5,688,148	5,617,299	-	5,617,299	5,526,472
Total	38,229,803	6,077,772	44,307,575	41,467,069	3,485,046	37,863,820	27,181,854

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Credit Risk (continued)

The Gross Credit Exposures as per Standardised Approach with the effect of CRM is detailed below:

31 December 2019

	On Balance Sheet Gross Outstanding AED 000	Off-Balance Sheet Net Exposure after Credit Conversion Factors (CCF AED 000	Total Gross Exposure AED 000	Exposure Before CRM AED 000	CRM AED 000	After CRM AED 000	Risk Weighted Assets AED 000
Claims on sovereigns	6,577,676	3,249	6,580,925	6,291,245	-	6,289,620	2,529,889
Claims on non-commercial public sector entities	392,135	437,625	829,760	829,760	-	479,660	-
Claims on banks	817,521	5,638	823,159	823,159	-	820,365	101,932
Claims on securities firms	1,149	-	1,149	1,149	-	1,149	732
Claims on corporate and Government related entities (GRE)	12,631,489	4,752,351	17,383,840	17,383,840	2,957,799	14,367,844	11,410,045
Claims included in the regulatory retail portfolio	877,897	184,548	1,062,445	1,062,445	144,828	976,991	827,587
Claims secured by residential property	3,248,396	-	3,248,396	3,248,396	109,489	3,248,396	2,360,226
Claims secured by commercial real estate	37,541	-	37,541	37,541	-	37,541	37,541
Past due loans	2,667,330	702,077	3,369,407	2,445,682	146	2,445,607	3,201,289
Other assets	5,980,291	-	5,980,291	5,980,291	-	5,980,291	5,920,440
Total	33,231,425	6,085,488	39,316,913	38,103,508	3,212,262	34,647,464	26,389,681

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Credit Risk (continued)

The Gross Credit Exposures as per Standardised Approach with the effect of CRM by externally rated/unrated is detailed below:

31 December 2020

	Rated	Unrated	Total On Balance Sheet	Total Off Balance Sheet	Exposure Before CRM	CRM	After CRM	Risk Weighted Assets
	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000	AED 000
Claims on sovereigns	6,475,639	4,137,081	10,612,720	-	9,789,786	-	9,789,786	3,317,705
Claims on non-commercial public sector entities	-	10,757	10,757	434,837	445,594	-	98,863	-
Claims on banks	235,746	-	235,746	40,682	273,658	-	242,607	38,835
Claims on securities firms	279	10,024	10,303	-	10,303	-	10,303	10,080
Claims on corporate and Government related entities (GRE)	-	15,127,107	15,127,107	4,632,498	18,827,452	3,396,336	15,662,226	12,157,195
Claims included in the regulatory retail portfolio	-	341,289	341,289	123,404	464,693	88,237	404,527	263,302
Claims secured by residential property	-	1,258,062	1,258,062	-	1,258,062	309	1,258,062	646,340
Claims secured by commercial real estate	-	2,232,422	2,232,422	-	2,232,422	-	2,232,422	2,232,422
Past due loans	-	2,713,249	2,713,249	846,351	2,547,800	164	2,547,725	2,989,503
Other assets	-	5,688,148	5,688,148	-	5,617,299	-	5,617,299	5,526,472
Total	6,711,664	31,518,139	38,229,803	6,077,772	41,467,069	3,485,046	37,863,820	27,181,854

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Credit Risk (continued)

The Gross Credit Exposures as per Standardised Approach with the effect of CRM by externally rated/unrated is detailed below:

31 December 2019

	Rated AED 000	Unrated AED 000	Total On Balance Sheet AED 000	Total Off Balance Sheet AED 000	Exposure Before CRM AED 000	CRM AED 000	After CRM AED 000	Risk Weighted Assets AED 000
Claims on sovereigns	3,758,107	2,819,569	6,577,676	3,249	6,291,245	-	6,289,620	2,529,889
Claims on non-commercial public sector entities	-	392,135	392,135	437,625	829,760	-	479,660	-
Claims on banks	817,521	-	817,521	5,638	823,159	-	820,365	101,932
Claims on securities firms	521	628	1,149	-	1,149	-	1,149	732
Claims on corporate and Government related entities (GRE)	-	12,631,489	12,631,489	4,752,351	17,383,840	2,957,799	14,367,844	11,410,045
Claims included in the regulatory retail portfolio	-	877,897	877,897	184,548	1,062,445	144,828	976,991	827,587
Claims secured by residential property	-	3,248,396	3,248,396	-	3,248,396	109,489	3,248,396	2,360,226
Claims secured by commercial real estate	-	37,541	37,541	-	37,541	-	37,541	37,541
Past due loans	-	2,667,330	2,667,330	702,077	2,445,682	146	2,445,607	3,201,289
Other assets	-	5,980,291	5,980,291	-	5,980,291	-	5,980,291	5,920,440
Total	4,576,149	28,655,276	33,231,425	6,085,488	38,103,508	3,212,262	34,647,464	26,389,681

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Risk management objectives and policies

Please refer Note no. 40 in the annual financial statements for detailed risk management objectives and policies on Credit risk.

Gross credit exposure – currency classification

31 December 2020

	Net Loans AED 000	Investment securities AED 000	Other assets AED 000	Total funded AED 000
AED	16,948	2,048	7,553	26,549
Foreign Currency	2,508	2,614	4,472	9,594
Total	19,456	4,662	12,025	36,143

31 December 2019

	Net Loans AED 000	Investment securities AED 000	Other assets AED 000	Total funded AED 000
AED	14,960	825	7,286	23,071
Foreign Currency	2,776	247	5,595	8,618
Total	17,736	1,072	12,881	31,689

Other Assets include Cash & Deposits with Central Bank, Due from Banks and reverse-repo placements, Investment properties, Goodwill and other intangibles Property & Equipment and Other Assets.

Gross credit exposure by geography

The geographical analysis of the gross loans and advances of the Group is as follows:

	2020 Gross Loans AED 000	2019 Gross Loans AED 000
Resident	18,502,625	16,307,624
Non-resident	2,896,935	3,272,754
Total	21,399,560	19,580,378

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Gross credit exposure by geography (continued)

The geographical analysis of the gross deposits and balances due from banks and repurchase agreements is as follows:

	2020		2019	
	Deposits and balances due from banks AED 000	Reverse-repo placements AED 000	Deposits and balances due from banks AED 000	Reverse-repo placements
Banks in the U.A.E.	16,100	115,386	39,246	457,713
Banks abroad	114,563	-	321,711	-
Total	130,663	115,386	360,957	457,713

Gross credit exposure by economic sector

The group's credit exposure by Economic activity is detailed below:

	Gross Loans 31 December 2020 AED 000	Gross Loans 31 December 2019 AED 000
Trading	4,686,360	4,931,417
Services	4,494,419	3,565,954
Manufacturing	3,100,690	2,813,336
Government related entities	2,746,418	2,287,693
Personal loans	2,321,028	2,686,974
Construction	1,226,250	1,132,253
Mining and quarrying	905,043	698,298
Financial institutions	867,598	259,792
Transport and communication	347,693	330,665
Government	223,560	577,119
Agriculture	43,581	78,754
Other	436,920	218,123
Total	21,399,560	19,580,378

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Gross credit exposure by maturity

The following table lists the Group's exposures by Residual Maturity as at 31/12/2020:

	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	4,293,810	-	1,076,491	163,798	5,534,099
Deposits and balances due from banks	127,421	94	-	1,531	129,046
Reverse-repo placements	114,234	-	-	-	114,234
Loans and advances, net	5,613,085	3,936,372	9,906,150	-	19,455,607
Investments measured at fair value	121,760	-	-	299,218	420,978
Investments measured at amortised cost	18,632	4,000,000	219,065	3,136	4,240,833
Investment properties	-	-	-	767,594	767,594
Goodwill and other intangibles	-	-	-	40,370	40,370
Other assets	788,576	11,857	117,545	4,020,165	4,938,143
Property and equipment	-	-	-	502,586	502,586
Total assets	11,077,518	7,948,323	11,319,251	5,798,398	36,143,490
Liabilities					
Customers' deposits	14,161,232	9,198,139	294,166	19,047	23,672,584
Deposits and balances due to banks	-	240,915	-	-	240,915
Repo-borrowing	2,345,757	93,085	-	-	2,438,842
Other liabilities	1,440,810	91,283	139,688	-	1,671,781
Issued Bonds	-	-	4,953,951	-	4,953,951
Total liabilities	17,947,799	9,623,422	5,387,805	19,047	32,978,073
Net liquidity gap	(6,870,281)	(1,675,099)	5,931,446	5,779,351	3,165,417

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Gross credit exposure by maturity (continued)

The following table lists the Group's exposures by Residual Maturity as at 31/12/2019:

	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	4,745,526	-	1,034,363	72,105	5,851,994
Deposits and balances due from banks	237,743	110,276	-	2,268	350,287
Reverse-repo placements	457,291	-	-	-	457,291
Loans and advances, net	8,384,776	1,775,597	7,575,383	-	17,735,756
Investments measured at fair value	159,284	-	-	460,194	619,478
Investments measured at amortised cost	43,880	1,572	406,767	-	452,219
Investment properties	-	-	-	756,037	756,037
Goodwill and other intangibles	-	-	-	25,861	25,861
Other assets	176,449	83,668	764,094	4,044,572	5,068,783
Property and equipment	-	-	-	370,920	370,920
Total assets	14,204,949	1,971,113	9,780,607	5,731,957	31,688,626
Liabilities					
Customers' deposits	15,287,463	5,941,512	69,258	28,001	21,326,234
Deposits and balances due to banks	76,281	96,938	-	-	173,219
Other liabilities	1,513,552	59,325	-	-	1,572,877
Issued Bonds	-	712,989	4,884,937	-	5,597,926
Total liabilities	16,877,296	6,810,764	4,954,195	28,001	28,670,256
Net liquidity gap	(2,672,347)	(4,839,651)	4,826,412	5,703,956	3,018,370

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Eligible credit risk mitigants used in capital calculation

Type of credit risk mitigants	2020	2019
	Cash	2,758,796
Other eligible financial collateral	726,250	740,601
Total eligible credit risk mitigants	3,485,046	3,212,262

Impaired loans by economic activity

The details of impaired loans by Economic Activity are as below:

31 December 2020

	Impaired Loans (Net of Interest in Suspense) AED 000	Expected Credit Loss AED 000	Net Impaired Loans AED 000
Manufacturing	983,071	(136,850)	846,221
Construction	48,229	(22,154)	26,075
Trading	1,485,250	(655,107)	830,143
Transport, Storage & Communication	1,318	(1,318)	-
Financial Institutions	91	(91)	-
Services	164,412	(72,876)	91,536
Personal loans	30,775	(9,114)	21,661
Others	102	(45)	57
Total	2,713,248	(897,555)	1,815,693

31 December 2019

	Impaired Loans (Net of Interest in Suspense) AED 000	Expected Credit Loss AED 000	Net Impaired Loans AED 000
Manufacturing	917,970	(141,888)	776,082
Construction	55,419	(24,974)	30,445
Trading	1,454,327	(555,492)	898,835
Transport, Storage & Communication	7,248	(4,366)	2,882
Financial Institutions	18,886	(1,660)	17,226
Services	163,257	(71,228)	92,029
Personal loans	50,224	(28,527)	21,697
Total	2,667,331	(828,135)	1,839,196

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Impaired loans by geography

The details of impaired loans by residency are as below:

31 December 2020

	Impaired Loans (Net of Interest in Suspense) AED 000	Expected Credit Loss AED 000	Net Impaired Loans AED 000
Resident	2,579,058	(802,841)	1,776,217
Non-resident	134,190	(94,714)	39,476
Total	2,713,248	(897,555)	1,815,693

31 December 2019

	Impaired Loans (Net of Interest in Suspense) AED 000	Expected Credit Loss AED 000	Net Impaired Loans AED 000
Resident	2,513,740	(745,591)	1,768,149
Non-resident	153,591	(82,544)	71,047
Total	2,667,331	(828,135)	1,839,196

Net impairment loss on financial assets

	Opening balance AED'000	Net charge / (reversal) during the period AED'000	Recoveries net of write off during the period AED'000	Closing balance AED'000	Net charge during the year ended 31 December 2019 AED'000
Cash and balances with central banks	297,731	412,377	-	710,108	289,349
Deposits and balances due from banks	10,670	(9,053)	-	1,617	9,788
Reverse-repo placements	422	730	-	1,152	76
Loans and advances	1,844,622	131,396	(32,065)	1,943,953	75,862
Investments	34,265	149,411	-	183,676	30,236
Unfunded exposure	121,820	9,709	-	131,529	5,091
Other assets	5,280	(5,280)	-	-	5,280
Others	-	(5,174)	-	(5,174)	22,972
	2,314,810	684,116	(32,065)	2,966,861	438,654
Hyperinflation effect		60,343			
Total after hyperinflation effect		744,459			

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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.

The total Capital requirement for Market Risk as at 31 December 2020 is AED 28 million (2019: AED 38 million) as detailed below:

Capital requirement for market risk as per standardised approach

	2020	2019
	AED 000	AED 000
Interest rate risk	25,570	33,450
Equity position risk	2,414	4,438
Foreign exchange risk		
Total capital requirement	27,984	37,888

Equity position in banking book

	2020		2019	
	Publicly traded/quoted	Privately held/unquoted	Publicly traded/quoted	Privately held/unquoted
Equities	216,578	175,042	286,467	209,252
Total equity position	216,578	175,042	286,467	209,252

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Equity position in banking book (continued)

	2020	2019
Realised and unrealised revaluation gains (losses) during the year		
Realised gains from sales and liquidation	15	6,919
Realised and unrealised (loss)/ gain on investments measured at fair value through profit or loss	(37,952)	398
Realised and unrealised (loss)/ gain on investments measured at fair value through other comprehensive income	(57,846)	(146,874)
Total	(94,471)	(145,180)
Items in table above included in Tier 1/Tier 2 capital	2020	2019
Amount included in Tier 1 capital	(57,846)	(146,874)
Amount included in Tier 2 capital	-	-
Total	(57,846)	(146,874)

Operational Risk

Basel II 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 Standardised Approach.

The total capital requirement for Operational Risk as at 31 December 2020 is AED 121 million (2019: AED 136 million). This charge is computed by categorising the Group's activities into 8 business lines (as defined by Basel II guidelines) and multiplying the line's three-year average gross income by a pre-defined beta factor.