

# SUPPLEMENT NUMBER 1 DATED 8 JULY 2024 TO THE BASE OFFERING CIRCULAR DATED 27 FEBRUARY 2024



## GOVERNMENT OF THE EMIRATE OF SHARJAH ACTING THROUGH THE SHARJAH FINANCE DEPARTMENT

### Global Medium Term Note Programme

This base offering circular supplement (the "**Supplement**") is supplemental to, forms part of, and must be read and construed in conjunction with, the base offering circular dated 27 February 2024 (the "**Base Offering Circular**") prepared by the Government of the Emirate of Sharjah acting through the Sharjah Finance Department (the "**Issuer**") in connection with its Global Medium Term Note Programme (the "**Programme**") for the issuance of notes thereunder (the "**Notes**").

Terms given a defined meaning in the Base Offering Circular shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

Application may be made to the United Kingdom ("**UK**") Financial Conduct Authority (the "**FCA**") for Notes issued under the Programme to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's main market. For the purposes of any such application, the Issuer is an exempt issuer pursuant to Article 1(2) of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**"). Accordingly, this Supplement has not been reviewed or approved by the FCA and, together with the Base Offering Circular, has not been approved as a Base Offering Circular by any other competent authority under the UK Prospectus Regulation. Notes admitted to the Official List and admitted to trading on the London Stock Exchange's Main Market will not be subject to the prospectus requirements but will be issued in accordance with the listing rules of the London Stock Exchange. The Issuer is an "Exempt Offeror" for the purposes of Article 13(1) of the Dubai International Financial Centre Law No. 1 of 2012, as amended (the "**Markets Law 2012**"). Accordingly, this Supplement has not been approved by the Dubai Financial Services Authority (the "**DFSA**") for the purposes of Article 14 of the Markets Law 2012. Application has been made to the DFSA for the Notes to be issued under the Programme to be admitted to the official list of securities maintained by the DFSA (the "**DFSA Official List**") and to Nasdaq Dubai for admission to trading on Nasdaq Dubai. References in this Supplement to Notes being "**listed**" (and all related references) shall mean that such Notes have been (a) admitted to trading on the London Stock Exchange's Main Market and have been admitted to the Official List and the DFSA Official List, (b) admitted to trading on the Regulated Market and on Nasdaq Dubai and/or (c) such other or further stock exchanges or markets as may be specified in the applicable pricing supplement relating to the relevant Tranche (the "**applicable Pricing Supplement**" or "**Pricing Supplement**") as may be agreed between the Issuer and the relevant Dealer(s). The London Stock Exchange's Main Market is a UK regulated market for the purposes of Article 2(1)(13) of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"). Unlisted Notes may also be issued pursuant to the Programme. The Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be (a) admitted to trading on the London Stock Exchange's Main Market and have been admitted to the Official List and/or (b) listed on the DFSA Official List and admitted to trading on Nasdaq Dubai (or any other stock exchange).

The purpose of this Supplement is to update the disclosure in the Base Offering Circular to disclose certain material developments in respect of the Issuer.

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect its import.

None of the Arranger, the Dealers or the Agents or their respective affiliates have independently verified the information contained herein. Accordingly, none of the Arranger, the Dealers or the Agents or their respective affiliates accepts any responsibility or liability for and makes no representation, warranty or undertaking, express or implied, as to (i) the accuracy or completeness of the information contained or incorporated by reference in this Supplement, (ii) any acts or omissions of the Issuer or any other person in connection with this Supplement or the issue and offering of the Notes or (iii) any other information provided in connection with the Issuer, the Programme, any Notes issued thereunder or their distribution. The Arranger, each Dealer, each Agent, and each of their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Supplement or any other information provided by the Issuer in connection with the Programme, the Notes or their distribution.

Save as disclosed in this Supplement, no significant new factor, material mistake or material inaccuracy relating to the information included in the Base Offering Circular which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since the publication of the Base Offering Circular.

To the extent that there is any inconsistency between: (a) any statement in this Supplement; and (b) any other statement in the Base Offering Circular, the statements in (a) above will prevail.

This Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and such offer or sale is made in accordance with all applicable securities laws of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("**Regulation S**") and within the United States only to persons who are "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A under the Securities Act ("**Rule 144A**").

Information contained in this Supplement that is identified as being derived from a publication of Sharjah or one of its agencies or instrumentalities is included herein on the authority of such publication as an official public document of Sharjah. All other information contained herein with respect to Sharjah or the United Arab Emirates is included as an official public statement made on the authority of the Sharjah Finance Department of the Government.

## **AMENDMENTS OR ADDITIONS TO THE BASE OFFERING CIRCULAR**

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Base Offering Circular shall be amended and/or supplemented in the manner described below. To the extent the information in this section is inconsistent with the information contained in the Base Offering Circular, the information in this section supersedes and replaces such information.

## 1. AMENDMENTS TO THE RISK FACTORS

1.1 On page 6 of the Base Offering Circular, the subsection entitled "Risks relating to the Issuer and the UAE" shall be deemed deleted and replaced with the following:

### ***The Government's Fiscal Plan may not be successful***

In January 2023, the Government announced a medium-term financial outlook and fiscal plan (the "**Fiscal Plan**"). Through the Fiscal Plan, the Government for the first time set out its multi-year, medium term-financial plans. The Government plans to balance the primary budget (the budget excluding interest expense on indebtedness) by 2027 and until at least 2030. The Fiscal Plan details various policy measures, planned budgetary limits and the expected economic and regulatory developments in terms of their impact on revenues and expenditures between 2023 and 2030. The Fiscal Plan also contains a fiscal forecast of how revenues and expenditures are expected to evolve between 2023 and 2030. This fiscal forecast is subject to a degree of uncertainty and contains a number of assumptions and does not address all the fiscal risks that the Government may face. For example, increased interest rates present a risk for the Government but do not impact the Government's primary budget which excludes interest expense. The assumptions include, among others, certain forecast items, some of which are outside of the Government's control, as well as certain measures that the Government is planning to take to change policy or practice in order to change the trajectory of the Government's revenues and expenditures. Some of the measures in the fiscal forecast are still under development and remain subject to revision of the applicable policy or the expected financial effect. In addition, the Government may choose to bring forward additional policy changes that may affect this forecast. The Government introduced the Fiscal Plan in order to address the Government's increased public borrowing in order to fund a substantial expansion of its activities and the increasing budget deficit in recent years, which has resulted in the accumulation of public debt. Given the Government's relatively small revenue base compared to most other governments, the Government's interest/revenue ratio has reached high levels compared to international norms reaching approximately 19.6 per cent in 2021, 20.6 per cent in 2022 and 27.5 per cent. in 2023. Any inability of the Government to effectively implement the Fiscal Plan whether due to external or internal factors may have a long-term negative impact on Sharjah's economy, which, in turn, could negatively affect the Government's fiscal position and, consequently, its ability to fulfil its obligations under the Transaction Documents to which it is a party. The complete Fiscal Plan is attached as an appendix to this Supplement. For more information on the Fiscal Plan, see "*Description of the Emirate of Sharjah – The Government's Economic Strategy – 2023 Fiscal Plan*".

### ***Global financial conditions and geopolitical conditions may have an impact on Sharjah's economic and financial condition***

Sharjah's economy may be adversely affected by tightening global economic conditions and external shocks, including financial market volatility, trade disruptions, protectionist trade policies or threats thereof and global pandemics, such as the COVID-19 pandemic, the ongoing conflict between Russia and Ukraine, the tightening of monetary policies in the United States and European Union, increases in inflation and interest rates, as well as the potential of a recession for key global markets such as the United States, each of which has caused severe global disruptions and may continue to have a significant effect on the global economy. Recently, on 7 October 2023, the political and military authority in control of Gaza, Hamas, launched an attack on a number of communities in Israel. Israel launched air and land offensives against Hamas in Gaza in response. The conflict has, to a degree, widened to encompass actors in Iran and Lebanon, as well. The conflict is ongoing and its intensity and duration is difficult to predict, as are its economic implications on countries in the Middle East, including the UAE and Sharjah in particular. Also, since November 2023, al-Houthi rebels in Yemen, who have in the past attacked interests in the UAE, have launched several attacks on commercial shipping vessels in the Red Sea. The United States and its allies, including the United Kingdom, have launched a series of missile strikes against al-Houthi rebels in response. Other regional organisations have also attacked U.S. military forces in the region, provoking a response from the United States. Any continuation or increase in international or regional tensions in the region, including further attacks on or seizures of oil tankers in the Arabian Gulf, regional escalation of the Israeli-Hamas war or continued attacks on commercial shipping in the Red Sea, could have a destabilising impact on the Middle East region, and the UAE in particular, by affecting its ability to export oil and maintain its security more generally.

The U.S. Federal Reserve Board started its most recent monetary tightening cycle in March 2022 to curb inflation, which action was also followed by other central banks as well given the wider impacts of inflation. On 4 May 2022, the UAE Central Bank announced that it would increase its base rate by 50 basis points to

2.25 per cent. effective 5 May 2022, with a further increase in the base rate by 75 basis points on 16 June 2022 following the United States Federal Reserve Board's announcement on 15 June 2022 to increase the interest on reserve balances by 75 basis points. In February 2023, the UAE Central Bank increased its base rate by a further 25 basis points. Rates further increased in May 2023 when the UAE Central Bank announced that it would raise the base rate by 25 basis points to 5.15 per cent. from 4.90 per cent. The decision followed the United States Federal Reserve Board's announcement to increase interest rates by a quarter of a percentage point. In July 2023, the United States Federal Reserve Board announced another interest rate increase, increasing to base rate to 5.25 per cent. As a result, the UAE Central Bank also increased its base rate to 5.4 per cent. in July 2023. These decisions have led to a markedly higher interest rate environment for both short-term market benchmark borrowing rates, such as SOFR and EIBOR, and longer-term benchmarks such as U.S. treasury bonds and SOFR and EIBOR swap rates.

Sharjah has an open economy, with high levels of imports and exports relative to GDP, monetary policy set by the UAE Federal Government (the "**Federal Government**") and a currency pegged to the U.S Dollar by the UAE Central Bank. This means that shifts in global economic conditions such as those listed above are likely to affect economic performance in Sharjah, through changes in the balance of payments, the efficiency of supply and delivery chains and the openness of international markets for trade. In addition, higher benchmark borrowing rates increase the cost of Sharjah's floating-rate indebtedness and Sharjah's new fixed-rate indebtedness; other things being equal, this will lead to higher annual fiscal deficits.

The Government of Sharjah has made efforts in recent years to stimulate its private sector-driven economy by increasing volumes of foreign investment and tourism and has focused on creating a favourable business environment, with a legal and regulatory environment conducive to business success and aimed at attracting foreign and domestic investment. In 2009, Shurooq (the Sharjah Investment and Development Authority) was established by Emiri Decree to support the economic development of Sharjah and, amongst other things, attract foreign direct investment opportunities into the Emirate. While the Government believes there are many incentives for foreign corporate entities to establish themselves in one of the free zones in Sharjah, such as 100 per cent. foreign ownership, a tax free environment, free transfer of funds, competitive pricing, a one stop shop for business services and long-lease periods, there is no assurance that these will be sufficient to attract foreign direct investment or that other countries may not offer more attractive incentives. Sharjah's economy also depends, to a large extent, on expatriate labour. This makes Sharjah potentially more vulnerable should there be a deterioration in local political stability for any reason, if it were to lead the Government to tighten controls on the flow of labour or capital. These changes could in turn make Sharjah a less attractive destination for businesses and individuals. There can be no assurance that the economic performance of Sharjah or the UAE can or will be sustained in the future. To the extent that economic growth or performance in the UAE slows or begins to decline, this could have an adverse effect on Sharjah (see "*The Economy of Sharjah*") and, therefore, the Government's fiscal position, which in turn could negatively affect the Government's ability to fulfil its obligations under the Transaction Documents to which it is a party.

Sharjah has strong trading relationships with the other emirates within the UAE and with other countries, being part of the global supply chain and a consumer of goods from around the world. Any sustained market and economic downturn or geopolitical uncertainties in any of Sharjah's key trading partners may materially impact Sharjah's trade with those countries and could have a negative impact on Sharjah's foreign trade and balance of payments. A global shift in policies, including towards protectionism, with lower global growth due to reduced trade, migration and cross-border investment flows, could affect investor sentiment and slow tourism, trade and investment in Sharjah. Any escalation in geopolitical tensions, including as a result of the Israel/Gaza or Russia/Ukraine conflicts, upward trends in global inflation and interest rates and/or increased use of protectionist measures may negatively impact Sharjah's relationships with its trading partners and the attractiveness of the UAE (and, consequently, Sharjah) for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and its financial condition. A material adverse effect on Sharjah's economy or its financial condition as a result of the above factors could negatively affect the Government's ability to fulfil its obligations under the Transaction Documents to which it is a party.

#### ***The Government has a relatively narrow revenue base***

The Government has a diverse but relatively narrow revenue base. For the year ended 31 December 2023, Sharjah's total revenue was AED 14.4 billion, an increase of 30.9 per cent. compared with total revenues of AED 11.0 billion in 2022, which in turn reflected an increase of 23.6 per cent. compared with total revenues of AED 8.9 billion in 2021, set against a GDP of AED 145.2 billion in 2023 (preliminary data),

AED 136.4 billion in 2022 and AED 130.1 billion in 2021. Sharjah's relatively modest revenue reflects in part the fact its expenditure requirements are similarly relatively modest, owing to the significant public policy functions carried out by the Federal Government, but also constitutional and economic constraints on the Government's ability to increase revenues.

With the exception of a levy on the profits of foreign banks and hydrocarbon extraction, there is no traditional direct tax in the Emirate of Sharjah, although the Federal Government imposes a value added tax at the rate of 5 per cent. and an excise duty on certain goods, and introduced corporate income tax, with implementation beginning from June 2023. Value added tax generated AED 1.4 billion in 2020, 1.8 billion in 2021 and AED 1.9 billion in 2022, AED 2.2 billion in 2023 and is budgeted to generate AED 2.3 billion in 2024. In addition, on 31 January 2022, the UAE Ministry of Finance announced the introduction of a corporate income tax. The corporate income tax applies for corporate fiscal years starting on or after 1 June 2023. The corporate income tax applies on the adjusted accounting net profits of a business. It applies at a standard statutory tax rate of 9 per cent. to taxable profits in excess of AED 375,000. A different rate (which has not been announced yet) is envisaged for large multinationals that generate consolidated global revenues above approximately AED 3.15 billion, in line with Pillar Two of the OECD Base Erosion and Profit Shifting project. Further details regarding the corporate income tax are expected to be published by the UAE Ministry of Finance in due course. Corporate tax incentives currently offered to free zone businesses will remain in place.

Whilst this overall beneficial tax environment provides an incentive for businesses and wage earners to relocate to Sharjah, it potentially limits the Government's ability to fund its operations (including debt servicing) or increase public spending if necessary, which may adversely affect Sharjah's growth and revenue generation strategy and impact the Government's ability to satisfy its obligations under the Transaction Documents to which it is a party and may also adversely affect the ability of Sharjah to take further economic stimulus measures and counter the effects of any economic downturn.

***The Government's direct debt has increased substantially in recent years, and the Government may in the future elect to provide financial support to Government-owned or important local companies, which could increase Sharjah's budget deficit and its funding needs***

In recent years the Government has experienced a marked increase in gross debt, both in nominal terms and as a percentage of its GDP, increasing from AED 33,319 million in 2019 (26.6 per cent. of its 2019 GDP) to AED 42,330 million in 2020 (34.0 per cent. of its 2020 GDP) to AED 55,451 million in 2021 (42.6 per cent. of its 2021 GDP) to AED 62,553 (45.7 per cent. of its 2022 GDP) million in 2022 and reaching AED 75,087 million in 2023 (51.7 per cent. of its 2023 GDP). The increase in debt has been driven by persistently large budget deficits, relative to revenues and GDP. This is primarily due to Government spending related to capital investment, public service provisions and social security. The deficit reached AED 10.7 billion in 2021 (8.2 per cent. of 2021 GDP), AED 9.1 billion in 2022 (6.6 per cent. of 2022 GDP) and AED 8.4 billion in 2023 (preliminary estimate). The budgeted deficit for 2024 is AED 8.4 billion.

In addition, the Government has in the past provided significant financial support to important local companies. For example, in 2019 there was a transfer of Government-guaranteed debt from a real estate developer to the Government's balance sheet which contributed to an increase in the Government's debt burden. Also, in December 2018, the Government offered to support the capital requirements of Invest Bank P.S.C. ("**Invest Bank**") with an injection of AED 1,115 million in exchange for a 50.07 per cent. stake in the bank. The proposal included a commitment to underwrite a subsequent rights issue by Invest Bank with up to AED 785 million, should the bank require further capital. The proposal was subsequently accepted by all parties and the initial injection was made in April 2019, giving the Government of Sharjah a 50.07 stake in Invest Bank. The second phase of capital support was completed in December 2023 and consisted of the Government participating *pro rata* in, and underwriting the remaining portion of, an issuance of new shares, and the Government issuing a guarantee of up to AED 3.0 billion against final write-offs of legacy assets over a five-year period, with the annual claims capped at AED 800 million. Following the new share issuance, the Government became the 88.11 per cent. majority shareholder in Invest Bank. Invest Bank used the proceeds of the share issuance to pay a one-off upfront fee of AED 2.6 billion to the Government in respect of the guarantee. While the 2024 budget and the projections for years 2025 to 2027 in the Fiscal Plan reflect a balanced forecast of the annual cost of the Invest Bank guarantee to the Government, there is a risk that the actual calls on the guarantee could be higher. In addition, the Government may face pressure to provide further financial support to Invest Bank in the future if the second phase of capital support does not fully meet Invest Bank's capital requirements. The Government has budgeted AED 240 million in expenditures for 2024 in relation to this capital support.

In June 2023, the Government injected AED 800 million capital into Bank of Sharjah ("BoS"), in which it was already the largest shareholder (through Sharjah Asset Management), holding 17.16 per cent. of outstanding shares, through subscribing to the issuance of new shares as a single strategic investor, thereby increasing its shareholding to 39.25 per cent. The new share issuance is designed to enhance the bank's financial position and foster future growth, by expanding total capital to AED 3 billion.

Although the Government has no legal obligation to do so, it may, in the future, choose to provide additional financial support to other government-owned or important local companies if they were faced with difficulties that threatened the reputation or economic health of Sharjah. Any such support could be significant in the context of Sharjah's budget deficit, which has increased since 2018, increase its funding needs and costs of borrowing and entail substantial fiscal outflows, which in turn could negatively affect the Government's ability to fulfil its obligations under the Transaction Documents to which it is a party.

***Although the UAE and Sharjah enjoy domestic political stability and generally good international relations, there is no guarantee that the UAE or Sharjah will continue to do so in the future and there is a risk that regional geopolitical instability could impact the UAE and, consequently, Sharjah***

While the UAE (and consequently Sharjah) is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not, and there is a risk that regional geopolitical instability could impact the UAE. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. Currently, several countries in the Middle East and North Africa ("MENA") region, including Israel, Lebanon, Gaza, Yemen, Syria, Libya and Iraq are subject to armed conflicts and/or social and political unrest, including conflicts or disturbances.

This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of regime changes and increased political uncertainty across the region. For example, in June 2017 the UAE, along with Saudi Arabia, Bahrain and Egypt, ended diplomatic ties with Qatar (see "*Description of the Emirate of Sharjah — Relationship between the UAE Constitution and Sharjah — International Relations*"). Yemen, Jordan, Libya, Comoros, Senegal and Mauritania also joined the Saudi-led action shortly thereafter and several other countries including Chad, Djibouti, Maldives and Niger announced that they had downgraded their diplomatic ties with Qatar. The severing of diplomatic ties included the withdrawal of ambassadors, as well as the imposition of travel and trade restrictions, and there can be no assurance that diplomatic ties will be reinstated or that the current situation will not escalate. In January 2021, diplomatic relations were restored with Qatar through the signing of the Al Ula Declaration. The Al Ula Declaration was signed by Saudi Arabia, the UAE, Bahrain and the rest of the GCC member states, along with Egypt. It remains unclear how the Al Ula Declaration will be implemented and, although the UAE has announced the re-opening of its land, air and sea borders to Qatar, it is still unclear if and when border controls will reach pre-June 2017 levels. In addition, in March 2023, the UAE unblocked several Qatari-owned news sites. Qatar has issued a number of claims against the UAE, Saudi Arabia, Egypt and Bahrain since the blockade. For example, in July 2020, Qatar Airways commenced proceedings against this bloc of countries seeking damages of at least U.S.\$5.0 billion. Other claims have been in relation to, amongst others, suspension of, postal services and pharmaceutical investments, as a result of the blockade against Qatar.

Additionally, other countries' sanctions may affect Sharjah's ability or willingness to trade. For example, the United States and the European Union's sanctions have affected Sharjah's trading relationship with Iran. In addition, in August 2021, armed personnel backed by Iran were suspected of seizing an oil tanker off the coast of the UAE. Iran has denied involvement. Furthermore, on 17 January 2022, Iran-supported Houthi militants launched missile attacks on ADNOC facilities in Abu Dhabi. Three attacks occurred in subsequent weeks, the most recent of which, on 3 February 2022, was claimed by an Iraqi militia group. The attacks were followed by air strikes by UAE armed forces across targets in Yemen. Although the UAE continues to exercise de-escalation diplomacy and self-restraint, any continuation of, or increase in, international or regional tensions with Iran, including further attacks on or seizures of oil tankers that disrupt international trade and impair trade flows through the Strait of Hormuz, or any military action, may have a destabilising impact on the MENA region. In addition, a sixth round of talks regarding the revival of the 2015 Joint Comprehensive Plan of Action regarding Iran (and the United States' potential re-joining of the 2015 Joint Comprehensive Plan of Action), brokered by the EU, concluded on 20 June 2021 with no agreements reached and, as a result, there is uncertainty regarding the potential future lifting of sanctions on Iran. There can be no assurance that tensions will not continue to escalate in the region, or that further attacks will not happen. Furthermore, there can be no assurance what impact recent and future incidents will have on global oil prices.

These situations have caused varying levels of disruption to the economies of affected countries and may have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, the cessation of diplomatic ties, or the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur. Continued instability affecting the countries in the MENA region could adversely impact the UAE and, consequently, Sharjah, although to date there has been no significant impact on the UAE or Sharjah.

Sharjah, similar to the other emirates, is also dependent on expatriate labour (ranging from unskilled labourers to highly skilled professionals in a range of industry sectors) and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to the emirate. These steps make it potentially more vulnerable should regional instability increase or foreign militants commence operations in the emirate. There can also be no assurance of the continued availability of expatriate labour with appropriate skills.

Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of the Middle East and, in particular, could impact the numbers of tourists that choose to visit the UAE and Sharjah and the number of businesses interested in doing business in the UAE and Sharjah. Sharjah is, and will continue to be, affected by economic and political developments in or affecting the UAE and the wider MENA region and investors' reactions to developments in any country in the MENA region may affect securities of issuers in other markets, including the UAE. Although the UAE has not experienced significant terrorist attacks such as those experienced by a number of countries in the MENA region, there can be no assurance that extremists or terrorist groups will not initiate violent activity in the UAE. Any terrorist incidents, including cyber-terrorism, in or affecting the UAE and increased regional geopolitical instability (whether or not directly involving the UAE) may have a material adverse effect on the UAE's (and, consequently, Sharjah's) attractiveness for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and financial condition. A material adverse effect on Sharjah's economy or the Government's financial condition as a result of the above factors could negatively affect the Government's ability to fulfil its obligations under the Transaction Documents to which it is a party.

***The UAE's economy is significantly affected by volatility in international oil prices and its economy has in the past been, and is likely in the future to continue to be, adversely affected by lengthy periods of low oil prices***

Sharjah is not a large oil producer (with the mining and quarrying sector, which includes crude oil and natural gas, accounting for 2.5 per cent. of Sharjah's nominal GDP in 2023 (preliminary data)) and it enjoys a relatively diverse economy. However, Sharjah's economy is highly integrated with the other emirates in the UAE through trade, currency, a common banking system and fully open markets. Therefore, any effect of oil price volatility may have a consequent effect on Sharjah. The UAE's economy, in particular Abu Dhabi and to a lesser extent Dubai, is significantly impacted by international oil prices. The mining and quarrying sector, which includes crude oil and natural gas, accounted for approximately 24.4 per cent. of the UAE's nominal GDP in 2023, 30.3 per cent. in 2022, 24.7 per cent. in 2021, 17.1 per cent. in 2020, and 22.5 per cent. in 2019.

According to data from the Organization of the Petroleum Exporting Countries ("OPEC"), as at 31 December 2022, the UAE had crude oil reserves estimated to be 113,000 million barrels, equal to 7.2 per cent. of OPEC's estimate for the world's total proven crude oil reserves (giving it the fifth largest oil reserves in the world). As at the same date, OPEC estimated the UAE's natural gas reserves to be 8,210 billion standard cubic metres (or 290 trillion standard cubic feet (SCF)), equal to 3.9 per cent. of OPEC's estimate for the world's total natural gas reserves (giving it the sixth largest natural gas reserves in the world).

Global oil prices fell gradually in the first two months of 2020 before dropping sharply in March and April 2020, with the price of Brent oil falling below U.S.\$16 per barrel in April 2020. This was primarily due to the impact of the COVID-19 outbreak on the global economy and the increase in supply. Oil prices substantially recovered in 2021 with the monthly OPEC Reference Basket price being U.S.\$85.24 per barrel by January 2022. In the first half of 2022, global oil prices rose primarily due to the conflict between Russia and Ukraine, although they declined somewhat in later 2022 and early 2023. The monthly OPEC Reference Basket price for December 2023 was U.S.\$79.00.

At the start of the COVID-19 pandemic, OPEC and certain non-OPEC countries took a number of actions to reduce oil production. A series of meetings took place on 9 and 12 April 2020 between OPEC and non-OPEC oil producing countries, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. During the initial two-month period beginning 1 May 2020, it was agreed that production would be reduced by a total of 9.70 million barrels a day, followed by a six-month period starting 1 July 2020 where production would be reduced by a total of 7.68 million barrels a day, followed by a final 16-month period between 1 January 2021 and 30 April 2022 where production would be reduced by a total of 5.76 million barrels a day. In December 2020, OPEC +, which comprises OPEC and its allies, agreed on a compromise to increase oil output slightly from January 2021. As demand improved, OPEC+ agreed to partially ease cuts from May 2021 onward. In July 2021, an agreement was reached among OPEC+ members to increase Abu Dhabi's production from 3.176 million barrels a day to 3.65 million barrels a day starting in April 2022. In addition, it was agreed that the OPEC+ group would increase supply by a further 2 million barrels a day from August 2021 until December 2021 and that it would aim to fully phase out cuts by around September 2022. In April 2022, OPEC pumped 28.58 million barrels a day which is an increase of 40,000 barrels per day from March 2022 but short of the 254,000 barrels per day increase called for under the supply deal. In May 2022, the OPEC+ group agreed to leave its production plan unchanged despite increased volatility as a result of the Russia and Ukraine conflict. On 2 June 2022, OPEC+ members agreed to add 648,000 barrels a day of crude oil to the market in July 2022 and August 2022. On 5 September 2022, the OPEC and non-OPEC Ministerial Meeting decided to revert to the production level of August 2022 for OPEC and non-OPEC participating countries for the month of October 2022, noting that the upward adjustment of 0.1 million barrels a day to the production level was only intended for the month of September 2022. However, on 5 October 2022, OPEC+ announced a cut of two million (2,000,000) barrels per day to its production target, starting from November 2022 for OPEC and non-OPEC participating countries. On 4 December 2022, OPEC+ announced that it would maintain production at current levels given market uncertainty over Chinese demand and Russian supply of oil. On 2 April 2023, OPEC+ announced that it would cut more than one million barrels a day, with the Kingdom of Saudi Arabia and the UAE reducing production by 500,000 barrels per day and 144,000 barrels per day, respectively. It was announced that such voluntary cuts from OPEC+ members would begin in May and last until the end of 2023. On 4 June 2023, Saudi Arabia announced that it would be reducing production by 1 million, barrels per day for July 2023 and OPEC+ announced that it would otherwise maintain production at current levels until the end of 2024. In March 2024, several OPEC+ countries extended additional voluntary cuts of 2.2 million barrels per day. In June 2024, several OPEC members announced they would begin phasing out their voluntary production cuts starting in September 2024. On 1 July 2024, the OPEC Reference Basket stood at U.S.\$86.51.

In addition, in 2022, a bill in the U.S. Congress was proposed called the No Oil Producing and Exporting Cartels bill, which is intended to protect consumers and businesses from engineered spikes in the cost of gasoline and heating oil. Numerous iterations of this bill have been proposed in Congress since 1999, but all attempts to pass such bill have so far been unsuccessful, including the attempt in 2022. In March 2023, the bill was revived in Congress, but it is still unclear if the bill will be passed into law. It is also unclear the exact effect that this bill could have on oil prices but there are concerns that such a bill, if passed, could disrupt the established system of oil production, which could result in oil prices increasing by as much as 300 per cent. Such an increase could have significant and unpredictable consequences on the global economy and on Sharjah in particular given it is not a large oil producer.

Prospective investors should be aware that the above analysis does not take into account the indirect impact of low oil prices on the UAE's, and Sharjah's, economy, which is difficult to quantify with any precision. Prospective investors should note that many of the UAE's other economic sectors are in part dependent on the hydrocarbon sector. For example, the financial institutions sector (and banks in particular) may experience lower liquidity (if significant government and government-owned company deposits are withdrawn to fund deficits) or higher loan losses or impairments. The Federal Government may also decide, as it has done in the past, to further reduce Government expenditures in light of the budgetary pressures caused by low or falling oil prices. As fiscal spending on infrastructure and investment projects is a driver of credit to public sector entities and private contractors and bank credit for personal lending is partly driven by public sector wages, if this spending is cut and public sector wages come under pressure, this could, potentially, increase levels of non-performing loans ("NPLs") held by Sharjah banks and/or lead to tighter lending conditions throughout Sharjah's economy. In addition, large Government fiscal deficits, which may in time result in restrictions on Government spending, could also impact many other sectors of the economy, including in particular the construction sector to the extent that large projects are delayed or cancelled. Furthermore, sectors that are dependent on household consumption, including education, healthcare and

housing, may be adversely affected by lower levels of economic activity that may result from lower Government revenue from hydrocarbon production.

Crude oil prices have historically been volatile and are affected by a range of factors beyond Sharjah's control, including:

- global economic and political conditions as well as economic and political developments in oil producing regions, particularly in the Middle East;
- regional tensions and conflicts such as the Israel-Gaza and Russia-Ukraine conflicts;
- oil price caps on Russian oil imposed by, *inter alia*, the European Union, Australia, Canada, France, Germany, Italy, Japan, the United Kingdom and the United States, as a result of the Russia-Ukraine conflict;
- global and regional supply and demand, and expectations regarding future supply and demand, for hydrocarbon products, including the prices and availability of alternative fuels or new technologies using different fuels (and those motivated by climate change concerns);
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude hydrocarbon producing or consuming countries;
- global weather and environmental conditions; and
- global pandemics, such as the COVID-19 pandemic.

There can be no assurance that these factors, whether individually or in combination with others, will not result in a prolonged or further decline in oil prices. Such oil price volatility has the potential to adversely affect Sharjah's economy and public finances in the future, both directly, through hydrocarbon revenues, and indirectly, through the reduced spending power of governments, companies and individuals in the region, which could, in turn, affect the trade, construction, real estate, tourism and banking sectors, in particular. As a result, there can be no assurance that the UAE's economy, or Sharjah's economy, will not be materially adversely affected in the future by lengthy periods of low oil prices. A material adverse effect on Sharjah's economy or its financial condition, as a result of lengthy periods of low oil prices could negatively affect the Government's ability to fulfil its obligations under the Transaction Documents to which it is a party.

***Sharjah's economy may be adversely affected by limitations in its control over monetary policy***

Sharjah shares legal, political, military and economic functions with the other emirates of the UAE as a result of the federal framework. Its economy is highly integrated with the other emirates in the UAE through trade, currency, a common banking system and fully open markets. For example, the Government is not responsible for monetary policy or maintaining the peg to the U.S. Dollar, which are both the responsibility of the Federal Government. However, the Notes issued are not guaranteed by the Federal Government of the UAE. Limited monetary policy control prevents the Government from responding to macroeconomic conditions, which may affect Government spending and liquidity within Sharjah; changing macroeconomic conditions are likely to affect Sharjah's economy indirectly through their impact on the trade, construction, real estate and banking sectors, given, in particular, the openness of Sharjah's economy, which does not have any capital or exchange controls. In addition, the Federal Government may take action in respect of monetary policy that benefits the UAE economy, as a whole, but does not have the same favourable impact on Sharjah. The inability of the Government to respond or react to such conditions through monetary policy may have a long-term negative impact on its economy as a whole, which, in turn, could negatively affect the Government's ability to fulfil its obligations under the Transaction Documents to which it is a party.

***Sharjah's budget is prepared on a near-cash basis, which means that Sharjah's stated deficit may not be fully reflective of all of the expenditure and revenue which would be recognised by the Government in a particular period if international financial reporting standards were applied***

Similar to many governments, the Government prepares its budget on a near-cash basis. This means that flows are largely recorded when cash is received or disbursed, with some minor timing differences (e.g. cheque payments). Although non-monetary flows can be recorded, most accounting systems (including that used in Sharjah) using a near-cash basis do not record non-monetary flows because the focus is on liquidity management rather than resource flows. In addition, with respect to accounting for revenues and expenditure, the time of recording may diverge significantly from the time of the economic activities and transactions to which they relate. For example, the time cost of a zero-coupon bond, a proxy for interest, would not be recorded until the bond matured, which could be many years after the expense was incurred; and the cost of building or buying an asset would be recorded upfront, rather than through the depreciation of that asset over time. Accordingly, the Government's stated budget may deviate significantly from an accrual-based system of financial reporting, such as International Financial Reporting Standards, and may comparatively under- or over-state the incurrence of future liabilities, which, in turn, could in some scenarios, negatively affect the Government's ability to fulfil its obligations under the Transaction Documents to which it is a party.

***Statistical information provided in respect of a certain year may be changed retrospectively in subsequent years when more recent statistical information is published***

The statistical information in this Supplement in relation to GDP, balance of payments, revenues and expenditure and indebtedness of the Government have been derived from a number of different identified sources, such as the Federal Government's official statistical authority, the FCSA; Sharjah's official statistical authority, Department of Statistics and Community Development ("**DSCD**"); and the published reports of the UAE Central Bank. Furthermore, certain information (for example information relating to the balance of payments and information under the heading "*Monetary and Financial System*") is only available for the UAE as a whole from institutions of the Federal Government, and prospective investors should note that Sharjah's position may differ in material respects from the position at an overall UAE level. All statistical information provided in this Supplement may differ from that produced by other sources for a variety of reasons, including due to periodic revisions, the use of different definitions and cut-off times and differing underlying assumptions and methodologies (see "*Presentation of Statistical Information*"). In addition, standards of accuracy of statistical data may vary from authority to authority or from period to period due to the application of these different methodologies. Therefore, there can be no assurance that the statistical data appearing in this Supplement is as accurate or as reliable as those published by other countries.

Investors should be aware that certain data relating to Sharjah (for example, detailed foreign trade statistical data) is not available. Furthermore, some of the data included in this Supplement is preliminary. Additionally, in 2021, DSCD became the official statistical authority responsible for producing GDP data for Sharjah (which is subject to review and approval by FCSA prior to release) and has produced the data series from 2017 to 2023. The new data series differs from GDP data previously reported in respect of Sharjah by the FCSA. While public finance data is consistent with the data from the Government's financial management system, this data is not subject to an external auditor's opinion.

Data on non-trade flows into and out of Sharjah is not available and the data on non-trade flows into and out of the UAE as set out in this Supplement under "*Balance of Payments and Foreign Trade*" is not complete and is subject to revision, reflecting, in part, weaknesses of the central statistical bodies, and in part, the operation of many free zones within the UAE. No data is released by the UAE or Sharjah on external debt, and, accordingly, only IMF estimates of the UAE's external debt are available and set out in this Supplement.

Accordingly, financial and economic information may differ from previously published figures, or figures published in the future, and may be subsequently adjusted or revised. No assurance can be given that material changes will not be made which, in turn, could negatively affect the market value of an investment in the relevant Trust Certificates.

***The Government may be adversely affected by monetary policy inflexibility, or if the UAE Dirham/U.S. Dollar peg were to be removed or adjusted***

The functional and reporting currency of the Government is the UAE Dirham. The UAE Dirham has been pegged at a fixed exchange rate to the U.S. Dollar since 22 November 1980. The current midpoint between the official buying and selling rates for the UAE Dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. The Federal Government and the UAE Central Bank have publicly stated that there is no current intention to reassess the Dollar peg. However, there can be no assurance that UAE policy, in respect of the UAE Dirham/U.S. Dollar peg, will remain unchanged in the future. If the UAE Central Bank cannot maintain a stable exchange rate or the peg to the U.S. Dollar, this may reduce confidence in the UAE's economy, reduce foreign direct investment and adversely affect the UAE's finances and economy, as well as those of the individual emirates within the UAE, including Sharjah.

In addition, the UAE Central Bank, as a result of the peg, and the Government, as a result of the UAE Central Bank's control over monetary policy, do not have any flexibility to devalue the Dirham to stimulate Sharjah's exports market, and the UAE Central Bank's ability to independently manage interest rates is constrained. For example, if the U.S. Federal Reserve were to further increase interest rates, and the UAE Central Bank were to delay significantly in increasing its own rates, this could result in significant pressure on the currency peg. Furthermore, because the UAE's currency is pegged at a fixed rate to the U.S. Dollar, any significant appreciation in value of the U.S. Dollar, whether driven by increasing U.S. interest rates or other factors, could result in the UAE's non-hydrocarbon exports becoming less competitive.

The Government is also exposed to the potential impact of any abolition of this foreign exchange peg. Any such depegging, particularly if the UAE Dirham weakened against the U.S. Dollar, could have an adverse effect on Sharjah's general financial condition and prospect and could specifically increase the cost of servicing existing and new debt denominated in U.S. Dollars, which, in turn, could negatively affect the Government's ability to fulfil its obligations under the Transaction Documents to which it is a party.

***Investing in securities involving emerging markets such as Sharjah generally involves a high degree of risk***

Investing in securities involving emerging markets, such as Sharjah, generally involves a higher degree of risk than investments in securities of issuers from more developed jurisdictions. In the case of Sharjah, these higher risks include those discussed elsewhere in this section. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate and are familiar with the significance of the risks involved in investing in emerging markets. International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect were to occur, the trading price of Notes issued under the programme could be adversely affected by negative economic or financial developments in other emerging market countries over which the Government has no control. In addition, the economies of emerging markets are more susceptible to influence by macroeconomic and central bank policy decisions of developed countries than other sovereign issuers. In particular, emerging market economies have in the past demonstrated sensitivity to periods of economic growth and interest rate movements of developed economies. No assurance can be given that this will not be the case in the future. As a consequence, an investment in Notes issued under the Programme carries risks that are not typically associated with investing in Notes issued by governments in more mature markets. Investors should also note that emerging markets such as Sharjah are subject to rapid change and that the information set forth in this Supplement may become outdated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether in light of those risks their investment is appropriate.

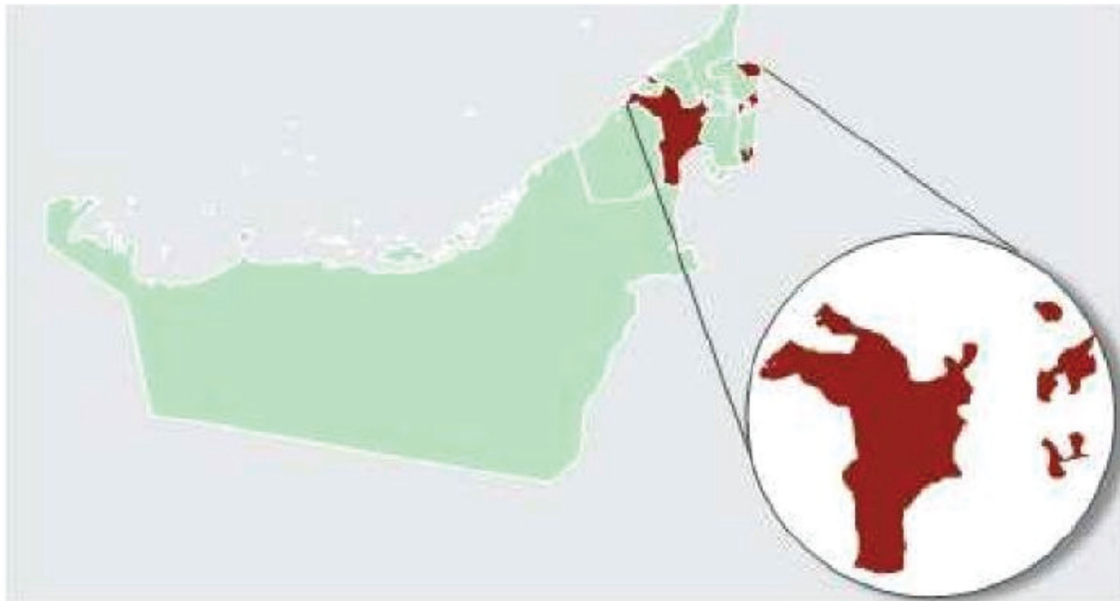
## 2. AMENDMENTS TO THE DESCRIPTION OF THE EMIRATE OF SHARJAH

2.1 On page 98 of the Base Offering Circular, the entirety of the section headed "Description of the Emirate of Sharjah" shall be deemed deleted and replaced with the following:

### Introduction

The Emirate of Sharjah ("**Sharjah**" or the "**Emirate**") is one of seven emirates which together comprise the federation of the United Arab Emirates (the "**Federation**"). The Federation was established on 2 December 1971. On formation, the Federation comprised the following emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain and Fujairah. Ras Al Khaimah joined in February 1972. Abu Dhabi is the capital city of the UAE. The President of the UAE is His Highness ("**H.H.**") Sheikh Mohamed bin Zayed Al Nahyan, who is also the ruler of Abu Dhabi, the capital city of the UAE. H.H. Sheikh Dr. Sultan Bin Mohammed Al Qasimi ("**H.H. The Ruler**") became the ruler of Sharjah in 1972 and was appointed to the Supreme Council (as defined below).<sup>1</sup>

### Location



Sharjah is the third-largest emirate in the UAE. Sharjah borders the Arabian Gulf to the west and shares land borders with all of the other six emirates. The Emirate comprises a main territory, incorporating Sharjah City and the less densely populated Central Region, and three exclaves on the UAE's east coast (Khorfakkan, Dibba Al-Hisn and Kalba), which each provide access to the Arabian Sea and the Indian Ocean through the Gulf of Oman. The island of Sir Bu Nair also forms part of Sharjah. In total, Sharjah covers an area of 2,590 square kilometres, or 3.3 per cent. of the UAE's total area (excluding islands).

The main city of Sharjah, Sharjah City, is situated between the emirates of Dubai and Ajman on the five kilometre deep salt strip running along the west coast. Sharjah City is located around 170 kilometres from the UAE's capital of Abu Dhabi. The length of the coastline falling under the Emirate is approximately 30 kilometres in total, including a 16-kilometre continuous stretch on the Arabian Gulf around Sharjah City.

The UAE as a whole extends along the south-east coast of the Arabian Gulf, from the Kingdom of Saudi Arabia to Ras Al Khaimah in the north and across parts of the Musandam peninsula to the Gulf of Oman in the east. The UAE covers an area of 83,699 square kilometres in total.

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<sup>1</sup> While the terms "Federal" and "Federation" are used in this description, the term "Union" may be more accurate based upon the definition (ittihad) which the founding fathers of the UAE gave in the 1971 Provisional Constitution of the UAE (as amended). However, in line with common parlance, the terms "Federal" and "Federation" are used throughout this description.

## History

There is evidence of human settlement dating back to around 120,000 years ago, located in what is now present-day Sharjah (which means "rising sun" in Arabic). Graveyards and adjacent settlements have been found which point to Neolithic communities who lived there from 11,000 years ago. As early as the second century AD, a map drawn by the Greek geographer Ptolemy indicated the settlement of Sarcoa (where present-day Sharjah is located).

The arrival of envoys from the Prophet Muhammad (peace be upon him) in 630 AD also added to the rich cultural heritage of the region.

Sharjah's modern history began around 1727, when the Al Qasimi clan took over the area of present-day Sharjah and declared the polity independent. While European powers competed for regional supremacy during the eighteenth century (in order to control the lucrative trade routes in and around the Arabian Gulf), a local power, the Qawasim, was gathering strength. At the beginning of the nineteenth century, the Qawasim had built up a fleet of over 60 large vessels and could put nearly 20,000 sailors to sea, eventually provoking a British offensive to control the maritime trade routes between the Arabian Gulf and India.

Following the defeat of the Qawasim by the British, Sharjah and the other emirates of the current UAE each entered into a separate treaty with the British. Such a treaty was also motivated by a sense of resistance to the growing Ottoman imperial influence, which was beginning to make its presence felt in the area. Thus, on 8 January 1820, Sheikh Sultan bin Saqr Al Qasimi signed the General Maritime Treaty with Great Britain. The emirates eventually became collectively known as the Trucial States or Sheikhdoms and the area was generally known as the Trucial Coast. The Sheikhdoms were each led by a Sheikh, who typically belonged to the most influential tribe in that area (being the Al Qasimi dynasty in the case of Sharjah). In Sharjah, alongside fishing and trading, pearling was a primary income-generating industry that lasted into the late 1940s. The first international airport on the Trucial Coast was established in Sharjah in 1932.

The British remained in the area until their withdrawal from the region in 1971. Steps were then taken by the rulers of the seven emirates to bring the individual Sheikhdoms together into a single Federation. This resulted in the formation of the Federation by six of the seven emirates of the UAE (including Sharjah) in December 1971, with Ras Al Khaimah joining in February 1972.

In May 1976, the seven emirates agreed to merge their armed forces. In 1979, the ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum, became Prime Minister of the Federal Government. H.H. Sheikh Zayed bin Sultan Al Nahyan of Abu Dhabi served as President of the UAE from 1971 until his death in November 2004. He was succeeded by his son, H.H. Sheikh Khalifa bin Zayed Al Nahyan, as ruler of Abu Dhabi and President of the UAE until his death in May 2022. H.H. Sheikh Khalifa bin Zayed Al Nahyan was succeeded by H.H. Sheikh Mohamed bin Zayed Al Nahyan in May 2022.

## Population

According to preliminary figures from the Federal Competitiveness and Statistics Centre (the "FCSC"), the UAE had a population of approximately 10.7 million in 2023. The population of the UAE has grown significantly since 1975, reflecting an influx of foreign labour, principally from the Indian subcontinent, as the emirates have developed.

The table below illustrates this growth since 1975.

	<b>Sharjah population</b>	<b>Total UAE population</b>
1975.....	78,790	557,887
1980.....	159,317	1,042,099
1985.....	228,317	1,379,303
2005.....	793,573	4,106,247
2015.....	1,408,699	9,104,000
2022.....	1,820,392*	N/A

Source: FCSC; Government internal sources, official census data for 1975, 1980, 1985, 2005, 2015 and 2022\*

\*preliminary data subject to revision

In January 2017, the Sharjah Department of Statistics and Community Development published the Sharjah Census 2015. The official total population of Sharjah was 1,408,699 in 2015. The most recent census, started in September 2022, preliminarily indicates that Sharjah's population had risen to 1.8 million in 2022.

According to the latest information released by the Government in 2023, UAE nationals officially make up 11.5 per cent. of the Emirate's population. In keeping with the rest of the UAE, expatriates resident in Sharjah are mainly from the Indian subcontinent and other Arab countries.

Education and training are an important strategic focus for the Emirate (see "*The Economy of Sharjah — Infrastructure — Education*" below). Based on the detailed analysis released following the Sharjah Census 2015, for the population aged 10 or more, approximately 26.8 per cent. of the active population had university or equivalent level degrees and a further 39.5 per cent. had completed secondary education. A new census was started in September 2022. The detailed results of the census will be published once available. For the 2023-2024 academic year, American University of Sharjah had a headcount of 5,876 students and University of Sharjah had a headcount of 18,594 students. The Government believes that one of its key future challenges will be the creation of jobs for the local population and has undertaken initiatives with the Federal Government to educate and motivate young UAE nationals to join the workforce, with a particular emphasis on the private sector (see "*The Economy of Sharjah — Infrastructure — Education*" below).

## **Relationship between the UAE Constitution and Sharjah**

### ***The UAE Constitution***

The original constitution of the UAE (the "**Constitution**") was provisional and established the legal framework for the Federation. The Constitution was made permanent pursuant to a constitutional amendment in May 1996 (which also confirmed Abu Dhabi as the permanent capital of the UAE).

The major principle articulated by the Constitution in relation to the separation of powers between the Federation and the individual emirates is that, on specific legislative and executive matters (or solely legislative matters), competencies were conferred on the Federation, with each individual emirate remaining sovereign within its own territory on all residuary matters.

Accordingly, pursuant to Articles 120 and 121 of the Constitution, the Federal Government has exclusive legislative and executive competence in relation to: foreign affairs; national security and defence; nationality and immigration; finance, taxation and public borrowing of the Federal Government; education; public health; postal, telephone and other communications services; and air traffic control and the licensing of aircraft. The UAE's monetary and exchange rate policy is also managed on a Federal basis by the UAE Central Bank. See further "*Monetary and Financial System*" below.

Similarly, pursuant to Article 121 of the Constitution, the Federation has exclusive legislative (but not executive) competence in relation to, for example, labour relations, banks, insurance, major codal legislation, intellectual property protection, the delimitation of territorial waters, the extradition of criminals and the establishment and regulation of free trade zones. In relation to these competencies, the implementation of the Federal legislation is left to the executive authorities of each emirate.

Article 122 of the Constitution confirms that "the Emirates shall have competence in relation to all matters where the Federation does not hold exclusive competence in accordance with the provisions of the preceding two Articles".

Accordingly, the governments of the individual emirates retain flexibility in the governance and management of their own emirates. Examples of the sectors for which the Government has retained responsibility include its customs controls, local planning authorities and tourism. The natural resources and wealth in each emirate are considered to be the public property of that emirate.

### ***Federal Supreme Council***

The UAE is governed by the Supreme Council of the rulers of each of the emirates (the "**Supreme Council**"). This is the highest Federal governing body and consists of the rulers of the seven emirates. The Supreme Council elects, from its own membership, the President and the Vice President of the UAE (each for renewable five-year terms). The Supreme Council is vested with legislative as well as executive powers. It ratifies Federal laws and decrees, plans general policy and approves the appointment, resignation or dismissal of the Prime Minister.

In 1971, the then-ruler of Abu Dhabi, H.H. Sheikh Zayed bin Sultan Al Nahyan, was elected as the first President of the UAE and was re-elected President for successive five-year terms until his death in

November 2004. In 1971, the then-ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum, was elected as the first Vice-President of the UAE and continued as Vice-President until his death in 1990. Both were succeeded by their respective Crown Princes, H.H. Sheikh Khalifa bin Zayed al Nahyan, who became ruler of the emirate of Abu Dhabi in 2004, and H.H. Sheikh Mohammed bin Rashid Al Maktoum, who became the ruler of the emirate of Dubai in 2006 (after having succeeded his brother, Sheikh Mohammed bin Rashid Al Maktoum, who served as Ruler of Dubai following the death of H.H. Sheikh Rashid bin Saeed Al Maktoum); and were elected by the members of the Supreme Council to become, respectively, President (for the ruler of Abu Dhabi) and Vice-President (for the ruler of Dubai) of the UAE. H.H. Sheikh Khalifa bin Zayed Al Nahyan was succeeded by H.H. Sheikh Mohamed bin Zayed Al Nahyan in May 2022.

H.H. The Ruler has represented Sharjah in the Supreme Council since becoming the ruler of Sharjah in 1972.

### ***Federal Council of Ministers***

The Federal Council of Ministers (the "**Cabinet**") is described in the Constitution as "the executive authority" for the Federation and is responsible for implementing policy decisions of the Supreme Council. The Cabinet is the principal executive body of the Federation. Based in Abu Dhabi, the Cabinet is headed by the Prime Minister (H.H. Sheikh Mohammed bin Rashid Al Maktoum) and consists of his two Deputy Prime Ministers (H.H. Sheikh Saif bin Zayed Al Nahyan and H.H. Sheikh Mansour bin Zayed Al Nahyan) and other ministers. These ministers are normally selected (for no fixed term) by the President of the Supreme Council on the recommendation of the Prime Minister. The Constitution defines the competencies of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual Federal budget.

### ***Federal National Council***

The Federal National Council is a parliamentary body which comprises 40 members, all of whom are UAE nationals. Each emirate appoints members for a particular number of seats based on the emirate's population and geographical size. Abu Dhabi and Dubai have eight members each, Sharjah and Ras Al Khaimah have six members each and the other emirates have four members each. The nomination of representative members is left to the discretion of each emirate, and the members' legislative term is four calendar years. The members represent the UAE as a whole rather than their individual emirates.

Presided over by a speaker, or two deputy speakers, elected from amongst its members, the Federal National Council has both a legislative and a supervisory role under the Constitution. This means that it is responsible for examining and, as appropriate, amending or rejecting all proposed Federal legislation, and is empowered to summon and to question any Federal minister regarding ministry performance. One of the main duties of the Federal National Council is to discuss the annual budget of the UAE. Although the Federal National Council can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself, and its amendments to, or rejection of, draft legislation placed before it can ultimately be overridden by the Supreme Council.

In 2006, reforms were made with a view to enhancing public participation in indirect elections to the Federal National Council. Under these reforms, the ruler of each emirate will select an electoral college whose members should be at least 100 times the number of Federal National Council members for that emirate. The members of each college elect half of the Federal National Council members for their emirate, with the remainder being appointed by the relevant ruler.

### ***Soft Power Council***

The Soft Power Council reports directly to the UAE Cabinet and leads Sharjah's national agenda by defining a comprehensive strategy to reinforce the country's position with governments and citizens around the world and develops a soft power strategy for the state, including in fields of science, culture, technology, humanitarian work and the economy.

### ***Legal and Court System***

There are three primary sources of law in the UAE, namely:

- Federal laws and decrees applicable in all seven emirates;

- local laws, i.e., laws and regulations enacted by the emirates individually; and
- *Shari'a* (Islamic) law.

The secondary form of law is trade custom or practice. In the absence of Federal legislation on areas specifically reserved to Federal authority, the ruler or local government of each emirate will apply his or its own rules, regulations and practices.

The Federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance of each emirate. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of Federal laws and arbitrate on inter-emirate disputes and disputes between the Federal Government and the emirates.

In accordance with the Constitution, three of the seven emirates (Dubai, Abu Dhabi and Sharjah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective emirates.

Sharjah's judicial system mirrors the structure of the Federal judicial system and is comprised of a Court of First Instance, a Court of Appeal and a Court of Cassation.

### ***International Relations***

Pursuant to Article 120 of the Constitution, foreign policy and international relations are a Federal matter and, accordingly, Sharjah has no ability to enter into direct agreements with foreign governments other than, under certain conditions, "limited agreements of a local and administrative nature" with neighbouring states.

The foreign policy of the UAE is based upon a set of guiding principles laid down by the UAE's first President, H.H. Sheikh Zayed bin Sultan Al Nahyan. He derived these principles from his belief in the need for justice in international dealings between states, including the necessity of adhering to the principle of non-interference in the internal affairs of others and the pursuit, wherever possible, of peaceful resolution of disputes, together with support for international institutions, such as the United Nations (the "UN").

Within the Arabian Gulf region, and in the broader Arab world, the UAE has sought to enhance co-operation and to resolve disagreement through the pursuit of dialogue. Accordingly, one of the central features of the country's foreign policy has been the development of closer ties with its neighbours in the Arabian Peninsula. The Co-operation Council for the Arab States of the Arabian Gulf (colloquially known as the Gulf Co-operation Council) (the "GCC") region, which comprises the UAE, the State of Kuwait, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar and the Sultanate of Oman, was founded at a summit conference held in Abu Dhabi, in May 1981.

At the broader level of the Arab world as a whole, the UAE is committed to building a sense of common purpose among both its people and its governments and, to this end, has supported the strengthening of common institutions, such as the Arab League. Beyond the Arab world, the UAE has pursued a policy of seeking, wherever possible, to build friendly relations with other nations, both in the developing and in the industrialised world. The UAE also maintains cordial relations with other regional states and has established good relations with the United States, China and the European Union as well as with various developing nations in Africa and many of the countries of the former Soviet Union.

Since the establishment of the UAE, the country has played an active role in the provision of financial aid to developing countries and has been a contributor of emergency relief to countries and areas affected by conflict and natural disasters. Countries that have benefited in recent years from the UAE's financial aid include Pakistan, Palestine, Syria, Sudan, the Republic of Yemen, Bahrain and Egypt. The philosophy behind the aid policy is two-fold: first, the provision of help for the needy is a duty incumbent on all Muslims; and second, the country's policy on utilisation of the revenues from its oil and gas production has always included a component that they should be devoted, in part, to helping other countries that have fewer natural resources.

The UAE is also an active participant in a number of multilateral aid-giving institutions, including the International Bank for Reconstruction and Development, the IMF, the International Development Agency and regional bodies such as OPEC, the Fund for International Development, the Arab Gulf Fund for the UN, the Arab Bank for Economic Development in Africa, the Abu Dhabi based Arab Monetary Fund and

the Islamic Development Bank. In addition, the UAE is a member of various other international organisations including, *inter alia*, the GCC, the UN, the Arab League, the Organisation of Islamic Countries, OPEC, the World Health Organisation (the "WHO"), the International Organisation for Industrial Development, the World Trade Organisation and the Asia-Pacific Economic Co-operation.

The UAE currently has an impasse with the Islamic Republic of Iran and the Kingdom of Saudi Arabia over certain border issues. Since 1971, the three Arabian Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by Iranian forces. The UAE believes that the islands should be returned to Sharjah and Ras Al Khaimah, respectively, which claim sovereignty over them, and is seeking to resolve the dispute through bilateral negotiations or a reference to international arbitration. The UAE renewed its demand for an end to Iran's occupation of these islands in September 2022.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified agreement with the Kingdom of Saudi Arabia on the border between the two countries.

The UAE, along with other Arab states, participated in the Saudi Arabian led intervention in Yemen, which began in 2015. The intervention was in response to requests for assistance from the internationally recognised but domestically contested Yemeni government of President Abd Rabbuh Mansur Hadi. The request was due to a Houthi tribal offensive, aimed at Yemen's provisional capital of Aden.

The UAE also joined another Saudi Arabian-led coalition of 34 largely Muslim nations formed in December 2015 to combat Islamic extremism, in particular Islamic State (also known variously as Daesh, ISIS or ISIL).

On 5 June 2017, Saudi Arabia, the UAE and Bahrain announced that they would close their airspace and territorial waters with Qatar within 24 hours of the release of the announcement. Saudi Arabia also closed its land border with Qatar, which is Qatar's only land border. Saudi Arabia, the UAE, Bahrain and Egypt also ended diplomatic ties with Qatar. Yemen, Jordan, Libya, Comoros, Senegal and Mauritania also joined the Saudi-led group shortly thereafter and several other countries including Chad, Djibouti, Maldives and Niger announced that they had downgraded their diplomatic ties with Qatar. On 5 January 2021, the UAE, Saudi Arabia, Bahrain and Egypt agreed to restore diplomatic relations with Qatar. Leaders of the six Gulf Cooperation Council member states signed the Al Ula Declaration, lifting the embargo on Qatar and establishing the renewal of diplomatic and economic relations. It remains unclear how the Al Ula Declaration will be implemented and, although the UAE has announced the re-opening of its land, air and sea borders to Qatar, it is still unclear if and when border controls will reach pre-June 2017 levels. In addition, Qatar has issued a number of claims against the UAE, Saudi Arabia, Egypt and Bahrain since the blockade. For example, in July 2020, Qatar Airways commenced proceedings against this bloc of countries seeking damages of at least U.S.\$5.0 billion. Other claims have been in relation to, amongst others, suspension of postal services and pharmaceutical investments as a result of the blockade against Qatar. It is not yet known whether Qatar will withdraw these claims against the UAE.

### ***COVID-19 Impact and Response measures Adopted in the UAE and Sharjah***

Governments in the UAE took significant steps to address the complex public health and economic impacts of the COVID-19 pandemic. On 14 September 2020, the UAE announced the emergency approval for the use of the COVID-19 vaccine, subsequently offering a range of vaccines to its citizens and residents free of charge and on an optional basis.

During the course of 2020, the Federal Government enacted several measures to limit the spread of the virus, including closure of schools, nurseries, shopping malls, parks, dine-in restaurants, and various tourist attractions. The Federal Government implemented a six-month suspension of work permit fees to cut the cost of doing business, support SMEs and accelerate major infrastructure projects. As part of their National Epidemic Control Plan, the Federal Government also imposed wide-ranging travel restrictions (including grounding of flights and halting visa issuance), which had an adverse impact on tourism, suspended prayers at mosques and other large gatherings, and enacted teleworking arrangements in government offices and obliged employers to provide the necessary technical tools to perform work remotely. The Federal Government also launched an "Early Leave" initiative for all expatriate private sector employees. Most of these restrictions have been since lifted.

In Sharjah, the Government introduced a range of measures across various sectors intended to mitigate the economic impacts of the operating restrictions put in place across the UAE and, in November 2020, the

Government of Sharjah approved a stimulus package of approximately AED 512.0 million. The package included incentives to support the government, private entities, businesses and individuals, boost business continuity and mitigate the overall economic impact of the COVID-19 pandemic.

The COVID-19 pandemic had a significant impact on supply chain, logistics and transportation. In response to this, the Emirates Food Security Council developed mechanisms to ensure a steady and sustainable food supply to the UAE such as increasing the total food inventory for long periods by 30 per cent. Additionally, the UAE Ministry of Community Development and Ministry of Economy collaborated to launch the Al Meer Initiative to provide essential food supplies to 12,000 vulnerable and foreign workers.

Effective from 15 March 2020, the UAE Central Bank implemented the Temporary Economic Support Scheme (the "TESS"), which included a range of measures aimed at mitigating the economic effects of COVID-19 within the UAE. Such measures included allowing banks operating in the UAE access to loans and advances extended from the UAE Central Bank at zero cost against collateral to be used by the banks to grant temporary loan deferral relief to private sector corporate and SME customers and retail clients. In addition (subject to the terms of the TESS), banks were allowed to tap into the capital conservation buffer up to a maximum of 60 per cent. without supervisory consequences and the domestic systemically important banks (the "D-SIBs") were allowed to use 100 per cent. of their D-SIB buffer without supervisory consequences (in each case, until 15 March 2021).

In total, the UAE Central Bank announced AED 256 billion (approximately 22 per cent. of GDP in 2019) TESS measures which comprised of: (i) halving of banks' required reserve requirements from 14 per cent. to 7 per cent.; (ii) zero-interest rate collateralised loans to banks (AED 50 billion); (iii) allowing the use of banks' excess capital buffers (AED 50 billion); (iv) 15 to 25 per cent. reduction in provisioning for SME loans; (v) increase of loan-to-value ratio for first-time home buyers by 5 percentage points; (vi) limiting bank fees for SMEs; (vii) waiver of all payment service fees charged by the UAE Central Bank for six months; (viii) raising the limit on banks' exposure to the real estate sector to 30 per cent. of risk-weighted assets, subject to adequate provisioning; and (ix) allowing banks to defer loan repayments until the end of 2020.

On 8 August 2020, the UAE Central Bank announced further measures to facilitate banks' lending to the economy and the relaxation of the Net Stable Funding Ratio and the Advances to Stable Resources Ratio effective through the end of 2021 (source: IMF – Policy Responses to COVID-19). On 16 November 2020, the UAE Central Bank announced the TESS would be extended until 30 June 2021 to continue to support individuals and businesses affected by COVID-19. In April 2021, the UAE Central Bank announced that a number of measures would be extended until 31 December 2021 and in some instances 30 June 2022. The measures that were extended to 30 June 2022 included temporary lowering of the capital conservation buffer and the capital buffer for systemically important domestic banks as well as temporary prudential relief with respect to the liquidity coverage ratio, eligible liquid assets ratio, net stable funding ratio, and advances to stable resources ratio. The programme to support new lending and financing also continued until 30 June 2022. The remainder of the measures under TESS ended on 30 June 2022.

### *Impact of the COVID-19 Pandemic*

While the economic and fiscal costs of COVID-19 cannot be fully disaggregated from other factors, it is clear that COVID-19 had a significant adverse impact on Sharjah as well as on many other countries. This is reflected in Sharjah's various economic indicators and financial data for 2020, 2021 and 2022. These indicators broadly show a pattern of re-emerging steady economic growth from 2021, following a contraction in 2020.

### *The Government*

The relationship between the Federal Government and the governments of each emirate in the UAE is laid down in the Constitution, which allows for a degree of flexibility in the distribution of authority and executive responsibilities. The Constitution states that each emirate shall exercise all powers not assigned to the Federation. Each emirate has its own local government, consisting of departments or authorities, so that each emirate retains sufficient political and financial autonomy.

The legislative and executive powers of the government in Sharjah lie primarily with the ruler, supported by the deputy rulers and the Sharjah Executive Council (the "SEC"). The ruler of Sharjah is H.H. Sheikh Dr. Sultan bin Mohammed Al Qasimi ("H.H. The Ruler"), who was appointed Ruler of Sharjah on

25 January 1972. H.H. Sheikh Sultan Bin Mohammed bin Sultan Al Qasimi assumed the title of Crown Prince in 1999. H.H. the Crown Prince holds the titles of Deputy Ruler of Sharjah and Chairman of the SEC.

The ruler's office provides support and advice to H.H. The Ruler in all his functions as the ceremonial and functional head of the Government. H.H. The Ruler delegates certain day-to-day aspects of the management of Sharjah's Government and its dependencies to the SEC. As Chairman of the SEC, the Crown Prince oversees the implementation of all strategies and plans of governmental bodies and departments. In an effort to increase public participation in politics, the Sharjah Consultative Council (the "SCC") was established in 1999 by Emiri Decree No. 3. Like the UAE's Federal National Council, the SCC works closely with the SEC in reviewing legislation and the accountability of Government agencies on issues of policy. In January 2016, for the first time, elections were held for registered Sharjah citizens to elect half of the 42 members of the SCC.

The various departments and other arms of the Government and their respective executives operate under the powers and responsibilities specifically delegated to them from time to time by H.H. The Ruler. The laws adopted in Sharjah are passed by virtue of a decree of H.H. The Ruler.

The public sector of the Government consists of centralised departments and independent authorities.

There are more than 70 centralised Government departments, including:

- Directorate of Public Works;
- Department of Culture and Information;
- Finance Department;
- Real Estate Registration Department;
- Economic Development Department;
- Sharjah Petroleum Council;
- Sharjah Police;
- Department of Customs;
- Town Planning Department;
- Department of Civil Aviation; and
- Sharjah City Municipality

Independent authorities in Sharjah, which are wholly or majority publicly owned but operate at arm's length from the Government and are often referred to as government-related entities ("GREs"), include: (i) Bee'ah (Sharjah Environment Company); (ii) Sharjah Commerce and Tourism Development Authority; (iii) Hamriyah Free Zone Authority; (iv) Sharjah Electricity, Water and Gas Authority ("SEWA"); (v) Sharjah Airport International Free Zone ("SAIF Zone"); (vi) the Sharjah Investment and Development Authority ("Shurooq") and (vii) the Department of Seaports.

Established in 1992 by H.H. The Ruler, the Financial Control Department (the "FCD") is independent from the main public sector structures and is responsible for regulating and monitoring the financial activities of governmental bodies and departments in a capacity similar to that of an internal auditor, along with companies with direct or indirect government ownership of 20 per cent. or more. The FCD produces quarterly and annual reports which are presented to H.H. The Ruler.

The Government has adopted a strategy for its economy, which is intended to complement the economic growth in other emirates such as Abu Dhabi and Dubai. There is a notable focus on citizen welfare and enrichment, with particular emphasis on the preservation and celebration of Islamic heritage and culture, and on education. The Government has created one of the most prestigious higher education campuses in "University City", which is still expanding with a new Islamic university, Al Qasimia University, having

been officially opened in April 2015. The Emirate's tourism offering centres on its cultural offering, with religious and archaeological sites as well as over 20 museums, which culminated in the recognition of Sharjah as the Capital of Islamic Culture for 2014 by the Islamic Organization for Education, Science and Culture (ISESCO), the Capital of Arab Tourism for 2015 by the Arab Council of Tourism Ministers and as the World Book Capital for 2019 by UNESCO. The Government has sought to ensure the provision of high-quality healthcare, environmental improvement and employment opportunities for Sharjah citizens, with the Human Resources Department (a centralised department of the Government) placing citizens into public sector employment since 2005.

As for economic development, Sharjah differs from some other GCC states in that the Government seeks to limit its direct participation in the economy and instead focus on creating a favourable business environment, attracting inward investment, expanding infrastructure to foster future growth and leveraging cultural heritage to economic advantage. As such, Sharjah has a private sector-driven economy, characterised by a large number of smaller companies. The Government created an Economic Department in 1981, subsequently merged in 1999 with the Industrial Development Department to create the Sharjah Economic Development Department (the "**SEDD**") to create a legal and regulatory environment conducive to business success and aimed at attracting foreign and domestic investment. SEDD's role includes working with the private sector to review areas such as improving efficiency in the public sector, expanding the scope of private ownership, increasing the pace of economic growth and easing the shift towards an open market economy. SEDD's strategy focuses on providing modern, streamlined services and regulation to businesses, with a particular focus on e-government, efficient licensing and fair and proportionate regulation and inspection.

To further encourage economic development, the Government also created Shurooq in 2009 with the objective of attracting foreign direct investment in the Emirate (see further "*The Economy of Sharjah — Foreign Direct Investment and Free Zones*" below).

The Government's fiscal stance is set out in its 2023 Fiscal Plan. The Government established the Debt Management Office (the "**DMO**") in 2012 to coordinate borrowing activity in the public sector (for further detail, see "*Indebtedness*" below).

## **The Government's Economic Strategy**

### ***Promoting Long-Term Sustainability***

The Government's economic strategy is focused on sustainable development, i.e. growing the economy in a manner that is socially beneficial, that can be maintained on a long-term basis and that protects the natural environment of the Emirate. The Government considers this crucial to the long-term prosperity of the Emirate.

The Government's strategy has also been designed to ensure the Emirate's continued resilience to short- and medium-term economic shocks. The UAE economy is in a period of relative uncertainty and heightened financial and macro risk, primarily arising from lower global prices for hydrocarbons. Meanwhile, geopolitical risks have evolved significantly and present new considerations (see "*Risk Factors — Risks relating to Sharjah and the UAE*"). In this environment, the Government's focus on sustainable long-term development provides resilience through the Emirate's:

- relatively low reliance on volatile sectors (real estate, hydrocarbons) for economic activity and Government revenues;
- well established concentrations of economic activity in more stable sectors;
- attraction of new companies and foreign investment;
- high-quality infrastructure and public services;
- low commercial exposure to volatile sectors through GREs and investments;
- diverse sources of revenue and ability to reduce expenditure (if necessary); and
- low contingent liabilities.

## ***2023 Fiscal Plan***

In January 2023, the Government announced the Fiscal Plan. The Government has traditionally operated under an annual budgetary cycle, coordinated by the Sharjah Finance Department. Through the Fiscal Plan, the Government for the first time set out its multi-year, medium term-financial plans. The Government plans to balance the primary budget (the budget excluding interest expense on indebtedness) by 2027 and until at least 2030. The Fiscal Plan also details various policy measures, planned budgetary limits and the expected economic and regulatory developments in terms of their impact on revenues and expenditures between 2023 and 2030. The Fiscal Plan is attached as an appendix to this Supplement. The Fiscal Plan also contains a fiscal forecast of how the Government expects its revenues and expenditures to evolve between 2023 and 2030. This fiscal forecast is subject to a degree of uncertainty and contains a number of assumptions. Some of the measures in the fiscal forecast are still under development and remain subject to revision of the applicable policy or the expected financial effect. In addition, the Government may choose to bring forward additional policy changes that may affect this forecast. This forecast and other forward looking information contained in the Fiscal Plan are subject to the same qualifications and uncertainties as the other forward looking statements in this Supplement. See "*Cautionary Statement Regarding Forward Looking Statements*" and "*Risk Factors – Risks Relating to Sharjah and the UAE – The Government's Fiscal Plan may not be successful*".

The budgetary performance data included in this Supplement shows that the Government's total budget deficit was AED 8.7 billion in 2023, compared with a forecast budget deficit of AED 8.4 billion in the January 2023 Fiscal Plan. With AED 4.0 billion in debt interest expenditure, the 2023 primary deficit – the Government's main policy focus – was AED 4.8 billion, slightly lower than the Fiscal Plan's forecast of AED 4.9 billion.

## ***Focus Areas for Development***

The Government envisages that sustainable economic growth will be determined by its success in fostering the development of the following areas of the economy and society of Sharjah:

### *Real Estate and Urban Planning*

The Government has set out an "urban masterplan", focusing on alleviating traffic and reducing urban pollution within the Emirate as well as creating new residential areas to accommodate the expected population growth that will come with sustained economic prosperity. Key components of this masterplan include:

- relocating inner city industrial areas to create new zones on the periphery of the city with better infrastructure access, such as Souq Al Haraj new and used car trading zone, Al Sajaa Industrial Oasis, Emirates Industrial City and Al Hanoo Industrial City;
- expanding the Hamriyah Free Zone and its transport links to highway E311;
- developing new residential districts through traditional zonal development in areas such as Rahmania, and more heavily master planned developments such as Al Jada, Maryam Island, Al Zahia and Tilal City; and
- undertaking major, coordinated real estate developments in prime locations in the Dubai corridor.

See further "*The Economy of Sharjah – Principal Sectors of the Economy*" below.

### *Logistics and Infrastructure*

Infrastructure development is considered to be a key enabler for the Emirate's future economic growth and social connectivity. Sharjah is well connected to the other emirates through a series of parallel major multi-lane highways, has comprehensive telecommunication facilities and offers three significant sea ports. The Emirate is also the location of the UAE's third-largest airport, Sharjah International Airport ("**SIA**"), and is adjacent to the world's busiest airport, Dubai International Airport. Several key infrastructure developments are under way, including the expansion of SIA and road links (see "*The Economy of Sharjah – Infrastructure*" below).

## *Tourism*

The Emirates Tourism Council aims to strengthen the tourism portfolio as part of the recovery plan, complemented by the launch of the National Tourism Strategy 2031. One of the key aims of the Government's economic strategy is to solidify the Emirate's position as an ideal family tourism destination and cultural hub in the GCC region. In 2023, there were 1.52 million hotel guests, compared to 1.24 million hotel guests in 2022 and 1.18 million hotel guests in 2021. This number remains lower than pre-COVID-19 hotel guests of 1.79 million in 2019. In recognition of the Government's achievements to date, the Emirate was named the "2015 Capital of Arab Tourism" by the Arab Council of Tourism Ministers.

Sharjah hosts several well-known and popular annual events including the Sharjah International Book Fair, Sharjah Light Festival, Sharjah Water Festival and Sharjah Heritage Days. Moreover, Shurooq undertakes joint venture developments with private sector partners to promote the growth of tourism and tourism related commercial activity in the Emirate through the development of world-class tourism facilities and investment in, among other things, tourism-related projects. For a summary of recent projects, see "*The Economy of Sharjah — Principal Sectors of the Economy — Social Accommodation and Food Service*" below.

The UN Educational, Scientific and Cultural Organization ("UNESCO") named Sharjah as World Book Capital in 2019, under its World Book Capital programme, an initiative launched in 1996 that seeks to promote publishing activities on local and global levels by nominating an annual capital. The programme aims to promote peace, cultural enrichment, and intercultural dialogue through education, communication and the sharing of information. The House of Wisdom, a 12,000m<sup>2</sup> physical and digital library and cultural space located adjacent to Sharjah's University City opened in December 2020, is a lasting monument to the World Book Capital accolade.

## *Education*

The development of the Emirate's education system has been a key priority for the Government, which has led to significant investments in human capital, founded on the belief that an educated population is vital to the long-term growth of the Emirate's economy.

The Emirate is aiming to establish itself as a regional centre for educational excellence and, in order to achieve this, the Government has invested significantly in this area in recent years. For a summary of such investment, see "*The Economy of Sharjah — Infrastructure — Education*" below.

## *Energy and Environment*

The Government regulates and monitors, among other things, the management, operation and maintenance of the Emirate's electricity and water assets and facilities to ensure that present and future consumer demands for water and power services are properly met through sustainable planning and development, and to ensure that local water and electricity projects are managed and operated in line with international best practices and applicable environmental laws.

The UAE has established a number of sustainability programmes and strategy, including among others, the UAE Centennial 2071 Programme, UAE-wide strategies focusing on environmental protection and enhancement and UAE-wide strategies focusing on human and social development. In addition, the UAE hosted the 2023 UN Climate Change Conference ("COP28") in November 2023.

One of the key UAE-strategies that focuses on environmental protection and enhancement is the UAE's Energy Strategy 2050, which aims to reduce the UAE's carbon footprint, increase the use of clean energy and increase consumption efficiency. The UAE seeks to become a global hub of the new green economy, allowing it to integrate sustainability principles with long-term economic growth. Additionally, the UAE is emerging as a regional leader in renewable energy, particularly solar energy and is also focused on developing blue and green hydrogen as the fuel of the future. Sustainability is also at the heart of the vision of SEWA, as demonstrated by the implementation of:

- a drive for energy efficiency, with SEWA encouraging all customers to cut power consumption by 30 per cent.;
- investment in network efficiency to cut power losses;

- higher fuel standards benefiting local air quality as well as boosting operational performance; and
- the revision of electricity and water tariffs in order to incentivise energy conservation.

SEWA is also empowered to establish clean energy companies and to enter into joint ventures with companies in the field of renewable and alternative energy.

For further detail, see "*The Economy of Sharjah — Infrastructure — Utilities*" below.

Sharjah contributes to the UAE's sustainability initiatives through a number of projects. For example, Sharjah was designated as the first healthy city in the MENA region by the World Health Organisation in 2015 and has implemented the Eskan Housing Programme to support local citizens' housing needs. The Sobat Greenhouses Project in Al Dhaid aims to create developmental and agricultural communities and produce high-quality organic agricultural products. Sharjah Sustainable City is being developed, which would be the first mixed-use residential project in Sharjah that is expected to be 100 per cent. powered by solar energy and recycle 100 per cent. of its water and waste.

Sharjah is a regional leader in moving to more sustainable waste management practices. The Government established and holds a minority stake in Bee'ah, an environmental services company responsible for waste collection, treatment and disposal in most parts of the Emirate. Working closely with Bee'ah, the Government has set a goal of eliminating waste sent to landfills. This is being achieved through greater source separation of waste, intelligent waste collection systems, sorting technologies to recover materials and the construction of the GCC's first waste to energy plant. Bee'ah has been able to achieve a waste diversion rate of more than 76 per cent. and the Government intends to continue its successful partnership with Bee'ah in Sharjah. In addition, the Sharjah Waste to Energy plant is the first project in a joint venture established with Bee'ah and Masdar, one of the world's leading renewable energy companies. This facility is expected to divert over 300,000 tonnes of non-recyclable waste away from landfills each year and generate 30 MW of clean energy, powering up to 28,000 homes. In addition, to support UAE efforts to enhance the low-carbon energy mix and treat non-recyclable waste, the project aims to achieve the goal of zero waste and carbon neutrality in Sharjah.

### *Health*

Although public healthcare for UAE nationals is a Federal responsibility, the Government plays an important role in encouraging development of the private healthcare sector in the Emirate, as part of a broader strategy to enhance public health among all residents. In 2012, the Government established the Sharjah Healthcare City free zone, designed to capitalise on regional demand for high-quality health services and to attract investment from experienced healthcare providers from the UAE and overseas.

In recognition of the Government's efforts and achievements in developing public health policy in the Emirate, in September 2015, Sharjah City was designated as the Middle East's first Healthy City by the WHO. According to the WHO, a Healthy City is one that "continually creates and improves its physical and social environments and expands the community resources that enable people to mutually support each other in performing all the functions of life, and developing to their maximum potential". The Emirate met 88 per cent. of the accreditation criteria in September 2015, surpassing the 80 per cent. qualifying threshold set by the WHO.

### *UAE Food Security Strategy*

In 2017, the Federal Government established the Ministry of Food and Water Security, which focuses on food waste, nutrition and trade. In 2019, the Federal Government established the Food Security Council to ensure sustainable food supply to the UAE. In addition, the National Food Strategy 2051 aims to position the UAE as the world's leader in the Global Security Index by 2051. The National Food Strategy 2051 has 38 key initiatives and five strategic goals, which include diversifying food import sources and identifying alternative food supply sources. As the UAE still imports 90 per cent. of its food needs, it has placed agriculture, aquaculture and the employment of cutting-edge technology in these sectors as essential in consolidating its food security strategy and to incentivise domestic agricultural production. The UAE is also a major importer of Ukrainian wheat. The UAE started trade talks in December 2022 with Ukraine to establish a comprehensive economic partnership agreement with Ukraine to boost trade and investment globally.

## **Ratings**

In July 2022, Moody's downgraded Sharjah's main credit rating from Baa3 to Ba1 but changed the rating outlook from negative to stable. The downgrade to Ba1 was driven by Moody's expectation of further significant deterioration in Sharjah's fiscal strength over the next few years, and the absence of a credible fiscal adjustment plan that could stop and eventually reverse the upward trend in Sharjah's debt burden and the weakening of its debt affordability metrics. The stable outlook reflected Moody's view that at the Ba1 level the risks to Sharjah's ratings were balanced. On 27 January 2023, following the announcement of the Fiscal Plan, Moody's published a report noting that the announcement of a multi-year fiscal plan indicated a greater willingness to try and better balance social demands with fiscal and financial stability considerations, which Moody's believes will slow the accumulation of government debt. Moody's also noted that a multi-year plan demonstrates greater transparency in policy making, which is a credit positive. On 1 August 2023, Moody's released an update noting that Sharjah's narrow revenue base, limited track record of fiscal policy effectiveness, and rising debt burden are its key credit challenges. The note also reiterated its remarks of prior reports that the multiyear fiscal adjustment strategy announced in early 2023 marks a potential turning point and indicates the Government's greater willingness to balance social demands against debt sustainability considerations.

In November 2022, S&P affirmed the long- and short-term foreign and local currency sovereign credit rating of Sharjah at BBB- and A-3 respectively with a negative outlook. However, in January 2023, following the announcement of the Fiscal Plan, S&P revised its outlook on Sharjah from negative to stable and affirmed Sharjah's ratings at BBB- and A-3. The stable outlook balanced S&P's view that Sharjah would introduce sufficient measures to begin stabilising its debt burden over the next two years against risks that the implementation of the necessary expenditure controls and revenue-enhancing measures might be weaker than expected. S&P noted that it could lower Sharjah's ratings over the next two years if Sharjah's net debt burden rose sharply or if additional contingent liabilities materialised on Sharjah's balance sheet. However, S&P also noted that it could raise its ratings if Sharjah's fiscal performance significantly strengthened, evidenced by a sustainable reduction in net government debt levels. S&P affirmed the BBB- and A-3 ratings, as well as the stable outlooks, in its ratings action on 17 May 2024.

There can be no assurance that Sharjah's credit ratings will not be subject to further downgrades or (in the case of S&P) fall below investment-grade status in the future.

## **Business Address**

The address of the Sharjah Finance Department is Al Layyeh Suburb, P.O. Box 201 Sharjah, United Arab Emirates, and its telephone number is: +971 6 528 8880.

### 3. AMENDMENTS TO THE ECONOMY OF SHARJAH

On page 111 of the Base Offering Circular, the entirety of the section headed "The Economy of Sharjah" shall be deemed deleted and replaced with the following:

#### Introduction

Sharjah has a diverse economy, best known for its strength in industry and manufacturing. The economy of Sharjah benefits from Sharjah's membership of the UAE and its political and macroeconomic stability, its advantageous geographic location, its transport and logistical infrastructure, long-established economic clusters in economic free zones and industrial areas, broad-based economic development driven by small and medium-sized enterprises ("SMEs") and the private sector, relatively low costs of doing business, an increasingly well-educated local workforce and the Government's financial robustness.

A founding member of the UAE, Sharjah benefits from the prevailing global view of the country as a stable and tolerant location that is open to trade, tourism and international business. It also benefits from the UAE's strong macroeconomic position and spending by the Federal Government on a range of key government functions, largely funded by fiscal transfers from the Government of Abu Dhabi. Within the UAE, Sharjah is unique in bordering all six other emirates and in holding seaboard on the country's west and east coasts. This central location has been exploited through the development of an extensive network of highways, container ports on both coasts and a growing international airport.

In contrast to some states/countries in the GCC, the Government is not extensively involved directly in the major commercial sectors of the economy. It has minority shareholdings in some strategic enterprises and directly operates critical infrastructure, but otherwise seeks to encourage the private sector to lead economic growth. Clusters of specialisation have developed around the Emirate's 19 industrial areas and two established free zones, with many businesses growing up from the large number of SMEs, and the Government envisages future development in sectors such as tourism, healthcare, environmental industries, logistics and education. Economic activity and growth have been spread broadly across economic sectors, and the economy remains well diversified.

#### Gross Domestic Product

Sharjah's GDP was relatively resilient to swings in the macroeconomic cycle in recent years, including the 2008 global financial crisis (with nominal GDP falling in 2009 and subsequently returning to growth in 2010) and the fall in commodity prices in 2015. However, similar to most global economies, the COVID-19 pandemic led to negative growth in 2020 in the UAE and Sharjah, with a return to growth in 2021.

This resilience was the result of the diversified nature of the Emirate's economy, relatively low public sector debt and relatively low dependence on and government exposure to more volatile sectors, such as hydrocarbons and real estate. In 2023, the Emirate's GDP increased (in nominal terms) to AED 145.2 billion (based on preliminary data subject to revision), as compared with AED 136.9 billion in 2022, representing a 6.5 per cent. increase from 2022 in nominal terms. The wholesale and retail trade sector is the largest sector of the Sharjah economy, accounting for 24.0 per cent. of its GDP in 2023, followed by the manufacturing sector, which accounted for 16.7 per cent. of GDP in 2023 based on preliminary data.

The UAE has one of the largest economies in the MENA region, with nominal GDP of AED 1,888 billion in 2023. According to the FCSC, real GDP growth in the UAE was 1.1 per cent. in 2019, negative 4.9 per cent. in 2020, 4.3 per cent. in 2021 and 7.51 per cent in 2022. Real GDP growth in the UAE was estimated to be 3.0 per cent. in 2023.

Sharjah's GDP per capita was approximately AED 74,942 in 2022.

The following table shows the UAE and Sharjah GDP for the years indicated:

	2019	(2019 compared to 2020 % change)	2020	(2020 compared to 2021 % change)	2021	(2021 compared to 2022 % change)	2022	(2022 compared to 2023 % change)	2023*
UAE Nominal GDP (AED billion).....	1,535	(16.4)	1,283	18.9	1,525	22.1	1,862	n/a	n/a
Sharjah Nominal GDP (AED billion).....	125.1	(0.5)	124.6	4.4	130.1	4.9	136.4	6.5	145.2

Source: FCSC, DSCD

\*preliminary data subject to revision

Since 2024, DSCD has produced GDP data in constant prices. This data series shows real-terms GDP growth in Sharjah of 5.1 per cent. in 2021, 3.7 per cent. in 2022 and a preliminary figure of 3.9 per cent. in 2023.

Sharjah's GDP growth has been largely driven by a diverse private sector, with over 105,000 companies registered in onshore and freezone jurisdictions, including more than 66,000 companies registered onshore (i.e. not in one of the free zones) by the SEDD, as shown in the table below.

	2019	2020	2021	2022	2023
Number of Licences.....	59,924	55,711	60,299	63,247	66,365

Source: SEDD.

## Principal Sectors of the Economy

Sharjah's economy is well diversified without any single sector contributing more than 25 per cent. of GDP in 2023. Recent economic growth has been broad-based across multiple sectors.

The following table sets out the contribution of each sector to the economy of Sharjah for the years indicated:

	2019	% of total	2020	% of total	2021	% of total	2022	% of total	2023*	% of total
	(AED millions)		(AED millions)		(AED millions)		(AED millions)		(AED millions)	
Agriculture, Forestry and Fishing.....	1,500	1.2	1,545	1.2	1,580	1.2	1,675	1.2	1,995	1.4
Mining and quarrying (includes crude oil and natural gas).....	5,204	4.2	3,241	2.6	3,270	2.5	3,355	2.5	2,781	1.9
Manufacturing.....	20,321	16.2	21,231	17.0	21,875	16.8	22,576	16.5	24,295	16.7
Electricity, gas and water supply; waste management activities.....	3,130	2.5	4,169	3.3	4,205	3.2	4,454	3.3	4,801	3.3
Construction.....	10,988	8.8	11,552	9.3	11,787	9.1	12,296	9.0	13,248	9.1
Wholesale and retail trade; repair of motor vehicles and motorcycles.....	27,850	22.3	28,217	22.7	31,120	23.9	32,545	23.9	34,805	24.0
Transportation and storage.....	7,527	6.0	6,205	5.0	6,525	5.0	6,835	5.0	7,232	5.0
Accommodation and food services activities.....	2,799	2.2	2,445	2.0	2,580	2.0	2,895	2.1	3,402	2.3
Information and communication.....	1,040	0.8	1,062	0.9	1,120	0.9	1,170	0.9	1,254	0.9
Financial and insurance activities.....	10,105	8.1	5,230	4.2	5,390	4.1	5,695	4.2	6,398	4.4
Real estate activities.....	11,957	9.6	12,490	10.0	12,750	9.8	13,545	9.9	14,290	9.8
Professional, scientific and technical activities.....	7,305	5.8	6,838	5.5	6,880	5.3	7,145	5.2	7,374	5.1
Administrative and support service activities.....	2,170	1.7	2,174	1.7	2,185	1.7	2,287	1.7	2,349	1.6
Public administration and defence; compulsory social security.....	4,942	3.9	9,241	7.4	9,571	7.4	10,205	7.5	10,735	7.4
Education.....	3,215	2.6	3,346	2.7	3,475	2.7	3,699	2.7	3,905	2.7
Human health and social work activities.....	1,340	1.1	1,900	1.5	1,948	1.5	2,057	1.5	2,203	1.5
Arts, recreation and other service activities.....	2,850	2.3	2,821	2.3	2,955	2.3	3,092	2.3	3,255	2.2
Activities of households as employers.....	905	0.7	862	0.7	875	0.7	897	0.7	919	0.6
<b>Total.....</b>	<b>125,148</b>		<b>124,567</b>		<b>130,091</b>		<b>136,423</b>		<b>145,240</b>	
<b>Total Non-oil.....</b>	<b>119,944</b>		<b>121,327</b>		<b>126,821</b>		<b>133,068</b>		<b>142,459</b>	

\* Preliminary data subject to revision.

## Wholesale and retail trade

The wholesale and retail trade sector is the largest measured sector of Sharjah's economy and contributed 24.0 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 23.9 per cent. in 2022 and 2021, 22.7 per cent. in 2020 and 22.3 per cent. in 2019.

The sector is primarily driven by the growth in Sharjah's economy and population as well as an increase in the number of new malls and the number of expatriates choosing to reside in Sharjah. Sharjah is also selected as a base for several wholesalers due to its attractive tax environment and connections to the MENA region.

Most activity in this sector is firmly led by the private sector. Sharjah Holding, a joint venture between the Government and Majid Al Futtaim Properties LLC, is currently developing neighbourhood malls to service residential districts within Sharjah. 2021 saw the opening of a number of major new retail outlets in Sharjah. Majid Al Futtaim Properties LLC opened City Centre Al Zahia, Sharjah's largest mall, a "super-regional" scale complex with a gross leasable area of 136,200 square metres. Alef Group opened the 06 Mall, catering to the high-end retail and food and beverage segment. The Sharjah Cooperative Society led the development of Rahmania Mall, providing 60,000 square metres of retail and entertainment space.

As noted above, although most activity in this sector is led by the private sector, the Government has become directly involved in some projects of strategic and/or social importance, including the construction of a fish, meat, fruit and vegetable market in the Jubail district, consisting of a 400-unit facility at a cost of approximately AED 173 million. Completed in 2015, the market in the Jubail district of Sharjah City exists to protect traditional local trade, enhance product quality and to attract tourists and shoppers to the heritage area of Sharjah City.

In addition, since 2016 the Government has worked to relocate Sharjah's long-established used car sector to the new Souq Al Haraj at a cost to the Government of approximately AED 268 million. The site has grown to be the largest automotive hub in the Middle East region, with some 370 car showrooms.

### ***Manufacturing***

The manufacturing sector is the second-largest measured sector of Sharjah's economy and was 16.7 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 16.5 per cent. in 2022, 16.8 per cent. in 2021, 17.0 per cent. in 2020 and 16.2 per cent. in 2019. While the manufacturing sector is diverse and competitive, the most significant sub-sectors include cement, glass, petrochemicals, paint, dried food and household goods.

Sharjah's manufacturing industries have developed in clusters centred on 19 industrial areas to the east of Sharjah City and on two economic free zones: (i) the Hamriyah Free Zone ("**HFZ**"); and (ii) the SAIF Zone. The Government has allocated land for and commenced the development of new industrial areas along the Emirate's major outer highways, including Emirates International City (covering 25.3 million square metres) and Sharjah Investment Centre (covering 3.0 million square metres), as well as a new research, technology and innovation park situated on 1.8 million square metres of land and established by the American University of Sharjah (see "*The Economy of Sharjah — Foreign Direct Investment and Free Zones — Sharjah Airport International Free Zone*" below).

The Government continues to release land for industrial development to facilitate economic expansion. For example, the Al Sajaa area, situated close to two major highways and in close proximity to Sharjah International Airport and Al Hamriya Port, is currently the site of significant industrial activity, including in the oil and gas and cement sub-sectors, and the Government (through Sharjah Asset Management LLC) completed the first and second phases of a project to sell and lease parcels of land covering an area of 1.31 million square metres in Al Sajaa Industrial Oasis in 2021. The Al Sajaa Industrial Oasis comprises 353 plots for light and medium industrial, mixed, retail and accommodation units and plots are available for sale to UAE Nationals, GCC and Arab residents as freehold investments. All other residents may apply for a 100-year leasehold (usufruct right).

Sharjah Cement and Industrial Development Co. (PJSC) ("**SCIDC**") was established in 1977 under an Emiri Decree issued by H.H. The Ruler and is one of Sharjah's important local manufacturers in the cement and building materials industry. SCIDC is a private sector company listed on the Abu Dhabi Stock Exchange ("**ADX**"). As at 31 December 2023, the Government held 16.0 per cent. of the shares in SCIDC through Sharjah Asset Management LLC and 9.09 per cent. of the shares in SCIDC through the Sharjah Social Security Fund (the "**SSSF**"). SCIDC recorded a total comprehensive loss for the year 2022 of AED 44.6 million, compared to a loss of AED 2.2 million recorded in 2021. SCIDC's turnover during 2022 was AED 635.5 million compared to AED 493.9 million in 2021, reflecting the increase in construction activity across the UAE.

### ***Real Estate Activities***

The real estate sector is the third-largest measured sector of Sharjah's economy and contributed 9.8 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 9.9 per cent. in 2022, 9.8 per cent. in 2021, 10.0 per cent. in 2020 and 9.6 per cent. in 2019.

According to Article 4 of Law No. 5 of 2010 on Real Estate Registration in the Emirate of Sharjah, ownership of any real estate property in the Emirate is restricted to UAE and GCC nationals or companies wholly-owned by UAE and GCC nationals. Article 4 of Law No. 5 of 2010 on Real Estate Registration provides for exceptions where: (i) ownership is granted by approval of H.H. The Ruler; (ii) ownership is obtained through heritages, according to a Shari'a notification; or (iii) ownership is obtained through the assignment by the owner to one of his or her relatives of first degree.

On 16 November 2014, H.H. The Ruler issued Executive Council Resolution No. 26 of 2014 ("**Resolution No. 26**"), which allowed foreign nationals and companies owned by foreign nationals to own usufruct rights over vacant plots of land for a period of 100 years in Sharjah, and to register such usufruct rights with the Sharjah Real Estate Department. In November 2022, Law No. 2 of 2022 permitted foreign citizens full freehold ownership in designated development areas. The Government intends to utilise the new arrangements for foreign ownership on a limited number of suitable new developments.

Benefiting from the more permissive regulatory environment, transaction volumes in 2023 reached 38,145 transactions with a total value of AED 28.5 billion, according to the Real Estate Registration Department (a centralised department of the Government), compared with sales transactions valued at AED 24.0 billion in 2022, AED 26.3 billion in 2021, AED 15.9 billion in 2020 and AED 24.2 billion in 2019.

### ***Financial and Insurance Activities***

The financial and insurance activities sector contributed 4.4 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 4.2 per cent. in 2022, 4.1 per cent. in 2021, 4.2 per cent. in 2020 and 8.1 per cent. in 2019.

As at 31 December 2023, there were four banks incorporated in Sharjah: BoS, Invest Bank, Sharjah Islamic Bank ("**SIB**") and United Arab Bank. As at 31 December 2023, the Government held 39.25 per cent. of the share capital of BoS, an increase of 22.09 percentage points compared to its holdings of 17.16 per cent. as of 31 December 2022 (following the AED 800 million capital injection discussed below), and 28.46 per cent. of the share capital of SIB through Sharjah Asset Management LLC, a wholly owned subsidiary of the Finance Department. In addition, the SSSF holds a 9.09 per cent. stake in SIB. Both BoS and SIB are listed on the ADX (for further detail on the financial sector, see "*Monetary and Financial System — Banking and Financial Services*" below).

In addition to the holdings described above, in December 2018, the Government offered to support the capital requirements of Invest Bank with an injection of AED 1,115 million in exchange for a 50.07 per cent. stake in the bank, at a purchase price of AED 0.70 per share. The proposal included a commitment to underwrite a subsequent rights issue by Invest Bank during 2019 with up to AED 785 million, should the bank require further capital during the year. The proposal was subsequently accepted by all parties and the initial injection was made in April 2019, giving the Government of Sharjah a 50.07 stake in Invest Bank. The second phase of capital support was completed in December 2023 and consisted of the Government participating *pro rata* in and underwriting the remaining portion of an issuance of new shares, and the Government issuing a guarantee of up to AED 3.0 billion against final write-offs of legacy assets over a five-year period, with the annual claims capped at AED 800 million. Following the new share issuance, the Government became the 88.11 per cent. majority shareholder in Invest Bank. Invest Bank used the proceeds of the share issuance to pay a one-off upfront fee of AED 2.6 billion to the Government in respect of the guarantee. While the 2024 budget and the projections for years 2025 to 2027 in the Fiscal Plan reflect a balanced forecast of the annual cost of the Invest Bank guarantee to the Government, there is a risk that the actual calls on the guarantee could be higher. In addition, the Government may face pressure to provide further financial support to Invest Bank in the future if the second phase of capital support does not fully meet Invest Bank's capital requirements. The Government has budgeted AED 240 million in expenditures for 2024 in relation to this capital support. Invest Bank is listed on the ADX.

In June 2023, the Government injected AED 800 million capital into BoS, in which it was already the largest shareholder (through Sharjah Asset Management), holding 17.16 per cent. of outstanding shares,

through subscribing to the issuance of new shares as a single strategic investor, thereby increasing its shareholding to 39.25 per cent. The new share issuance is designed to enhance the bank's financial position and foster future growth, by expanding total capital to AED 3 billion.

### ***Mining and quarrying***

The mining and quarrying sector, which includes crude oil and natural gas, contributed 1.9 per cent. to Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 2.5 per cent. in 2022 and 2021, 2.6 per cent. in 2020 and 4.2 per cent. in 2019.

The sector is primarily driven by the production and supply of energy for Sharjah's residents and businesses. Although it produces gas and liquid petroleum gas, Sharjah is a net importer of energy and fuel. In recent years, international crude oil prices have experienced large fluctuations. Global oil prices fell gradually in the first two months of 2020 before dropping sharply in March and April 2020, with the price of Brent oil falling below U.S.\$16 per barrel in April 2020. This was primarily due to the impact of the COVID-19 outbreak on the global economy and the increase in supply. Oil prices partially recovered in 2021 with the monthly OPEC Reference Basket price being U.S.\$85.24 per barrel for January 2022. In the first half of 2022, global oil prices rose sharply primarily due to the conflict between Russia and Ukraine, although somewhat moderated later in 2022 and 2023. The monthly OPEC Reference Basket price for December 2023 was U.S.\$79.00. (see *"Risk Factors — Risk Factors Relating to Sharjah and the UAE — The UAE's economy is significantly affected by volatility in international oil prices and its economy has in the past been, and is likely in the future to continue to be, adversely affected by lengthy periods of low oil prices"*).

Although Sharjah is the third-largest hydrocarbon producer in the UAE, after Abu Dhabi and Dubai, this sector is just one of several contributors to the Emirate's economy. Total hydrocarbon production in Sharjah amounted to 3.28 million barrels of oil equivalent in 2023, 3.7 million barrels of oil equivalent in 2022, 4.2 million barrels of oil equivalent in 2021, 3.5 million barrels of oil equivalent in 2020 and 3.9 million barrels of oil equivalent in 2019. The decline in production in 2023 compared to 2022 primarily was because it was determined that production at two wells (Mahani-2 and Mahani-3) was not yet commercially viable and one site (Saadi-1) did not demonstrate extractable resources.

In 2023, total hydrocarbon production in Sharjah of 3.28 million barrels of oil equivalent comprised 11.42 billion cubic feet of natural gas, 39.67 kilotonnes of liquefied petroleum gas and 1.08 million barrels of condensates. In 2022, total hydrocarbon production in Sharjah of 3.7 million barrels of oil equivalent comprised 13.2 billion cubic feet of natural gas, 47.8 kilotonnes of liquefied petroleum gas and 1.3 million barrels of condensates. In 2021, total hydrocarbon production in Sharjah of 4.2 million barrels of oil equivalent comprised 16.4 billion cubic feet of natural gas, 51.2 kilotonnes of liquefied petroleum gas and 1.5 million barrels of condensates. In 2020, total hydrocarbon production in Sharjah of 3.5 million barrels of oil equivalent comprised 13.5 billion cubic feet of natural gas, 44.9 kilotonnes of liquefied petroleum gas and 1.2 million barrels of condensates. In 2019, total hydrocarbon production in Sharjah of 3.9 million barrels of oil equivalent, comprised 15.8 billion cubic feet of natural gas, 50.8 kilotonnes of liquefied petroleum gas and 1.3 million barrels of condensates.

All hydrocarbon production in Sharjah is overseen by the Sharjah Petroleum Council, a centralised department of the Government. SNOG, which is a separate legal entity wholly owned by the Government, is responsible for most operations on active onshore production facilities in Sharjah, with revenues from such facilities flowing directly to the Government.

SNOG has embarked on several projects to expand and diversify its portfolio. SNOG awarded an engineering, procurement and construction management contract to Petrofac to construct a liquefied petroleum gas blending and truck loading facility to divert liquefied petroleum gas production to the local market which is now operational. Petrofac International Limited employs approximately 3,000 staff based in Sharjah in a range of functions supporting the hydrocarbon and petrochemical industries.

The Crescent Group was established in Sharjah in 1971 and is the MENA region's oldest privately-owned oil and gas company. The Crescent Group currently operates a portfolio of more than 25 diversified companies through its two main subsidiaries, Crescent Petroleum and Crescent Enterprises. Crescent Petroleum acts as a technical operator in several countries including Egypt, Pakistan, Yemen, Canada, Montenegro, Tunisia and Argentina.

Sharjah based Dana Gas PJSC is the 100 per cent. operator of the Sharjah Western Offshore Concession, the Zora field, approximately 35 kilometres offshore from Sharjah. The production facilities include an offshore platform and onshore gas processing plant, where the gas is processed. The gas is sold to SEWA for power generation, with the associated recovered condensate being sold into the local market. Dana Gas PJSC is the Middle East's largest regional private sector natural gas company established in December 2005 with a public listing on the ADX. It has exploration and production assets in Egypt, the Kurdistan region of Iraq and the UAE.

On 13 January 2019, the Government awarded Eni Areas A, B & C onshore Exploration Concession Agreements. These agreements are the result of the first International Competitive Exploration Licensing Round launched by SNOC in 2018 to explore and develop new hydrocarbon resources through the establishment of new partnerships. Concession Area A and C cover respectively an area of 437 square kilometres and 1,184 square kilometres. Eni has acted as operator with 75 per cent. participating interest with SNOC as partner with a 25 per cent. stake. Concession Area B covers an area of 264 square kilometres. SNOC has acted as operator with 50 per cent. participating interest with Eni holding 50 per cent. of stake. In January 2020, SNOC and Eni announced discovery of an inland gas field, "Mahani", with gas flow rates of up to 50 million standard cubic feet per day and associated condensates. In May 2024, SNOC announced discovery of new gas revenues in the onshore Al Hadiba field.

### ***Construction***

The construction sector contributed 9.1 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 9.0 per cent. in 2022, 9.1 per cent. in 2021, 9.3 per cent. in 2020 and 8.8 per cent. in 2019.

The construction sector is largely driven by activity in the private real estate market and by public projects to construct infrastructure and government buildings. The construction sector contribution of GDP has increased in order to reflect real estate demand and public sector expansion.

### ***Transportation and storage***

The transportation and storage sector contributed 5 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision) 2022, 2021 and 2020 and 6.0 per cent. in 2019. The sector is primarily driven by the Emirate's geographic location (bordering all six emirates and the UAE's west and east coasts), and by the development of air and sea ports.

Established in 1976, GulfTainer Company Limited is based in Sharjah and describes itself as one of the largest privately-owned port management and third-party logistics companies in the world. The UAE operations of GulfTainer Company Limited include the Khorfakkan Container Terminal and Sharjah Container Terminal, as well as port operations and logistics in Ruwais Port in Abu Dhabi (for further details, see "*Infrastructure — Ports*" below.)

### ***Public Administration and Defence***

The public administration and defence sector contributed 7.4 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 7.5 per cent. in 2022, 7.4 per cent. in 2021 and 2020 and 3.9 per cent. in 2019. Some government services (including basic healthcare and education for UAE nationals, as well as business licensing and policing) are provided by the Federal Government, with the remainder provided by the Government (see "*Public Finance — Government Finance — Relationship with the Federal Government*").

### ***Accommodation and Food Service***

The accommodation and food service activities sector, which includes restaurants and hotels, contributed 2.3 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 2.1 per cent. in 2022, 2.0 per cent. in 2021 and 2020 and 2.2 per cent. in 2019.

Sharjah's restaurants and hotels currently cater to mid-range customers and are priced lower than restaurants and hotels in some nearby geographies. The sector has been identified by the Government as having particular growth potential, with a focus on complementing the existing offering with a larger number of luxury options.

The following table sets out the number of Sharjah hotel rooms and number of guests for each of the years indicated.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Rooms .....	9,585	6,842	7,347	7,925	8,193
Guests (in thousands).....	1,794	1,017	1,180	1,240	1,520

Source: Commerce and Tourism Development Authority.

In 2023, there were 1.52 million hotel guests, an increase of 22.6 per cent. compared to 2022. In 2022, there were 1.24 million hotel guests, an increase of 5.1 per cent. compared to 2021. Hotel occupancy rates for 2022 were 5 per cent. higher than 2021 with total revenue in 2022 for hotels reaching AED 527 million, an increase of 28 per cent. compared to 2021.

Other long standing cultural events include the Sharjah International Biennial, an art exhibition hosted by the Department of Culture and Information since 1993, and the Sharjah International Book Fair, the world's fourth-largest book fair, hosted in the Sharjah Expo Centre since 1982. In recognition of its efforts to promote reading and literature, Sharjah was chosen by UNESCO as the 2019 World Book Capital.

Shurooq undertakes joint venture developments with private sector partners to promote the growth of this sector. Recent projects include a canal-side shopping and leisure district (the Al Qasba), a park, promenade, mosque and leisure and entertainment facility on the Corniche (the Al Majaz Waterfront), a landmark Flag Island, the Al Muntaza Theme Park and the Maraya Art Centre. Amongst other projects, Shurooq is currently working to develop the Emirate's first 5-star hotel resort in Khorfakkan on the east coast, in partnership with the Chedi Group, and has opened a luxury heritage-themed hotel, Al Bait, as the centrepiece of its 15-year masterplan (2010-2025) to restore the historic Heart of Sharjah district.

Shurooq is engaged in strategic joint ventures and partnerships in order to improve Sharjah's ability to attract tourists and investors. Examples of such joint ventures include its partnerships with: (i) Eagle Hills to develop three major projects (Maryam Island, Kalba Waterfront and Palace Al Khan) (ii) Nakheel to develop a new community retail centre; and (iii) Diamond Developers to develop a mixed-used project in Sustainable City.

Shurooq is also developing environmental tourism in the region with the expansion of safari lodges in natural reserve areas. The Kingfisher Lodge commenced operations in 2018 and is located in the Kalba natural reserve area. Al Badayer Oasis Lodge and Al Faya Retreat in the Mleiha area opened in 2019.

### ***Electricity, Gas and Water***

SEWA is 100 per cent. owned by the Government and is responsible for providing power, water and natural gas in the Emirate. The electricity, gas and water supply sector, which focuses on distribution to the public, contributed 3.3 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 3.3 per cent. in 2022, 3.2 per cent. in 2021, 3.3 per cent. in 2020 and 2.5 per cent. in 2019. As with the mining and quarrying sector, the primary driver of activity in the electricity, gas and water supply sector is demand for utility services from residential, commercial and industrial areas in Sharjah. For further details, see "*Infrastructure — Utilities*" below.

### ***Agriculture, Forestry and Fishing***

The agricultural sector contributed 1.4 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), and 1.2 per cent. of Sharjah's nominal GDP in 2022, 2021, 2020 and 2019. The sector includes small-scale arable production in areas irrigated from natural oases and aquifers in the north and east of the Emirate, with crops such as vegetables, dates and turf. Dairy and poultry production also form part of the agricultural sector.

### ***Human Health and Social Work Activities***

The human health and social work activities sector contributed 1.5 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 2022, 2021 and 2020 and 1.1 per cent. in 2019. The sector is primarily driven by activities of the Government, whether through the direct facilitation of social services or through the enablement of private sector delivery. The Government established the free zone of Sharjah Healthcare City to capitalise on regional demand for high-quality health services. The free zone authority provides basic infrastructure and a light-touch regulatory environment with the intention of

attracting a wide range of healthcare providers from the UAE and from overseas. Sharjah Healthcare City is expected to expand the healthcare cluster, which has, in recent years, begun to develop around the adjacent site of University City, with the development of a teaching hospital, nursing college and dental college.

### **Other sectors**

The Other sectors, comprised of the arts, recreation and other services sector, the education sector and the professional, scientific and technical activities sector, contributed 10.0 per cent. of Sharjah's nominal GDP in 2023 (based on preliminary data subject to revision), 10.2 per cent. in 2022, 10.2 per cent. in 2021, 10.4 per cent. in 2020 and 10.7 per cent. in 2019.

The Emirate is continuing to invest in infrastructure to establish itself as a regional centre for educational excellence. In particular, the Government has established the University City, a 15 million square metre site which is home to a growing number of higher education institutions, including AUS, the University of Sharjah, Men's and Ladies' Colleges, Sharjah Higher Colleges of Technology, Skyline University and the Police Sciences Institute. The Sharjah Research Academy has also been established to serve as an umbrella organisation for 10 research institutes specialising in fields such as renewable energy, medical research, environmental research and engineering research. The Government has implemented a Research Levy of AED 10 on all government service fees of AED 50 or more, which will be used alongside other funding to support a research programme, coordinated by the AUS, aiming to make Sharjah the leading research centre in the region.

### **Inflation**

The table below shows the levels of the General Consumer Price Index ("CPI") (together with its constituent elements) for Sharjah for each of the years indicated.

<b>Major Groups of Expenditure</b>	<b>2019<sup>(1)</sup></b>	<b>2020<sup>(1)</sup></b>	<b>2021<sup>(1)</sup></b>	<b>2022<sup>(2)</sup></b>	<b>2023<sup>(2)</sup></b>
<b>All items of consumer price index</b> .....	<b>108.54</b>	<b>108.22</b>	<b>108.72</b>	<b>104.19</b>	<b>106.06</b>
Food and non-alcoholic beverages .....	108.30	112.15	113.68	106.51	111.64
Tobacco Group.....	186.15	188.22	188.22	99.96	99.74
Clothing and Footwear.....	98.27	98.31	99.26	103.12	108.27
Housing, water, electricity, gas fuel .....	99.30	98.42	94.98	98.26	101.10
Furniture and furnishing, household appliances and repair .....	105.33	101.44	101.25	99.68	102.14
Health .....	100.91	100.30	100.48	100.10	100.47
Transportation .....	116.20	111.39	119.09	121.43	116.09
Telecommunications.....	99.99	99.52	99.20	100.13	101.08
Recreation and Culture .....	102.31	102.40	109.37	112.55	118.60
Education .....	122.15	124.26	127.53	100.32	101.77
Restaurants and hotels .....	112.06	115.61	113.40	106.23	113.62
Miscellaneous goods and services .....	121.23	120.84	112.83	102.19	105.11

<sup>(1)</sup> Base year 2014=100.

<sup>(2)</sup> Base year 2021=100.

Source: *Federal Competitiveness and Statistics Authority*

The table below shows the CPI and the percentage change, year-on-year, of the CPI of Sharjah and of the UAE for each of the years indicated.

	<b>2019<sup>(1)</sup></b>	<b>2020<sup>(1)</sup></b>	<b>2021<sup>(1)</sup></b>	<b>2022<sup>(2)</sup></b>	<b>2023<sup>(2)</sup></b>
Sharjah CPI .....	108.54	108.22	108.72	104.19	106.06
Sharjah CPI (percentage change, year on year).....	(3.0)	(0.3)	0.46	4.2	1.8
UAE CPI .....	109.0	106.7	106.9	104.8	N/A
UAE CPI (percentage change, year on year).....	(1.9)	(2.1)	0.18	(2.0)	N/A

<sup>(1)</sup> Base year 2014=100.

<sup>(2)</sup> Base year 2021=100.

Source: *Federal Competitiveness and Statistics Authority*.

Sharjah and the UAE as a whole experienced negative consumer price inflation in 2019, as the one-off impact of the introduction of a national value added tax at a rate of five per cent. on most consumer goods and services worked through the economy and supply chain. In 2020, both Sharjah and the UAE as a whole again saw negative consumer price inflation rates, as the economic restrictions arising from Covid-19 depressed demand for goods and services. While prices remained almost flat in 2021 amid continuing depressed global demand for goods and services, in 2022 the consumer price inflation rate picked up to 4.2

per cent. in Sharjah, led by increasing food and transportation costs, followed by a more balanced inflation environment in 2023, when higher price inflation for items of personal consumption (food, clothing, recreation and culture, restaurants and hotels) was offset by lower figures for essential items such as health, education, telecommunications and utilities, leaving the consumer price inflation rate in Sharjah for 2023 at 1.8 per cent.

## Employment and Wages

Data from the 2015 Sharjah Census (the "**2015 Census**") showed that 74 per cent. of Sharjah's residents aged 15 or over were employed, with a further 12 per cent. being domestic workers and 3.0 per cent. being business owners, self-employed or students with employment. 5.3 per cent. of Sharjah's residents were full-time students and 1.6 per cent. were retired, self-supporting or working for free. Only 3.7 per cent. of the resident population were unemployed. In general, expatriates are required to be employed or sponsored by an employed family member in order to remain in the UAE. As a result, expatriates are not entitled to unemployment benefits or to social services and the Government's focus is on employment for UAE nationals.

The table below shows employment by category of Sharjah based UAE nationals aged 15 or over, based on the results of the 2015 Census. (The detailed census information from 2022 is not yet available.)

	<b>Number</b>	<b>Percentage</b>
Employees and domestic workers .....	61,367	59
Business owners, self-employed and students with employment .....	2,325	2
Full-time students.....	19,260	19
Retired, self-supporting and working for free .....	13,638	13
Unemployed.....	7,175	7
<b>Total</b> .....	<b>103,765</b>	<b>100</b>

*Source: Sharjah Census 2015.*

The 2015 Census indicated that 80 per cent. of respondents aged 15 and over were working or studying, whereas 13 per cent. were outside the workforce for various reasons (e.g. retirement, doing voluntary work), and 7 per cent. were unemployed.

A new census was started in September 2022. According to preliminary results, Sharjah's population has reached 1.8 million, a 22 per cent. increase from 1.4 million in 2015. The detailed results of the census will be published once available.

In September 1999, UAE nationals working for private companies became entitled to the same social security and pension benefits as those working for the Federal Government. Under the Federal Government's national pension and social security scheme, nationals who have contributed to the scheme will be eligible for retirement benefits, disability benefits and compensation on death. The General Authority for Pensions and Social Security, an independent entity of the Federal Government, which invests employer and employee contributions to fund the social security programme, was established to operate the scheme. Separate social security provision is made for all members of the military and the police force.

On 2 November 2017, H.H. The Ruler issued Emiri Decree No. 70 of 2017 to establish the SSSF. The decree stipulates that Emirati employees working in Sharjah's government and semi-government entities, including companies and private sector enterprises wholly owned by the Government, will benefit from the pensions and retirement benefits framework established by the SSSF.

In December 2021, the Government announced that all Government entities and educational establishments would adopt a new work-week schedule consisting of four days with Friday, Sunday and Saturday being the new weekend. The change came into effect on 1 January 2022. The extended weekend is part of the Government's efforts to enhance work-life balance while increasing productivity and performance.

## Infrastructure

Infrastructure development is considered to be a key component for Sharjah's future expansion, economic growth and social connectivity. Sharjah is well-connected to the other emirates, has good telecommunication facilities, and a well-established road network with large highways linking it to Abu

Dhabi, Dubai and the northern emirates and a number of ports. Sharjah is also the location of the UAE's third-largest airport, SIA, and is adjacent to Dubai International Airport, one of the world's busiest airports.

### ***Roads and Railways***

An extensive network of roads has been developed in Sharjah over recent decades. In 2014, the Sharjah Roads and Transport Authority (the "SRTA") was established to combine public transport provision and transport infrastructure planning within the Emirate.

The Federal Government is responsible for building and maintaining inter-emirate highways, notably the Sheikh Mohammed Bin Zayed Road and the Emirates Highway on which major upgrade programmes have recently been completed, including widening of busy portions of the route and junction enhancements to create freer traffic flow.

In 2019, the Government completed a major new highway to link Khorfakkan Port on the east coast with Sharjah City which includes the UAE's longest rock tunnel through the Hajar mountains. The total cost of the multi-year project, which was funded by the Government, was approximately AED 5 billion.

Other projects underway for relieving traffic congestion in Sharjah City include multiple surface improvement, road widening and junction amendment projects.

In December 2019, Etihad Rail awarded an AED 4.6 billion civil works and construction contract to a joint venture company formed by China Railway Construction Corporation and National Projects and Construction to link Fujairah and Khorfakkan ports to the network at the Sharjah-Dubai border. In 2015, stage one of the project, which extends 264 kilometres, was delivered, linking the Shah and Habshan gas fields in the Al Dhafra region of Abu Dhabi to the port of Ruwais on the Arabian Gulf, with a capacity of transferring 22,000 tons of sulphur granules daily. The second stage of the project is expected to extend 605 kilometres from Al Ghuweifat on the border with Saudi Arabia to Fujairah on the east coast. Stage A extends over 139 kilometres, linking Ruwais with Al Ghuweifat, stage B, is expected to extend 216 kilometres from Tarif to Seeh Shuaib, stage C, extending 94 kilometres from Jebel Ali to Sharjah and stage D, being 145 kilometres from Sharjah to the ports of Fujairah and Khorfakkan. Construction of the second stage of the project began in January 2020 and major construction works for the second stage have been completed. As of October 2021, stage A has been completed and work on a connection through the town of Al Ghuweifat has also been completed. On 12 October 2022, Etihad Rail completed the tracklaying works on the main line in Sharjah, as part of the last package of the second stage of the project. In March 2024, the Government and Etihad Rail announced that Sharjah would connect to the UAE's passenger rail network with a station located close to the University City.

### ***Ports***

Sharjah has three deep water ports, which provide access to the Indian Ocean and the Arabian Gulf and have a combined capacity of 4 million containers: (i) Khorfakkan Port; (ii) Hamriyah Port; and (iii) Port Khalid.

Khorfakkan Port was established in 1977 and underwent a major expansion in 2010 to handle the growing demand for container vessels. The port has six berths with a total aggregate length of 2.0 kilometres and is dredged to 16.0 metres at mean low water. Khorfakkan Port is the only container port on the UAE's east coast, providing direct access to the Indian Ocean without passing through the Strait of Hormuz. Khorfakkan Port has an open yard storage facility capacity of 600,000 square metres out of a total area of 850,000 square metres.

Hamriyah Port, established in 1986, is located adjacent to HFZ, providing marine access for the free zone's industrial operators. The port, which specialises in the provision of bulk, general and project cargo services, is close to major international shipping lanes. It has six deep water berths, is dredged to 14 metres and has three specialised berths for handling petrochemical shipments. Other services include open yard and warehouse storage facilities. In addition, Hamriyah Port has an inner harbour with a 3.2 kilometre quay wall. An LPG back-flow facility at the SNOC LPG Terminal at Hamriyah Port supports LPG import and export and back-flow to the local market.

Port Khalid in Sharjah City was established in 1976 and has three deep water berths ranging from 220 metres to 1,000 metres in length and is dredged to 12.5 metres. Port Khalid also has 16 normal berths of

nine metre draft. Port Khalid specialises in the provision of bulk, general and project services and provides open yard and warehouse storage facilities.

### ***Sharjah International Airport and Aviation***

SIA is the third-largest airport in the UAE and is differentiated from other airports in the region by its high level of freight services and its close partnership with Air Arabia, which uses SIA as its primary hub. SIA occupies an area of approximately 5,000 acres located to the east of Sharjah City, connected to the city and to other emirates by major highways. In 2014, a new 4,060 metre runway was built, at a cost of around AED 500 million. The table below gives the key figures for Sharjah International Airport for the years indicated.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Passengers (millions).....	13.6	4.2	7.1	13.1	15.3
Aircraft movements (thousands).....	86.5	33.2	57.6	87.4	98.4
Cargo (thousand tonnes).....	148.8	99.6	140.7	170.5	141.5

SIA recorded 15.3 million passengers during 2023, compared to 13.1 million passengers during 2022 at SIA, an increase of 16.8 per cent. compared with 2022. In addition, aircraft movement increased at SIA in 2023, with 98.4 thousand flights compared with 87.4 thousand flights during 2022. The total cargo handled by SIA for 2023 amounted to 141.5 thousand tonnes compared with 170.5 thousand tonnes in 2022, with airport capacity continuing to be prioritised for passenger use.

SIA hosts flights from 33 airlines (including passenger and cargo airlines) and serves over 100 destinations. The aviation industry was impacted by the COVID-19 pandemic leading to a general decreased demand for air travel. In 2020, as a result of the COVID-19 pandemic, Sharjah International Airport was affected by domestic and international restrictions on the movement of aircraft and passengers. As a result, it hosted fewer passengers, (a decrease of 69 per cent. from 2019) experienced fewer aircraft movements (also a decrease of 69 per cent. from 2019) and handled fewer tonnes of Cargo (a decrease of 33 per cent. from 2019). In 2021, the UAE and Sharjah authorities placed temporary restrictions on movements to and from a more limited number of destinations, responding to changes in the incidence and management of COVID-19 in various countries but the majority of these restrictions have lifted. As a result, it hosted more passengers in 2021 (an increase of 69.0 per cent. from 2020), experienced more aircraft movements (also an increase of 73.5 per cent. from 2020) and handled more cargo (an increase of 41.3 per cent. from 2020).

Sharjah has developed a niche in the sea-to-air traffic sector through the SAIF Zone where sea-to-air transfers can be made within six to eight hours.

As part of the first phase of the expansion of SIA, a second runway was constructed, which became operational in October 2014. The second runway accommodates large new generation ICAO (International Civil Aviation Organization) Code F aircraft such as the Airbus A380.

The second phase of the expansion of SIA is in progress by Sharjah Airport Authority, with the objective of increasing capacity through the construction of a second terminal in addition to the second runway. The planned expansion is expected to increase the airport's capacity to 20 million passengers per annum following completion, which is expected by 2027. Financing for the expansion will come from a combination of Sharjah Airport Authority's existing revenues and debt financing.

Air Arabia was incorporated in 2003 as the first low-cost airline in the Middle East. Its primary hub is SIA and it serves over 190 destinations in the MENA region, Asia and Europe. Air Arabia has contributed to an increase in tourism numbers in Sharjah and the wider UAE and carried 12.0 million passengers in 2019, compared to 8.7 million passengers in 2018. In 2021, Air Arabia served more than 6.7 million passengers, an increase of 54 per cent. compared to the 4.3 million passengers carried in 2020. This was primarily due Air Arabia operating more limited services in 2020 as a result of COVID-19 travel restrictions. In 2022, more than 12.8 million passengers flew with Air Arabia, an increase of 90 per cent. compared with 2021. In 2023, Air Arabia served 16.7 million passengers, reflecting an increase of 31 per cent. Air Arabia is listed on the Dubai Financial Market (the "DFM").

### ***Telecommunications***

The UAE has well developed, technologically-advanced telecommunications infrastructure and has high mobile telephone penetration. Since 1976, the majority Federal Government-owned telecommunications

corporation, Emirates Telecommunications Corporation ("**Etisalat**"), has operated, maintained and developed the national and international fixed-line network, mobile telephony, internet access and cable TV services.

In mid-2004, the Federal Government announced plans to end the monopoly of Etisalat. A regulator, the Telecommunications Regulatory Authority was formed to oversee the process and, in 2006, it granted a licence to Emirates Integrated Telecommunications Company, a new telecom provider (known in the market as "**du**") owned 39.50 per cent. by the Federal Government (through the Emirates Investment Authority), 20.08 per cent. by Mamoura Diversified Global Holding PJSC, 20 per cent. by Emirates Telecommunications and Technology Ltd. and 20.92 per cent. by the public.

The UAE's well developed, technologically-advanced telecommunications infrastructure and high mobile telephone penetration contribute to the growth of Sharjah's economy.

### *Utilities*

SEWA is 100 per cent. owned by the Government and is responsible for providing power, water and natural gas in the Emirate.

In 1995, H.H. The Ruler issued Emiri Decree No. 1 of 1995 establishing SEWA. SEWA regulates the ownership, management, operation and maintenance of electricity generation and water desalination plants, water rights, distribution and transport network, electricity transmission and dispatch network and other assets and facilities of the electricity and water sector in the Emirate. The authority also monitors the price of water and power services sold to consumers, in order to ensure fairness and transparency at all times, and that present and future consumer demand, in water and power services is properly met through sustainable planning and development, and that local water and electricity projects are managed and run consistently with international best practices and existing environmental laws. SEWA is also empowered to set up central cooling stations, to establish clean energy companies and to enter into joint ventures with companies in the field of renewable and alternative energy.

Electricity is generated by gas and diesel fired power stations located within the Emirate. In 2023, electricity consumption in Sharjah was 13.1 billion KWh, up from 11.9 billion KWh in 2022 and 11.4 billion KWh in 2021, according to data from SEWA.

SEWA supplements locally produced electricity through electricity purchase agreements with the Emirates Water and Electricity Company ("**EWEC**"), the water and power procuring authority falling under Abu Dhabi Power C through the Emirates National Grid. Total demand for electricity in Sharjah has increased gradually from 2,013 MW in 2013 to 2,874 MW in 2023, with peak demand of 3,843 MW. SEWA planned to meet this need by increasing generating capacity, increasing the use of natural gas from Sharjah's own gas fields and by entering into additional electricity purchase agreements with the ADWEC and fuel supply arrangements, subject to commercial negotiations with third parties. Although SEWA has recorded operational losses in recent years, a long-term plan has been devised to address the need for new capacity and to diversify fuel mix and the supplier base in the expectation that this will help improve SEWA's results in the future. SEWA's planned investment programme includes a 1,800 MW combined cycle gas turbine plant in Al Hamriyah, which was procured under the Independent Power Producer structure, with SEWA as the sole off-taker and Sharjah Asset Management LLC as a minority shareholder in the project consortium. By May 2023, 100 per cent. of the work at Al Hamriyah power plant had been completed. Currently, two of the three phases are operational and the third is undergoing testing and commissioning.

Additionally, a 1,026 MW combined cycle gas turbine plant in Al Layyeh was being procured under a conventional Engineering, Procurement and Construction contract model, primarily using export finance with SEWA as the obligor (with no Government guarantee). SEWA is also considering expansion of its water desalination capacity and electricity transmission and distribution network.

In 2023, SEWA provided 145.14 million cubic metres of natural gas to properties, extracted 1,033.8 million gallons of water from underground sources and produced 22,938 million gallons of water through desalination.

## *Education*

The development of Sharjah's education system has been a key priority for the Emirate due to H.H. The Ruler's personal leadership, which has led to significant investments in human capital, founded on the understanding that an educated population is vital to the long-term growth of Sharjah's economy.

The Emirate is aiming to establish itself as a regional centre for educational excellence and, in order to achieve this, has invested significantly in this area in recent years. In particular, the Government has established the University City, a 15 million square metre site which is home to a growing number of higher education institutions, including the American University of Sharjah, the University of Sharjah, Men's and Ladies' Colleges, Al Qasimi University, Sharjah Higher Colleges of Technology, Skyline University and the Police Sciences Institute. The Sharjah Research Academy has also been established to serve as an umbrella organisation for 10 research institutes specialising in fields such as renewable energy, medical research, environmental research and engineering research.

The American University of Sharjah is among the top 400 universities in the world according to QS World University Rankings (2025). The American University of Sharjah campus was established in 1997 and had a total enrolment of 5,876 students for the Fall 2023 semester.

In April 1997, the Government established the University of Sharjah through Emiri Decree. Since its establishment, the Government has opened other campuses of the University of Sharjah on the east coast of Sharjah to widen educational access. The university has in excess of 19,000 students and was ranked in the top 650 universities worldwide in the QS World University Rankings (2025).

On January 2019, Government signed a memorandum of understanding (MoU) with Arab Academy for Science, Technology and Maritime Transport - Sharjah Branch (the "**AASTMT branch**"), an Egypt based specialised organisation of the Arab League, to establish AASTMT branch in Khor Fakkan, Sharjah.

The new AASTMT branch in Sharjah allows graduates to specialise in various maritime transport sciences and technologies, in addition to international transport, logistics as well as maritime law. Graduates have access to state-of-the-art specialised educational programs and provide the labour market with calibres in all fields of the maritime industry.

A cluster of health-related education institutes has developed in University City, including a teaching hospital, nursing college and dental college. These will complement Sharjah Healthcare City as an engine for the future sectoral growth.

In April 2015, a new Islamic university, Al Qasimia University, was officially opened in Sharjah, as part of the Islamic Centre that was developed to mark Sharjah's status as Capital of Islamic Culture in 2014.

The Government has also developed a new research centre, Sharjah Research Centre, to document detailed information regarding the publishing world in the Middle East. Sharjah Research Centre was opened in 2015. In January 2017, the Government implemented a Research Levy of AED 10 on all Government service fees of AED 50 or more, which will be used alongside other funding to support a research programme, coordinated by the American University of Sharjah, aiming to make Sharjah the leading research centre in the region.

The American University of Sharjah Research, Technology and Innovation (RTI) Park has been developed, adjacent to American University of Sharjah campus, by the university's commercial and investment arm AUS Enterprises. Further development continues. The park encourages research, development and knowledge-intensive businesses to establish themselves in the free zone.

While the Federal Government provides basic education for UAE nationals, the Government supplements this with its own initiatives and funding in order to enhance education in the Emirate. This activity is overseen by the Education Council, a centralised department of the Government. The Government has implemented a "model school" programme, providing equipment, facilities and pedagogic support according to international best practice, initially for a number of pilot schools, but now being rolled out more widely.

Schooling for expatriate children is provided in the private sector, with some Sharjah schools, such as Victoria International School, Choueifat School and Sharjah English School, considered among the top education establishments in the UAE.

## **Foreign Direct Investment and Free Zones**

### *Foreign Direct Investment*

The Government believes Foreign Direct Investment has been an important factor in developing high-value economic activity in its identified sectors.

The Sharjah Foreign Direct Investment Office (Invest in Sharjah) has attracted foreign direct investment into Sharjah from outside the United Arab Emirates. Recorded foreign direct investment amounted to AED 1,068 million, AED 878 million, AED 809 million and AED 5,123 million and AED 3,691 million in 2022, 2021, 2020, 2019 and 2018, respectively, using the methodology of the World Bank and the United Nations Conference on Trade and Development. The Sharjah Foreign Direct Investment Office is also active in promoting Sharjah across the globe, including in India, China, the United States, the Kingdom of Saudi Arabia, France, Italy, and Germany.

### *Shurooq*

Shurooq, the Sharjah Investment and Development Authority, was established by Emiri Decree in 2009 as a public authority to support the economic development of Sharjah. Its objective is to attract foreign direct investment opportunities into the Emirate and to reshape the perception of the Emirate amongst international and regional communities.

Shurooq's main areas of activity are: (i) increasing investment into Sharjah; (ii) creating new employment opportunities; (iii) targeting priority sectors, markets and investors; (iv) improving the business environment of Sharjah; and (v) creating awareness of Sharjah as a business destination.

Shurooq has a general mandate to attract foreign direct investment across the economy. Shurooq undertook a major study in 2012 to identify sectors that had high potential to attract increased levels of investment and to lead future economic growth in Sharjah. This study identified travel and leisure, healthcare, transportation and logistics, and environmental industries as key areas of focus. Shurooq has since been focusing investment promotion activities in these sectors, supported by Government initiatives, such as development of new tourist facilities (travel and leisure); the establishment of a new healthcare free zone (healthcare); the expansion of seaport and airport activities (transportation and logistics); and the elimination of landfilling of municipal waste (environmental industries).

Shurooq also acts directly in the travel and leisure sector through developments and joint ventures (see "*Principal Sectors of the Economy — Social Accommodation and Food Service*"). These projects are intended as breakthrough initiatives to encourage and enable the private sector to bring forward its own future high-quality developments.

### *Sharjah Asset Management*

Initially set up in 2008 as a division of Sharjah Finance Department, in 2012, Sharjah Asset Management LLC ("**SAM**") was established as an independent entity solely dedicated to the expansion of Sharjah's wealth. Its objectives are to create a competitive economy for the emirate through best-in-class investments and deployment of dedicated professionals to maximise returns from investments and enhance the economic development of Sharjah. SAM's operations cover investment, real estate development, asset management and new business ventures. In addition to its shareholdings in various private sector companies (see "*Public Finance — Government Assets and Investments — Government Investments*" below), SAM manages publicly owned assets such as Souq Al Jubail fresh food market, Al Sajaa Industrial Oasis and Souq Al Haraj Auto Mall. It has entered into joint ventures in the real estate sector, such as Tilal Properties and Sharjah Holding, and the service delivery sector, including Rafid Automotive Solutions and Tasjeel vehicle registration service.

### *Free Zones*

Free zones have been established in each of the emirates of the UAE. There are many incentives for foreign corporate entities to set up in one of the free zones in the UAE. Foreign corporate entities can operate in the free zones, and free zone incorporated entities can be 100 per cent. foreign owned unlike corporate entities registered in the UAE. Foreign corporate entities are not permitted to operate in the Emirate outside a free zone unless they operate in conjunction with a local partner. The ability to import into the free zones

and to export without any import duties, taxes or currency restrictions being levied on the free zone entity has been a key driver for foreign corporate entities that are registered in the free zones.

### *Free Zones in Sharjah*

The free zones in Sharjah offer 100 per cent. foreign ownership, a tax-free environment, free transfer of funds, competitive pricing, a one stop shop for business services and long-lease periods. The following free zones located in Sharjah are operational: (i) HFZ (supervised by the Hamriyah Free Zone Authority); (ii) SAIF Zone (supervised by the Sharjah Airport International Free Zone Authority); and (iii) Sharjah Healthcare City, which is a free zone dedicated to Healthcare. In addition, Sharjah has a media free zone, Shams (as defined herein), which was established by Emiri Decree in 2016 to play a lead role in growing the Emirate's media and creative sectors, attracting entrepreneurs and startups and developing local talent. As part of the research programme being undertaken by the Government, the Sharjah Research, Technology and Innovation Park Free Zone has been established adjacent to University City. This free zone is being created to develop and manage an ecosystem that promotes research and development, supports enterprise activities and the triple helix collaboration of industry, government and academia.

Despite strong competition from other free zones, HFZ and SAIF Zone have contributed substantially to economic activity in Sharjah in recent years. The number of companies operating in each of HFZ and SAIF Zone are set out in the following table:

	2019	2020	2021	2022	2023
HFZ .....	5,180	4,811	4,737	4,920	5,155
Saif Zone .....	6,273	5,618	5,562	5,346	5,228
Sharjah Media City .....	4,282	6,992	11,563	13,323	14,789
SRTIP .....	25	55	709	1,431	3,201
Sharjah Publishing City .....	51	175	2,017	6,115	11,094

- *Hamriyah Free Zone*

- HFZ is located 20 kilometres northeast of the centre of Sharjah City and is the second-largest industrial free zone in the UAE. As at 31 December 2023, there were 5,155 companies incorporated/licensed in HFZ from over 150 countries. HFZ is currently being expanded to provide increased space in the free zone in the maritime sector as well as the petrochemical and timber sectors.
- Although a significant proportion of tenants in HFZ are involved in heavier and basic industries, due to HFZ's large land area and proximity to the ports, in practice a wide range of activities are conducted by companies operating in the free zone. As at 31 December 2022, the top five tenants in HFZ were: (i) Lamprell Energy Ltd.; (ii) Damen Shipyard Sharjah FZE; (iii) Quality International Co. LTD. FZC; (iv) Eversendai Engineering FZE; and (v) Universal Energy FZE. As at 31 December 2023, the key sectors of HFZ, in terms of the number of companies operating in the free zone, were heavy engineering and equipment (19.0 per cent.), oil and gas, petrochemicals (15.0 per cent.), fabrication units (13.0 per cent.) and professional services (15.0 per cent.).
- To support the SME sector, HFZ provides the Hamriyah SME Zone, a large area, established in 2008, supported by inner harbour facilities, which provides preferential economic treatment for SMEs in terms of discounted lease rents and rent holidays in applicable cases. The Hamriyah Free Zone Logistic Village was established to provide an all-in-one logistics and distribution centre for companies operating in HFZ, and comprises over 400 warehouse units, ranging from 275 to 600 square metres in size. Hamriyah MB Zone was established to cater for the requirements of micro business owners and offers convenient and practical business solutions for such business owners.
- In addition to the 22 million square metres of land currently endowed to the HFZ in respect of the first and second phases of HFZ's development, another 4 million square metres has been allocated for the third phase of the HFZ's development, which is nearing completion and is set up for sectors such as steel, heavy engineering and allied industries.

- *Sharjah Airport International Free Zone*
  - SAIF Zone is located adjacent to SIA, making it easily accessible by road to Sharjah's east and west coast seaports as well as providing connectivity by air. Established in 1995 with 35 companies, as at 31 December 2023, SAIF Zone provided services to 5,228 companies employing over 39,091 people.
  - Given its location and the predominance of warehouse and office space, as compared to retail or industrial units, SAIF Zone has a particular focus on light to medium manufacturing, trading and professional services. There are also a number of business service companies operating from SAIF Zone who support other operators in the zone and the SIA area. For further details, see "*Sharjah International Airport and Aviation*" above.
- *Sharjah Media City*
  - Sharjah Media City ("**Shams**") was established in January 2017, with a vision to be a world-class hub for media and creativity in the region. Shams comprises a tax-free city with modern infrastructure and services. Shams' mission is to make creative entrepreneurship accessible to all aspiring startups, SMEs and established companies striving to grow their business both locally and globally. Shams offers smart innovative services, coupled with a holistic community-centred approach.
- *Sharjah Research, Technology and Innovation Park*
  - The Research, Technology and Innovation Park has been developed adjacent to American University of Sharjah campus, by the university's commercial and investment arm AUS Enterprises. Further development continues. The park encourages research, development and knowledge-intensive businesses to establish themselves in the free zone.
- *Sharjah Publishing City*
  - Sharjah Publishing City is a centrally located and easily accessible free zone located seven minutes from Sharjah International Airport and 15 minutes from Dubai International Airport, with access to over 40 trading ports on Sheikh Bin Zayed Road. As a multifaceted business licensing organisation, Sharjah Publishing City provides business friendly legislation, business support services and offers entrepreneurs the expertise, knowhow, and tools to successfully and seamlessly set up businesses in the UAE, operating out of Sharjah.

#### 4. AMENDMENTS TO BALANCE OF PAYMENTS AND FOREIGN TRADE

On page 128 of the Base Offering Circular, the entirety of the section headed "Balance of Payments and Foreign Trade" shall be deemed deleted and replaced with the following:

As Sharjah does not prepare separate balance of payment statistics, this section describes the UAE's balance of payments generally.

The UAE has traditionally pursued a free-trade policy for deeper integration into the global trading system. The UAE pursues a free-trade policy by liberalising its trade regime through free-trade agreements ("FTAs") with other countries and organisations. Being a member of the GCC, the UAE's trade policy is closely linked to the trade policy of the other GCC member countries on account of, amongst other things, the GCC Economic Agreement of 2002, which calls for a "collective negotiation strategy" in the conduct of FTAs with major trading partners, and the establishment of the GCC Customs Union in 2003, which was aimed at enhancing economic unity amongst the member states and allowing the member states to engage in FTA negotiations as a unified trading bloc.

##### Balance of Payments

Since there are no separate figures on the current and capital account for Sharjah, the table below gives the balance of payments for the UAE for each of the years indicated.

	2019	2020	2021	2022	2023
<b>Current account balance</b> .....	<b>137.1</b>	<b>77.5</b>	<b>177.9</b>	<b>240.5</b>	<b>192.7</b>
Trade balance (FOB).....	295.5	221.6	287.8	255.4	210.7
Total exports of hydrocarbon.....	220.8	135.1	230.8	341.2	318.5
Total of non-hydrocarbon exports.....	415.0	394.5	415.0	368.4	423.6
Re-exports <sup>(1)</sup> .....	516.6	469.9	545.4	640.1	713.5
Total exports and re-exports (FOB).....	1,152.4	999.5	1,191.2	1,349.7	1,455.6
Total imports (FOB).....	(856.9)	(778.0)	(903.4)	(1,094.3)	(1,245.0)
Services (net).....	7.6	59.7	98.6	211.1	208.8
Investment income (net).....	7.6	(6.9)	(2.7)	0.2	14.1
Transfers (net).....	(173.6)	(196.9)	(205.8)	(226.2)	(240.8)
<b>Financial account</b> .....	<b>(90.4)</b>	<b>(97.1)</b>	<b>(96.8)</b>	<b>(313.2)</b>	<b>2.5</b>
Errors and omissions.....	(11.3)	6.0	3.9	1.3	(1.7)
<b>Overall balance</b> .....	<b>35.7</b>	<b>(13.1)</b>	<b>85.0</b>	<b>10.8</b>	<b>196.5</b>

<sup>(1)</sup> Includes re-exports of non-monetary gold.

Source: UAE Central Bank and UAE government sources.

The UAE has a long history of positive trade balances reflecting the importance of its hydrocarbon exports, its more recent successful diversification into other export industries and its significant volumes of re-exports. From total exports and re-exports, the UAE's hydrocarbon exports accounted for 19.2 per cent. in 2019, 13.5 per cent. in 2020, 19.4 per cent. in 2021, 25.3 per cent. in 2022 and 21.9 per cent. in 2023. The UAE's re-exports accounted for 44.8 per cent. in 2019, 47.0 per cent. in 2020 and 45.8 per cent. in 2021, 47.4 per cent. in 2022 and 49.0 per cent. in 2023.

The value of the UAE's hydrocarbon exports, the vast majority of which are made by Abu Dhabi, can be volatile as they depend on prevailing oil prices and the prevailing OPEC production quotas policy. Crude oil makes up the largest part of the UAE's hydrocarbon exports, accounting for 47.3 per cent. in 2023.

Data on non-trade flows into and out of the UAE is not complete and is routinely subject to revision, reflecting, in part, weaknesses of the central statistical bodies and, in part, the operations of the large free zones. In general, however, the UAE tends to have a non-trade balance deficit reflecting services outflows underlining the UAE's dependence on foreign services for the development of its industrial and services sectors. In addition, there are significant levels of current transfers principally reflecting expatriate workers' remittances.

The UAE had a positive current account balance in each of 2019, 2020, 2021, 2022 and 2023 equal to 8.9 per cent., 5.9 per cent., 11.7 per cent., 13.0 per cent. and 10.2 per cent., respectively, of the UAE's nominal GDP in each of these years. The reduction in the current account surplus in 2020 reflected lower overall volumes of global trade, as a result of the COVID-19 pandemic, affecting both import and export levels, and particularly a lower value of hydrocarbon exports from the UAE.

The UAE participates in the Article IV consultation process with the IMF. In November 2019, the IMF completed the UAE 2019 Article IV Consultation, which highlighted that economic activity was considered to be recovering and likely to pick up more momentum in 2020, helped by Expo 2020 and existing fiscal stimulus. It was noted in the consultation that sustaining growth momentum over the medium term and further diversifying the economy should remain key priorities, with government bodies fostering growth of the non-oil private sector, including SMEs, and developing transparent, rules-based fiscal frameworks.

During the course of 2020, the IMF mission team held informal meetings with policy makers to discuss the economic developments and challenges that were caused by the COVID-19 pandemic. On 22 November 2021, the IMF concluded the 2021 Article IV consultation with the UAE. The report summarising this consultation was published on 17 February 2022. The 2021 consultation summary commended the UAE on its successful COVID-19 vaccination programme and swift response to the COVID-19 pandemic, noting that there were still risks to the UAE's macro-economic stability as a result of the pandemic. The IMF team welcomed the UAE's ambitious structural reform agenda, including initiatives to support private sector development that could help lift productivity and potential growth and facilitate economic diversification. The main policy recommendations included ensuring the recovery and protecting the most vulnerable, safeguarding financial stability, strengthening fiscal policy frameworks, and fostering economic diversification and higher productivity growth.

On 26 June 2023, the IMF concluded the 2022 Article IV consultation with the UAE. The end of mission press release published in June 2023 noted that UAE economic growth strengthened in 2022, benefitting from a rapid and effective COVID response, supportive fiscal measures, and the benefits of earlier social and business-friendly reforms. Fiscal and external surpluses are expected to remain high on the back of elevated oil prices. Banks are adequately capitalized and liquid overall, but nonperforming loans remain elevated, albeit down from recent peaks, and real estate prices have risen sharply in some segments. The IMF staff team noted that going forward the overall fiscal stance should remain prudent especially given the uncertainties from ongoing tightening in global and domestic financial conditions. It was also noted that major efforts had been advanced under the National AML/CFT Strategy and Action Plan and that reforms under the UAE 2050 Strategy should be sustained with a focus on diversification of the economy.

In May 2024, the IMF concluded the 2024 Article IV consultation with the UAE. The end of mission press release published in May 2024 noted that strong economic growth in the UAE is being driven by robust domestic activity, while inflation remains contained. Relatively high oil prices are expected to support continued fiscal and external surpluses. Bank balance sheets have strengthened further, but continued close monitoring of financial stability risks, including from the real estate sector, and enhanced efforts to address the domestic liquidity surplus are warranted. Over the medium term, the overall fiscal stance should be supported by additional efforts to enhance non-oil revenue and strengthen fiscal transparency. Structural reforms will support these efforts.

On 1 June 2014, the UAE was included in MSCI Inc.'s ("**MSCI**") Emerging Markets Index which captures large and mid-cap representation across 26 emerging market countries. The MSCI Emerging Markets Index is based on the MSCI Global Investable Indexed Methodology – a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations.

### ***Capital Account***

In general, the size of the UAE's trade and current account surpluses, coupled with the limited capacity of the local economy to absorb capital, ensures that net foreign capital flows have almost always been outward, entrenching the UAE's position as a net international creditor and foreign investor. Most capital outflows have been directed towards the U.S. and European capital markets although more recently there has also been an increase in direct investment in Europe, Asia, Africa and the wider Middle East. This has included entities wholly or partially owned by the governments of certain emirates purchasing significant stakes in foreign companies as well as major corporations, such as Emirates Telecommunications Group Company (Etisalat Group) PJSC, making significant acquisitions in order to boost their regional and international presence.

In 2019, 2020, 2021, 2022 and 2023 the net deficit in the financial account was AED 90.4 billion, AED 97.1 billion, AED 96.8 billion, AED 313.2 billion and 100.8 billion, respectively. The change in 2022 was mainly due to the significant increase in net outflow from the banking sector.

According to data from the UAE Central Bank, capital transfers by the private sector increased from outflows of AED 139.6 billion in 2019 and AED 136.9 billion in 2020 to outflows of AED 140.5 billion and AED 148.0 billion in 2021 and 2022, respectively. In 2023, capital transfers by the private sector further increased to an outflow of AED 154.9 billion. Public sector net transfers abroad increased from AED 34.0 billion in 2019, AED 60.0 billion, AED 65.3 billion, AED 78.2 billion and AED 85.9 billion in 2020, 2021, 2022 and 2023, respectively.

In 2023, the balance of payments showed an overall surplus of AED 196.5 billion, equal to 10.4 per cent. of the UAE's nominal GDP in that year.

According to data from the UAE Central Bank, as at 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, the UAE's net international reserves (including the IMF) amounted to AED 394.2 billion, AED 381.0 billion, AED 466.1 billion, AED 476.9 billion and AED 673.4 billion, respectively. (see "*Monetary and Financial System — Foreign Reserves*").

The surplus in the trade balance (FOB) decreased from AED 295.5 billion in 2019 to AED 221.6 billion in 2020. The reduction in the surplus in the trade balance (FOB) in 2019 related to the lower value of exported hydrocarbons of all categories, compared with 2018. The reduction in the surplus in the trade balance (FOB) in 2020 was primarily the result of the contraction in global activities worldwide. The surplus in the trade balance (FOB) increased in 2021 to AED 287.8 billion. The increase in the surplus in the trade balance (FOB) in 2021 related to the higher value of exported hydrocarbons in all categories compared to previous years. The surplus in the trade balance (FOB) decreased in 2022 and 2023 to AED 255.4 billion and AED 210.7 billion, respectively. The decreases in the surplus in the trade balance (FOB) in 2022 and 2023 were related primarily to decreases in the value of hydrocarbon exports and increases in the value of travel-related imports and increases in foreign direct investment.

### **Composition of UAE Foreign Trade**

The Government has not published data for the imports and exports of Sharjah since 2014, owing to methodological challenges. The section below summarises the UAE's foreign trade, using information compiled by the FCSA. Differences in reporting objectives and methodology mean that the aggregated trade data from the FCSA may not match with the trade totals published by the UAE Central Bank.

<b>Top UAE export destinations, percentage of total non-oil exports (export + re-export) based on value</b>	<b>For the year ended 31 December</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
			<i>(per cent.)</i>		
Saudi Arabia.....	12.5	12.8	13.0	12.3	10.8
India.....	7.4	7.8	6.8	11.1	9.3
Iraq.....	6.5	7.3	7.8	6.6	8.3
United States of America.....	3.6	3.4	3.2	3.5	4.4
Oman.....	5.9	5.8	5.8	4.7	4.1
China, Hong Kong Special Administrative Region.....	3.6	3.0	4.6	5.0	4.0
China.....	2.9	5.0	4.8	4.2	3.9
Kuwait.....	4.8	4.6	4.2	4.2	3.8
Switzerland.....	5.4	7.3	5.9	4.0	3.8
Turkey.....	2.5	2.0	3.5	1.8	3.1

<b>Top sources of UAE imports, percentage of total imports based on value</b>	<b>For the year ended 31 December</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
			<i>(per cent.)</i>		
China.....	15.5	16.4	18.4	19.2	20.3
India.....	9.4	10.7	7.7	7.7	8.2
United States of America.....	8.5	8.0	7.7	6.2	6.5
Japan.....	5.6	5.1	4.4	4.0	3.6
Turkey.....	1.4	1.4	1.4	3.5	2.9
Saudi Arabia.....	3.1	2.7	3.0	2.7	2.8
Italy.....	2.7	2.6	2.6	3.0	2.6
Germany.....	4.5	4.0	3.4	3.1	2.6
Russian Federation.....	0.9	1.1	0.9	1.4	2.5
United Kingdom.....	3.1	2.9	2.7	2.0	2.3

Top categories of UAE non-oil exports, percentage of total exports based on value	For the year ended 31 December				
	2018	2019	2020	2021	2022
	<i>(per cent.)</i>				
Gold including gold plated with platinum unwrought or in semi-manufactured forms, or in powder form .....	25.7	29.0	41.5	36.5	33.9
Unwrought aluminium .....	9.1	6.8	4.7	7.1	6.3
Petroleum oils and oils obtained from bituminous minerals, other than crude .....	2.7	7.2	3.5	4.0	5.5
Articles of jewellery and parts thereof .....	5.0	3.8	2.1	3.4	4.3
Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes .....	5.4	5.6	4.6	4.1	4.2
Copper wire .....	4.4	3.6	2.5	3.1	3.2
Polyethylene .....	4.0	3.3	3.6	3.4	3.0
Polymers of propylene or of other olefins, In primary forms .....	2.7	1.9	2.4	2.4	2.2
Unused postage, revenue or similar stamps of current or new issue in the country .....	0.0	0.1	0.0	0.2	1.6
Structures and parts of structures e.g., bridges and bridge sections, lock gates, towers, lattice masts, roofs, roofing framework .....	1.6	1.8	1.4	1.3	1.6

Top categories of UAE non-oil re-exports, percentage of total re-exports based on value	For the year ended 31 December				
	2018	2019	2020	2021	2022
	<i>(per cent.)</i>				
Telephones for cellular networks .....	16.0	17.2	20.7	19.2	17.5
Diamonds .....	11.5	9.3	8.8	13.1	12.4
Articles of jewellery and parts thereof .....	10.9	11.3	4.9	5.3	5.6
Petroleum oils and oils obtained from bituminous minerals, other than crude .....	2.3	5.3	4.1	4.1	5.5
Cars .....	7.3	6.1	6.0	5.4	5.4
Automatic data processing machines and units thereof .....	3.5	3.4	5.4	4.9	4.7
Parts and accessories of motor vehicles .....	2.0	1.9	2.4	2.2	2.4
Parts of aircraft .....	3.3	2.3	1.8	1.5	1.5
Turbojets, turbo propellers and other gas turbines .....	1.3	1.0	1.1	1.0	1.3
Unused postage, revenue or similar stamps of current or new issue in the country .....	0.0	0.0	0.0	0.1	1.2

Top categories of UAE imports, percentage of total imports based on value	For the year ended 31 December				
	2018	2019	2020	2021	2022
	<i>(per cent.)</i>				
Gold (unwrought or in semi-manufactured forms) .....	11.8	12.5	17.0	17.6	17.4
Telephones for cellular networks .....	7.9	8.6	9.1	9.8	9.4
Petroleum oils other than crude .....	5.6	6.6	6.0	4.6	6.8
Diamonds .....	4.7	4.2	3.8	5.3	5.1
Cars .....	6.1	5.4	4.7	4.6	5.0
Articles of jewellery and parts thereof .....	5.4	5.8	2.8	3.7	3.8
Automatic data processing machines and units thereof .....	2.4	2.2	3.0	3.0	2.9
Turbojets, turbo propellers and other gas turbines .....	2.4	2.3	1.8	1.5	1.9
Medicaments .....	1.3	1.3	1.5	1.3	1.1
Parts and accessories of motor vehicles .....	1.1	1.1	1.1	1.1	1.0

Source: FCSC

### Sharjah Foreign Trade

External trade continues to be a significant contributor to the Sharjah economy. As at the date of this Supplement, efforts are underway to boost the export of Sharjah's manufactured products and services by implementing investor-friendly policies including low corporate taxation, zero export taxation, low import duties and free currency transfers. In general terms, Sharjah is a large producer of goods and materials used in manufacturing, construction and industrial activity across the UAE, the Arabian Gulf region and its wider trading zone, extending to the Indian subcontinent, the Levant region, north Africa and east Africa. Major private-sector exporters operate in economic sub-sectors such as oil platform construction, downstream hydrocarbons and petrochemicals, steel manufacture and shipbuilding. Sharjah also hosts a large amount of re-export trade, centered on its free zones, which builds on its ready access to important shipping lanes and Sharjah International Airport. As in the rest of the UAE, many consumer goods are imported into Sharjah, either directly through Sharjah ports or by road transit after arriving at other locations. As at the date of this Supplement, detailed foreign trade statistical data for Sharjah is not available from 2015 onwards.

## 5. AMENDMENTS TO MONETARY AND FINANCIAL SYSTEM

On page 133 of the Base Offering Circular, the entirety of the section headed "Monetary and Financial System" shall be deemed deleted and replaced with the following:

As Sharjah does not have a separate monetary or financial system, this section describes the UAE's monetary and financial system generally, although certain sections focus specifically on Sharjah where information is available.

### Monetary and Exchange Rate Policy

The UAE's monetary and exchange rate policy is managed by the UAE Central Bank. The predecessor of the UAE Central Bank was the Currency Board which was established as per Union Law No. (2) of 1973. The Currency Board issued the UAE Dirham which replaced the Bahraini Dinar and the Qatari and Dubai Riyal currencies which were in use at the time. The UAE Central Bank was established as a public institution in 1980. The UAE Central Bank promotes financial and monetary stability, efficiency and resilience in the financial system and the protection of consumers through effective supervision intended to support economic growth for the benefit of the UAE and its people. It has powers to issue and manage the currency, manage the UAE's credit policy, develop and manage the banking system in the UAE and is the UAE's representative to international institutions such as the IMF, the World Bank and the Arab Monetary Fund. In addition, the UAE Central Bank has other regulatory tools at its disposal including macro prudential policies, reserve requirements, leverage caps, laws and reforms to strengthen financial stability and supervise the banking system. The UAE Central Bank supervises the UAE banking system through its Banking Supervision and Examination Department.

The objective of the UAE's monetary policy is to facilitate the fixed exchange rate regime and maintaining a stable and convertible currency is a key policy objective. In common with many other GCC countries, and reflecting the fact that oil and gas revenues are priced in U.S. Dollars, the UAE Dirham is pegged to the U.S. Dollar. In the case of the UAE, the exchange rate has been maintained at AED 3.6725 = U.S.\$1.00 since 22 November 1980. There are no exchange controls in the UAE and the UAE Dirham is freely convertible. Monetary policy beyond the policy rate has focused on removing excess liquidity from oil revenues. The UAE Central Bank closely follows the U.S. Federal Reserve rate (due to the peg to the U.S. Dollar), maintaining the UAE's interest rate in line with rate cuts in the United States.

The UAE's monetary policy has been focused on protecting its banking sector and a number of measures have been announced by the UAE Central Bank and Federal authorities in this regard. For example, following the 2008/2009 global financial crisis, the UAE Central Bank took a number of steps to reduce the sector's vulnerability to crises, including lending restrictions, revised mortgage caps and retail lending limitations.

### Liquidity and Money Supply

The following table sets out certain liquidity indicators for the UAE for the periods indicated.

Item	For the year ended 31 December					For the three months ended 31 March	
	2018	2019	2020	2021	2022	2023*	
	(AED Billions)						
<b>Net International Reserves</b> .....	<b>418.0</b>	<b>485.3</b>	<b>514.6</b>	<b>620.8</b>	<b>861.0</b>	<b>1,146.8</b>	<b>1,235.6</b>
<b>Central Bank (Net)</b> .....	<b>358.4</b>	<b>394.2</b>	<b>381.1</b>	<b>466.1</b>	<b>476.9</b>	<b>673.4</b>	<b>730.7</b>
Gross International Reserves.....	365.4	397.9	391.9	481.5	508.4	695.9	746.2
Foreign Liabilities.....	7	3.7	10.8	15.3	31.5	22.5	15.5
<b>Banks (Net)</b> .....	<b>59.6</b>	<b>91.1</b>	<b>133.5</b>	<b>154.7</b>	<b>384.1</b>	<b>473.4</b>	<b>504.9</b>
Foreign Assets.....	679.6	771.1	849.1	933.2	1,191.0	1,316.9	1,382.3
Foreign Liabilities.....	620.0	680.0	715.6	778.5	806.9	843.5	877.4
Net Domestic Assets.....	890.2	927.9	964.1	942.2	842.7	<b>876.6</b>	<b>898.9</b>
Claims on Private Sector.....	1,151.8	1,159.1	1,128.4	1,145.8	1,193.6	1,268.0	1,301.9
Net Claims on Government.....	-4.7	51.1	86.7	77.0	(46.7)	(105.1)	(122.8)
Claims on Official Entities.....	209.2	223.6	261.8	277.9	287.0	330.7	333.7
Claims on Nonbank Financial Institutions.....	32.1	25.9	28.2	26.6	25.7	30.3	28.0
Capital and Reserves.....	(378.5)	(417.9)	(419.4)	(428.61)	(439.5)	(508.6)	(502.8)
Other Items (net).....	(119.7)	(113.9)	(121.6)	(156.54)	(177.5)	(138.8)	(139.1)
<b>Money Supply M1</b> .....	<b>485.7</b>	<b>515.0</b>	<b>600.0</b>	<b>701.9</b>	<b>737.6</b>	<b>829.3</b>	<b>878.0</b>
Currency in Circulation Outside Banks.....	70.5	78.2	94.7	94.1	101.9	117.0	127.1

Item	For the year ended 31 December						For the three months ended 31 March
	2018	2019	2020	2021	2022	2023*	2024*
Monetary Deposits .....	415.2	436.8	505.3	607.8	635.6	712.3	750.9
<b>Money Supply M<sub>2</sub></b> .....	<b>1,308.4</b>	<b>1,413.1</b>	<b>1,478.5</b>	<b>1,563.0</b>	<b>1,703.6</b>	<b>2,023.4</b>	<b>2,134.5</b>
<b>Quasi – Money</b> .....	<b>822.7</b>	<b>898.1</b>	<b>878.5</b>	<b>861.2</b>	<b>966.0</b>	<b>1,194.1</b>	<b>1,256.5</b>
Foreign Currency Deposits .....	304.3	322.5	331.2	340.4	429.6	530.1	557.9
Dirham Deposits .....	518.4	575.6	547.3	520.8	536.5	664.1	698.7
<b>Money Supply M<sub>3</sub></b> .....	<b>1,602.3</b>	<b>1,717.4</b>	<b>1,769.3</b>	<b>1,856.9</b>	<b>2,100.7</b>	<b>2,445.2</b>	<b>2,583.4</b>
<b>Government Deposits</b> .....	<b>293.9</b>	<b>304.3</b>	<b>290.8</b>	<b>293.9</b>	<b>397.1</b>	<b>421.8</b>	<b>448.9</b>

Source: UAE Central Bank and UAE government sources.

\*Preliminary data subject to revision.

Money supply M1 increased from AED 737.6 billion as at 31 December 2022 to AED 829.3 billion as at 31 December 2023 due to an increase in resident AED demand deposits with banks and an increase in currency issued by the UAE Central Bank.

Money supply M1 increased from AED 701.9 billion as at 31 December 2021 to AED 737.6 billion as at 31 December 2022. This was primarily due to a rise in monetary deposits by 4.6 per cent. to reach AED 635.6 billion and a corresponding increase in currency in circulation outside banks by 8.3 per cent. to AED 101.9 billion.

Money supply M1 increased from AED 600 billion as at 31 December 2020 to AED 701.9 billion as at 31 December 2021. This was primarily due to a rise in monetary deposits by 20.3 per cent. to reach AED 607.8 billion partly offset by a decrease in currency in circulation outside banks by 0.6 per cent. to AED 94.1 billion.

Money supply M1 increased from AED 515 billion as at 31 December 2019 to AED 600 billion as at 31 December 2020. This was primarily due to the rise in monetary deposits by 15.7 per cent. to reach AED 505.3 billion and an increase in currency in circulation outside banks by 21.1 per cent. to reach AED 94.7 billion.

Money supply M1 increased from AED 485.7 billion as at 31 December 2018 to AED 515.0 billion as at 31 December 2019. This change reflected fluctuations in monetary deposits from AED 415.2 billion as at 31 December 2018 to AED 436.8 billion as at 31 December 2019. However, currency in circulation outside of banks increased from AED 70.5 billion as at 31 December 2018 to AED 78.2 billion as at 31 December 2019. The increase reflected both the changes in money supply M1 as well as growth in quasi-monetary deposits in each period.

Money supply M2 increased from AED 1,703.6 billion as at 31 December 2022 to AED 2,023.4 billion as at 31 December 2023 due to an increase in money supply M1 and an increase in resident UAE Dirhams savings and time deposits with banks. This increase was also due to an increase in resident foreign currency deposits (demand, savings and time) with banks.

Money supply M2 increased from AED 1,563.0 billion as at 31 December 2021 to AED 1,703.6 billion as at 31 December 2022 due to the rise in money supply M1 and in quasi-monetary deposits.

Money supply M2 increased from AED 1,478.5 billion as at 31 December 2020 to AED 1,563.0 billion as at 31 December 2021 due to the rise in money supply M1 partially offset by a decrease in quasi-monetary deposits.

Money supply M2 increased from AED 1,413.1 billion as at 31 December 2019 to AED 1,478.5 billion as at 31 December 2020 as the rise in money supply in M1 was partially offset by a decrease in quasi-monetary deposits. This was primarily the result of low interest rates making term deposits less attractive.

Money supply M2 increased from AED 1,308.4 billion as at 31 December 2018 to AED 1,413.1 billion as at 31 December 2019. Generally, median money supply M2 is considered the best indicator for the availability of liquidity in the economy, as it comprises currency in circulation outside banks, in addition to various deposits of all the resident sectors except the government sector in the UAE.

Money supply M3 increased from AED 2,107.2 billion as at 31 December 2022 to AED 2,445.2 billion as at 31 December 2023 due to an increase in money supply M2 and increase in resident Government sector

UAE Dirhams deposits with banks and the UAE Central Bank, offsetting in part the decrease in resident Government sector foreign currency deposits with banks.

Money supply M3 increased to AED 2,100.7 billion as at 31 December 2022 compared to AED 1,856.9 billion as at 31 December 2021. The increase reflects increases in money supply M2 between 31 December 2021 and 31 December 2022.

Money supply M3 increased to AED 1,856.9 billion as at 31 December 2021 compared to AED 1,769.3 billion in 2020. The increase reflects increases in money supply M2 between 31 December 2020 and 31 December 2021.

Money supply M3 increased from AED 1,602.3 billion as at 31 December 2018 to AED 1,717.4 billion in 2019 to AED 1,769.3 billion in 2020. The increases reflected both increases in money supply M2 as well as increases in government deposits in all annual periods (excluding 2020).

## Foreign Reserves

The table below shows the foreign asset holdings of the UAE Central Bank at period end for each of the periods presented.

	As at 31 December					
	2018	2019	2020	2021	2022	2023*
Foreign Assets of the Central Bank .....	362.6	394.7	388.1	466.5	493.9	681.2

Source: UAE Central Bank Balance of Payments and UAE government sources.

\*Preliminary data

As at 31 December 2023, based on preliminary estimates, the foreign asset holdings of the UAE Central Bank amounted to AED 681.2 billion.

The UAE Central Bank's gross international reserves are principally held in deposit accounts with banks outside the UAE or are invested in securities and treasury bills issued by non-UAE issuers. The official reserves figure, however, excludes the stock of publicly controlled foreign assets held in other accounts in investment bodies controlled by individual emirates as well as the EIA.

## Banking and Financial Services

As at 30 June 2023 and in addition to the 21 branches of BoS, Invest Bank, United Arab Bank and SIB (combined) each located in the Emirate, the Emirate also had an additional 53 branches of non-Sharjah based national banks and 13 branches of foreign banks (out of 72 foreign banks and branches throughout the UAE). As at the date of this Supplement, the Government owned 39.25 per cent. of the share capital of BoS (through SAM), following an equity injection of AED 800 million in June 2023, and 37.55 per cent. of the share capital of SIB (through SAM and SSSF), and 50.01 per cent. of the share capital of Invest Bank.

As at 31 December 2018, BoS, Invest Bank, United Arab Bank and SIB had AED 29,123 million, AED 14,026 million, AED 20,511 million and AED 44,746 million in total assets, respectively.

As at 31 December 2019, BoS, Invest Bank, United Arab Bank and SIB had AED 32,689 million, AED 11,705 million, AED 19,125 million and AED 46,390 million in total assets, respectively.

As at 31 December 2020, BoS, Invest Bank, United Arab Bank and SIB had AED 36,143 million, AED 8,734 million, AED 14,849 million and AED 53,601 million in total assets, respectively.

As at 31 December 2021, BoS, Invest Bank, United Arab Bank and SIB had AED 39,542 million, AED 10,059 million, AED 15,180 million and AED 54,957 million in total assets, respectively.

As at 31 December 2022, BoS, Invest Bank, United Arab Bank and SIB had AED 33,562 million, AED 10,059 million, AED 15,180 million and AED 54,957 million in total assets, respectively.

As at 31 December 2023, BoS, Invest Bank, United Arab Bank and SIB had AED 39,460 million, AED 12,032 million, AED 17,648 million and AED 65,879 million in total assets, respectively.

All banks in the UAE operate under the supervision of the UAE Central Bank.

The table below provides a statistical analysis of the UAE banking sector for the periods indicated.

	As at 31 December					
	2018	2019	2020	2021	2022	2023 <sup>(1)</sup>
	<i>(AED millions)</i>					
Total assets.....	2,868,516	3,082,934	3,188,014	3,321,488	3,667,611	4,075,163
Foreign assets.....	679,647	771,092	849,077	933,169	1,191,027	1,316,925
Foreign assets to total assets (%).....	23.7%	25.0%	26.6%	28.1%	32.5%	32.3%
Foreign liabilities.....	619,990	679,979	715,606	778,461	806,943	843,503
Foreign liabilities to total liabilities (%).....	21.6%	22.1%	22.4%	23.4%	22.0%	20.7%
Deposits <sup>(2)</sup> .....	1,755,650	1,870,184	1,884,545	1,996,527	2,222,226	2,521,917
Residents.....	1,542,237	1,648,812	1,682,102	1,765,533	2,009,696	2,320,384
of which: Corporate.....	590,877	607,023	606,207	671,422	790,086	976,686
Non-residents.....	213,413	221,372	202,443	230,994	212,530	201,533
of which: Corporate.....	91,889	87,964	72,250	82,170	103,101	109,874
Bank credit (domestic).....	1,509,437	1,592,609	1,596,786	1,618,957	1,650,937	1,738,043
of which: credit to private sector <sup>(3)</sup> .....	1,150,018	1,149,953	1,124,913	1,137,528	1,185,901	1,261,288
Total number of national banks and branches..	832	741	619	596	586	511
Total number of foreign banks and branches ..	140	140	134	133	134	111
<b>Number of employees in banks (UAE)<sup>(4)</sup> .....</b>	<b>36,629</b>	<b>35,637</b>	<b>33,444</b>	<b>33,491</b>	<b>35,830</b>	<b>38,173</b>

(1) Preliminary.

(2) Excluding inter-bank deposits.

(3) Including claims on other financial institutions.

(4) Excluding auxiliary staff.

Source: UAE Central Bank and UAE government sources.

## Supervision of Banks

The UAE Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank has supervisory responsibility for all banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they are required to contain.

The UAE Central Bank has adopted a Risk Based Supervision ("RBS") approach to bank supervision. This approach is forward-looking and is designed to identify, assess, measure, monitor and control key risks that licensed institutions in the UAE banking and financial markets are exposed to. Under the RBS approach, the Enforcement Division of the UAE Central Bank assesses the risk management policies and practices that licensed institutions use to control, reduce and mitigate risk. The Enforcement Division specifically focuses on risk areas that pose the greatest risk to the banks' safety and institutional soundness.

Historically, the UAE Central Bank has not acted as a lender of last resort, a role which has tended to fall on the individual Emirates. However, the introduction by the UAE Central Bank in 2014 of the Interim Marginal Lending Facility (the "IMLF") enables non-Islamic UAE banks to use certain rated or Federal Government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management (see further "*Recent Trends in Banking — Liquidity*" below).

The UAE Central Bank's activities are currently dictated by the 2018 Banking Law, which came into force in the UAE on 30 September 2018. The 2018 Banking Law repealed two of the UAE's older banking laws including the Federal Law No. 10 of 1980 concerning the status of the UAE Central Bank and its roles managing the currency and supervising the activities of banks and finance companies. The second was the Federal Law No. 6 of 1986 in relation to Islamic banking activities. The 2018 Banking Law reconfirms the UAE Central Bank's role in supervising the banking system in the UAE, directing monetary policy and ensuring economic stability through adequate fiscal policies and consumer protection mechanisms. The 2018 Banking Law also extends the scope of authority of the UAE Central Bank through changes designed to modernise the framework for the licensing and supervision of financial services activities in the state to bring regulation in line with international best practice.

The UAE Central Bank is also responsible for regulating anti-money laundering activities in the UAE. It has established a Financial Intelligence Unit and hosted teams from the Financial Action Task Force ("FATF") and the IMF which reviewed, discussed and tested existing UAE laws and regulations. The FATF is an independent inter-governmental body that develops and promotes policies to protect the global

financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

In April 2020, the FATF issued its Mutual Evaluation Report ("**MER**") on the UAE's anti-money laundering ("**AML**") and combatting the financing of terrorism ("**CFT**") measures. Based on an assessment conducted in 2019, the MER analyses the level of the UAE's compliance with the FATF's 40 recommendations and the effectiveness of its AML/CFT system and provides recommendations on how the system could be strengthened. Based on the MER, the UAE's National Strategy has been revised in line with the risks identified in the MER and the UAE's National Risk Assessment.

In March 2022, the FATF added the UAE to its "grey list" of high-risk jurisdictions noting that the UAE had made significant progress in relation to anti-money laundering and counter-terrorism financing since May 2020 but was still expected to make improvements in several areas including in relation to financial crime investigations. The FATF's report released in October 2023 commended the UAE's progress in aligning with standards, highlighting substantial improvements in the anti-money laundering and counter-terrorist financing regulatory framework, and the FATF confirmed that the UAE had satisfied its action plan. On 23 February 2024, the FATF removed the UAE from the "grey list".

The UAE ranks 27 on Transparency International's Corruption Perceptions Index 2022, which ranks 180 countries in terms of their perceived level of public sector corruption. In early 2019, the UAE authorities finalised a national risk assessment shared with key stakeholders and conducted outreach programmes. The output of the national risk assessment was embedded in the UAE Central Bank's risk-based supervisory approach.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the Dubai International Financial Centre except for onshore activities which are still regulated by the UAE Central Bank. Similarly, in the Abu Dhabi Global Market in Abu Dhabi ("**ADGM**"), the ADGM Financial Services Regulatory Authority regulates activity in the financial services sector except for onshore activities.

The UAE Central Bank has published regulations relating to non-bank financial institutions and digital payments and is working on further regulations relating to payments and fintech. A new stored value facilities regulation was issued in November 2020. A new crowd lending regulation was issued in November 2020. In April 2021, the UAE Central Bank issued a SME Market Conduct Regulation to promote best practices among licensed financial institutions engaging with SMEs. The objective of the regulation is to enhance SMEs' access to financial products and services.

The UAE Central Bank has commenced work on a bank recovery and resolution framework. New consumer protection regulations were published in early 2021. Consultation on a new regulatory framework for Islamic finance in the UAE was completed in 2020 and a number of new regulations giving effect to the framework were issued in 2020.

A new corporate governance framework for banks operating in the UAE was put in place in 2019. The new Corporate Governance Regulation and accompanying Standards were published in August 2019. The framework introduces sector-wide policies in line with international best practices, such as the inclusion of independent directors in banks' boards and mandatory committees, the reinforcement of the fit-and-proper process for members of boards and senior management and the introduction of minimum disclosure requirements in banks' annual governance reports.

In 2020, the UAE Central Bank developed a FinTech strategy to underpin the Federal government's drive to establish the UAE as a leading global FinTech hub. The strategy aims to stimulate innovation and collaboration within a culture of robust risk management. To ensure effective FinTech strategy implementation, the UAE Central Bank has launched a dedicated FinTech office and initiatives including the development of a common FinTech regulatory framework, the establishment of co-sandboxing arrangements among regulatory authorities to facilitate faster technological developments and streamline regulatory approval processes, the development of an electronic know your customer protocol to enable non-face-to-face and digital onboarding processes, the implementation of a distributed ledger technology based trade finance platform to reduce the risk of trade fraud and the creation of a FinTech talent development programme. In 2014, the UAE's first bitcoin exchange launched in Dubai and, in July 2021, it was announced that the UAE Central Bank had an interest in issuing a central bank digital currency (the

"CBDC"). The launch of the CBDC was announced as part of the UAE Central Banks' 2023-2026 strategy. The UAE Central Bank also intends to promote digital transformation in the UAE's financial services sector and increase financial inclusion through the use of digital IDs and artificial intelligence to improve monitoring and compliance.

Since 1999, regulated banks in the UAE have been required to report in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

### ***Characteristics of the Banking System***

The UAE banks are predominantly focused on the domestic market. With much of the economy directly or indirectly dependent on the oil sector, the UAE banks are vulnerable during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity. There is a high degree of state involvement in the UAE banking sector, with the five-largest banks having some degree of ownership by the governments and/or ruling families of individual emirates.

Additionally, a number of banks have developed in the Islamic world, including in the UAE, to serve customers who wish to observe *Shari'a* principles, including the prohibition on the charging of interest on any financial transaction. These institutions offer a range of products, which broadly correspond to conventional banking transactions but are structured to ensure that all relevant *Shari'a* principles are complied with. The principal Sharjah based Islamic bank is SIB.

### ***Anti-Money Laundering Legislation and Measures***

The UAE takes an active part in the fight against money laundering and the financing of terrorism. The crimes of money laundering and financing of terrorism and the financing of illegal organisations are covered under federal criminal statutes and the federal penal code. Federal legislation and the implementation of regulations to combat these crimes are in force throughout the UAE, including the Financial and Commercial Free Zones and their implementation and enforcement are the responsibility of the relevant regulatory and supervisory authorities in either the federal or local jurisdictions.

The principal AML and CFT legislation within the UAE is *Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering and Combatting the Financing of Terrorism and Financing of Illegal Organisations* and implementing regulation, Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation of Decree Law No. (20) of 2018 *On Anti-Money Laundering and Combatting the Financing of Terrorism and Illegal Organisations*. The legislative and regulatory framework of the UAE is part of a larger international AML/CFT Legislative and regulatory framework made up of a system of intergovernmental legislative bodies and international and regional regulatory organisations.

In 2019, the Supervisory Authorities of the UAE published Anti-Money Laundering and Combatting the Financing of Terrorism and the Financing of Illegal Organisations for Financial Institutions ("**Guidelines**"), to provide guidance and assistance to supervised financial institutions such as the Central Bank of the UAE and aid their understanding and long-term effective performance of their statutory obligations under the legal and regulatory framework in force in the UAE. These Guidelines do not constitute additional legislation or regulation and are not intended to set legal, regulatory or judicial precedent. They are intended instead to be read in conjunction with the relevant laws, cabinet decisions, regulations and regulatory rulings which are currently in force in the UAE and their respective Free Zones. The Guidelines apply to all financial institutions established and/or operating in the UAE and their respective Financial and Commercial Free Zones, whether they establish or maintain a business relationship with a customer, or engage in any of the financial activities and /or transactions or the trade and/or business activities outlined in Articles (2) and (3) of Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation of Decree Law No. (20) of 2019 on Anti-Money Laundering and Combatting the Financing of Terrorism and Illegal Organisations. These guidelines are also applicable to the members of these financial institutions' boards of directors, management and employees.

Specifically, they are applicable to all such natural and legal persons in the following categories:

- Banks, finance companies, exchange houses, money service business (including *hawaladar* or other monetary value transfer services);
- Insurance companies, agencies and brokers;

- Securities and commodities brokers, dealers, advisers, investment managers; and
- Other financial institutions not mentioned above.

### Structure of the Banking System

Banking institutions in the UAE fall into a number of categories. Domestic commercial banks, of which there were 22 as at 31 December 2023, are required to be public shareholding companies with a minimum share capital of AED 2.0 billion. These domestic commercial banks held 88.6 per cent. of the UAE's total banking assets as at 31 December 2023.

Licensed foreign commercial banks, of which there were 39 as at 31 December 2023, need to demonstrate that at least AED 100 million has been allocated as capital funds for their operations in the UAE. The 1980 Law also licenses financial institutions (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities but are not permitted to accept funds in the form of deposits), investment banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from their head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers).

### Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009, by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier I capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are deducted from regulatory capital.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent., and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent. Banks in the UAE are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks must be authorised in advance by the UAE Central Bank.

The following table sets out the capital adequacy ratio of all UAE national banks for each of the periods presented.

	As at 31 December					
	2018	2019	2020	2021	2022	2023
			<i>(per cent.)</i>			
Total capital adequacy ratio.....	17.5	17.7	18.2	17.2	17.4	17.4
Tier I capital adequacy ratio .....	16.2	16.5	17.1	16.1	16.2	16.1

Source: UAE Central Bank

As at 31 December 2023, the total capital adequacy ratio of all UAE national banks was 17.4 per cent. and the tier I capital adequacy ratio was 16.1 per cent.

The Basel Committee on Banking Supervision (the "**Basel Committee**") has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and 13 January 2011, the Basel Committee issued the Basel III Reforms, constituting guidance on the eligibility criteria for Tier I and Tier II capital instruments as part of a package of new capital and liquidity

requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions ("**Basel III**").

Basel III does not replace Basel II, rather, it implements a series of modifications to the existing regulatory structure.

Basel III increases the quantity and quality of the regulatory capital banks are required to hold. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit and market exposures arising from certain assets and transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity. The most significant features of the reforms introduced by Basel III are as follows:

#### *Capital base*

Between 2013 and 2019, the common equity component of capital (known as Core Tier I) increased from 2 per cent. of a bank's risk-weighted assets before certain regulatory deductions to 4.5 per cent. after such deductions. In addition, a new capital conservation buffer was introduced, as well as a zero to 2.5 per cent. counter-cyclical capital buffer. As a result, the overall capital requirement (Tier I and Tier II) increased from 8 per cent. at the Basel II baseline to 10.5 per cent. by 2019 with full Basel III implementation.

#### *Common equity*

Common equity will continue to form the basis of Tier I capital, but other hybrid capital instruments permitted under Basel II will be replaced with instruments that are more loss absorbing and do not have incentives to redeem. Non-qualifying instruments issued on or after 12 September 2010 were derecognised in full from 1 January 2013; certain other instruments issued prior to 12 September 2010 which qualified as Tier I capital under Basel II but do not so qualify under Basel III, consisting of, among other instruments, perpetual non-cumulative preference shares, will be gradually derecognised at a rate of 10 per cent. per year from 2013 to 2023.

#### *Capital charges*

Increased capital charges will be introduced with respect to re-securitisation exposures and certain liquidity commitments held in the banking book will require more capital. With respect to a bank's trading books, more robust risk assessment methodologies will be utilised to value assets and increased counterparty and market risk charges will be assessed for exposure to other financial institutions and securitised assets.

#### *Leverage ratio*

A minimum 3 per cent. leverage ratio, measured against a bank's gross (and not risk-weighted) balance sheet, was adopted on a trial basis until 2018 and definitively adopted in 2019.

#### *Liquidity standards*

A "liquidity coverage ratio" requiring high-quality liquid assets to equal or exceed certain cash outflows was adopted in 2015, thereby ensuring that a bank has sufficient high-quality liquid assets to survive a one-month period of market stress. In addition, a "net stable funding ratio" requiring "available" stable funding sources to equal or exceed "required" stable funding was adopted in 2018, thereby ensuring that a bank has access to capital or high-quality funding to survive a one-year period of market stress.

The UAE Central Bank issued guidelines on the implementation of Basel III in July 2012 under the heading "Liquidity Regulations at Banks" (see "*Liquidity*" below for further details). Since then, the UAE Central Bank has been preparing local institutions for the implementation of the Basel III standards. In addition, on 23 February 2017, the UAE Central Bank published the "Regulations re Capital Adequacy" (the "**February 2017 Regulations**") in UAE official gazette issue 612, which became effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements. The February 2017 Regulations are supported by accompanying standards (the "**Accompanying Standards**") which were published by the UAE Central Bank on 17 January 2018 in its Circular No. 28/2018 entitled "Standard re Capital Supply" and were expressed to be effective from 31 December 2017. The Accompanying Standards elaborate on the supervisory expectations of the UAE Central Bank, as set out in the February 2017 Regulations, with

respect to the relevant Basel III capital adequacy requirements and how they will be applied by the UAE Central Bank to banks in the UAE.

In November 2020, the UAE Central Bank issued the "Regulations re Capital Adequacy" standards (the "**November 2020 Regulations**"). The following standards of the November 2020 Regulations are effective as of August 2021: Tier Capital Supply, Tier Capital Instruments, Pillar 2 - ICAAP, Credit Risk, Market Risk and Operational Risk.

The standards on credit risk, market risk, operational risk and other remaining capital standards were initially issued on 7 January 2020 and were supposed to become effective on 30 June 2020 but were postponed due to COVID-19. The UAE Central Bank decided to implement the remaining capital standards in a phased-in approach instead, starting with the standards on credit, market and operational risk, which became effective in the second quarter of 2021 (phase 1). The standards on counterparty credit risk, equity investment in funds, securitisations, leverage ratio and Pillar 3 (except for credit value adjustment ("CVA")) became effective in the fourth quarter of 2021 (phase 2). The remaining standard on CVA and Pillar 3 for CVA became effective from 30 June 2022.

As part of the TESS, banks in the UAE were able to utilise 100 per cent. of their domestic systemically important bank buffer and 60 per cent. of their capital conservation buffer without supervisory consequences until 31 December 2021. In addition, the UAE Central Bank is allowing banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter allows any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five-year period until 31 December 2024.

### ***Liquidity***

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand- or time-based customer deposits made by private individuals or private sector companies based in the UAE. According to preliminary data made available by the UAE Central Bank, resident deposits constituted approximately 92.0 per cent. of total deposits of the UAE bank deposits (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements) as at 31 December 2023 and 90.4 per cent. of total deposits as at 31 December 2022. Government and GRE deposits constituted approximately 24.9 per cent. of total resident deposits as at 31 December 2023 (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements).

In line with Basel III requirements, the UAE Central Bank has issued UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the "**Liquidity Notice**") which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III LCR and NSFR (each as defined in the table below) come into effect. These include the following:

	<b>Ratio</b>	<b>Applicability Period</b>
Interim ratios:	Liquid Asset Ratio (LAR $\geq$ 10%)	1 January 2013 – 30 June 2015
	Eligible Liquid Assets Ratio (ELAR $\geq$ 10%)	1 July 2015 – December 2017

	<u>Ratio</u>	<u>Applicability Period</u>
Basel III ratios:	Advances to Stable Resources Ratio (ASRR < 100%)	1 June 2013 – December 2017
	Liquidity Coverage Ratio (LCR > 100%)	January 2018 onwards
	Net Stable Funding Ratio (NSFR < 100%)	January 2018 onwards

The liquid asset ratio (the "**LAR**") was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the eligible liquid assets ratio (the "**ELAR**"). Under the ELAR, UAE banks are required to hold an amount equivalent to at least 10 per cent. of their liabilities in high-quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also includes the option for UAE banks to apply to the UAE Central Bank to move to assessment of bank liquidity as against the LCR, in addition to the ELAR, with effect from 1 January 2016. Any UAE banks taking up this option were required to comply only with the ELAR until 1 January 2016, after which date they are required to move to a dual-compliance regime as to liquidity as against the ELAR and the LCR (subject to receipt of UAE Central Bank approval).

The liquidity coverage ratio (the "**LCR**") represents a 30-day stress scenario with combined assumptions covering both bank-specific and market-wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30-day stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with high quality liquid assets at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail high quality liquid assets for this purpose.

The advances to stable resources ratio (the "**ASRR**") is an interim ratio that recognises both the actual uses as well as the likely uses of funds in terms of contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

The net stable funding ratio (the "**NSFR**") is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE bank's contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("**ASF**") factors to the sources of funds and required stable funding (usage) factors to asset classes and off-balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III NSFR standard.

### **Provisions for Loan Losses**

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss, depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the UAE Central Bank on 11 November 2010, all banks in the UAE were required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

The table below shows the non-performing loans ratio and the net non-performing loans ratio for the years indicated.

	<u>For the year ended 31 December</u>					
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
			<i>(per cent.)</i>			
Non-performing loans ratio .....	5.3	6.0	7.6	7.3	6.6	5.3
Net non-performing loans ratio .....	1.6	2.3	3.1	2.8	2.6	2.1

\* Presented in compliance with the latest Financial Soundness Indicators Compilation Guide (2019 FSI Guide) issued by the IMF.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

### **Large Exposures**

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits.

On 11 November 2013, the Central Bank published Central Bank Notice No. 32/2013 on large exposures (the "**Large Exposure Notice**") amending certain existing large exposure limits imposed by the Central Bank. The Large Exposure Notice was then replaced by the Large Exposures Regulation introduced by the Central Bank on 22 May 2023. Exposures above limits imposed by the Large Exposures Regulation are subject to approval by the Central Bank. Set out below is a table showing a summary of the limits under the Large Exposures Regulation (defined as a percentage of the bank's capital base calculated under Basel II):

	Cap as percentage of capital base	
	Individual	Aggregate
UAE federal government .....	Not Applicable	Not Applicable
Foreign sovereigns rated at least AA- .....	Not Applicable	Not Applicable
UAE local governments.....	Not Applicable	150%
Non-commercial entities of UAE local governments .....	25%	150%
Commercial entities of UAE federal government and UAE local government.....	25%	100%
Self-sustainable commercial entities of UAE federal and local governments.....	25%	Not applicable
A single borrower or a group of related borrowers .....	25%	Not applicable
Shareholders who own 5 per cent. or more of the bank's capital and their related entities.....	20%	50%
Globally systemic bank exposure to another globally systemic bank.....	15%	Not applicable
UAE incorporated bank's exposure to its foreign branches .....	Not applicable	30%
Exposure to bank's non-bank subsidiaries and affiliates.....	10%	25%
Board members .....	5%	25%

### **Mortgage Cap Regulation and Consumer Loan Regulation**

The UAE Central Bank introduced regulations regarding bank loans and other services offered to individual customers by way of a circular dated 23 February 2011 the ("**Retail Circular**") on retail banking and notice no. 31/2013 dated 28 October 2013 (which was published in the UAE official gazette on 28 November 2013 and entered into force on 28 December 2013) (the "**Mortgage Regulations**"). These regulations, amongst other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products such as residential mortgage loans. For example, the Retail Circular requires that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months.

The Mortgage Regulations, which supersede UAE Central Bank notice no. 3871/2012 dated 30 December 2012, provide that the amount of mortgage loans for non-nationals should not exceed 75 per cent. of the property value for a first purchase of a home with a value of less than AED 5 million and, for a first purchase of a home with a value greater than AED 5 million, should not exceed 65 per cent. of the property value. For the purchase of a second or subsequent home, the limit for non-nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for UAE nationals are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

On 12 December 2021, the Central Bank signed a memorandum of understanding with the Central Bank of Iraq to enhance co-operation in banking supervision and set out an enhanced framework to supervise bank exposures to the real estate sector. The new standards cover all types of on-balance-sheet loans and investments and all off-balance-sheet exposures to the real estate sector and entered into effect on 31 December 2021, starting with a one-year observation period.

On 4 May 2022, the UAE Central Bank announced that it would increase its base rate by 50 basis points to 2.25 per cent. effective 5 May 2022 in response to inflationary pressures. On 15 June 2022, the UAE Central Bank announced that it decided to raise its base rate by 75 basis points effective from 16 June 2022. This decision was taken following the United States Federal Reserve Board's announcement on 15 June 2022 to increase the interest on reserve balances by 75 basis points. In February 2023, the UAE increased its base rate by a further 25 basis points. In May 2023, the UAE Central Bank announced that it would raise the base rate by 25 basis points to 5.15 per cent. from 4.90 per cent. The decision followed the United States Federal Reserve Board's announcement to increase interest rates by a quarter of a percentage point. In July 2023, the United States Federal Reserve Board announced another interest rate increase, increasing to base rate to 5.25 per cent. As a result, the UAE Central Bank also increased its base rate to 5.4 per cent. in July 2023.

In July 2023, in order to reduce the burden of higher interest rates on home loans for UAE nationals, the UAE Central Bank implemented a number of measures, which included, among others, the extension of the mortgage repayment period tenor and a cap of 50 per cent. of income to customer payments.

### ***Reserve Requirements***

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

### ***Position of Depositors***

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the Federal Government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009 the UAE's National Federal Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

### ***Establishment of a Credit Bureau in the UAE***

Al Etihad Credit Bureau ("AECB") is a Federal Government company specialised in providing UAE based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations.

### ***Federal Debt Management***

In October 2018, UAE Federal Law No. 9 of 2018 Concerning Public Debt (Public Debt Law) was issued. The Public Debt Law permits the UAE Federal Government to issue sovereign debt through the sale of bonds or other debt instruments, which is intended to support the UAE Central Bank in liquidity management in the UAE banking system and is intended to help the UAE banking sector meet international liquidity rules. The Public Debt Law further established that the total amount of outstanding UAE federal public debt shall not, at any time, exceed the amount determined by the Cabinet, at maximum of 250 per cent. of the Federal Government's own stable revenue. In addition, the Public Debt Law is intended to enable banks operating in the UAE to purchase government bonds in AED or foreign currencies, which is intended to help them comply with Basel III requirements. The Public Debt Law also expressly permits the UAE Federal Government to provide guarantees on behalf of federal government authorities and corporations which are wholly owned by the UAE Federal Government. Public debt that can be allocated for infrastructure projects cannot exceed 15 per cent. of the total outstanding public debt at any time.

The Public Debt Law establishes a federal Public Debt Management Office, which has various support roles within the UAE Ministry of Finance, including the following:

- responsibility for proposing public debt management strategies and policies in coordination with the UAE Central Bank, implementing the strategies and policies approved by the Cabinet, and providing recommendations on issuance of public debt instruments;

- monitoring financial risks as well as other risks associated with issuing and trading any public debt instruments, and proposing solutions to manage and control these risks;
- advising the Minister of Finance on investments involving any public debt surplus, identifying risk levels on borrowing or issuing any guarantees for government projects as well as playing an important role in the development of policies and procedures created to manage and reduce risks in the public debt portfolio;
- working closely with the UAE Central Bank with regard to the management of the issuance and sale operations of government bonds, treasury bills, and any other public debt instruments;
- setting short and long-term objectives for the UAE's public debt management;
- issuing reports on the management and implementation of public debt;
- preparing the annual debt issuance plan; and
- coordinating with local governments in each emirate to support and develop a highly efficient primary and secondary financial market by issuing public debt instruments in the state, in which each local government shall establish a public debt office if local public debt instruments are issued.

Decretal Law No. 11 of 2021 on Issuing Foreign Public Debt of the Federal Government further authorises the Minister of Finance to determine the purposes and terms of foreign public debt to be issued in accordance with the public debt strategy of the Federal Government approved by the Cabinet (the "**Public Debt Strategy**").

### **Insurance**

The insurance sector plays an important role in the UAE economy, not only through its direct contribution to the economy but also by facilitating the operation of other sectors such as logistics, services, health and transport. The investment of premiums by the insurance sector in the UAE economy supports economic development and maintains positive competitiveness between insurance companies.

The insurance sector in the UAE was originally overseen by the Insurance Authority, which was established by Federal Law No. 6 of 2007 Regarding the Establishment of the Insurance Authority and Regulation of Insurance Operations (the "**Insurance Law**") as an independent authority with responsibility to organise and regulate the UAE insurance sector and to ensure implementation of international best standards in the insurance market and to monitor the solvency of insurance companies by applying laws and regulations aimed at protecting the rights of the beneficiaries of insurance policies. In September 2019, the Ministry of Justice issued a resolution forming a committee to investigate the potential merger of the Insurance Authority into the SCA, to form a single financial services regulator. The committee was responsible for identifying the implications of the merger and submitting its recommendations to the Cabinet, along with the proposed legislation. The merger between the two took place in July 2020.

In October 2020, the powers and responsibilities of the Insurance Authority were assumed by the UAE Central Bank. The UAE Central Bank now has the power to regulate and supervise the insurance sector as well as propose and implement legislation to regulate it. The UAE Central Bank is responsible for protecting the rights of the insured and monitoring the solvency of the UAE's insurance companies.

As at 31 December 2023, there were 60 insurance companies operating in the UAE (comprising 23 national insurance companies, 10 national takaful insurance companies and 27 foreign insurance companies), with 499 total related insurance professions, including 163 insurance broker companies, 26 insurance agents companies, 52 insurance consultants, 146 loss and damage adjusters, 74 actuaries, 22 third-party administrators and 16 insurance policies price comparison websites.

The following table sets out the UAE total written premiums by value for each of the years 2018 to 2023:

	<b>As at 31 December</b>					
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
			<i>(AED millions)</i>			
General insurance premiums .....	31,748	32,526	32,166	32,940	37,282	43,883

	As at 31 December					
	2018	2019	2020	2021	2022	2023
			<i>(AED millions)</i>			
Life insurance premiums .....	11,971	11,495	10,331	11,377	10,140	9,594
<b>Total premiums .....</b>	<b>43,718</b>	<b>44,021</b>	<b>42,497</b>	<b>44,317</b>	<b>47,422</b>	<b>53,477</b>

Source: UAE Central Bank

According to the UAE Central Bank, gross written premiums increased by 12.9 per cent. from AED 47.4 billion in 2022 to AED 53.5 billion in 2023, based on preliminary estimates. Gross written premiums amounted to AED 47.4 billion in 2022, an increase of 6.5 per cent. compared to AED 44.3 billion in 2021. Gross written premiums of all types of insurance amounted to AED 42.5 billion in 2020.

There is an absence of published statistical data on the insurance sector in Sharjah. Al-Buhaira National Insurance Company is a public shareholding company incorporated in the Emirate and is listed on the ADX. It undertakes several classes of insurance business, including life insurance, saving and accumulation of funds. In addition to its head office, Al-Buhaira National Insurance Company has two further branches located in Abu Dhabi and Dubai.

### ***Shari'a compliance***

Federal Law No. 14 of 2018 entered into force with effect from 23 September 2018 and requires financial institutions licensed by the UAE Central Bank to operate their business activities in compliance with the rules, standards and general principles established by the Higher Shari'a Authority and, in certain circumstances, requires such financial institutions to obtain the consent of the Higher Shari'a Authority before undertaking certain licensed financial activities.

### ***Capital Markets***

The capital markets in the UAE are regulated by a number of entities including the Securities and Commodities Authority (the "SCA"), which licenses intermediaries to trade on the Dubai Financial Market (the "DFM") and the Abu Dhabi Securities Exchange ("ADX"). The SCA is a Federal Government organisation but has financial, legal and administrative independence.

The other significant stock exchange in the UAE is Nasdaq Dubai (formerly known as the Dubai International Financial Exchange or DIFX) which commenced operations in September 2005 and, as an entity based in the DIFC, is separately regulated by the DFSA.

On 1 June 2014, the UAE was included in MSCI's Emerging Markets Index which captures large and mid-cap representation across 26 emerging market countries. The MSCI Emerging Markets Index is based on the MSCI Global Investable Indexed Methodology – a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations.

In May 2018, the SCA issued Chairman Decision No. 20/R.M. of 2018 on the Offering or Issuance of Islamic Securities (the "ISRs"), in order to add an additional layer of disclosure and transparency to the UAE's sukuk market and strengthen investor protection. The ISRs apply to (i) domestic issuers of Shari'a-compliant securities seeking to offer those securities either within or outside the UAE, and (ii) foreign issuers of certain Shari'a-compliant securities seeking to offer those securities into the UAE. The ISRs outline a number of key disclosure requirements that must be included in the offering document, a number of specific requirements in respect of the fatwa as well as the continuing obligations that apply to Shari'a-compliant securities, including the provision of an annual Shari'a report.

Between 2019 and 2024, the SCA introduced a number of new rules including, among others, allowing UAE public joint stock companies to use technology to streamline governance procedures, including enabling shareholders to attend and vote in general meetings electronically and allowing public joint stock companies to call general meetings using text messages or emails, new fund passporting rules and rules related to the listing of Special Purpose Acquisition Companies ("SPACs") in the UAE.

In addition, there has been a significant increase in volume for initial public offerings in the UAE since the start of 2022.

## Dubai Financial Market

The DFM, which is now, along with Nasdaq Dubai, owned by Borse Dubai, was established by the Government of Dubai in 2000 as an independent entity and operates as a market for the listing and trading of shares, bonds and investment units issued by companies, investment funds and other local or foreign financial institutions that conform to its listing requirements.

The following table sets out the number of traded shares, the value of traded shares, and the number of executed transactions on the DFM and the closing price of the DFM Index as at 31 December for the years indicated.

	2019	2020	2021	2022	2023
Number of traded shares (Billions).....	40.0	65.5	50	38.5	52.5
Value of traded shares (AED Billions).....	53.1	65.6	72.3	90	101.1
Number of trades (Millions).....	0.6	1.0	0.8	1.4	1.9
Market capitalisation (AED billions) (year end).....	375.5	341.5	410	582	687.5
DFM Index closing price (year end).....	2,765	2,492	3,196	3,336	4,059.80

Sources: Dubai Statistics Centre, DFM.

## Nasdaq Dubai

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange or DIFX) commenced operations in September 2005. On 22 December 2009, DFM announced that it had made an offer to Borse Dubai Limited and the NASDAQ OMX Group to acquire Nasdaq Dubai. The offer was valued at U.S.\$121 million and comprised U.S.\$102 million in cash and 40 million DFM shares. The merger was approved by Borse Dubai Limited and the OMX Group and was completed on 11 July 2010. Subsequent to the transaction, both Nasdaq Dubai and DFM are operating as two distinct markets that are subject to different regulatory frameworks. Nasdaq Dubai is regulated by the Dubai Financial Services Authority, and the DFM is regulated by the SCA.

Nasdaq Dubai's standards are comparable to those of leading international exchanges in New York, London and Hong Kong. Nasdaq Dubai allows regional and international issuers access to regional and international investors through primary or dual listings. Investors can access Nasdaq Dubai through a unique mix of regional and international brokers.

Nasdaq Dubai currently lists equities, equity derivatives, Dubai gold securities, structured products, sukuk and conventional bonds.

The following table sets out the number of traded shares, the value of traded shares and the number of executed transactions on Nasdaq Dubai, the market capitalisation of Nasdaq Dubai and the closing price as at 31 December of the FTSE Nasdaq Dubai UAE 20 Index (which tracks 20 liquid stocks listed on the DFM, the Abu Dhabi Securities Exchange and Nasdaq Dubai) for the years indicated:

	For the year ended 31 December					
	2018	2019	2020	2021	2022	2023
Trading volume (Millions).....	165	151	189	35	47	37
Trading value (AED millions).....	4,234	5,921	5,746	78,057	42,432	131
Number of transactions.....	26,882	40,724	16,345	1,518	985	2,050
Market capitalisation (AED millions).....	57,496	44,220	3,436	2,990	2,526	2,253
FTSE Nasdaq Dubai UAE 20 Index year end closing price.....	3,074	3,184	3,062	4,285	3,989	3,832

Sources: Dubai Statistics Centre, Nasdaq Dubai.

## 6. AMENDMENTS TO PUBLIC FINANCE

On page 149 of the Base Offering Circular, the entirety of the section headed "Public Finance" shall be deemed deleted and replaced with the following:

### Government Finance

#### *Government Budget and Financial Information*

The Government sector in Sharjah is defined as consisting of entities known in Sharjah as centralised departments. The wider public sector in Sharjah consists of independent authorities which are wholly or majority publicly-owned (see "Description of the Emirate of Sharjah — Relationship between the UAE Constitution and Sharjah — The Government" above for further details).

The centralised departments of the Government negotiate their individual budgets with the Finance Department on an annual basis, with the final budgets being approved by Sharjah Executive Council and H.H. The Ruler. The budget-setting arrangements for independent authorities vary from entity-to-entity, depending on their constitutional documents and established practice. All centralised department revenues flow to accounts managed by the Finance Department on behalf of the Government and are used to fund the Government's expenditure. The Finance Department controls the expenditure of centralised departments on a detailed, line-by-line basis, to ensure consistency with the budget.

Major project expenditure and a number of "non-departmental" items, such as debt servicing and grant schemes are also managed centrally by the Finance Department, rather than through departmental budgets.

Decentralised departments and independent authorities may, depending on their financial circumstances, receive financial support from the Government in the form of grants, free land allocations, the assumption of certain payment obligations or loans from the Government. Alternatively, if they are cash-generating, these entities may be required to make dividend-like payments to the Government.

#### *Government Consolidated Accounts*

The Government does not prepare consolidated annual or quarterly accounts.

#### *Government Cash Flow Analysis*

The Government regularly prepares detailed cash flow statements to centrally control and report its liquidity and payment commitments. The table below sets out the detailed cash flow statements for the years indicated, excluding debt financing.

Each area of the Emirate of Sharjah has a Municipality authority, which is responsible for providing local services. There are nine Municipality authorities, of which Sharjah City Municipality is the largest. These Municipality authorities are treated as centralised departments, and their cash flows are consolidated with the Emirate's.

	For the year ended 31 December					
	2019	2020	2021	2022	2023	2024 <sup>(b)</sup>
	<i>(AED millions)</i>					
<b>Cash Inflows</b>						
Department of Customs .....	894	717	790	799	700	800
Economic Development Department .....	817	657	785	894	965	970
Sharjah Police .....	988	825	893	866	977	930
Town Planning Department .....	85	112	75	94	87	90
Directorate of Public Works .....	3	221	—	—	—	—
Roads and Transport Authority .....	874	681	676	558	605	533
Sharjah Municipality .....	1,292	1,070	1,213	1,337	1,473	1,834
Other Municipalities and other departmental revenues .....	750	594	670	987	1,443	952
New revenue initiatives .....	—	—	—	—	—	1,200
Oil, gas and LPG .....	567	76	368	1,853	1,335	1,200
Land sales .....	67	179	514	331	2,031	1,600
Bank tax .....	56	68	58	38	27	60
VAT receipts .....	2,795	1,404	1,790	1,920	2,186	2,298
Shares/Dividends .....	200	75	30	143	100	100
Transfer from GREs, and other revenues .....	1,050	1,303	205	230	1,413	875

	For the year ended 31 December					
	2019	2020	2021	2022	2023	2024 <sup>(b)</sup>
			<i>(AED millions)</i>			
Increase in Sharjah Social Security Fund.....	1,085	944	845	945	1,094	1,200
<b>Total Cash Inflows</b> .....	<b>11,523</b>	<b>8,705</b>	<b>8,912</b>	<b>10,957</b>	<b>14,436</b>	<b>14,642</b>
<b>Cash Expenditure</b>						
<i>Departmental expenditure</i>						
Police.....	(1,476)	(1,506)	(1,606)	(1,735)	(1,714)	(2,695)
Roads and Transport Authority.....	(320)	(295)	(340)	(384)	(409)	(536)
Social Services.....	(600)	(661)	(684)	(741)	(819)	(843)
Culture and Information.....	(201)	(178)	(165)	(203)	(217)	(228)
Media/TV.....	(447)	(585)	(466)	(489)	(529)	(559)
Customs.....	(323)	(332)	(343)	(376)	(409)	(432)
Sports Council.....	(564)	(563)	(601)	(646)	(746)	(698)
Town Planning.....	(208)	(210)	(210)	(221)	(229)	(262)
Al Diwan Al Amiri, Sharjah.....	(165)	(137)	(164)	(183)	(196)	(109)
Museums.....	(178)	(172)	(181)	(191)	(196)	(207)
Economic Development.....	(208)	(213)	(214)	(229)	(241)	(273)
Islamic Affairs and Awqaf.....	(155)	(162)	(167)	(175)	(194)	(196)
e-Government.....	(111)	(124)	(120)	(118)	(177)	(262)
Public Works.....	(101)	(101)	(105)	(109)	(118)	(138)
Police Sciences Academy.....	(107)	(109)	(123)	(133)	(144)	(159)
Sharjah Municipality.....	(1,252)	(1,314)	(1,362)	(1,637)	(1,662)	(1,788)
Other Municipalities.....	(772)	(820)	(880)	(1,030)	(1,104)	(1,246)
Other departmental expenditures.....	(2,353)	(2,092)	(2,496)	(3,040)	(3,276)	(3,889)
Forecast departmental underspend.....	—	—	—	—	—	800
<b>Total departmental expenditures</b> .....	<b>(9,541)</b>	<b>(9,574)</b>	<b>(10,227)</b>	<b>(11,640)</b>	<b>(12,380)</b>	<b>(13,720)</b>
<i>Central expenditure</i>						
Payments toward capital projects.....	(4,252)	(2,604)	(5,838)	(3,700)	(4,173)	(1,533)
Debt Interest.....	(1,282)	(1,371)	(1,750)	(2,257)	(3,974)	(4,645)
Capital injection to Sharjah Asset Management.....	—	(918)	—	—	—	—
Invest Bank.....	—	—	—	—	—	(240)
Subsidies, Grants and Central Spending.....	(2,527)	(2,023)	(1,814)	(2,070)	(2,643)	(2,914)
<b>Total expenditures</b> .....	<b>(17,602)</b>	<b>(16,490)</b>	<b>(19,629)</b>	<b>(19,666)</b>	<b>(23,170)</b>	<b>(23,052)</b>

Source: Sharjah Finance Department

<sup>(b)</sup>: Sharjah Finance Department budget data and does not reflect actual results.

Total cash inflows decreased from AED 11.5 billion in 2019 to AED 8.7 billion in 2020, primarily as a result of the impact of the COVID-19 pandemic and associated policy response measures, which curtailed economic activity and reduced a number of revenue items. Total cash inflows increased to AED 8.9 billion in 2021 as the economy began to recover from the impact of COVID-19.

The Government's revenues for 2022 increased to AED 11.0 billion, primarily as a result of higher departmental revenues, an increase in transfers from GREs and a sharp rise in oil, gas and LPG revenues.

The Government's revenues for 2023 increased to AED 14.4 billion, primarily as a result of an increase in land sales, an increase in transfers from GREs, strong VAT receipts and high cash inflows from other municipalities and departmental revenues.

The Government budgeted for revenues to increase in 2024 to AED 14.6 billion, primarily as a result of expected increases from customs and expected revenue from the policy changes described in the Fiscal Plan under the heading "New revenue initiatives".

Cash inflows from oil, gas and LPG decreased from AED 567 million in 2019 to AED 76 million in 2020 and AED 368 million in 2021, reflecting lower production quantities and the fall in hydrocarbon prices (in the case of 2021). Cash inflows from oil, gas and LPG were AED 1,853 million in 2022 and AED 1,335 million in 2023, and were budgeted at AED 1,200 million in 2024, reflecting the higher market price of hydrocarbons in 2023, potential growth in production volumes and the expectation that prices will be stable in 2024.

Cash inflows from land sales tend to be volatile since they consist of a small number of large payments related to release of land by the Government for project development. See "Description of the Emirate of Sharjah – Relationship between the UAE Constitution and Sharjah – Covid-19 Impact and Response measures Adopted in the UAE and Sharjah" above. These inflows were AED 67 million in 2019 and AED

179 million in 2020. Cash inflows from land sales increased to AED 514 million in 2021, then fell to AED 331 million in 2022, then again increased to AED 2,031 million. Cash inflows from land sales were budgeted at AED 1,600 million in 2024.

Cash inflows from VAT receipts were AED 2,795 million in 2019, AED 1,404 million in 2020, AED 1,790 million in 2021, AED 1,882 million in 2022, AED 2,186 million in 2023, and were budgeted at AED 2,298 million in 2024 (including a small provision for initial receipts from corporate income tax). The lower rate of inflows of VAT receipts in 2020 and 2021 reflected the drop in economic activity in 2020, accompanied by a lag effect as the receipts moved through the system.

Cash from bank taxes amounted to AED 56 million in 2019, AED 68 million in 2020, AED 58 million in 2021, AED 38 million 2022, AED 27 million in 2023 and was budgeted to be AED 60 million in 2024.

### ***Government Revenue***

Sharjah's government revenues totalled AED 8.7 billion for the year ended 31 December 2020, decreasing by AED 2.8 billion from AED 11.5 billion for the year ended 31 December 2019, representing a decrease of 24.0 per cent. Sharjah's government revenues totalled AED 8.9 billion for the year ended 31 December 2021, increasing by AED 0.2 billion from AED 8.7 billion for the year ended 31 December 2020, representing an increase of 2.4 per cent. Sharjah's government revenues totalled AED 11.0 billion for the year ended 31 December 2022, increasing by AED 2.0 billion from AED 8.9 billion for the year ended 31 December 2021, representing an increase of 22.9 per cent. Sharjah's government revenues totalled AED 14.4 billion for the year ended 31 December 2023, increasing by AED 3.4 billion from AED 11.0 billion for the year ended 31 December 2022, representing an increase of 30.9 per cent.

The Government has a relatively diverse (albeit narrow) revenue base. With the exception of a levy on foreign banks and hydrocarbon extraction, there is no traditional direct tax, although the Federal Government introduced a national value added tax at the rate of 5 per cent. with effect from 1 January 2018 and an excise duty on certain goods in October 2017 and has begun implementation of a corporate income tax for companies starting a financial year after June 2023. Sharjah's allocation of revenues from these indirect taxes began to be disbursed by the UAE Federal Government in 2019 leading to an increase in revenues in spite of the decrease in revenue attributable to lowered GRE transfer and land sale revenue. Prior to 2019, there were no VAT revenues and the revenues collected by the UAE Federal authorities in 2018 began to be disbursed in 2019. This beneficial tax environment provides an incentive for businesses and wage-earners to locate to the Emirate.

Licensing, fines and fees provide the majority of revenues, in particular via the Department of Customs, the Economic Development Department and Sharjah Police.

Land sales to private companies and individuals generate significant capital receipts for the Government, as well as providing a means for the Government to manage the pace and location of economic expansion. In addition, this represents an area of particular fiscal flexibility for the Government, which can choose how much land to release for sale or development in a given year, based on market conditions, development priorities and fiscal requirements.

Aggregate oil, gas and LPG revenues have been on a long-term declining path notwithstanding year-to-year fluctuations. In 2022, they represented 16.9 per cent. of total cash inflows, reflecting high prices for hydrocarbons in that period, but represented only 9.2 per cent. in 2023 and are expected to represent 8.2 per cent. of revenues in 2024. The new gas field discovered in the onshore "Mahani" site became operational in January 2021 and started generating net revenues from commercial exploitation of the reserve in 2022.

### ***Government Expenditure***

The Government's expenditure totalled AED 23.2 billion in 2023, compared with 19.7 billion in 2022, 19.6 billion in 2021, to 16.5 billion in 2020 and AED 17.6 billion in 2019. The majority of this expenditure is incurred by centralised departments, with wages and other staff costs being the largest element of such expenditure. Salary enhancements and high levels of recruitment have increased departmental spending in recent years.

Growth in departmental budgets has reflected the Government's policy priorities, with a particular focus on cultural activities (such as media/TV and culture and information) and social services.

Payments towards capital projects and other "non departmental" expenditure items are managed centrally by the Finance Department.

In addition, the Government has in the past provided significant financial support to important local companies. For example, in 2019 there was a transfer of government-guaranteed debt from a real estate developer to the Government's balance sheet which contributed to an increase in the Government's debt burden. Also, in December 2018, the Government offered to support the capital requirements of Invest Bank P.S.C. ("Invest Bank") with an injection of AED 1,115 million in exchange for a 50.07 per cent. stake in the bank. The proposal included a commitment to underwrite a subsequent rights issue by Invest Bank with up to AED 785 million, should the bank require further capital. The proposal was subsequently accepted by all parties and the initial injection was made in April 2019, giving the Government of Sharjah a 50.07 stake in Invest Bank. The second phase of capital support was completed in December 2023 and consisted of the Government participating *pro rata* in and underwriting the remaining portion of an issuance of new shares, and the Government issuing a guarantee of up to AED 3.0 billion against final write-offs of legacy assets over a five-year period, with the annual claims capped at AED 800 million. Following the new share issuance, the Government became the 88.11 per cent. majority shareholder in Invest Bank. Invest Bank used the proceeds of the share issuance to pay a one-off upfront fee of AED 2.6 billion to the Government in respect of the guarantee. While the 2024 budget and the projections for years 2025 to 2027 in the Fiscal Plan reflect a balanced forecast of the annual cost of the Invest Bank guarantee to the Government, there is a risk that the actual calls on the guarantee could be higher. In addition, the Government may face pressure to provide further financial support to Invest Bank in the future if the second phase of capital support does not fully meet Invest Bank's capital requirements. The Government has budgeted AED 240 million in expenditures for 2024 in relation to this capital support.

In June 2023, the Government injected AED 800 million capital into BoS, in which it was already the largest shareholder (through Sharjah Asset Management), holding 17.16 per cent. of outstanding shares, through subscribing to the issuance of new shares as a single strategic investor, thereby increasing its shareholding to 39.25 per cent. The new share issuance is designed to enhance the bank's financial position and foster future growth, by expanding total capital to AED 3 billion.

### Overall Budget Position

The Government has incurred budget deficits in recent years to support its spending priorities, including capital investment, public service provision and social security.

### Government of Sharjah overall budget 2019 – 2024

	For the year ended 31 December					
	2019	2020	2021	2022	2023	2024 <sup>(b)</sup>
	<i>(AED millions)</i>					
Expenditure.....	(17,602)	(16,490)	(19,630)	(19,666)	(23,170)	(23,052)
Revenue .....	11,523	8,705	8,912	10,957	14,436	14,642
Deficit .....	(6,079)	(7,785)	(10,719)	(8,709)	(8,734)	(8,410)

<sup>(b)</sup> Budgeted and does not reflect actual results.

### Government Assets and Investments

#### Government Assets – Cash and Fixed Assets

The Government does not generally hold very large amounts of cash and from time to time uses short-term working capital facilities to balance cash flow. The Government held cash and cash equivalents of AED 5,411 million as at 31 December 2023, AED 2,343 million as at 31 December 2022 and AED 3,765 million as at 31 December 2021.

The Government holds a very large stock of fixed assets, although no comprehensive valuation is available. All unallocated land in the Emirate is *de facto* the property of the Government. The Government also owns land and buildings used for government activities and public services.

#### Government Investments

In addition to its ownership of decentralised departments and independent authorities, the Government has minority shareholdings in a number of private sector businesses. The table below shows the principal listed commercial enterprises in which the Government directly held a shareholding as at 31 December 2023,

showing a total asset value of AED 6.5 billion. These are generally strategic investments which the Government intends to hold over the medium to long term because of their importance to the Emirate's development. No material change to this portfolio mix has occurred as at the date of this Supplement.

The Government's holdings in listed companies through SAM and SSSF and the value thereof as at 31 December 2023 was as follows (not including the Government's shares in Invest Bank, which is not currently trading):

Company Name	Market Capitalisation <i>(AED millions)</i>	Sharjah Asset Management Company		SSSF		Combined Shareholding <i>(per cent.)</i>	Combined Value <i>(AED millions)</i>
		Shareholding	Value	Shareholding	Value		
		<i>(per cent.)</i>	<i>(AED millions)</i>	<i>(per cent.)</i>	<i>(AED millions)</i>		
Air Arabia.....	13,160	19.01	2,502	-	-	19.01	2,502
Bank of Sharjah Limited .....	1,965	39.25	771	-	-	39.25	771
Sharjah Islamic Bank..	7,863	28.46	2,237	9.09	715	37.55	2,952
Sharjah Cement and Industrial Development Company .....	360	16.02	58	9.09	33	25.11	90
Dana Gas .....	5,540	3.47	192	-	-	3.47	192
<b>Total Market Value of Listed Shares ....</b>	<b>28,889</b>	<b>-</b>	<b>5,760</b>	<b>-</b>	<b>748</b>	<b>-</b>	<b>6,507</b>

### Relationship with the Federal Government

There were no fiscal flows between the Government and the Federal Government in the years 2017-2023, although in 2020 the Federal Government subsequently took responsibility for collecting Value Added Tax and in 2019 began distributing to each emirate the relevant share of proceeds. Despite a lack of financial flows, the Emirate benefits significantly from a range of public services provided at the federal level including:

- basic education for UAE nationals;
- healthcare for UAE nationals;
- defence and foreign policy;
- certain UAE-wide police and civil defence initiatives; and
- postal services.

In addition, the Federal Government maintains a large public works programme, which covers, in particular, infrastructure and housing.

In 2023, total expenditures by the Federal Government amounted to AED 58,214 million compared to AED 53,938 million in 2022. Federal Government expenditure was budgeted for 2024 at AED 64,060 million.

## 7. AMENDMENTS TO INDEBTEDNESS

On page 154 of the Base Offering Circular, the entirety of the section headed "The Economy of Sharjah" shall be deemed deleted and replaced with the following:

The Government has adopted a centralised debt policy, administered by the Debt Management Office, which is a division of the Sharjah Finance Department. The Government's DMO directly manages the borrowing of the Government. For decentralised departments and independent authorities, the DMO plays a role in coordinating all borrowing activity, advising entities on how to structure transactions and approach the market, and supporting them in commercial negotiations and the completion of legal processes. Any borrowing from these entities must be approved in advance by the DMO.

### Government Debt

The table below sets out the details of the Government's outstanding debt as at 31 December in each of the years indicated.

	For the year ended 31 December					
	2018	2019	2020*	2021	2022	2023**
Gross Debt (AED millions) .....	24,742	33,319	42,330	55,451	62,553	75,087
Gross Debt/GDP (per cent.).....	20.0	26.6	34.0	42.6	45.7	51.7
Net Debt <sup>(1)</sup> (AED millions).....	22,214	30,908	40,979	51,686	60,209	69,699
Net Debt <sup>(1)</sup> /GDP (per cent.) .....	17.9	24.7	32.9	39.7	44.0	48.0

<sup>(1)</sup> Net Debt is equivalent to Gross Debt minus holdings of cash and cash equivalents.

\* 2020 data restated to include Mubadara in Government sector on a consolidated basis.

\*\* Preliminary data subject to revision.

The Government's gross debt and net debt as at 31 December 2023 were AED 75,087 million and AED 69,699 million, respectively. Net debt increased by AED 9,490 million since 31 December 2022, reflecting the budget deficit financing requirement.

The Government's gross debt as at 31 December 2022 was AED 62,552 million, and the Government's net debt as at 31 December 2022 was AED 60,209 million. The increase in net debt of AED 8,523 million as compared to 31 December 2021 was lower than the approved 2022 budget, which forecast an increase of AED 9,169 million.

Of the Government's total outstanding indebtedness of AED 75,087 million as at 31 December 2023, 80 per cent. was denominated in U.S. Dollar and 20 per cent. was denominated in AED, after taking account of hedging arrangements. Of the total outstanding indebtedness as at 31 December 2023, 46 per cent. was subject to floating interest rates, varying at regular intervals (mainly on a quarterly basis) according to certain market benchmarks, and 54 per cent. was subject to fixed interest rates until maturity.

- 9 per cent. of the Government's debt comprised borrowings from Sharjah-based banks;
- 18 per cent. of the Government's debt comprised borrowings from other UAE-based banks;
- 15 per cent. of the Government's debt comprised borrowings from other GCC-based banks;
- 6 per cent. of the Government's debt comprised borrowings from international banks; and
- 52 per cent. of the Government's debt comprised indebtedness due under the public debt issuances.

The Government has undertaken 14 public sukuk and conventional bond issuances denominated in U.S. Dollar:

- U.S.\$750,000,000 3.764 per cent. trust certificates issued in 2014 by Sharjah Sukuk Limited due September 2024;
- U.S.\$500,000,000 3.839 per cent. trust certificates issued in 2016 by Sharjah Sukuk (2) Limited due 2021 (redeemed);

- U.S.\$1,000,000,000 4.226 per cent. trust certificates issued in 2018 by Sharjah Sukuk Programme Limited under the Trust Certificate Issuance Programme, which was subsequently increased to U.S.\$1,200,000,000 through a tap of the issuance in 2018 due 2028;
- U.S.\$1,000,000,000 3.854 per cent. trust certificates issued in 2019 by Sharjah Sukuk Programme Limited under the Trust Certificate Issuance Programme due 2026;
- U.S.\$750,000,000 3.234 per cent. trust certificates issued in 2019 by Sharjah Sukuk Programme Limited under the Trust Certificate Issuance Programme due 2029, which was subsequently increased to U.S.\$1,000,000,000 through a tap of the issuance in 2020;
- U.S.\$1,000,000,000 2.942 per cent. trust certificates issued in 2020 by Sharjah Sukuk Programme Limited under the Trust Certificate Issuance Programme due 2027;
- U.S.\$1,000,000,000 4.00 per cent. notes issued in 2020 under the Programme due 2050;
- U.S.\$750,000,000 3.625 per cent. notes issued in 2021 under the Programme due 2033;
- U.S.\$500,000,000 4.375 per cent. notes issued in 2021 under the Programme due 2051;
- U.S.\$750,000,000 3.886 per cent. trust certificates issued in 2021 by Sharjah Sukuk Programme Limited under the Trust Certificate Issuance Programme due 2030;
- U.S.\$750,000,000 3.200 per cent. trust certificates issued in 2021 by Sharjah Sukuk Programme Limited under the Trust Certificate Issuance Programme due 2031;
- U.S.\$1,000,000,000 6.500 per cent. notes issued in 2023 under the Programme due 2032;
- U.S.\$750,000,000 6.092 per cent. trust certificates issued in 2023 by Sharjah Sukuk Programme Limited under the Trust Certificate Issuance Programme due 2034, which was subsequently increased to U.S.\$900,000,000 through a subsequent tap of the issuance in 2023; and
- U.S.\$750,000,000 6.125 per cent. notes issued in 2024 under the Programme due 2036, which was subsequently increased to U.S.\$1,000,000,000 through two subsequent taps of the issuance in 2024.

On 3 July 2024, the Government priced AED 1,000,000,000 5.500 per cent. trust certificates due 2029 by way of an AED auction under the Trust Certificate Issuance Programme. On 2 February 2018, the Government conducted an RMB 2,000,000,000 issuance under its onshore "panda bond" programme in the People's Republic of China. The proceeds of the issuance and ongoing coupon payment liabilities were swapped into AED. The bond was redeemed at its planned maturity date.

The maturity profile of the indebtedness outstanding on 31 December 2023 is as set out in the table below and does not include any issuances or redemptions completed in 2024.

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>After 2033</u>
Principal payments ( <i>in AED millions</i> ).....	10,295	9,378	11,005	10,014	7,563	4,802	3,289	2,764	3,673	2,755	9,549

The Government has no record of default on its indebtedness, current or past.

### **Wider Public Sector Debt**

The table below sets out the details of the outstanding debt of GREs as at 31 December 2023.<sup>2</sup>

	<u>Gross Debt Outstanding</u>	<u>Net Debt<sup>(1)</sup></u>
	<i>(AED millions)</i>	
SEWA .....	13,684	13,229
Sharjah Asset Management .....	2,664	2,469
Shurooq .....	1,758	1,709
Bee'ah .....	1,227	1,435
Seaport Authority .....	392	116

	<u>Gross Debt Outstanding</u>	<u>Net Debt<sup>(1)</sup></u>
	<i>(AED millions)</i>	
Sharjah Airport Authority .....	210	85
Hamriyah Free Zone Authority .....	38	(169)
SAIF Zone.....	38	(116)
Others	756	(1,094)
<b>Total.....</b>	<b>20,765</b>	<b>17,664</b>

<sup>(1)</sup> Net Debt is equivalent to Gross Debt minus holdings of cash and cash equivalents.

Source: Finance Department

The Government does not provide blanket guarantees for the borrowing of any decentralised department or independent authority. However, the Government has guaranteed a number of individual transactions in order to help an entity to obtain the most favourable commercial terms. Requests for such guarantees are appraised by the DMO on a case-by-case basis, taking risk, pricing and strategic importance into consideration.

As at 31 December 2023, the total debt guaranteed by the Government was AED 372 million for the AUS research programme and Sharjah Research, Technology and Innovation Park Free Zone. The Government has also provided payment shortfall undertakings in respect of AED 1,863 million in borrowings by Shurooq, the University of Sharjah and Sharjah Asset Management, including a new payment shortfall undertaking for an AED 600 million facility provided to Sharjah Asset Management in 2023. There were no calls in 2023 on guarantees granted by the Government.

### Total Public Sector Debts

The table below sets out the details of the total public sector outstanding debt, including the Government and GREs as at 31 December in each of the years indicated below.

	<u>2018</u>	<u>2019</u>	<u>2020*</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Public Sector Gross Debt (AED millions) .....	35,605	46,062	57,686	72,869	81,938	95,852
Public Sector Gross Debt/GDP (per cent.).....	28.7	36.8	46.3	56.0	59.9	66.0
Public Sector Net Debt <sup>(1)</sup> (AED millions).....	31,053	41,652	53,937	65,840	75,124	87,363
Public Sector Net Debt <sup>(1)</sup> /GDP (per cent.).....	25.1	33.3	43.3	50.6	54.9	60.2

<sup>(1)</sup> Net Debt is equivalent to Gross Debt minus holdings of cash and cash equivalents.

\* 2020 data restated to include Mubadara in Government sector on a consolidated basis.

Public sector net debt was AED 87.4 billion or 60.2 per cent. of GDP in 2023, AED 75.1 billion in 2022 or 54.9 per cent. of GDP in 2022, AED 65.8 billion or 50.6 per cent. of GDP in 2021, AED 53.9 billion or 43.3 per cent. of GDP in 2020, AED 41.7 billion or 33.3 per cent. of GDP in 2019, and AED 31.1 billion or 25.1 per cent. of GDP in 2018.

### No Significant Change

There has been no significant change in the financial performance or financial position of the Issuer and there has been no significant change in tax and budgetary systems, foreign exchange reserves, gross public debt and income and expenditure figures of the Issuer, in each case, since 31 December 2023.