

Bank of Sharjah P.J.S.C

Bank of Sharjah P.J.S.C (“the Bank” “The Group”) today announced the reviewed results of the period ended 31 March 2021. The following Management Discussion and Analysis includes financial results for the Group.

2020 was marked by COVID 19 and other significant development that impacted markets where the Group operates. Despite all challenging environments, the Group’s UAE operations demonstrated resilient performance underpinned by the robust fundamentals of the Bank.

The Group’s balance sheet remains strong, with total assets standing at AED 37.09 billion (31 December 2020: AED 36.14 billion) reflecting an increase of 3% and Total Equity of AED 3.32 billion (31 December 2020: AED 3.17 billion) reflecting an increase of 5%.

The Group continues to enjoy a high asset quality and other robust metrics that remain healthy as a result of strict adherence to maintaining a disciplined and focused approach to lending, recovery and funding. The Group continues to also enjoy comfortable liquidity and a solid capital position with a customer deposit base of AED 24.05 billion (31 December 2020: AED 23.67 billion) reflecting an increase of 2% for the period, with a loans-to-deposits ratio of 83% (31 December 2020: 82%) and a cost-to-income ratio of 48% (31 March 2020: 69%).

The Group’s operations in Lebanon, through its subsidiary Emirates Lebanon Bank SAL (“ELBank”), continued to witness unprecedented events stemming from political and economic turmoil, since 17 October 2019. The Group has complied with Banque du Liban (“BDL”) Circular No. 13129, dated 4 November 2019, calling for the increase by 20% of the equity of Lebanese banks prior to 30 June 2020. It is important to stress that the operating income before impairments and application of hyper inflationary accounting standards of ELBank remains in line with last year’s comparable results.

The International Monetary Fund (IMF) published in December 2020 the inflation forecasts. Whereby, the Lebanese economy is considered a hyperinflationary for the purposes of applying IAS 29 and for the retranslation of foreign operations in accordance with IAS 21 and its effects on the condensed consolidated interim financial statements for the period ending 31 March 2021.



Management Discussion & Analysis Report
for the period ended 31 March 2021

Accordingly, the financial statements of Emirates Lebanon Bank SAL have been restated by applying a general price index to the historical cost, in order to reflect the changes in the purchasing power of the LBP, on the closing date of the financial statements. The non-monetary items of the balance sheet, income statement, statement of other comprehensive income and statement of cash flows of Emirates Lebanon Bank SAL, have been adjusted for inflation and re-expressed in accordance with the variation of the consumer price index ('CPI'). The re-expression of non-monetary items is made from the date of initial recognition in the statements of financial position and considering that the financial statements are prepared under the historical cost criterion. The consumer price index at the beginning of the reporting period was 284.04 and closed at 330.97.

The net effect of hyperinflation on the Consolidated Equity for the period ended 31 March 2021 was positive and amounted to AED 54 million, representing the difference between AED 211 million negative variation on the P&L figures and AED 265 million positive variation on total equity. This has pushed the Net equity of the Group by AED 54 million to AED 3,317 million as at 31 March 2021 versus AED 3,165 million as at 31 December 2020.

The Consolidated Net Profit of the Group prior to hyperinflation reached AED 89 million.

Upon application of AED 211 million as Hyperinflation effect the Group recognized a Net Loss of AED 122 million and a Total Comprehensive Loss of AED 111 million versus a positive equity component of AED 265 million.

Sheikh Mohammed Bin Saud Al Qasimi, Chairman of Bank of Sharjah, stated that despite Covid-19 the Bank performed exceptionally well and delivered positive and eloquent results that under hyperinflation accounting moved from P&L directly to equity. From Board of Directors' perspective protecting shareholders equity is the most important responsibility.

Financial Highlights

- Total Assets at AED 37,088 million, up by 3% compared to 31 December 2020
- Total Equity at AED 3,316 million, up by 5% compared to 31 December 2020
- Net Loans and Advances at AED 19,879 million, up by 2% compared to 31 December 2020
- Total Customers' Deposits at AED 24,055 million, up by 2% compared to 31 December 2020
- Operating Income of AED 180 million, compared AED 92 million for the same period of 2020
- Net Profit before hyperinflation of AED 89 million, compared to a loss of 163 for the same period of 2020
- Net Loss after hyperinflation of AED 122 million, compared to a loss of AED 163 million for the same period of 2020
- Return on Assets at (1.32%) and Return on Equity at (14.73%)
- Loans and Advances to Deposits Ratio at 82.64%
- Non-Performing Loans ratio (Net) at 9.05%
- Capital adequacy ratio at 10.56%
- Tier 1 capital ratio at 9.38%



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for the period ended 31 March 2021*

Income Statement Highlights

(AED Mn)	Mar'21 After hyperinflation	Mar'21 Before hyperinflation	Mar'20 Hyperinflation Not Adopted
Net Interest Income	113	110	102
Non-Interest Income	67	67	(10)
Operating Income	180	177	92
Net Impairment loss on Financial Assets	110	118	(184)
Net (Loss)/Profit for the period	(122)	89	(163)
Total Comprehensive (Loss)/Profit for the period	(111)	100	(113)
(Losses)/Profit per Share – fils	(5.81)	4.24	(7.75)

Balance Sheet Highlights

(AED Mn)	Mar'21 After hyperinflation	Dec'20 After hyperinflation	Mar'21 Before hyperinflation	Dec'20 Before hyperinflation
Total Assets	37,088	36,143	36,746	35,866
Loans and Advances	19,879	19,456	19,879	19,456
Customers' Deposits	24,055	23,673	24,055	23,673
Total Equity	3,317	3,165	3,026	2,929
Commitments and Contingent Liabilities	4,936	5,404	4,936	5,404

Key Ratios Highlights

	Mar'21 After hyperinflation	Dec'20 After hyperinflation	Mar'21 Before hyperinflation	Dec'20 Before hyperinflation
Return on Assets	(1.32%)	(1.84%)	0.97%	(0.07%)
Return on Equity	(14.73%)	(21.05%)	11.73%	(0.82%)
Net Interest margin	1.50%	1.93%	1.46%	1.60%
Cost to Income	47.79%	61.16%	43.18%	60.31%
Non-Performing loans Ratio (Gross)	13.38%	12.68%	13.38%	12.68%
Impaired Loan Coverage Ratio	67.90%	71.65%	67.90%	71.65%
Loans and Advances to Deposits Ratio	82.64%	82.19%	82.64%	82.19%
Capital adequacy ratio	10.56%	10.71%	10.56%	10.71%
Tier 1 capital ratio	9.38%	9.52%	9.38%	9.52%
