

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 30 September 2023. The following Management Discussion and Analysis includes financial results for the Group.

The Bank's Board of Directors approved the implementation of de-linking Emirates Lebanon Bank SAL from Bank of Sharjah Group to take effect from 1st April 2023 onwards. This is in line with the Central Bank of the UAE recommendations to reflect the actual financial performance without any distortions arising from accounting anomalies. These anomalies were related to the consolidation of the Lebanese subsidiary, impacted by hyperinflationary environment and foreign currency exchange rate volatility in Lebanon.

All assets and liabilities of the Lebanese subsidiary are now classified as held for sale. Consequently, they are measured at the lower of carrying amount or fair value less costs to sell. As a result, a one-off impairment loss amounting to AED 199 million has been recognized in the condensed consolidated interim statement of profit or loss for the nine-month period ended 30 September 2023. Excluding this one-off impairment loss, the net profit would have been AED 77 million.

| (AED Mn) | For the nine-month ended Sep'23 | For the nine-month ended Sep'22 |
|---|------------------------------------|------------------------------------|
| Net Interest Income | 172 | 287 |
| Non-Interest Income | 152 | 173 |
| Operating Income | 324 | 460 |
| Net Impairment reversal/(loss) on Financial Assets | 2 | (214) |
| General and administrative expenses | (249) | (207) |
| Hyperinflation impact from a subsidiary | - | (321) |
| Net profit/(loss) before one-off impairment loss (due to de-linking) | 77 | (282) |
| Net impairment charge on assets held for sale (due to de-linking) | (199) | - |
| Net Loss for the period | (122) | (282) |

| (AED Mn) | Sep'23 | Dec'22 |
|--|--------|--------|
| Total Assets | 38,448 | 37,402 |
| Loans and Advances | 22,080 | 21,623 |
| Customers' Deposits | 25,546 | 25,281 |
| Total Equity | 3,692 | 1,494 |
| Commitments and Contingent Liabilities | 2,534 | 3,128 |

| | Sep'23 | Dec'22 |
|--|--------|---------|
| Non-Performing Loans Ratio (Net of ECL & Collateral) | 3.37% | 1.81% |
| Non-Performing loans Coverage Ratio | 95.83% | 136.21% |
| Loans and Advances to Deposits Ratio | 86.43% | 85.53% |
| Capital Adequacy Ratio | 15.20% | 11.51% |
| Tier 1 Capital Ratio | 14.02% | 10.33% |

The Group's robust metrics are the result of strict adherence to maintaining a disciplined and focused approach to lending, recovery and funding. In this regard, The Group has demonstrated comfortable liquidity and solid capital position with a customer deposit base of AED 25.5 billion (31 December 2022: AED 25.3 billion), a loans-to-deposits ratio of 86.43% (31 December 2022: 85.53%), and strong capitalization with Regulatory Capital Adequacy Ratio significantly improving to 15.20% (31 December 2022: 11.51%) and Regulatory Tier 1 Capital Ratio sharply increasing to 14.02% (31 December 2022: 10.33%) as a result of the AED 800 million fresh capital injection that occurred at end of June 2023.

Sheikh Mohammed Bin Saud Al Qasimi, Chairman of Bank of Sharjah, commented: "During the first nine months of 2023, Bank of Sharjah witnessed a number of major positive developments. In March, the Bank successfully completed a USD 500 million bond issuance at competitive terms, which strengthened the Bank's overall liquidity position as well as diversified its long-term funding. This was followed by an increase of the Bank's capital by an amount of AED 800 million in June by the Government of Sharjah, raising its stake to just under 40%, thereby reflecting its strong support. This places the Bank on a very solid footing to implement its ambitious and transformational growth strategy. Additionally, the Bank implemented the de-linking of its Lebanese subsidiary, Emirates Lebanon Bank, from Bank of Sharjah Group. This will improve the transparency of the Bank's actual operating performance without distortions attributed to the hyperinflation standard. Finally, the Bank is progressing well in its strategy to diversify its customers' portfolio and playing a vital role in supporting the local economy."



Mohamed Khadiri
Chief Executive Officer