

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 2021. The following Management Discussion and Analysis includes financial results for the Group.

Since 2020, COVID 19 and other significant development 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 38.50 billion (31 December 2020: AED 36.14 billion) reflecting an increase of 7% and Total Equity of AED 3.77 billion (31 December 2020: AED 3.16 billion) reflecting an increase of 19%.

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 25.17 billion (31 December 2020: AED 23.67 billion) reflecting an increase of 6% for the period, with a loans-to-deposits ratio of 81% (31 December 2020: 82%) and a cost-to-income ratio of 50% (30 September 2020: 29%).

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 30 September 2021.


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Public Shareholding Company Incorporated in Sharjah by Amiri Decree dated 22 Dec. 1973
Commercial Registration Number 1130 Sharjah - U.A.E.

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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 613.96.

The net effect of hyperinflation on the Consolidated Equity for the period ended 30 September 2021 was positive and amounted to AED 391 million, representing the difference between AED 1,475 million negative variation on the P&L figures and AED 1,866 million positive variation on total equity.

The Consolidated Net Profit of the Group prior to hyperinflation reached AED 175 million.

Upon application of AED 1,475 million as Hyperinflation effect the Group recognized a Net Loss of AED 1,300 million and a Total Comprehensive Loss of AED 1,252 million versus a positive equity component of AED 1,866 million.

30/09/2021			
	Before Hyperinflation AED'000 (unaudited)	Hyperinflation impact AED'000 (unaudited)	After Hyperinflation AED'000 (unaudited)
Net profit/ (loss)	175,058	(1,475,438)	(1,300,380)
Total comprehensive profit/ (loss)	223,759	(1,475,438)	(1,251,679)
Accumulated Hyperinflation effect on equity - 31.12.2020		236,269	
Hyperinflation effect on equity - 9 months 2021		1,865,977	
Equity	3,140,926	626,808	3,767,734
31/12/2020			
	Before Hyperinflation AED'000 (audited)	Hyperinflation impact AED'000 (audited)	After Hyperinflation AED'000 (audited)
Net loss	(23,891)	(642,505)	(666,396)
Total comprehensive loss	(81,737)	(642,505)	(724,242)
Hyperinflation effect on equity - 12 months 2020		878,774	
Equity	2,929,148	236,269	3,165,417

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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 38,499 million, up by 7% compared to 31 December 2020
- Total Equity at AED 3,768 million, up by 19% compared to 31 December 2020
- Net Loans and Advances at AED 20,329 million, up by 4% compared to 31 December 2020
- Total Customers' Deposits at AED 25,170 million, up by 6% compared to 31 December 2020
- Operating Income of AED 665 million, compared AED 757 million for the same period of 2020 (hyperinflation not adopted)
- Net Profit before hyperinflation of AED 175 million, compared to AED 128 million for the same period of 2020 (hyperinflation not adopted)
- Net Loss after hyperinflation of AED 1,300 million, compared to a profit of AED 128 million for the same period of 2020 (hyperinflation not adopted)
- Loans and Advances to Deposits Ratio at 80.77%
- Non-Performing Loans ratio (Net of expected credit loss and collateral) at 3.98%
- Capital adequacy ratio at 10.81%
- Tier 1 capital ratio at 9.62%

Income Statement Highlights

(AED Mn)	Sep'21 After hyperinflation	Sep'21 Before hyperinflation	Sep'20 Hyperinflation Not Adopted
Net Interest Income	413	341	290
Non-Interest Income	252	241	467
Operating Income	665	582	757
Net Impairment loss on Financial Assets	(87)	(133)	(390)
Net (Loss)/Profit for the period	(1,300)	175	128
Total Comprehensive (Loss)/Profit for the period	(1,252)	224	146
(Losses)/Profit per Share – fils	(59.09)	7.98	6.15



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Balance Sheet Highlights

(AED Mn)	Sep'21 After hyperinflation	Dec'20 After hyperinflation	Sep'21 Before hyperinflation	Dec'20 Before hyperinflation
Total Assets	38,499	36,143	37,762	35,866
Loans and Advances	20,329	19,456	20,329	19,456
Customers' Deposits	25,170	23,673	25,170	23,673
Total Equity	3,768	3,165	3,141	2,929
Commitments and Contingent Liabilities	4,547	5,404	4,547	5,404

Key Ratios Highlights

	Sep'21 After hyperinflation	Dec'20 After hyperinflation	Sep'21 Before hyperinflation	Dec'20 Before hyperinflation
Return on Assets	(4.50%)	(1.84%)	0.62%	(0.07%)
Return on Equity	(46.02%)	(21.05%)	7.43%	(0.82%)
Net Interest margin	1.78%	1.93%	1.47%	1.60%
Cost to Income	49.78%	61.16%	43.55%	60.31%
Non-Performing loans Ratio (Gross)	14.34%	12.68%	14.34%	12.68%
Non-Performing loans Coverage Ratio	64.50%	71.65%	64.50%	71.65%
Loans and Advances to Deposits Ratio	80.77%	82.19%	80.77%	82.19%
Capital adequacy ratio	10.81%	10.71%	10.81%	10.71%
Tier 1 capital ratio	9.62%	9.52%	9.62%	9.52%
