

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 2022. The following Management Discussion and Analysis includes financial results for the Group.

Income Statement Highlights

Before IAS 29 & IAS 21

(AED Mn)	Sep'22		Sep'21
Net Interest Income	379		341
Non-Interest Income	194		241
Operating Income	573	-2%	582
Net Impairment loss on Financial Assets	(221)		(133)
General and administrative expenses	(258)	+2%	(253)
Net Profit for the period	85		175
Total Comprehensive Profit for the period	73		224
Profit per Share – fils	3.87		7.98

Balance Sheet Highlights

Before IAS 29 & IAS 21

(AED Mn)	Sep'22		Dec'21
Total Assets	37,393	-2%	38,270
Loans and Advances	22,340	+0%	22,398
Customers' Deposits	26,038	-2%	26,492
Total Equity	3,275	+2%	3,202
Commitments and Contingent Liabilities	2,824		3,849

Key Ratios Highlights

Before IAS 29 & IAS 21

	Sep'22	Dec'21
Return on Assets	0.30%	0.59%
Return on Equity	3.45%	7.02%
Net Interest margin	1.54%	1.30%
Cost to Income	45.24%	42.20%
Non-Performing loans Ratio (Gross)*	7.91%	7.03%
Non-Performing loans Coverage Ratio	121.71%	129.11%
Loans and Advances to Deposits Ratio	85.80%	84.55%
Capital adequacy ratio	11.42%	10.79%
Tier 1 capital ratio	10.23%	9.62%

* Non-Performing Loans ratio (Net of expected credit loss and collateral) at 1.53%

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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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Management Discussion & Analysis Report
for the period ended 30 September 2022

It is important to stress that the Lebanese financial crisis is unique compared to other global crises. The application of IAS 29 in 2020 triggered unconceivable losses at the P&L level, while compensated by an upsurge in Equity value. However, the unheard-of interpretation and application of IAS 21 in 2021, with each USD converted to 5.1 cents, contributed to an **unrealistic and unnecessary accounting anomaly** and material misrepresentation of the financial statements. In such circumstance, IAS 1 should have overruled these two standards, as in rare circumstances as discussed above, the Board may conclude that compliance with an IFRS requirement would be so misleading that it would conflict with the objective of financial statements set out in the Framework. With the soon to be implemented new peg of 15,000 Lebanese Lira to the USD, the Equity figures as at 30 September 2022 would have stood higher by 81% at AED 2.6 Billion instead of AED 1.4 Billion.

Income Statement Highlights

After IAS 29 & IAS 21

(AED Mn)	Sep'22	Sep'21
Net Interest Income	287	413
Non-Interest Income	173	252
Operating Income	460	665
Net Impairment loss on Financial Assets	(214)	(87)
General and administrative expenses	(206)	(324)
Net Loss for the period	(282)	(1,300)
Total Comprehensive Loss for the period	(66)	(1,252)
Loss per Share – fils	(12.79)	(59.09)

Balance Sheet Highlights

After IAS 29 & IAS 21

(AED Mn)	Sep'22	Dec'21
Total Assets	32,926	33,562
Loans and Advances	21,374	21,314
Customers' Deposits	23,595	23,757
Total Equity	1,420	1,411
Commitments and Contingent Liabilities	2,490	3,555

Key Ratios Highlights

After IAS 29 & IAS 21

	Sep'22	Dec'21
Return on Assets	(1.14%)	0.13%
Return on Equity	(26.44%)	3.00%
Net Interest margin	1.34%	1.04%
Cost to Income	44.93%	43.13%
Non-Performing loans Ratio (Gross)	7.32%	6.51%
Non-Performing loans Coverage Ratio	124.03%	132.13%
Loans and Advances to Deposits Ratio	90.59%	89.72%
Capital adequacy ratio	11.42%	10.79%
Tier 1 capital ratio	10.23%	9.62%



The discussion and Analysis below are based on figures after application of IAS 29 and IAS 21

The Group continues to enjoy 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 demonstrate comfortable liquidity and a solid capital position with a customer deposit base of AED 23.6 billion (31 December 2021: AED 23.8 billion), a loans-to-deposits ratio of 90.59% (31 December 2021: 89.72%), and a cost-to-income ratio of 44.93% (31 December 2021: 43.13%).

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 ongoing 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) publishes inflation forecasts. Applying the October 2020 IMF information and the indicators laid out in IAS 29, the Lebanese economy continued to be considered a hyperinflationary economy for the purposes of applying the above standard. Accordingly, the Group continued end 2021 with the adoption of IAS 29 on its consolidated financial statements. Furthermore, as a result of the effect of changes in Foreign Exchange Rates, the Group began end 2021 adopting IAS 21 on its consolidated financial statements.

In line with IAS 29, the financial statements of Emirates Lebanon Bank SAL have been restated by applying the general price index of the reporting date to the comparative amounts, 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 statement of financial position as well as the income statement, statement of other comprehensive income and statement of cash flows for the current year of Emirates Lebanon Bank SAL, have been adjusted for inflation and re-expressed in accordance with the variation of the consumer price index ("CPI"), at the presentation date of its financial statements. The consumer price index at the beginning of the reporting period was 921.40 and closed at 1,611.43.

The negative effect on the net monetary position which has been derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income is recognised in the consolidated statement of profit or loss. During the period ended 30 September 2022, the result on the net monetary position for Emirates Lebanon Bank SAL was AED 321 million (30 September 2021: AED 1,491 million).

The application of IAS 21 on the USD denominated Assets and Liabilities of our Lebanese subsidiary, by multiplying One US Dollar with the peg rate of 1507.50 and dividing the result by the Sayrafa rate of 29,800, has rendered the USD equal to 5.1 cents. **This result will be immediately corrected once the peg is removed**, a requirement from IMF within their proposed financial support.



Management Discussion & Analysis Report
for the period ended 30 September 2022

Given these factors, it may be difficult for the users of the financial statements (which include the Board, Management, Regulators, Investors, Rating Agencies, etc.) to understand the performance of the Group apart from the effect of its Subsidiary in Lebanon.

Net profit for the period ended 30 September 2022 amounted to AED 85 million (30 September 2021: AED 175 million), and after applying IAS 29 and IAS 21, the reported Net Loss amounted to AED 282 million (30 September 2021: AED 1,300 million).

Total comprehensive income for the period ended 30 September 2022 amounted to AED 73 million (30 September 2021: AED 224 million), and after applying IAS 29 and IAS 21, the reported total comprehensive loss amounted to AED 66 million (30 September 2021: AED 1,252 million).

Total equity as at 30 September 2022 amounted to AED 3,275 million (31 December 2021: AED 3,202 million), and after applying IAS 29 and IAS 21, the reported total equity amounted to AED 1,420 million (31 December 2021: AED 1,411 million). Had the Sayrafa rate of 29,800 USD/LBP been applied only on the LBP components of the balance sheet and profit or loss statement, **the equity would have stood at AED 3,830 million instead of AED 1,420 million.**

In line with our statements above, during the month of September 2022 the Government of Lebanon announced the forthcoming change of the official peg from US Dollar 1,507.50 to 15,000. Had the value of 15,000 been retained the Condensed consolidated Balance sheet of the Group would have reflected the following salient figures:

(AED Mn)	Sep'22 After IAS 29 & IAS 21 @ 15,000 LBP/USD	Sep'22 After IAS 29 & IAS 21 @1507.5 LBP/USD
Total Assets	35,159	32,926
Total Liabilities	32,589	31,506
Total Equity	2,570	1,420
Cash and Central banks	3,978	2,627
Loans and Advances	21,791	21,374
Customers' deposits	24,602	23,595

Sheikh Mohammed Bin Saud Al Qasimi, Chairman of Bank of Sharjah: "Bank of Sharjah's UAE operations are continuing as per budget, and no income is being considered from the Lebanese operations for the moment. Since its inception, Bank of Sharjah has been one of the driving forces behind the economic growth of the Emirate of Sharjah through its commitment to ESG principles. As we continue our support for environmental and governance initiatives, we are helping to build a larger and stronger community in line with the Bank's overarching sustainability mission. We continue to partner with various entities such as Sharjah City for Humanitarian Services (SCHS), the Al Noor Rehabilitation & Welfare Association for People of Determination, the Ministry of Interior's Saeed Association, and others. This is in line with the Bank's commitment to enable green transformation through the positive leverage of sustainable financing. We look forward to promoting and channelling this commitment, amplifying the positive impact and bringing it closer to our customers and shareholders."