Chairman's Speech to the General Assembly No.48, 3 June 2021

Dear Valued Shareholders,

On behalf of the Board of Directors of Bank of Sharjah, I would like to welcome you all to the 48th General Assembly which this year is unfortunately being held remotely due to the Covid-19 preventive measures.

In spite of the exceptional circumstances we are going through at national and global levels, allow me to convey to you our profound appreciation for your sustained support and confidence, which as always remains the key inspiration to overcome all challenges.

I take this opportunity to extend on your behalf and on behalf of the Directors, our sincere appreciation and respect to H.H. Sheikh Khalifa bin Zayed Al Nahyan, UAE President and Ruler of Abu Dhabi, H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President Prime Minister & Ruler of Dubai, & H.H. Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, Deputy Supreme Commander of the Armed Forces, H.H. Dr. Sheikh Sultan bin Mohammed Al Qasimi, Ruler of Sharjah, & Their Highnesses the Rulers Members of the Supreme Council, for their wisdom in leading our country to safety in light of these unusual circumstances.

It felt as though the year 2020 flipped the world we know upside down. The Covid-19 pandemic changed lifestyles and priorities. People all over the world were forced to contend with a new normal comprised of lockdowns, mask rules, economic crises and travel restrictions. However, with vaccines being deployed, the world is hoping that some normalcy will come back followed by good news at the level of the Global Economy.

Beyond the Pandemic, and at a regional level, we witnessed an escalation in geo-political tensions, a sharp decline in economic activity and more regulatory and governance restrictions.
The United Arab Emirates has done wonders in terms of health and protection against the pandemic. Covid-19 neither succeeded in holding the country back from reaching outer space with the country's historic Mars Probe mission, nor from continuing its progressive path towards more dynamic laws and regulations on both social and economic levels.

Dear Valued Shareholders,

During the year 2020, the Bank did fairly well in spite of the impact COVID 19 and other significant developments left on the markets where the Group operates. In fact, the Group's UAE operations demonstrated resilient performance underpinned by the robust fundamentals of the Bank.

The Net Profit of the Group's UAE operations amounted to AED 309 million, while the Consolidated Net Profit reached AED 176 million after considering the provisions needed for its Lebanese Subsidiary.

The Group's balance sheet remains strong, with total assets standing at AED 36.14 billion (31 December 2019: AED 31.69 billion) reflecting an increase of 14% and Total Equity of AED 3.17 billion (31 December 2019: AED 3.02 billion) reflecting an increase of 5%.
The International Monetary Fund (IMF) published by end December its October 2020 inflation forecasts, wherein it considered the Lebanese economy as undergoing hyperinflation. This triggered an accounting change that had a direct impact on how the Group represents its financials, with the required adoption of IAS 29 and IAS 21.

Consequently, and subsequent to the preliminary release of salient financial figures mid-February 2021, the Group was invited to apply hyperinflationary Standards to its subsidiary, Emirates Lebanon Bank SAL, starting from 1st January 2020.

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 net audited effect of hyperinflation on the Consolidated Equity was positive and amounted to AED 236 million, representing the difference between AED 642 million negative variation on the P&L figures and AED 879 million positive variation on total equity. This pushed up the Net equity of the Group by AED 236 million to AED 3,365 million versus AED 3,018 million as at end 2019.

However, in view of the prevailing “uncertainty” of the situation, an AED 200 million additional provision at Group level was booked reducing the hyperinflation net impact to a mere AED 36 million and rendering the whole hyperinflation calculation and exploratory delays a futile exercise.

Upon application of the AED 642 million P&L impact of hyperinflation plus the above-mentioned AED 200 million additional provision, the Group recognized a Net Loss of AED 666 million and a Total Comprehensive Loss of AED 724 million.

The application of these adjustments subsequent to the release of the Group’s preliminary financials resulted in the Group ultimately reporting an equity of AED 3.2 billion reflecting a growth of 5% vs. 2019.

It is regretful that the Bank’s positive and eloquent results were masked by an accounting technique which moved positive P&L results to accounting losses and yet positively improved equity.

I would like to reiterate that from Board of Directors’ perspective, protecting shareholders equity is the most important responsibility.

Dear Valued Shareholders,

On behalf of the Board of Directors and in your name, I would like to extend to His Highness Sheikh Dr. Sultan Bin Mohammed Al Qasimi, Member of the Supreme Council and Ruler of Sharjah, our Honorary Chairman, our sincere gratitude and thanks for his continuous guidance and support.

I would also like to thank all our clients and correspondents around the world, the monetary authorities and in particular, the UAE Central Bank, the Securities and Commodities Authority (SCA) and the Abu Dhabi Stock Exchange Market (ADX).

A very special word of appreciation and assurance of the Board’s support to the Bank's management and staff for their tireless efforts and dedication, despite the peculiar working environment.

Finally, I have the honour to present to you the Board of Directors report for 2020.

Sh. Mohammed bin Saud Al Qasimi
Chairman