

Bank of Sharjah P.J.S.C

Bank of Sharjah P.J.S.C today announced the results of the year ended 31 December 2019. The following Management Discussion and Analysis includes financial results for Bank of Sharjah and its subsidiaries, together referred to as the “Group”.

The Bank’s UAE operations have generated a Net Profit of AED 163 million (2018: AED 130 million) However as a result of the exceptional situation in Lebanon, unrealized non-cash provisions were called for on the Bank’s subsidiary, Emirates Lebanon Bank SAL (“ELBank”), leading to a Net loss of AED 488 million.

The unrealized losses represent AED 274 million goodwill impairment, out of which AED 185 million is denominated in Lebanese Liras at the official LBP rate and AED 377 million towards Expected Credit Losses (“ECL”) on limited exposure in Sovereign Bonds and balances maintained with Banque Du Liban (“BDL”), while it is expected that this ECL will be amortized as per expected BDL guidelines, over 5 to 10 years with effect from 2020 onwards and depending on compliance with Circular No. 13129, dated 4 November 2019, calling for the increase by 20% of the Equity of Lebanese banks prior to 30 June 2020. (Bank of Sharjah has complied fully with the above Circular).

By end June 2020, the LBP was trading above 6000 to the USD and accordingly the bank has hedged its position and Q2 Group results are expected to recover around 50% of the losses imposed as at 31 December 2019.

Based on the above, we believe that the attention of our shareholders and market participants should be drawn to the change in market conditions in Lebanon and the expected issuance of a circular by BDL to have ECL constituted starting 2020 and over 5 years. Goodwill impairment has been hedged in Q2 2020 benefiting from the significant decline of the local currency against the USD.





Financial Highlights

- ✓ Total Assets at AED 31,747 million, up by 9% compared to 31 December 2018
- ✓ Net Loans and Advances at AED 17,736 million, up by 3% compared to 31 December 2018
- ✓ Total Customers' Deposits at AED 21,326 million, up by 6% compared to 31 December 2018
- ✓ Net Operating Loss of AED 148 million, compared to net operating profit of AED 469 million in 2018
- ✓ Net Loss of AED 488 million, compared to net profit of AED 130 million in 2018
- ✓ Return on Assets at (1.54%) and Return on Equity at (15.59%)
- ✓ Loans and Advances to Deposits Ratio at 83.16%
- ✓ Non-Performing Loans ratio (Net) at 9.81%
- ✓ Capital adequacy ratio at 11.59%
- ✓ Tier 1 capital ratio at 10.42%

Financial year review

During the year, the Bank continued to maintain high levels of liquidity and a low loan to deposit ratio.

Income Statement Highlights

(AED Mn)	Dec'19	Dec'18
Net Interest Income	416	513
Non-Interest Income	148	208
Operating Income	564	721
Net Impairment loss on Financial Assets	(439)	(252)
Net Operating (loss)/ income	(148)	469
Net (loss)/ profit for the year	(488)	130
Total Comprehensive (loss)/ income for the year	(635)	3
(Loss)/ Earnings per Share – fils	(24)	6

Balance Sheet Highlights

(AED Mn)	Dec'19	Dec'18
Total Assets	31,747	29,123
Loans and Advances	17,736	17,301
Customers' Deposits	21,326	20,119
Total Equity	3,129	3,779
Commitments and Contingent Liabilities	5,320	5,414



Management Discussion & Analysis Report
for the year ended 31 December 2019

Key Ratios Highlights

	Dec'19	Dec'18
Return on Assets	(1.54%)	0.45%
Return on Equity	(15.59%)	3.43%
Net Interest margin	1.67%	2.12%
Cost to Income	57.40%	44.81%
Non-Performing loans Ratio (Gross)	13.62%	11.01%
Impaired Loan Coverage Ratio	69.16%	94.11%
Loans and Advances to Deposits Ratio	83.16%	85.99%
Capital adequacy ratio	11.59%	14.29%
Tier 1 capital ratio	10.42%	13.12%

