

Bank of Sharjah P.J.S.C

Bank of Sharjah P.J.S.C (“the Bank”) today announced the results of the six-month period ended 30 June 2020. The following Management Discussion and Analysis includes financial results for Bank of Sharjah and its subsidiaries, together referred to as the (“the Group”).

The first Half of the year has marked very significant developments having impacted markets where the Group operates in. Despite all challenging environments, the Group’s UAE operations demonstrated resilient performance underpinned by the robust fundamentals of the Bank by generating half-yearly Net Profit of AED 210 million (2019: AED 152 million).

The Group’s balance sheet remains strong, with total assets standing at AED 34.45 billion (31-Dec-2019: AED 31.75 billion) reflecting an increase of 9% and Total Equity of AED 3.19 billion (2019: AED 3.13 billion) reflecting an increase of 2%.

Asset quality and other metrics remain healthy as a result of strict adherence to maintaining a disciplined and focused approach to lending, recovery and funding. The Group continues to enjoy comfortable liquidity and a solid capital position with a customer deposit base of AED 23.5 billion (2019: AED 21.3 billion) reflecting an increase of 10% for the period, with a loans-to-deposits ratio of 82% (2019: 83%) and a cost-to-income ratio of 32% (2019: 57%).

The Group’s operations in Lebanon, through its subsidiary Emirates Lebanon Bank SAL (“ELBank”), have been witnessing 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 of ELBank remains in line with last year’s comparable period results. However, the Group has been compelled to retroactively register Expected Credit Loss (“ECL”) figures in the Q1 2020 financial results based on an extremely conservative assessment for determining and recognizing all ECLs during Q1 and Q2, despite the fact that the Group had already taken the initiative of raising the needed ECL in Q3 as a result of the massive explosion in Beirut on 4 August 2020. This has created a distortion between the results in the first half of the year and what was booked internally in Q3 to be corrected when the latter financials are published, with a resulting increase in the levels of the Group’s capital adequacy ratios.

As a result, the Group’s Net profit and Total Comprehensive Income for the six-month period ended 30 June 2020 amounted to AED 18 million and AED 64 million, respectively.





Financial Highlights

- ✓ Total Assets at AED 34,450 million, up by 9% compared to 31 December 2019
- ✓ Net Loans and Advances at AED 19,198 million, up by 8% compared to 31 December 2019
- ✓ Total Customers' Deposits at AED 23,498 million, up by 10% compared to 31 December 2019
- ✓ Operating Income of AED 429 million, compared to AED 307 million in 2019
- ✓ Net Operating Income of AED 169 million, compared to AED 308 million in 2019 (After an impairment charge of AED 260 million)
- ✓ Net Profit of AED 18 million, compared to AED 152 million in 2019
- ✓ Return on Assets at 0.11 % and Return on Equity at 1.14%
- ✓ Loans and Advances to Deposits Ratio at 81.70%
- ✓ Non-Performing Loans ratio (Net) at 9.09%
- ✓ Capital adequacy ratio at 10.75%
- ✓ Tier 1 capital ratio at 9.56%

Income Statement Highlights

(AED Mn)	Jun'20	Jun'19
Net Interest Income	198	223
Non-Interest Income	231	84
Operating Income	429	307
Net Impairment loss on Financial Assets	(260)	1
Net Operating Income	169	308
Net Profit for the period	18	152
Total Comprehensive income for the period	64	90
Earnings per Share – fils	0.9	7.2

Balance Sheet Highlights

(AED Mn)	Jun'20	Dec'19
Total Assets	34,450	31,747
Loans and Advances	19,198	17,736
Customers' Deposits	23,498	21,326
Total Equity	3,193	3,129
Commitments and Contingent Liabilities	5,901	5,320

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Management Discussion & Analysis Report
for the six-month period ended 30 June 2020

Key Ratios Highlights

	Jun'20	Dec'19
Return on Assets	0.11%	(1.54%)
Return on Equity	1.14%	(15.59%)
Net Interest margin	1.43%	1.67%
Cost to Income	32.36%	57.40%
Non-Performing loans Ratio (Gross)	12.88%	13.62%
Impaired Loan Coverage Ratio	70.04%	69.16%
Loans and Advances to Deposits Ratio	81.70%	83.16%
Capital adequacy ratio	10.75%	11.59%
Tier 1 capital ratio	9.56%	10.42%