

Bank of Sharjah P.J.S.C

Bank of Sharjah P.J.S.C (“the Bank”) today announced the results of the nine-month period ended 30 September 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 nine months of the year has marked very significant developments that 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 a Net Profit of AED 379 million for the nine-month period of 2020 (nine-months of 2019: AED 172 million).

The Group’s balance sheet remains strong, with total assets standing at AED 34.77 billion (31 December 2019: AED 31.75 billion) reflecting an increase of 10% and Total Equity of AED 3.27 billion (31 December 2019: AED 3.13 billion) reflecting an increase of 4%.

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 23.25 billion (31 December 2019: AED 21.33 billion) reflecting an increase of 9% for the period, with a loans-to-deposits ratio of 84% (31 December 2019: 83%) and a cost-to-income ratio of 29% (31 December 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 the first half of 2020, 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 financials, 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 nine-month period ended 30 September 2020 amounted to AED 128 million and AED 146 million, respectively.





*Management Discussion & Analysis Report
for the nine-month period ended 30 September 2020*

Financial Highlights

- ✓ Total Assets at AED 34,769 million, up by 10% compared to 31 December 2019
- ✓ Net Loans and Advances at AED 19,417 million, up by 9% compared to 31 December 2019
- ✓ Total Customers' Deposits at AED 23,253 million, up by 9% compared to 31 December 2019
- ✓ Operating Income of AED 757 million, compared to AED 446 million for the same period of 2019
- ✓ Net Operating Income of AED 367 million, compared to AED 427 million for the same period of 2019
- ✓ Net Profit of AED 128 million, compared to AED 172 million for the same period of 2019
- ✓ Return on Assets at 0.49% and Return on Equity at 5.24%
- ✓ Loans and Advances to Deposits Ratio at 83.50%
- ✓ Non-Performing Loans ratio (Net) at 9.00%
- ✓ Capital adequacy ratio at 11.38%
- ✓ Tier 1 capital ratio at 10.22%

Income Statement Highlights

(AED Mn)	Nine-months ending Sep'20	Nine-months ending Sep'19
Net Interest Income	290	331
Non-Interest Income	467	115
Operating Income	757	446
Net Impairment loss on Financial Assets	(390)	(19)
Net Operating Income	367	427
Net Profit for the period	128	172
Total Comprehensive income for the period	146	99
Earnings per Share – fils	6.1	8.2

Balance Sheet Highlights

(AED Mn)	Sep'20	Dec'19
Total Assets	34,769	31,747
Loans and Advances	19,417	17,736
Customers' Deposits	23,253	21,326
Total Equity	3,267	3,129
Commitments and Contingent Liabilities	5,677	5,320



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Key Ratios Highlights

	Sep'20	Dec'19
Return on Assets	0.49%	(1.54%)
Return on Equity	5.24%	(15.59%)
Net Interest margin	1.38%	1.67%
Cost to Income	28.93%	57.40%
Non-Performing loans Ratio (Gross)	12.78%	13.62%
Impaired Loan Coverage Ratio	70.51%	69.16%
Loans and Advances to Deposits Ratio	83.50%	83.16%
Capital adequacy ratio	11.38%	11.59%
Tier 1 capital ratio	10.22%	10.42%