Press Release

Bank of Sharjah announces financial results for the period ended 30 June 2021

Sharjah, UAE; 28 July 2021: Bank of Sharjah P.J.S.C (“the Bank” “The Group”) today announced the reviewed results of the period ended 30 June 2021. The following Management Discussion and Analysis includes financial results for the Group.

Year 2020 was marked by Covid 19 and other significant development that impacted markets where the Group operates. Despite all challenging environments, the Group’s UAE operations demonstrated resilient performance underpinned by the robust fundamentals of the Bank.

The Group’s balance sheet remains strong, with total assets standing at AED 37.70 billion (31 December 2020: AED 36.14 billion) reflecting an increase of 4% and Total Equity of AED 3.45 billion (31 December 2020: AED 3.16 billion) reflecting an increase of 9%.

The Group continues to enjoy a high asset quality and other 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 also enjoy comfortable liquidity and a solid capital position with a customer deposit base of AED 23.94 billion (31 December 2020: AED 23.67 billion) reflecting an increase of 1% for the period, with a loans-to-deposits ratio of 84% (31 December 2020: 82%) and a cost-to-income ratio of 50% (30 June 2020: 32%).

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, 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) published in December 2020 the inflation forecasts. Whereby, the Lebanese economy is considered a hyperinflationary for the purposes of applying IAS 29 and for the retranslation of foreign operations in accordance with IAS 21 and its effects on the condensed consolidated interim financial statements for the period ending 30 June 2021.

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 non-monetary items of the balance sheet, income statement, statement of other comprehensive income and statement of cash flows of Emirates Lebanon Bank SAL, have been adjusted for inflation and re-expressed in accordance with the variation of the consumer price index (CPI). The re-expression of non-monetary items is made from the date of initial recognition in the statements of financial position and considering that the financial statements are prepared under the historical cost criterion. The consumer price index at the beginning of the reporting period was 284.04 and closed at 414.97.

The net effect of hyperinflation on the Consolidated Equity for the period ended 30 June 2021 was positive and amounted to AED 153 million, representing the difference between AED 587 million negative variation on the P&L figures and AED 740 million positive variation on total equity. This has pushed the Net equity of the Group by AED 153 million to AED 3,448 million as at 30 June 2021 versus AED 3,165 million as at 31 December 2020.

The Consolidated Net Profit of the Group prior to hyperinflation reached AED 120 million.

Upon application of AED 587 million as hyperinflation effect the Group recognized a Net Loss of AED 467 million and a Total Comprehensive Loss of AED 447 million versus a positive equity component of AED 740 million.

Sheikh Mohammed Bin Saud Al Qasimi, Chairman of Bank of Sharjah, stated that despite Covid-19 the Bank performed exceptionally well and delivered positive and eloquent results that under hyperinflation accounting moved from P&L directly to equity. From Board of Directors' perspective protecting shareholders equity is the most important responsibility

Financial Highlights

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- ✓ **Total Assets at AED 37,699 million, up by 4% compared to 31 December 2020**
- ✓ **Total Equity at AED 3,448 million, up by 9% compared to 31 December 2020**
- ✓ **Net Loans and Advances at AED 20,191 million, up by 4% compared to 31 December 2020**
- ✓ **Total Customers' Deposits at AED 23,941 million, up by 1% compared to 31 December 2020**
- ✓ **Operating Income of AED 383 million, compared AED 429 million for the same period of 2020**
- ✓ **Net Profit before hyperinflation of AED 120 million, compared to AED 18 million for the same period of 2020**
- ✓ **Net Loss after hyperinflation of AED 467 million, compared to a profit of AED 18 million for the same period of 2020**
- ✓ **Return on Assets at (2.48%) and Return on Equity at (27.09%)**
- ✓ **Loans and Advances to Deposits Ratio at 84.34%**
- ✓ **Non-Performing Loans ratio (Net) at 9.62%**
- ✓ **Capital adequacy ratio at 10.68%**
- ✓ **Tier 1 capital ratio at 9.49%**

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Bank of Sharjah

Income Statement Highlights

(AED Mn)	Jun'21 After hyperinflation	Jun'21 Before hyperinflation	Jun'20 Hyperinflation Not Adopted
Net Interest Income	243	225	198
Non-Interest Income	140	137	231
Operating Income	**383**	**362**	**429**
Net Impairment loss on Financial Assets	(54)	(63)	(260)
Net (Loss)/Profit for the period	**(467)**	**120**	**18**
Total Comprehensive (Loss)/Profit for the period	**(447)**	**140**	**64**
(Losses)/Profit per Share – fils	(21.21)	5.45	0.85

Balance Sheet Highlights

(AED Mn)	Jun'21 After hyperinflation	Dec'20 After hyperinflation	Jun'21 Before hyperinflation	Dec'20 Before hyperinflation
Total Assets	**37,699**	36,143	**37,240**	35,866
Loans and Advances	**20,191**	19,456	**20,191**	19,456
Customers' Deposits	**23,941**	23,673	**23,941**	23,673
Total Equity	**3,448**	3,165	**3,058**	2,929
Commitments and Contingent Liabilities	**4,526**	5,404	**4,526**	5,404

Key Ratios Highlights

	Jun '21 After hyperinflation	Dec'20 After hyperinflation	Jun'21 Before hyperinflation	Dec'20 Before hyperinflation
Return on Assets	**(2.48%)**	(1.84%)	**0.64%**	(0.07%)
Return on Equity	**(27.09%)**	(21.05%)	**7.82%**	(0.82%)
Net Interest margin	**1.60%**	1.93%	**1.48%**	1.60%
Cost to Income	**49.60%**	61.16%	**44.79%**	60.31%
Non-Performing loans Ratio (Gross)	**14.01%**	12.68%	**14.01%**	12.68%
Impaired Loan Coverage Ratio	**64.79%**	71.65%	**64.79%**	71.65%
Loans and Advances to Deposits Ratio	**84.34%**	82.19%	**84.34%**	82.19%
Capital adequacy ratio	**10.68%**	10.71%	**10.68%**	10.71%
Tier 1 capital ratio	**9.49%**	9.52%	**9.49%**	9.52%

Ends

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