

Bank of Sharjah P.J.S.C

Bank of Sharjah P.J.S.C ("the Bank", "The Group") today announced the reviewed results of the period ended 30 June 2023. The following Management Discussion and Analysis includes financial results for the Group.

The Bank's Board of Directors approved the implementation of de-linking Emirates Lebanon Bank SAL from Bank of Sharjah Group to take effect from 1st April 2023 onwards. This is in line with the Central Bank of the UAE recommendations to reflect the actual financial performance without any distortions arising from accounting anomalies. These anomalies were related to the consolidation of the Lebanese subsidiary, impacted by hyperinflationary environment and foreign currency exchange rate volatility in Lebanon.

All assets and liabilities of the Lebanese subsidiary are now classified as held for sale. Consequently, they are measured at the lower of carrying amount or fair value less costs to sell. As a result, a one-off impairment loss amounting to AED 199 million is recognized in the condensed consolidated interim statement of profit or loss for the six-month period ended 30 June 2023.

(AED Mn)	For the six-month ended Jun'23	For the six-month ended Jun'22
Net Interest Income	99	226
Non-Interest Income	125	134
Operating Income	224	360
Net Impairment reversal/(loss) on Financial Assets	3	(138)
General and administrative expenses	(172)	(128)
Hyperinflation impact from a subsidiary	-	(287)
Net profit/(loss) before one-off impairment loss (due to de-linking)	55	(195)
Net impairment charge on assets held for sale (due to de-linking)	(199)	-
Net Loss for the period	(144)	(195)

(AED Mn)	Jun'23	Dec'22
Total Assets	39,527	37,402
Loans and Advances	21,934	21,623
Customers' Deposits	25,285	25,281
Total Equity	3,678	1,494
Commitments and Contingent Liabilities	2,855	3,128

	Jun'23	Dec'22
Net Interest Margin	0.58%	1.12%
Cost to Income	76.61%	40.42%
Non-Performing Loans Ratio (Gross)	6.45%	5.57%
Non-Performing Loans Ratio (Net of ECL & Collateral)	2.70%	1.81%
Non-Performing loans Coverage Ratio	113.49%	136.21%
Loans and Advances to Deposits Ratio	86.75%	85.53%
Capital Adequacy Ratio	15.37%	11.51%
Tier 1 Capital Ratio	14.19%	10.33%



Management Discussion & Analysis Report
for the period ended 30 June 2023

The Group's robust metrics are the result of strict adherence to maintaining a disciplined and focused approach to lending, recovery and funding. In this regard, The Group has demonstrated comfortable liquidity and solid capital position with a customer deposit base of AED 25.3 billion (31 December 2022: AED 25.3 billion), a loans-to-deposits ratio of 86.75% (31 December 2022: 85.53%), and strong capitalization with Regulatory Capital Adequacy Ratio significantly improving to 15.37% (31 December 2022: 11.51%) and Regulatory Tier 1 Capital Ratio sharply increasing to 14.19% (31 December 2022: 10.33%) as a result of the AED 800 million fresh capital injection that occurred at end of June 2023.

In this regard, **Sheikh Mohammed Bin Saud Al Qasimi, Chairman of Bank of Sharjah**, commented: "During the first half of 2023, Bank of Sharjah witnessed a number of major positive events. In March, the Bank successfully completed a USD 500 million bond issuance at a competitive price, which strengthened the Bank's overall liquidity position as well as diversified its long-term funding. This was followed by an increase of the Bank's capital by an amount of AED 800 million in June in favour of the Government of Sharjah, raising its stake to just under 40%, thereby reflecting its strong support. This also places the Bank on a very solid footing to implement its ambitious and transformational growth strategy. Finally, the Bank approved the implementation of de-linking its Lebanese subsidiary, Emirates Lebanon Bank, from Bank of Sharjah Group. This will improve the transparency of the Bank's actual operating performance without distortions attributed to the hyperinflation standard."

Mohamed Khadiri
Chief Executive Officer