



مصرف الشارقة الإسلامية
Sharjah Islamic Bank

Management Report

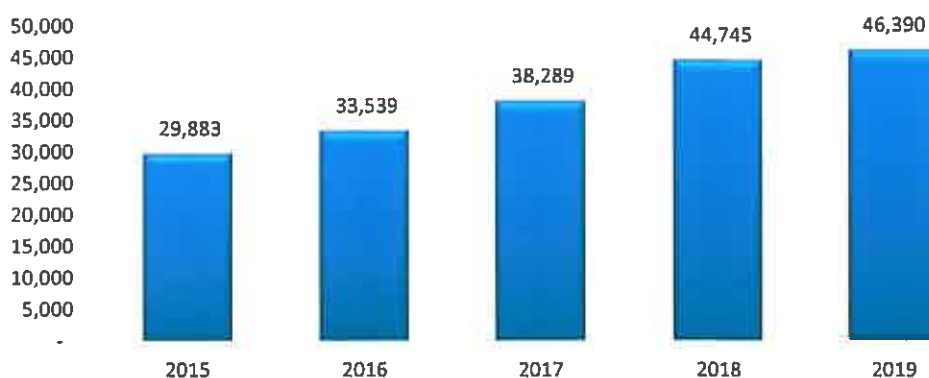
31 December 2019

Financial Review

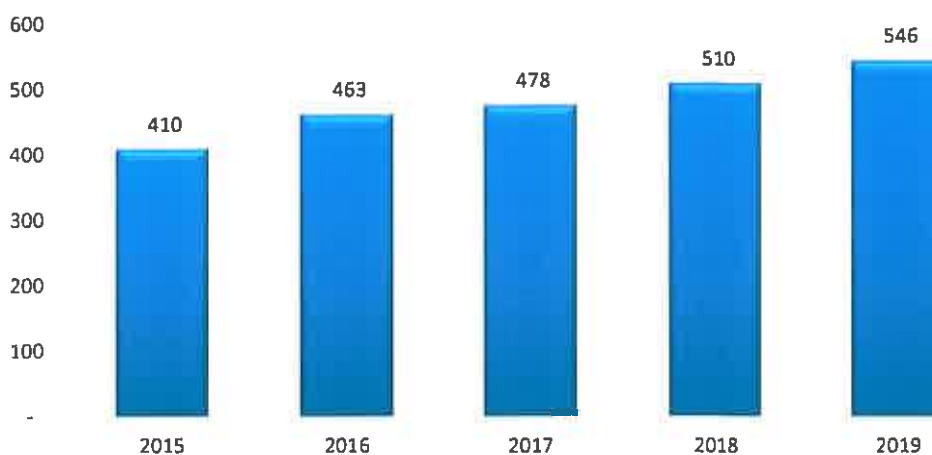
Sharjah Islamic Bank PJSC achieved a net profit of AED 545.5 million for the year ended 31 December 2019, whereas total assets reached AED 46.4 billion, an increase of 6.9% and 3.7% respectively.

During the year 2019 Sharjah Islamic Bank (SIB) continued its achievements and growth, successfully overcoming all the challenges affecting the regional economy. SIB achieved its performance through its continual focus over core banking operations resulting in profit of AED 545.5 million in 2019 compared to AED 510.4 million last year; a 6.9% increase. Total assets reached AED 46.4 billion at the end of 2019 compared to AED 44.7 billion at the end of 2018.

Total assets



Net Profit



Key highlights:

- Net profit up by 6.9% reaching a mark of AED 545.5 million in 2019 as compared to AED 510.4 million in 2018.
- Net operating income rose by 19.9% reaching AED 1,303.8 million in 2019 as compared to AED 1,087.7 million in 2018.
- Provision expenses – net of recoveries increased from AED 36.8 million in 2018 to reach at AED 96.8 million in 2019.
- Cost to income ratio reduced significantly from 36.1% in 2018 to 31.0% in the year 2019.
- Total assets of the Group increased by 3.7% to reach AED 46.4 billion as at 31 December 2019 compared to AED 44.7 billion as at 31 December 2018.
- Liquid assets now contribute 22.4% of the total assets, amounting to AED 10.4 billion as at 31 December 2019.
- Investment securities decreased by 6.3% to reach AED 5.8 billion in 2019 as compared to AED 6.2 billion in 2018.
- Customer deposits of the Group increased to reach AED 27.3 billion as at 31 December 2019 from AED 26.4 billion as at 31 December 2018, an increase of 3.3%.
- NPL ratio now stands at 5.3%, and coverage ratio at 93.0% as at 31 December 2019.
- Capital adequacy ratio stands at 22.79% and Tier1 ratio stands at 21.63% at 31 December 2019.
- Advances to deposit ratio stands at 92.1% as at 31 December 2019.
- Earnings per share increased to AED 0.19 for the year 2019, as compared to AED 0.17 for the year 2019, an improvement of 11.8%.
- Return on average assets for the year 2019 stands at 1.20%.
- Return on average equity is computed to 8.45% for the year 2019.

Statement of financial position:

SIB has been successfully pursuing a strategy of stable growth in both profitability and financial position which is reflected in the figures below:

Total assets of Sharjah Islamic Bank reached AED 46.4 billion at the end of the December 2019 compared to AED 44.7 billion at the end of December 2018.

The following are the main highlights for the statement of financial position:

Liquid assets:

Liquid assets reached AED 10.4 billion or 22.4% of the statement of financial position at the end of December 2019 compared to AED 9.7 billion or 21.6% at the end of December 2018.

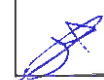
Customer financing:

Net Customer financing of the Group amounted to AED 25.1 billion as at 31 December 2019, an increase of 4.2% or AED 1.02 billion compared to the year ended 31 December 2018.

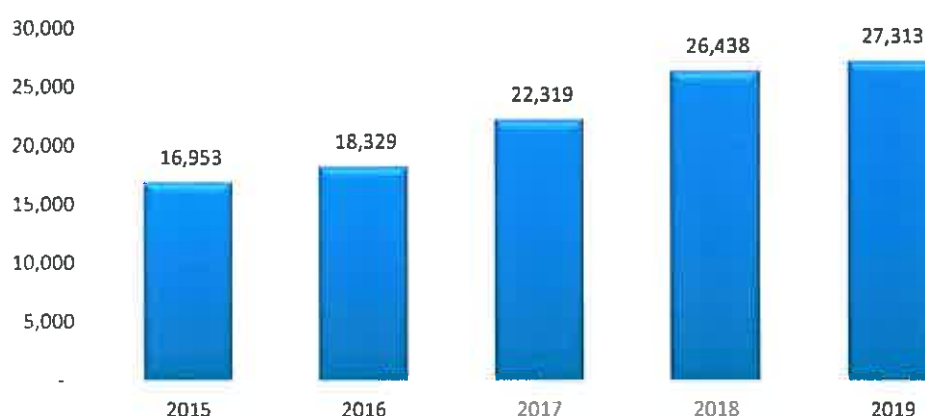
The Bank continued to improve its Customer financing book, equally across corporate and retail sectors, maintaining the concentration in all sectors of the industry. Customer financing to customer deposits stands at strong 92.1% and in line with management's strategic objectives.

Investment securities:

Investment securities decreased by 6.3% to reach AED 5.8 billion at the end of December 2019 compared to AED 6.2 billion at the end of December 2018, mostly on account of maturity of sukuk investments.



Customer deposits



Customer deposits:

Sharjah Islamic Bank was successful in attracting more customer deposits during the year 2019 as the total customer deposits reached AED 27.3 billion by the end of December 2019, growing by AED 874.8 million or 3.3% compared to AED 26.4 billion as of December 2018, despite challenging liquidity position in the industry.

Due to banks:

Balance due to banks decreased to AED 5.1 billion as at 31 December 2019 with a decrease of AED 1.4 billion or 21.7% compared to AED 6.5 billion at the end of 31 December 2018, in line with Group's liquidity management.

Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached AED 7.5 billion or 16.2 % of total assets. The increase of AED 2.1 billion or 39.7% is primarily on account of issuance of Tier 1 Sukuk amounting to AED 1.8 billion by the Group during the year 2019.

Asset quality:

NPL ratio of the Bank stands at an improved 5.3% in 2019 as compared to 5.6% in 2018 owing to implementation of IFRS9 and stringent risk management policies.

Coverage ratio now stands at the level of 93.0% as at 31 December 2019 as compared to 108.6% as at 31 December 2018.

Income Statement:

Sharjah Islamic Bank posted a net profit of AED 545.5 million for the year ended 31 December 2019, compared to AED 510.4 million for the year ended 31 December 2018, an increase of 6.9%.

Net operating income reached AED 1,303.8 million for 2019 compared to AED 1,087.7 million for 2018, an increase of 19.9%.

Main highlights of the income statement are:

Income from Islamic financing and sukuk reached AED 1.75 billion for the year ended 31 December 2019 as compared to AED 1.59 billion for the year ended 31 December 2017, an increase of AED 160.0 million or 10.1%.

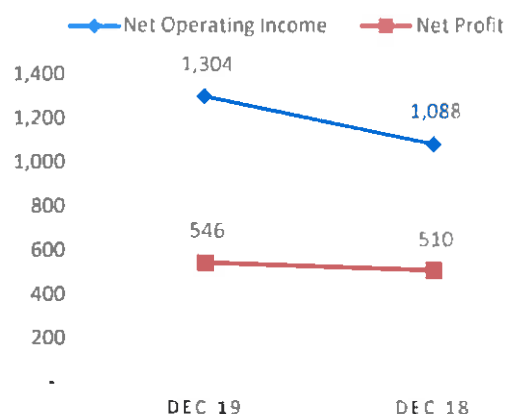
Distributions to sukuk holders reached AED 190.5 million for the year 2019 compared to AED 183.5 million for 2018; an increase of AED 7.0 million or higher by 3.8%.

Investment, fees, commission and other income reached AED 259.7 million for the year ended 31 December 2019, compared to AED 236.0 million for the year ended 31 December 2018, increase of AED 23.7 million or 10.0%.

Income from subsidiary reached AED 70.4 million for the year ended 31 December 2018 compared to AED 59.8 million for the year ended 31 December 2018, an increase of AED 10.5 million or 17.6%

On the expenses side, general and administration expenses declined to AED 585.4 million for the year ended 31 December 2019 compared to AED 614.2 million for the year ended 31 December 2018, decrease of AED 28.9 million or 4.7%.

Provision-net of recoveries reached AED 96.8 million for the year ended 31 December 2019 compared to AED 36.8 million for the year ended 31 December 2018, an increase of AED 60.0 million or 163.2%.



Profits allocated and distributed to depositors reached AED 661.5 million for the year ended 31 December 2019 compared to AED 540.5 million for the year ended 31 December 2018; an increase of 22.4%. These profit allocations represent the depositors' share of the Groups' net operating profits based on the profit sharing mechanism between shareholders and depositors as approved by SIB's Shari'a Board.

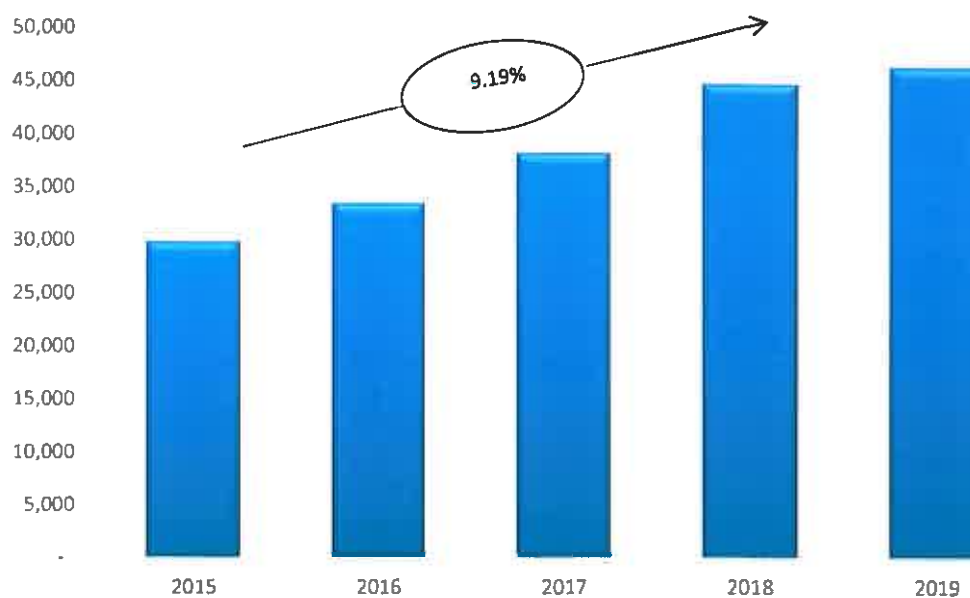
Return on average shareholders' equity (ROAE) reached 8.45% as at 31 December 2019 compared to 9.36% as at 31 December 2018, while return on average assets (ROAA) was 1.20% by the end of December 2019 compared to 1.23% by the end of December 2018.

Summary of key figures and performance ratios

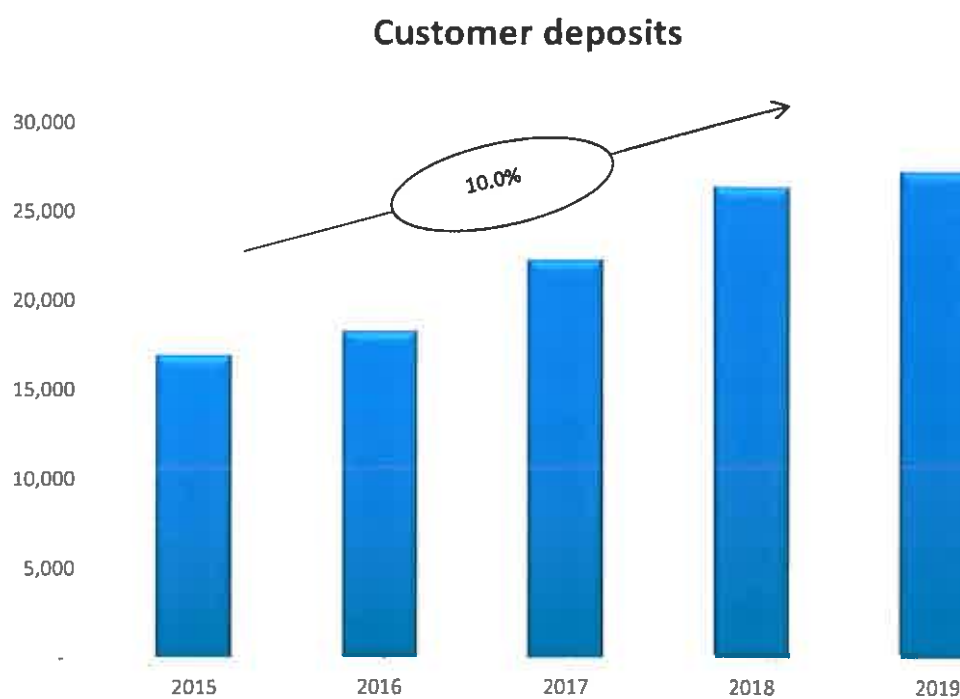
<i>(Figures in AED Millions)</i>	2015	2016	2017	2018	2019
Total Assets	29,883	33,539	38,288	44,746	46,390
Net Customer Receivables	16,349	17,091	21,707	24,124	25,143
Customer Deposits	16,953	26,438	22,318	26,438	27,313
Total Shareholders' Equity	4,704	4,856	5,519	5,388	7,529
Return on Average Assets	1.47%	1.46%	1.33%	1.23%	1.20%
Return on Average Equity	8.82%	9.68%	9.21%	9.36%	8.45%
Equity to Total Assets	15.74%	14.48%	14.41%	12.04%	16.23%
Leverage of Total Capital (Times)	5.35	5.91	5.94	7.31	5.16



Total Assets, AED millions:

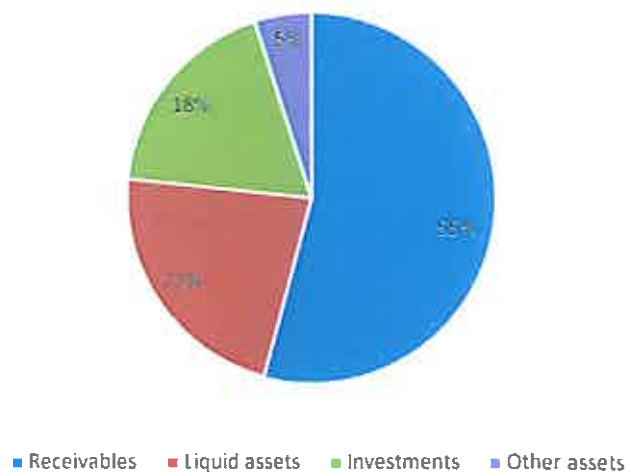


Customer Deposits, AED millions:



Assets and Liabilities Structure

SIB Asset Structure



SIB Liabilities structure

