



مصرف الشارقة الإسلامي
Sharjah Islamic Bank

Management Report

30 June 2020 – 2nd Quarter

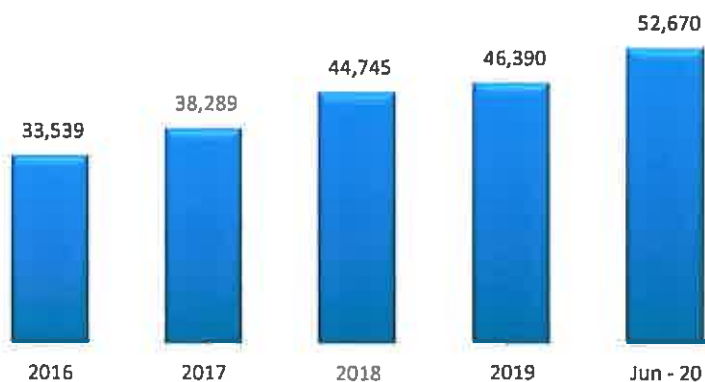
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Financial Review

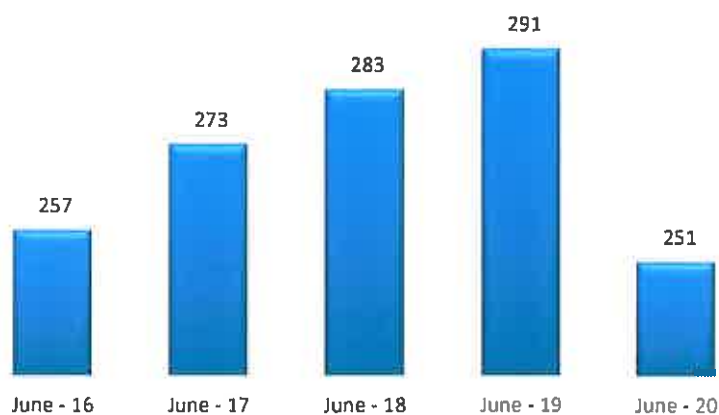
The total assets of Sharjah Islamic Bank PJSC reached AED 52.7 billion, an increase of 13.5% from December 2019. SIB achieved a net profit of AED 251.2 million for the first half of 2020.

Despite COVID-19 outbreak, lowered oil prices, and lower profit rates, Sharjah Islamic Bank (SIB) recorded a profit of AED 251.2 million in the first half of 2020 compared to AED 290.5 million in the same period in 2019; a decrease of 13.5%. This decrease is primarily on account of increase in provisions during the six months period ended June 2020 by 65.8 million, as the Bank reported AED 81.1 million provisions for the period ended June 2020 as against AED 15.3 million in same period of 2019. Higher provisions are a result of prudent forward looking provision coverage considering the economic slowdown owing to pandemic outbreak. The Bank's total assets at 30 June 2020 increased significantly from the 2019 year end level and were valued at AED 52.7 billion, an increase of 13.5%. Despite fears of liquidity shortage, Bank's liquid assets stand at a strong level of 20.6% as at 30 June 2020.

Total assets



Net Profit



Key highlights:

- Net profit for the first half of 2020 reached to AED 251.2 million as compared to AED 290.5 million for the same period 2019, owing to COVID-19 pandemic and increase in customer receivable provision.
- Net operating income decreased by a mere 2.7% reaching AED 642.8 million as compared to AED 660.7 million in 2019, owing to the continuous decline in market profit rates.
- Provision expenses – net of recoveries increased from AED 15.3 million in the first half of 2019 to AED 81.1 million for the same period 2020. The increase in provision is in line with the SIB's reassessed scenario to reflect the impact of current uncertainty in measuring ECLs due to COVID-19.
- Cost to income ratio dropped from 30.1% in 2019 to 29.5% in the first half of 2020.
- Total assets of the Group reached at AED 52.7 billion as at 30 June 2020, with increase of 13.5%.
- Liquid assets now contribute 20.6% of the total assets, amounting to AED 10.8 billion as at end of 2nd quarter 2020.
- Investment securities increased by 31.2% to reach AED 7.6 billion as compared to AED 5.8 billion as at 31 December 2019.
- Customer deposits reached at AED 32.2 billion as at 30 June 2020, with increase of 18.0% from the year end 2019.
- NPL ratio now stands at 5.0%. The Group's coverage ratio stands at 90.2 % as at 30 June 2020.
- Capital adequacy ratio stands at 21.2% at the end of 2nd quarter 2020.
- Advances to deposit ratio stands at 90.2% as at end of 2nd quarter 2020.
- Earnings per share stands at AED 0.08.
- Return on average assets for the period stands at 1.0%.
- Return on average equity is computed to 6.7%.



Statement of financial position:

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

Total assets of Sharjah Islamic Bank reached at AED 52.7 billion.

The following are the main highlights that occurred on the statement of financial position:

Liquid assets:

Liquid assets stand at AED 10.8 billion or 20.6% of the statement of financial position at the end of 2nd quarter compared to AED 10.4 billion or 22.4% at the end of December 2019.

Customer financing:

Net Customer financing of the Group amounted to AED 29.1 billion as at end of 2nd quarter 2020, an increase of 15.6% or AED 3.9 billion compared to the year ended 2019. The Bank continued to improve its customer financing book, keeping strong focus on sovereign lending.

Customer financing to customer deposits stands at strong 90.2% and in line with management's strategic objectives.

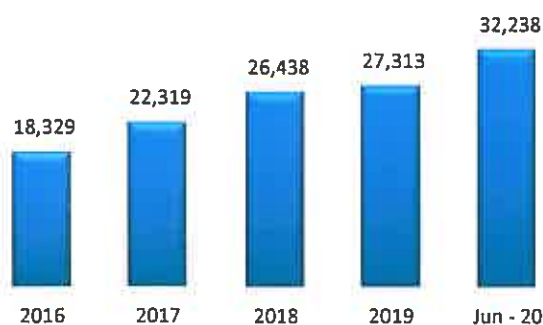
Investment securities:

Investment securities increased by 31.2% to reach AED 7.6 billion at the end of 2nd quarter 2020 compared to AED 5.8 billion at the end of December 2019.

Customer deposits:

Sharjah Islamic Bank's customer deposits increased by 18.0% to reach AED 32.2 billion at the end of 2nd quarter 2020 compared to 27.3 billion at the end of December 2019.

Customer deposits



Due to banks:

Balance due to banks increased by 27.9% to reach AED 6.6 billion at the end of 2nd quarter 2020 compared to AED 5.1 billion at the end of December 2019.

Sukuk:

During the second quarter 2020, Sharjah Islamic Bank issued a USD 500 million five-year sukuk as part of its USD 3 billion medium-term notes sukuk program, thus enhancing the bank's position in the field of international sukuk. It is worth mentioning that this is SIB's seventh sukuk issuance since 2006 supporting its strategic objectives to diversify sources of funding. As a result sukuk payables reached AED 5.5 billion by end of the second quarter 2020.

Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.5 billion or 14.3% of total assets.

Asset quality:

NPL ratio of the Bank stands at 5.04 % as at 30 June 2020. Bank's prudent approach to provisions and improvements in NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at 90.2 % as at 30 June 2020.

Income Statement:

Sharjah Islamic Bank achieved an increase in its operating profits before provisions amounting to AED 332.3 million, compared to AED 305.9 million for the same period last year, with an increase of 8.6%, while net profit for the first half amounted to AED 251.2 million, compared to AED 290.5 million from last year, a decrease of 13.5% as a result of the increase in net provisions for impairment, which amounted to AED 81.1 million, compared to AED 15.3 million from the same period last year, an increase of AED 65.8 million, equivalent to 429%.

Net operating income before distribution to depositors reached AED 642.8 for the first half of 2020 compared to AED 660.7 million for the first half of 2019, a mere decrease of 2.7% majorly owing to lower profit rates.

Main highlights of the income statement are:

Income from Islamic financing reached AED 854.1 million for the first half of 2020, as compared to AED 880.8 million in the same period of 2019; a decrease of AED 26.7 million or 3.0%. The decrease is owing to continuous decline in profit rates despite an increase in customer financing of 15.6%.

Distributions made to sukuk holders were AED 81.1 million in the first half of 2020 compared to AED 95.3 million in the same period of 2019; a decrease of AED 14.1 million or 14.9% owing to declining market profit rates.

Investment, fees, commission and other income reached AED 103.0 million for the first half of 2020, compared to AED 117.1 million for the same period of 2019 with a decrease of AED 14.0 million or 12.0%.

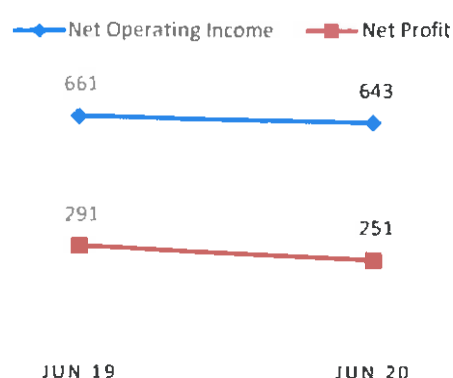
Income from subsidiary reached AED 35.7 million for the first half of 2020 compared to AED 42.2 million for the same period of 2019, a decrease of AED 6.5 million.

On the expenses side, a decrease of 5.3% is seen as general and administration expenses reached AED 269.0 million for the first half of 2020 compared to AED 284.2 million for the same period of 2019.

Provision-net of recoveries reached AED 81.1 million for the first half of 2020 compared to AED 15.3 million for the same period due to prudent approach taken on account of COVID-19.

Profits allocated and distributed to depositors reached AED 310.5 million for the first half of 2020 compared to AED 354.8 million for the same period of 2019; a decrease of 12.5%. 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 6.7% as at 30 June 2020 compared to 8.5% as at 31 December 2019.

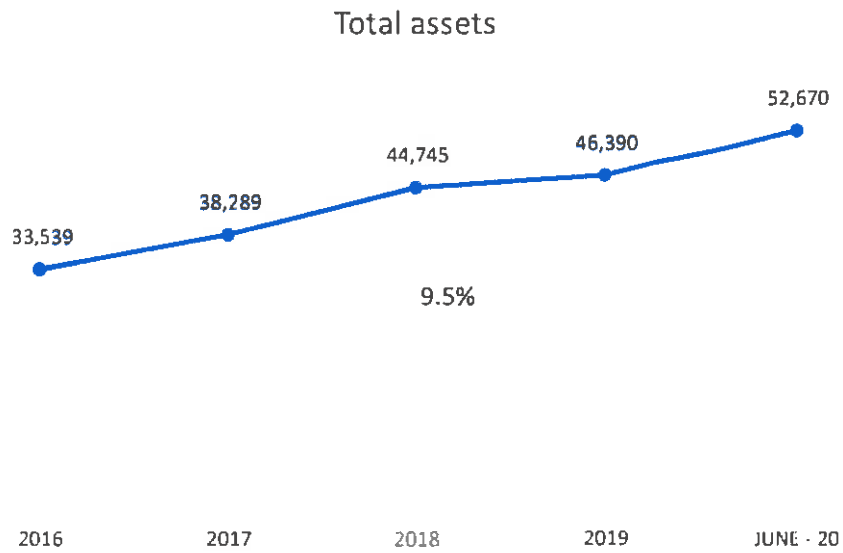


Summary of key figures and performance ratios

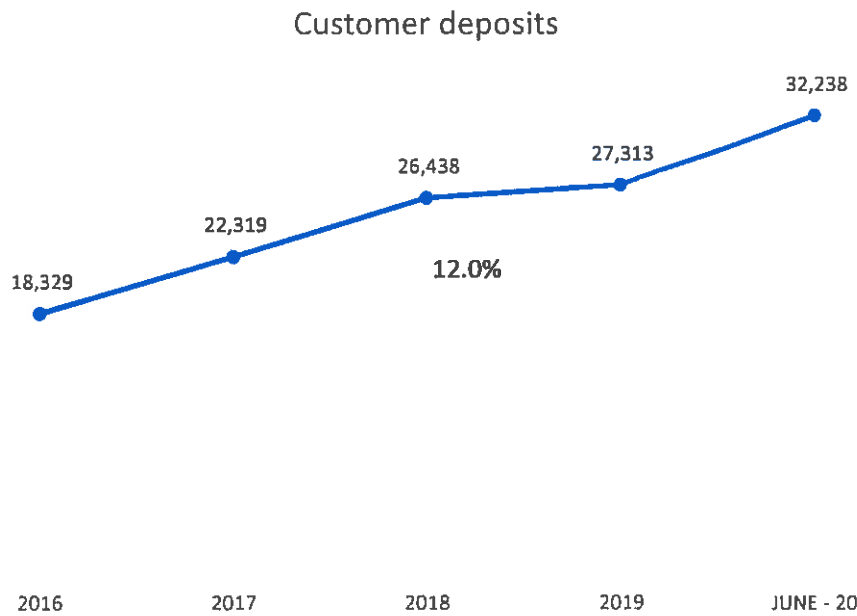
<i>(Figures in AED Millions)</i>	2015	2016	2017	2018	2019	30 June 2020
Total Assets	29,883	33,539	38,288	44,746	46,390	52,670
Net Customer Receivables	16,349	17,091	21,707	24,124	25,143	29,078
Customer Deposits	16,953	26,438	22,318	26,438	27,313	32,238
Total Shareholders' Equity	4,704	4,856	5,519	5,446	7,529	7,535
Return on Average Assets	1.5%	1.5%	1.3%	1.2%	1.2%	1.0%
Return on Average Equity	8.8%	9.7%	9.2%	9.4%	8.5%	6.7%
Equity to Total Assets	15.7%	14.5%	14.4%	12.0%	16.2%	14.3%
Leverage of Total Capital (Times)	5.4	5.9	5.9	7.3	5.2	6.0

*Annualized

Total Assets, AED millions:

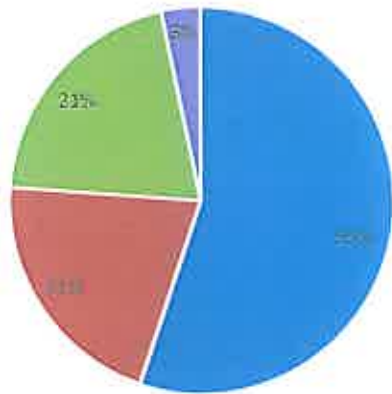


Customer Deposits, AED millions:



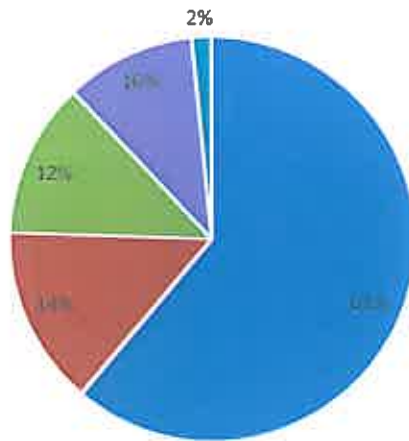
Assets and Liabilities Structure

SIB Asset Structure



- Receivables
- Investments
- Liquid assets
- Other assets

SIB Liabilities Structure



- Customers deposits
- Shareholders' equity
- Due to banks
- Sukuk
- Other liabilities