



مصرف الشارقة الإسلامي
Sharjah Islamic Bank

Management Report

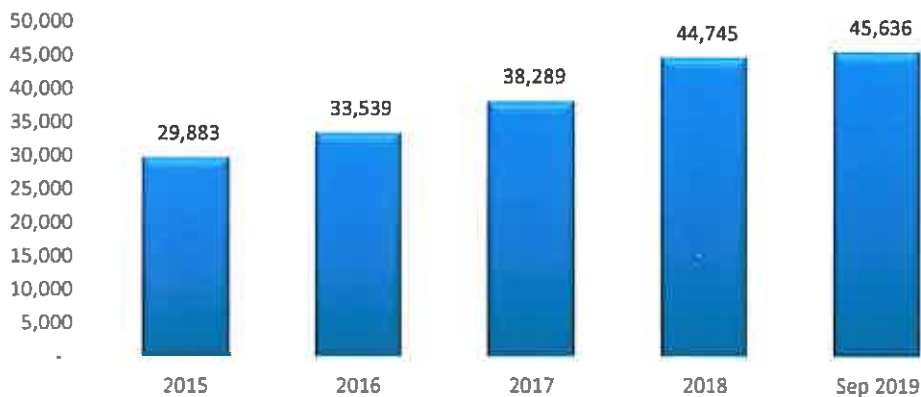
30 Sep 2019 – 3rd Quarter

Financial Review

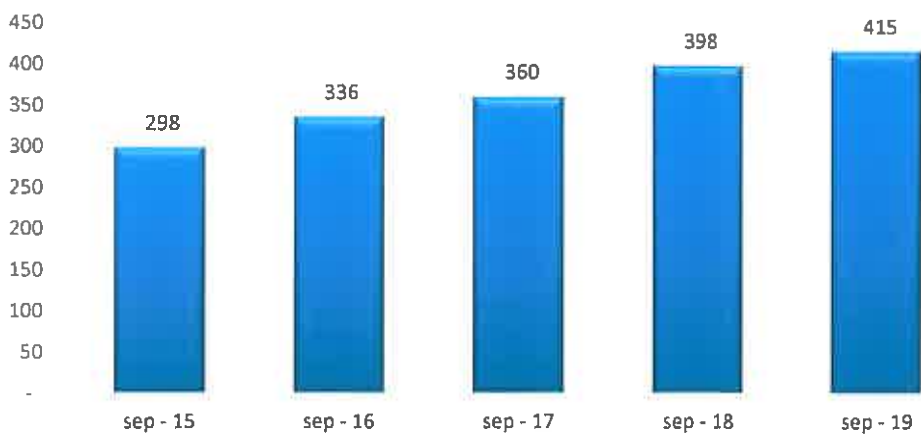
Sharjah Islamic Bank PJSC achieved a net profit of AED 415.4 million for the nine month of 2019, an increase of 4.5%, whereas, total assets reached AED 45.6 billion.

During 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 415.4 million in the nine month of 2019 compared to AED 397.7 million in the same period 2018; an increase of 4.5%. Total assets at 30 Sep 2019 increased from the 2018 year end level and were valued at AED 45.6 billion, an increase of 2.0%.

Total assets



Net Profit



Key highlights:

- Net profit for the nine month of 2019 is up by 4.5% reaching a mark of AED 415.4 million as compared to AED 397.7 million for the same period 2018.
- Net operating income rose significantly by 20.2% reaching AED 980.5 million as compared to AED 815.4 million in 2018.
- Provision expenses – net of recoveries stand in the same position of the same period, from AED 50.4 million in the nine month of 2018 to AED 50.3 million for the same period 2019.
- Cost to income ratio dropped significantly from 36.09% in 2018 to 30.6% in the nine month of 2019.
- Total assets of the Group reached at AED 45.6 billion as at 30 Sep 2019, with increase of 2.0%.
- Liquid assets now contribute 20.5% of the total assets, amounting to AED 9.3 billion as at end of 3rd quarter 2019.
- Investment securities decreased by 3.2% to reach AED 6.0 billion as compared to AED 6.2 billion as at 31 December 2018.
- Customer deposits reached at AED 26.9 billion as at 30 Sep 2019, with increase of 1.6 % from the yearend 2018.
- NPL ratio now stands at 5.7 %, and coverage ratio at 103 % as at 30 Sep 2019.
- Capital adequacy ratio stands at 22.03% at the end of 3rd quarter 2019.
- Advances to deposit ratio stands at 94.6% as at end of 3rd quarter 2019.
- Earnings per share stands at AED 0.04/share for the quarter ended 30 Sep 2019, similar to EPS as at 30 Sep 2018.
- Return on average assets for the period stands at 1.23%.
- Return on average equity is computed to 8.60%.
- At the beginning of July 2019, SIB issued USD 500 Million Tier 1 Sukuk that were received with strong interest and attracted international investors from Singapore, Hong Kong and London. Subscriptions for these Sukuk reached USD 4.8 Billion, which is a clear reflection of investor confidence in the Bank and its financial position.
- During the year 2019, S&P international rating agency had raised the long-term credit rating of SIB from “BBB+” to “A- Stable”. This move was based on S&P’s view of SIB as an important player in the UAE’s banking sector, its position and the role the Bank plays in the financial sector and its strong performance. In addition, the move came as a result of the Bank’s growing market share, strong financial position, quality and flexibility of its assets and the low cost of risk.

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 at AED 45.6 billion.

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

Liquid assets:

Liquid assets stand at AED 9.3 billion or 20.5% of the statement of financial position at the end of 3rd quarter 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 25.4 billion as at end of 3rd quarter 2019, an increase of 5.3% or AED 1.3 billion compared to the year ended 2018. 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 94.6% and in line with management's strategic objectives.

Investment securities:

Investment securities decreased slightly by 3.2% to reach AED 6.0 billion at the end of 3rd quarter 2019 compared to AED 6.2 billion at the end December 2018.

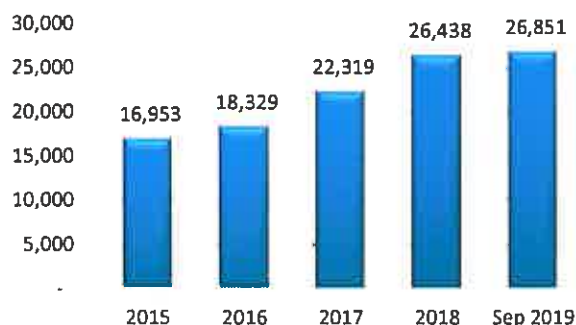
Customer deposits:

Sharjah Islamic Bank's customer deposits reached at AED 26.9 billion for the 3rd quarter 2019.

Due to banks:

Balance due to banks declined by AED 1.6 billion and stood at 5.0 billion as against AED 6.5 billion as at year end 2018, in line with Group's efficient liquidity management policies.

Customer deposits



Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.5 billion or 16.4 % of total assets. Compared with AED 5.4 billion in December 2018 mainly due to issuance of Tere 1 Sukuk January USD 500 million (AED 1.8 billion).

Asset quality:

NPL ratio of the Bank stands at 5.7 % as at 30 Sep 2019 owing to implementation of IFRS9 and stringent risk management policies.

Banks prudent approach to provisions and improvements in NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the highest level of 103 % as at 30 Sep 2019.

Income Statement:

Sharjah Islamic Bank posted a net profit of AED 415.4 million for the nine month of 2019, compared to AED 397.7 million for the nine month of 2018, an increase of 4.5%.

Net operating income reached AED 980.5 million for 3rd quarter 2019 compared to AED 815.4 million for the 3rd quarter 2018, an increase of 20.2%.

Main highlights of the income statement are:

Income from Islamic financing reached AED 1.3 billion for the nine month of 2019, as compared to AED 1.1 billion in the same period of 2018; an increase of AED 185.6 million or 16.3%.

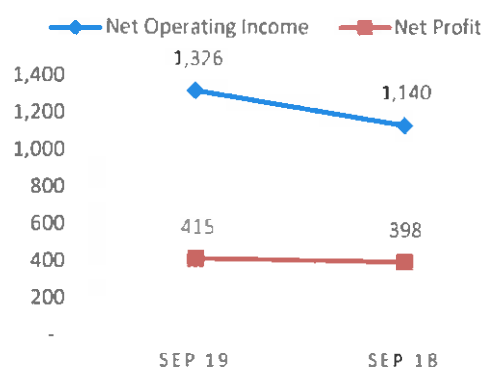
Distributions made to sukuk holders were AED 142.9 million in the nine month of 2019 compared to AED 135.9 million in the same period of 2018; an increase of AED 7.0 million or 5.1%.

Investment, fees, commission and other income reached AED 211.8 million for the nine month of 2019, compared to AED 232.2 million for the same period of 2018 with a decrease of AED 20.5 million or 8.8%.

Income from subsidiary reached AED 17.2 million for the nine month of 2019 compared to AED 19.2 million for the same period of 2018, a slight decrease of AED 2.0 million.

On the expenses side, general and administration expenses reached AED 431.6 million for the nine month of 2019 compared to AED 440.6 million for the same period of 2018, a decrease of 2.0%.

Provision-net of recoveries reached AED 50.3 million for the nine month of 2019 compared to AED 50.4 million for the same period.



Profits allocated and distributed to depositors reached AED 514.8 million for the nine month of 2019 compared to AED 367.3 million for the nine month of 2018; an increase of 40.1%. 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 8.60% as at 30 Sep 2019 compared to 9.36% as at 31 December 2018, while return on average assets (ROAA) remained at the same level of 1.23%.

Summary of key figures and performance ratios

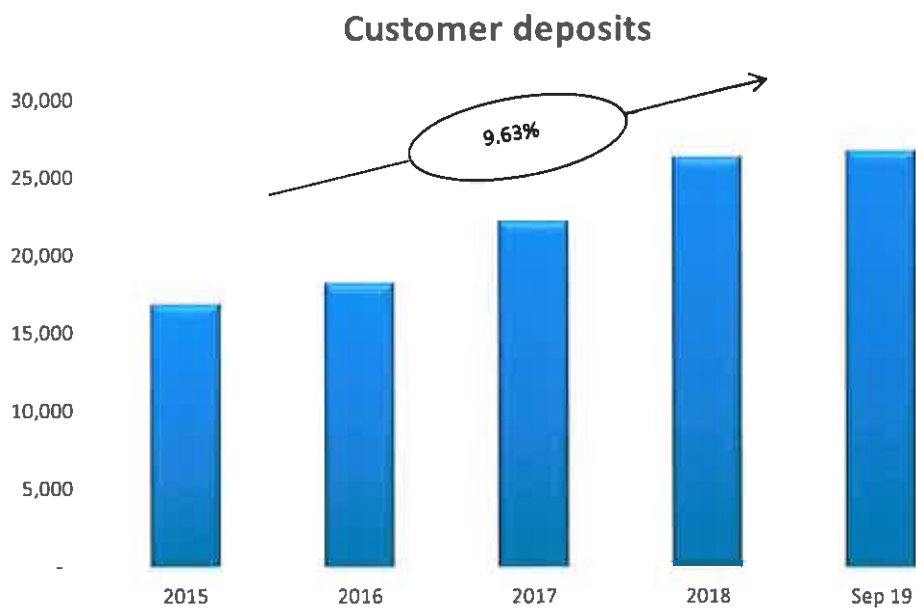
<i>(Figures in AED Millions)</i>	2014	2015	2016	2017	2018	3rd quarter 2019
Total Assets	26,013	29,883	33,539	38,288	44,746	45,636
Net Customer Receivables	14,475	16,349	17,091	21,707	24,124	25,393
Customer Deposits	14,591	16,953	26,438	22,318	26,438	26,851
Total Shareholders' Equity	4,588	4,704	4,856	5,519	5,446	7,489
Return on Average Assets	1.58%	1.47%	1.46%	1.33%	1.23%	1.23%
Return on Average Equity	8.27%	8.82%	9.68%	9.21%	9.36%	8.60%
Equity to Total Assets	17.64%	15.74%	14.48%	14.41%	12.04%	16.4%
Leverage of Total Capital (Times)	4.67	5.35	5.91	5.94	7.31	5.09

***Annualized**

Total Assets, AED millions:

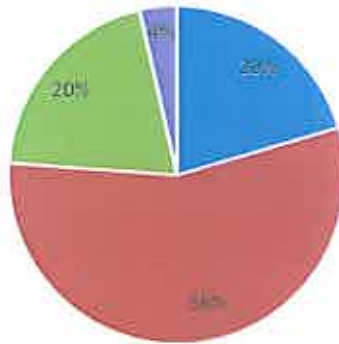


Customer Deposits, AED millions:



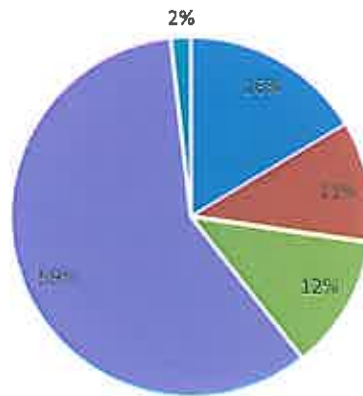
Assets and Liabilities Structure

SIB Asset Structure



■ Liquid assets ■ Receivables ■ Investments ■ Other assets

SIB Liabilities Structure



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