



مصرف الشارقة الإسلامية  
Sharjah Islamic Bank

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# *Management Report*

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*31 December 2020*

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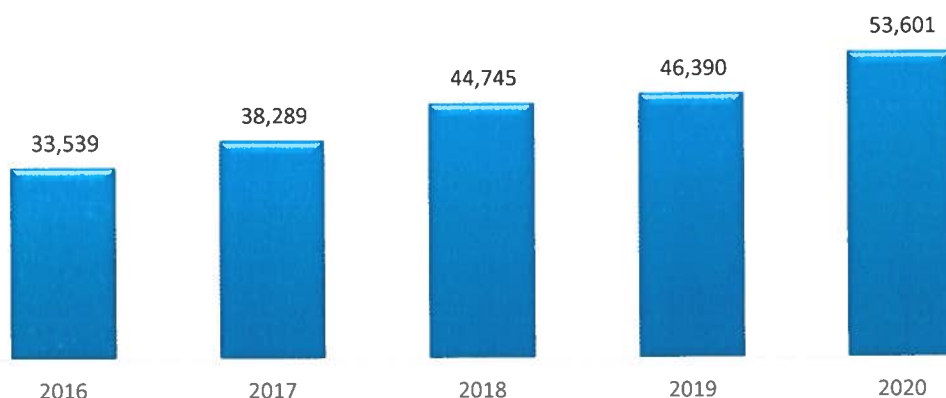
## Financial Review

**Sharjah Islamic Bank PJSC achieved a net profit of AED 405.8 million for the year ended 31 December 2020, decrease of 25.6%, whereas, total assets increased by 15.5% and reached at AED 53.6 billion.**

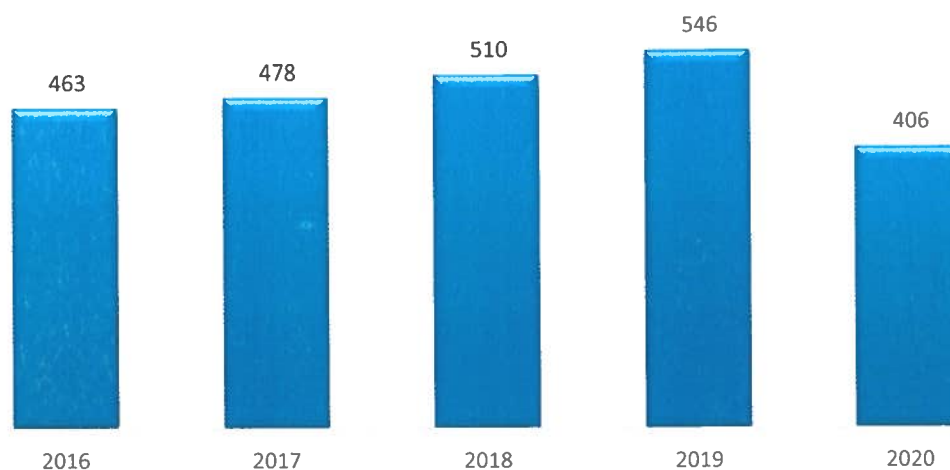
Despite COVID-19 outbreak, lowered oil prices, and lower profit rates, Sharjah Islamic Bank (SIB) recorded a profit of AED 405.8 million for the year ended 31 December 2020 compared to AED 545.5 million in the same period in 2020; a decrease of 25.6%.

This decrease is primarily on account of increase in provisions for the year ended 31 December 2020 by 159.1 million, as the Bank reported AED 255.8 million provisions as against AED 96.8 million for the year ended of 2019. Higher provisions taken a result of prudent forward looking provision coverage considering the economic slowdown owing to Covid-19 pandemic outbreak. The Bank's total assets at 31 December 2020 increased significantly from the 2019 year end level and were valued at AED 53.6 billion, an increase of 15.5%. Despite fears of liquidity shortage, Bank's liquid assets stand at a strong level of 20.9% as at 31 December 2020.

### Total assets



### Net Profit



## Key highlights:

- Net profit for the year ended 2020 reached to AED 405.8 million as compared to AED 545.4 million for the year ended 2019, owing to COVID-19 pandemic and increase in investment in Islamic financing provision.
- Net income from financing and investment products increased by AED 76.3 million or 8.5% reaching at AED 973.9 million as against AED 897.6 million for the year ended 2019, despite challenging profit rates.
- Total operating income for the year 2020 reached at AED 1.26 billion as against 1.23 billion in the year 2019, an increase of 3.2% or AED 39.4 million.
- Net operating income before impairment of financial and non-financial asset increased by a mere 8.7% reaching AED 697.7 million as compared to AED 642.1 million in 2019.
- Impairment on financial assets - net of recoveries increased from AED 96.8 million in the year 2019 to AED 255.8 million for the year 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 47.7% in 2019 to 45.9% for the year ended 2020.
- Total assets of the Group reached at AED 53.6 billion as at 31 December 2020, a significant increase of 15.5%.
- Investment in Islamic financing increased significantly by AED 4.1 billion compared to AED 25.1 billion as at 31 December 2019 to reach AED 29.3 billion as at 31 December 2020.
- Liquid assets now contribute 20.9% of the total assets, amounting to AED 11.2 billion as at 31 December 2020.
- Investment securities increased by 33.0% to reach AED 7.7 billion as at 31 December 2020 as compared to AED 5.8 billion for the year ended 2019.
- Customer deposits reached at AED 33.6 billion as at 31 December 2020, with increase of notable 23.0% or AED 6.3 billion from the year end 2019.
- NPL ratio now stands at 4.89%, and coverage ratio at 93.7% as at 31 December 2020.
- Capital adequacy ratio stands at 20.71% at the end of year 2020.
- Advances to deposit ratio stands at 87.1% as at 31 December 2020.
- Earnings per share stands at AED 0.13/share for the year ended 31 December 2020.
- Return on average assets for the period stands at 0.81%.
- Return on average equity for the year is computed to 5.35% including Tier 1 Sukuk and 7.06% excluding Tier 1 Sukuk.



## **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 53.6 billion.

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

### **Liquid assets:**

Liquid assets stand at AED 11.2 billion or 20.9% of the total assets at the end of year 2020 compared to AED 10.4 billion or 22.4% at the end of year 2019.

### **Investment in Islamic financing:**

Net investment in Islamic financing of the Group amounted to AED 29.3 billion as at end of December 2020, a significant increase of 16.4% or AED 4.1 billion compared to the year ended 2019. Bank continued to improve its Investment in Islamic financing book focusing on sovereign exposures. Investment in Islamic financing to customer deposits stands at strong 87.1% and in line with management's strategic objectives.

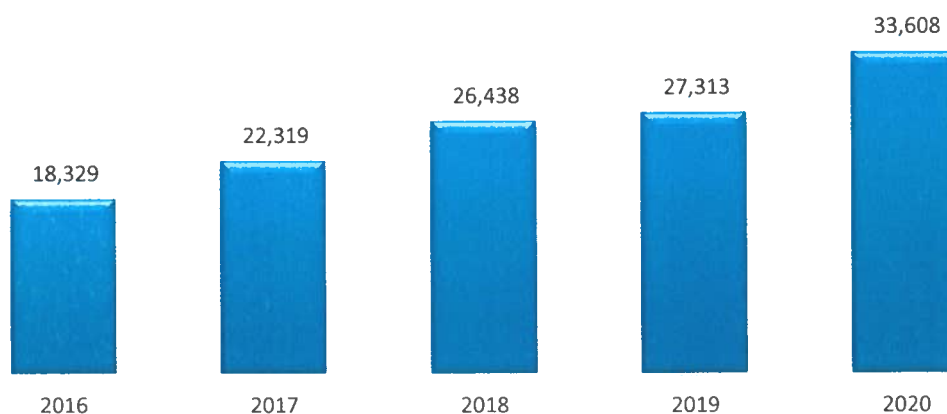
### **Investment securities:**

Investment securities increased significantly by 33.0% to reach AED 7.7 billion at the end of year December 2020 compared to AED 5.8 billion at the end December 2019.

### **Customer deposits:**

Sharjah Islamic Bank's customer deposits notably increased by 23.0% or by AED 6.3 billion and reached at AED 33.6 billion for the year 2020.

## **Customer deposits**



**Due to banks:**

Balance due to banks increased by AED 845.1 million and stood at AED 5.97 billion at the end of year ended on December 2020 as against AED 5.1 billion as at year end 2019, in line with Group's efficient liquidity management policies.

**Shareholders' equity:**

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.6 billion or 14.3 % of total assets. Compared with AED 7.5 billion in December 2019.

**Asset quality:**

NPL ratio of the Bank stands at 4.89% as at 31 December 2020 owing to prudent management overlays and stringent risk management policies.

Banks prudent approach to provisions and NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the 93.7 % as at 31 December 2020.



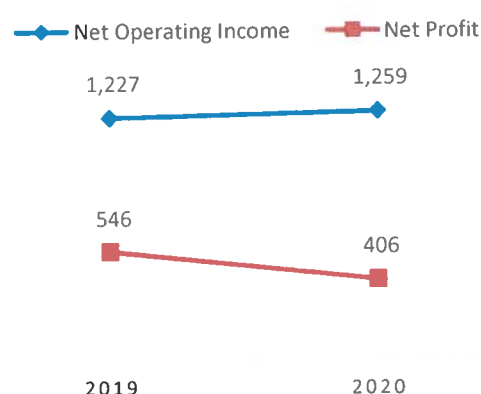
## Income Statement:

Sharjah Islamic Bank posted a net profit of AED 405.8 million for the year 2020, compared to AED 545.5 million for the year 2019, a decrease of 25.6%, owing to COVID-19 pandemic, lower profit rates and increase in investment in Islamic financing provision

Total operating income reached AED 1.26 billion for the year 2020 compared to AED 1.23 billion for the year 2019, an increase of 3.2%.

Main highlights of the income statement are:

The distribution to depositors and sukuk holders reached AED 754 million for the year 2020 compared to AED 852.1 million for the 2019; a decrease of 11.5%. Profit is allocated for payment to depositors. 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.



Investment, fees, commission and other income reached AED 285.2 million for the year ended 2020, compared to AED 329.8 million for year 2019, with a decrease of AED 36.9 million or 11.2%.

On the expenses side, general and administration expenses reached AED 561.5 million for year 2020 compared to AED 585.4 million for the year ended 2019, a decrease of 2.8%.

Impairment on financial assets - net of recoveries was recorded at AED 255.8 million for year 2020 compared to AED 96.8 million for 2019.

During the year 2020, SIB revalued its investment properties and held for sale properties, resulting in a net revaluation loss of AED 36.0 million, as against a revaluation gain of AED 0.2 million in the year 2019.

Return on average shareholders' equity (ROAE) reached 5.35% as at 31 December 2020, while return on average assets (ROAA) remained at 0.81%.



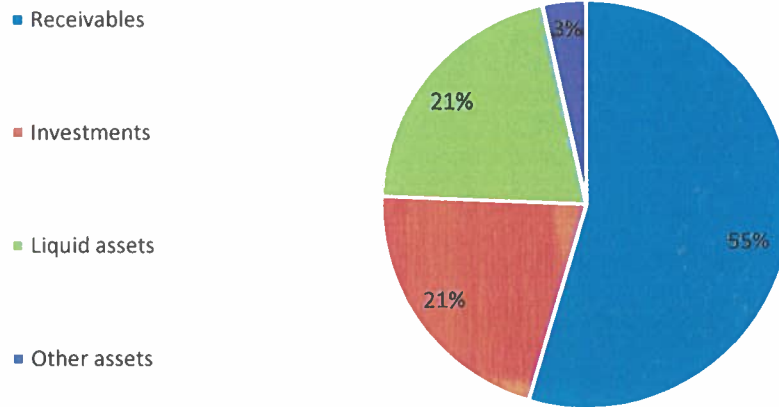
## Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Total Assets</b>	29,883	33,539	38,288	44,746	46,390	53,601
<b>Net Investment in Islamic financings</b>	16,349	17,091	21,707	24,124	25,143	29,269
<b>Customer Deposits</b>	16,953	26,438	22,318	26,438	27,313	32,608
<b>Total Shareholders' Equity</b>	4,704	4,856	5,519	5,388	7,529	7,645
<b>Return on Average Assets</b>	1.47%	1.46%	1.33%	1.23%	1.20%	0.81%
<b>Return on Average Equity</b>	8.82%	9.68%	9.21%	9.36%	8.45%	5.35%
<b>Equity to Total Assets</b>	15.74%	14.48%	14.41%	12.04%	16.23%	14.26%
<b>Leverage of Total Capital (Times)</b>	5.35	5.91	5.94	7.31	5.16	6.01



## Assets and Liabilities Structure

### SIB Asset Structure



### SIB Liabilities Structure

