



مصرف التّجارة الإسلاميّة
Sharjah Islamic Bank

Management Report

31 December 2018

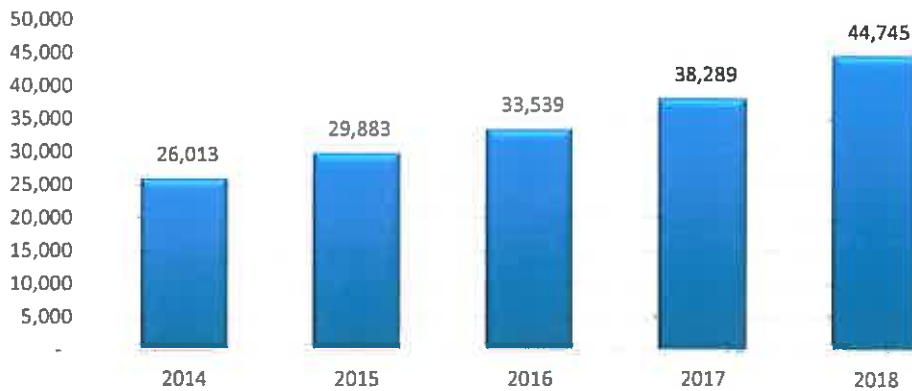


Financial Review

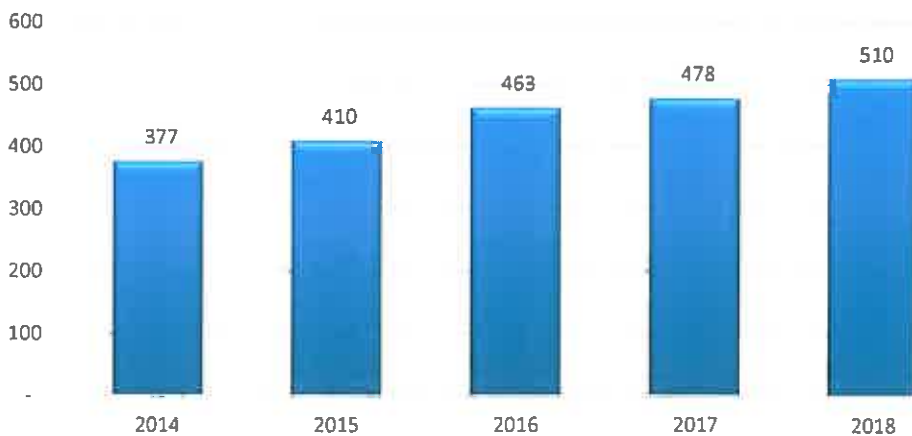
Sharjah Islamic Bank PJSC achieved a net profit of AED 510.4 million for the year ended 31 December 2018, whereas total assets reached AED 44.7 billion, an increase of 6.8% and 16.9% respectively.

During 2018 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 510.4 million in 2018 compared to AED 477.7 million last year; a 6.8% increase. Total assets reached AED 44.7 billion at the end of 2018 compared to AED 38.3 billion at the end of 2017.

Total assets

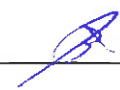


Net Profit



Key highlights:

- Net profit up by 6.8% reaching a mark of AED 510.4 million as compared to AED 477.7 million in 2017.
- Net operating income rose by 16.5% reaching AED 1,087.7 million as compared to AED 933.8 million in 2017.
- Provision expenses – net of recoveries improved significantly, lower from AED 148.8 million in 2017 to AED 36.8 million in 2018.
- Cost to income ratio stands at 36.1% as at 31 December 2018 as compared to 37.1% as at 31 December 2017.
- Total assets of the Group increased significantly by 16.9% to reach AED 44.7 billion as at 31 December 2018 compared to AED 38.3 billion as at 31 December 2017.
- Liquid assets now contribute 21.6% of the total assets, amounting to AED 9.7 billion as at 31 December 2018.
- Investment securities increased by 23.6% to reach AED 6.2 billion as compared to AED 5.0 billion.
- Customer deposits of the Group increased remarkably to reach AED 26.4 billion as at 31 December 2018 from AED 22.3 billion as at 31 December 2017, a significant increase of 18.5%.
- NPL ratio now stands at 5.9%, and coverage ratio at 79% as at 31 December 2018.
- Capital adequacy ratio stands at 17.7% and Tier1 ratio stands at 16.5% at 31 December 2018.
- Advances to deposit ratio stands at 91.3% as at 31 December 2018.
- Earnings per share stands at AED 0.17 for the year 2018, as compared to AED 0.16 for the year 2017, an improvement of 6.8%.
- Return on average assets for the year stands at 1.23%.
- Return on average equity is computed to 9.36% for the year 2018.



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 44.7 billion at the end of the December 2018 compared to AED 38.2 billion at the end of December 2017.

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

Liquid assets:

Liquid assets reached AED 9.6 billion or 21.6% of the statement of financial position at the end of December 2018 compared to AED 7.0 billion or 18.4% at the end of December 2017.

Customer financing:

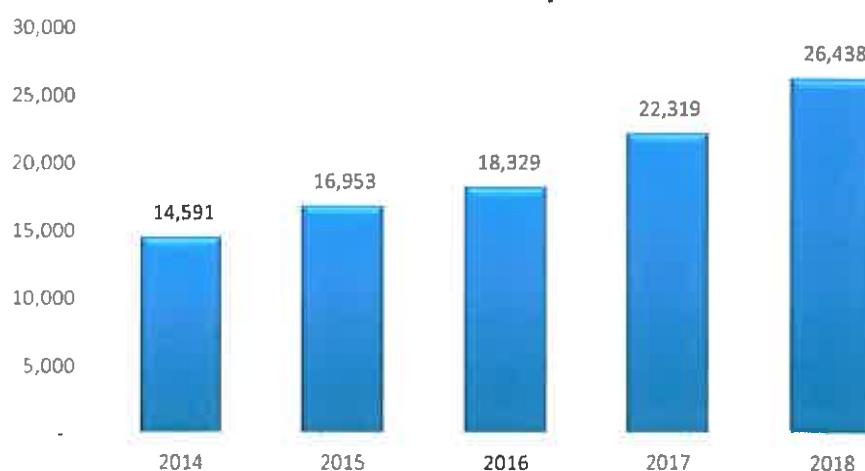
Net Customer financing of the Group amounted to AED 24.1 billion as at 31 December 2018, an increase of 11.1% or AED 2.4 billion compared to the year ended 2017. Bank continued to improve its Customer financing book, equally across corporate and retail sectors, maintaining the concentration in all sectors of the industry. Customer financing to customer deposits stands at strong 91.3% and in line with management's strategic objectives.

Investment securities:

Investment securities increased by 23.6% to reach AED 6.2 billion at the end of December 2018 compared to AED 5.0 billion at the end of December 2017, mostly on account of sovereign and other high rated sukuk investments.



Customer deposits



Customer deposits:

Sharjah Islamic Bank was successful in attracting more customer deposits during the year 2018 as the total customer deposits reached AED 26.4 billion by the end December 2018, growing significantly by AED 4.1 billion or 18.5% compared to AED 22.3 billion as of December 2017, despite tight liquidity in the industry.

Due to banks:

Balance due to banks reached AED 6.5 billion as at 31 December 2018 with an increase of AED 2.4 billion or 60.7% compared to AED 4.0 billion at the end of 31 December 2017, in line with Group's liquidity management.

Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached AED 5.4 billion or 12.2 % of total assets.

Asset quality:

NPL ratio of the Bank stands at 5.9% in 2018 as compared to 5.4% in 2017 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 79% as at 31 December 2018 as compared to 68% as at 31 December 2017.



Income Statement:

Sharjah Islamic Bank posted a net profit of AED 510.4 million for the year ended 31 December 2018, compared to AED 477.7 million for the year ended 31 December 2017, an increase of 6.8%.

Net operating income reached AED 1,087.6 million for 2018 compared to AED 933.8 million for 2017, an increase of 16.5%.

Main highlights of the income statement are:

Income from Islamic financing reached AED 1.32 billion for the year ended 31 December 2018 as compared to AED 1.11 billion for the year ended 31 December 2017, an increase of AED 212.2 million or 19.1%.

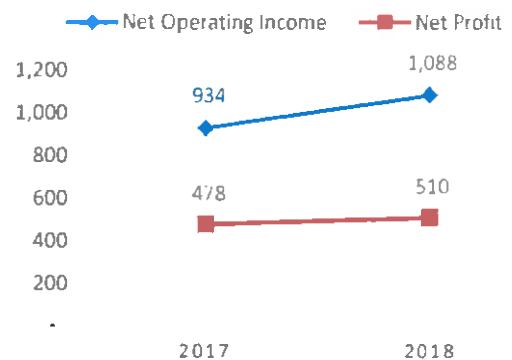
Distributions to sukuk holders reached AED 183.5 million compared to AED 167.8 million for 2017; AED 15.7 million, higher by 9.4%.

Investment, fees, commission and other income reached AED 534.1 million by for the year ended 31 December 2018, compared to AED 510.7 million for the year ended 31 December 2017, increase of AED 23.3 million or 5.0%.

Income from subsidiary reached AED 28.2 million for the year ended 31 December 2018 compared to AED 30.6 million for the year ended 31 December 2017, decrease of AED 2.4 million or 7.7%

On the expenses side, general and administration expenses reached AED 614.2 million for the year ended 31 December 2018 compared to AED 550.7 million for the year ended 31 December 2017, an increase of AED 63.5 million or 12.0%.

Provision-net of recoveries reached AED 36.8 million for the year ended 31 December 2018 compared to AED 148.8 million for the year ended 31 December 2017, decrease of AED 112.0 million or 75.3%.



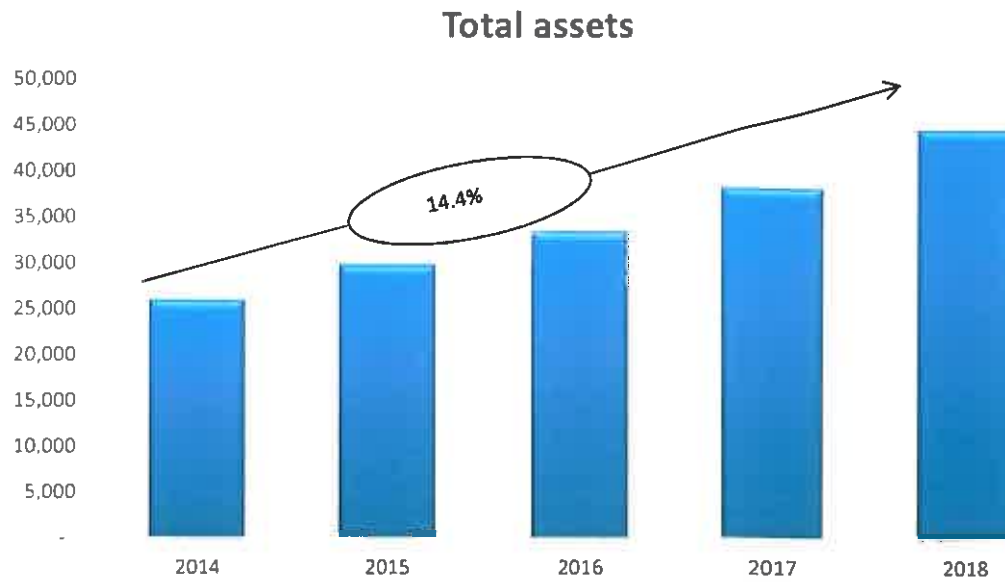
Profits allocated and distributed to depositors reached AED 540.5 million for the year ended 31 December 2018 compared to AED 307.3 million for the year ended 31 December 2017; an increase of 75.9%. These profit allocations represent the depositors' share of the Groups' net operating profits based on the profit sharing mechanism between shareholders and depositors as approved by SIB's Shari'a Board.

Return on average shareholders' equity (ROAE) reached 9.36% as at 31 December 2018 compared to 9.21% as at 31 December 2017, while return on average assets (ROAA) was 1.23% by the end of December 2018 compared to 1.33% by the end of December 2017.

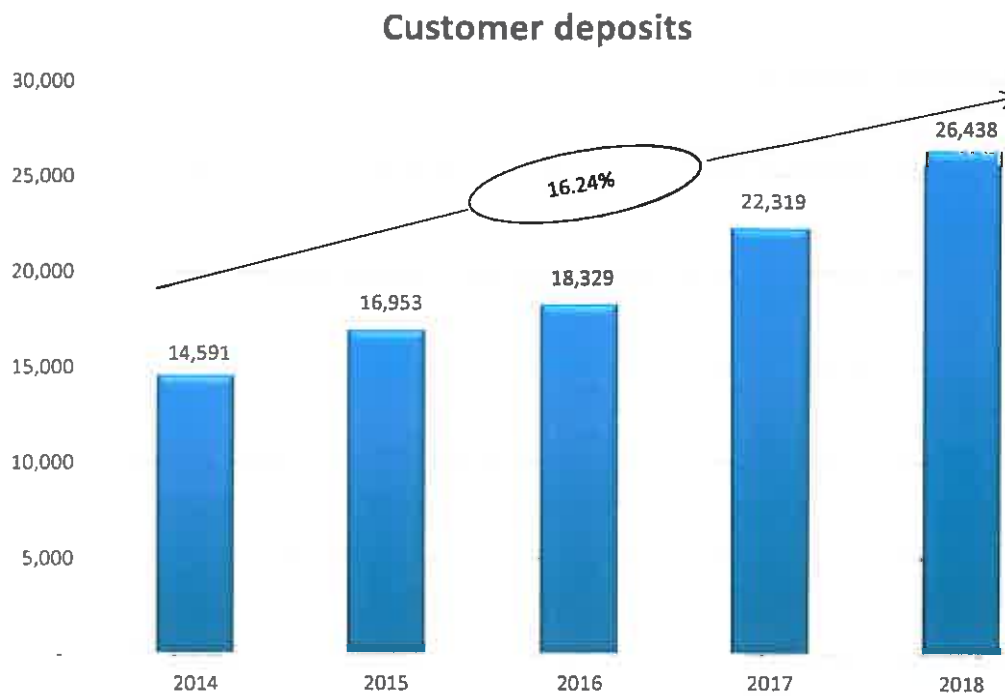
Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2014	2015	2016	2017	2018
Total Assets	26,013	29,883	33,539	38,288	44,746
Net Customer Receivables	14,475	16,349	17,091	21,707	24,124
Customer Deposits	14,591	16,953	26,438	22,318	26,438
Total Shareholders' Equity	4,588	4,704	4,856	5,519	5,446
Return on Average Assets	1.58%	1.47%	1.46%	1.33%	1.23%
Return on Average Equity	8.27%	8.82%	9.68%	9.21%	9.36%
Equity to Total Assets	17.64%	15.74%	14.48%	14.41%	12.01%
Leverage of Total Capital (Times)	4.67	5.35	5.91	5.94	7.31

Total Assets, AED millions

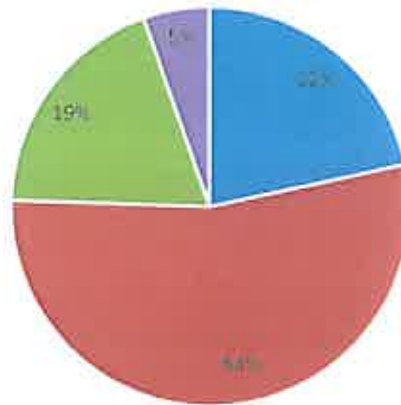


Customer Deposits, AED millions



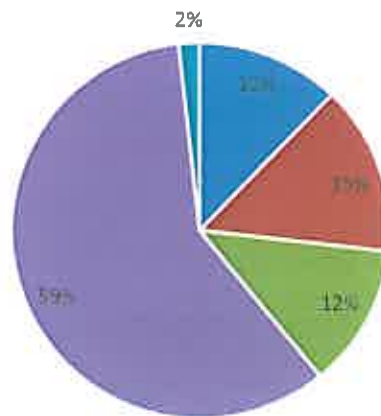
Assets and Liabilities Structure

SIB Asset Structure



■ Liquid assets ■ Receivables ■ Investments ■ Other assets

SIB Liabilities Structure



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