



مصرف الشارقة الإسلامية
Sharjah Islamic Bank

Management Report

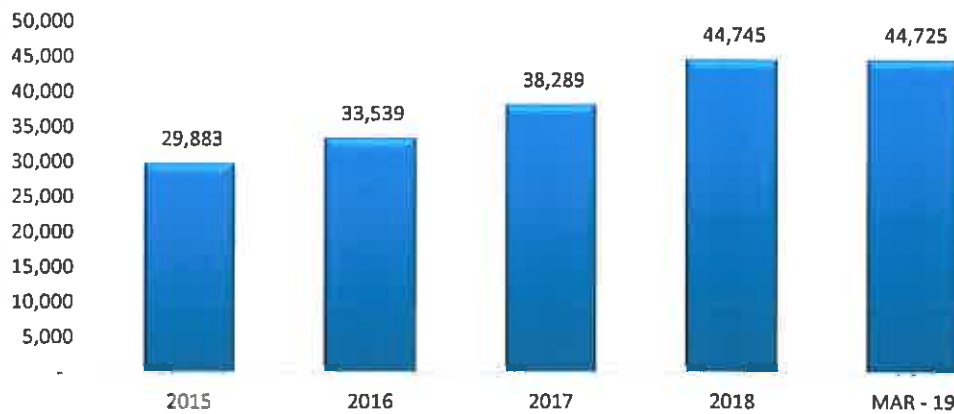
31 March 2019 – 1st Quarter

Financial Review

Sharjah Islamic Bank PJSC achieved a net profit of AED 151.7 million for the first quarter 2019, an increase of 6.0 %. Whereas total assets reached AED 44.7 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 151.7 million in the first quarter of 2019 compared to AED 143.1 million in the same period 2018; 6% increase. Total assets at 31 March 2019 remained unchanged from the 2018 yearend level and were valued at AED 44.7 billion.

Total assets



Net Profit



Key highlights:

- Net profit for the quarter ended March 2019 is up by 6.0% reaching a mark of AED 151.7 million as compared to AED 143.1 million for the period March 2018.
- Net operating income rose significantly by 29.2% reaching AED 329.2 million as compared to AED 254.8 million in 2018.
- Provision expenses – net of recoveries improved significantly, lower from AED 14.4 million in first quarter 2018 to AED 0.7 million in first quarter 2019.
- Cost to income ratio dropped significantly from 32.6% in 2018 to 27.5% in the first quarter 2019.
- Total assets of the Group remained stagnant at AED 44.7 billion as at 31 March 2019, without any variance from the yearend level.
- Liquid assets now contribute 21.0% of the total assets, amounting to AED 9.4 billion as at first quarter 2019.
- Investment securities decreased by 1.5% to reach AED 6.1 billion as compared to AED 6.2 billion as at 31 December 2018.
- Customer deposits of the Group remained unchanged at AED 26.4 billion as at 31 March 2019, without any variance from the yearend level.
- NPL ratio now stands at 5.63%, and coverage ratio at 76.4% as at first quarter 2019.
- Capital adequacy ratio stands at 16.62% and Tier1 ratio stands at 15.46% at first quarter 2019.
- Advances to deposit ratio stands at 92.6% as at first quarter 2019.
- Earnings per share stands at AED 0.05/share for the quarter ended 31 March 2019, similar to EPS at 31 March 2018.
- Return on average assets for the year stands at 1.36%.
- Return on average equity is computed to 11.32%.

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 remained stable at AED 44.7 billion, with no variance compared to December 2018.

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

Liquid assets:

Liquid assets reached AED 9.4 billion or 21.0% of the statement of financial position at the first quarter compared to AED 9.7 billion or 21.6% at the end of December 2018.

Customer financing:

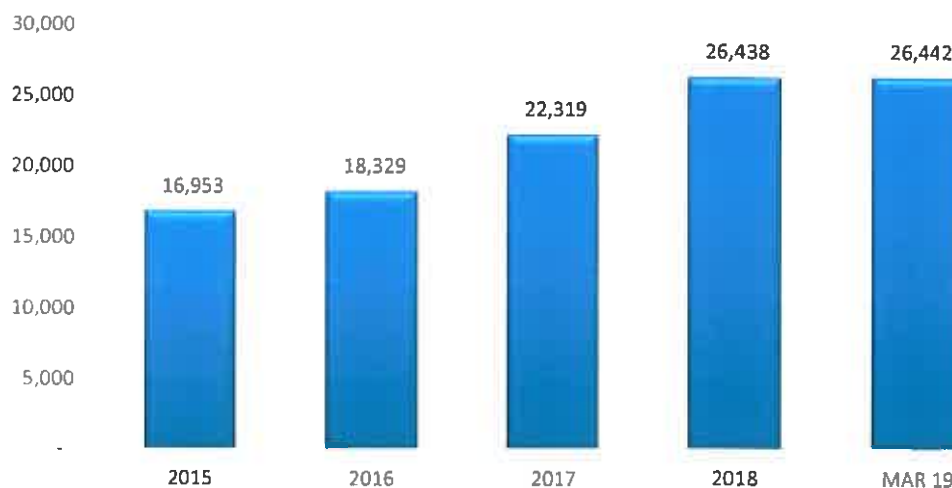
Net Customer financing of the Group amounted to AED 24.5 billion as at first quarter 2019, an increase of 1.5% or AED 357.1 million compared to the year ended 2018. Bank continued to improve its Customer financing book, equally across corporate and retail sectors, maintaining the concentration in all sectors of the industry. Customer financing to customer deposits stands at strong 92.6% and in line with management's strategic objectives.

Investment securities:

Investment securities decreased slightly by 1.5% to reach AED 6.1 billion at the first quarter 2019 compared to AED 6.2 billion at the end of first quarter. The variance only reflected revaluation volatility.



Customer deposits



Customer deposits:

Sharjah Islamic Bank's customer deposits remained unchanged at AED 26.4 billion for the first quarter 2019.

Due to banks:

Balance due to banks as well stood at AED 6.5 billion as at first quarter 2019 with no change as compared to yearend 2018, in line with Group's liquidity management.

Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached AED 5.4 billion or 11.9 % of total assets.

Asset quality:

NPL ratio of the Bank stands at 5.6% as at 31 March 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 76.4% as at 31 March 2019.

Income Statement:

Sharjah Islamic Bank posted a net profit of AED 151.7 million for the first quarter 2019, compared to AED 143.1 million for the first quarter 2017, an increase of 6.0%.

Net operating income reached AED 329.2 million for first quarter 2019 compared to AED 254.8 million for the first quarter 2018, an increase of 29.2%.

Main highlights of the income statement are:

Income from Islamic financing reached AED 367.6 million for the first quarter 2019, as compared to AED 291.5 million for the first quarter 2018; an increase of AED 76.1 million or 26.1%.

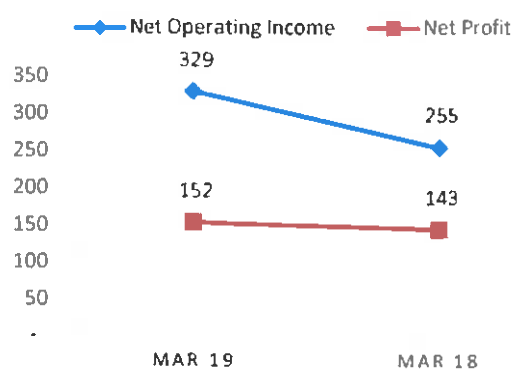
Distributions to sukuk holders reached AED 47.6 million compared to AED 41.9 million; AED 5.7 million, higher by 13.7%.

Investment, fees, commission and other income reached AED 143.4 million for the first quarter 2019, compared to AED 140.3 million for the first quarter 2018 with an increase of AED 3.1 million or 2.2%.

Income from subsidiary reached AED 8.7 million for first quarter 2019 compared to AED 10.2 million for the first quarter 2018, mere decrease of AED 1.54 million.

On the expenses side, general and administration expenses reached AED 142.9 million for the first quarter compared to AED 145.4 million for the first quarter 2018, a decrease of AED 2.5 million or 1.7%.

Provision-net of recoveries reached AED 0.7 million for the first quarter 2019 compared to AED 14.4 million for the first quarter 2018, decrease of AED 13.7 million or 95.4%.



Profits allocated and distributed to depositors reached AED 176.8 million for the quarter ended 31 March 2019 compared to AED 97.3 million for the quarter ended 31 March 2018; an increase of 81.7%. 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 11.32% as at 31 March 2019 compared to 9.36% as at 31 December 2018, while return on average assets (ROAA) was 1.36% by the end of March 2019 compared to 1.23% by the end of December 2018.

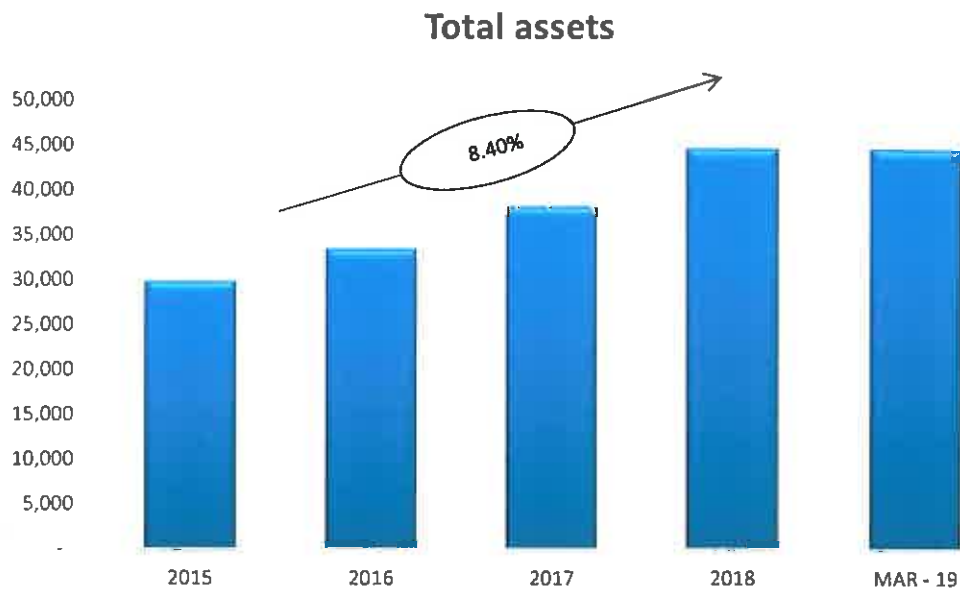
Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2014	2015	2016	2017	2018	Q1-2019
Total Assets	26,013	29,883	33,539	38,288	44,746	44,725
Net Customer Receivables	14,475	16,349	17,091	21,707	24,124	24,480
Customer Deposits	14,591	16,953	26,438	22,318	26,438	26,442
Total Shareholders' Equity	4,588	4,704	4,856	5,519	5,446	5,338
Return on Average Assets	1.58%	1.47%	1.46%	1.33%	1.23%	1.36%
Return on Average Equity	8.27%	8.82%	9.68%	9.21%	9.36%	11.32%
Equity to Total Assets	17.64%	15.74%	14.48%	14.41%	12.04%	11.94%
Leverage of Total Capital (Times)	4.67	5.35	5.91	5.94	7.31	7.38

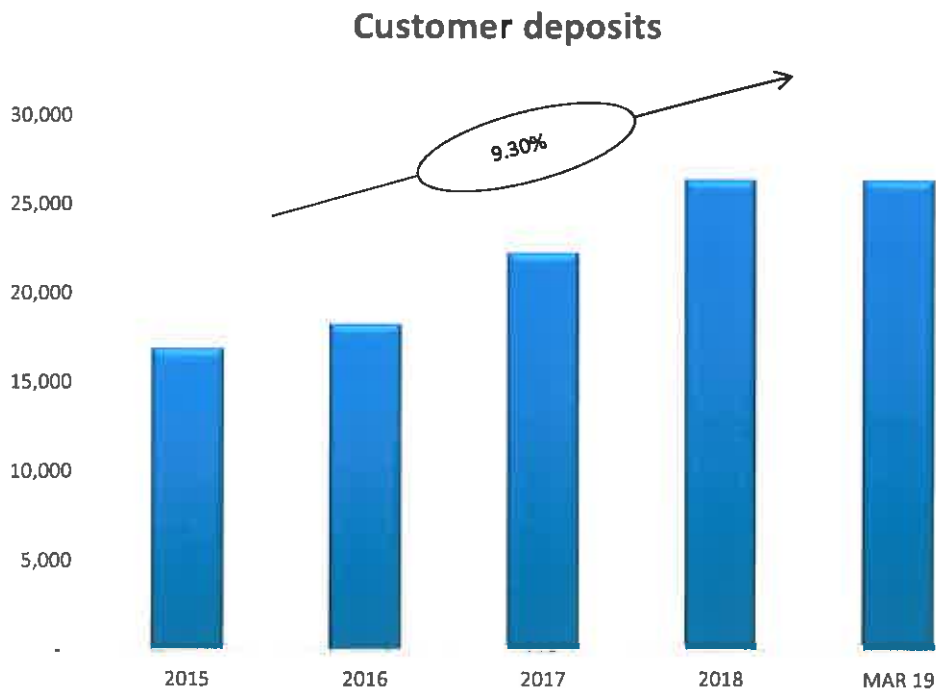
***Annualized**



Total Assets, AED millions:

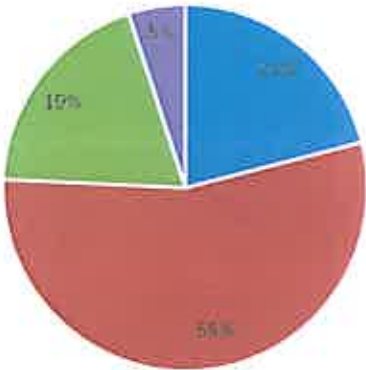


Customer Deposits, AED millions:



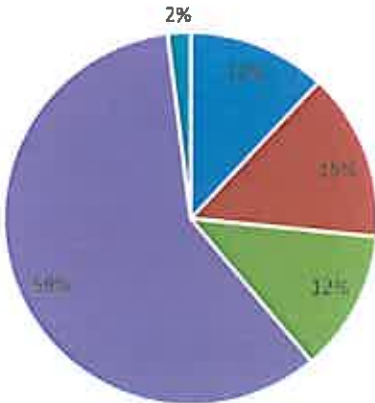
Assets and Liabilities Structure

SIB Asset Structure



■ Liquid assets ■ Receivables ■ Investments ■ Other assets

SIB Liabilities Structure



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