



مصرف الشارقة الإسلامي  
Sharjah Islamic Bank

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## *Management Report*

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*30 June 2019 – 1st HALF*

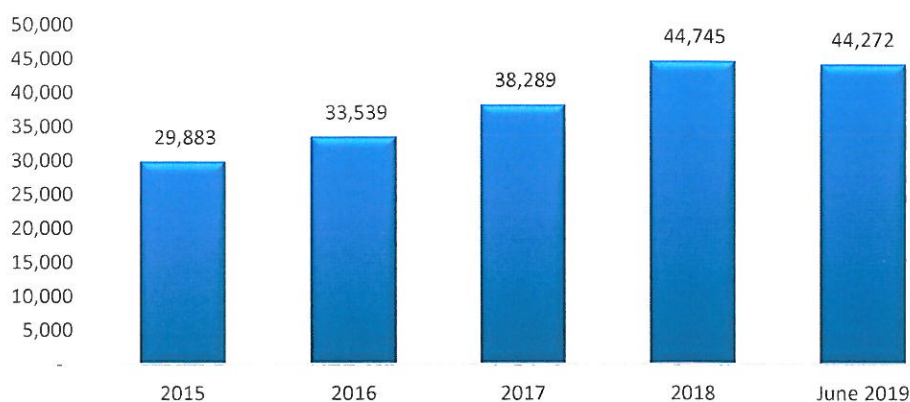
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## Financial Review

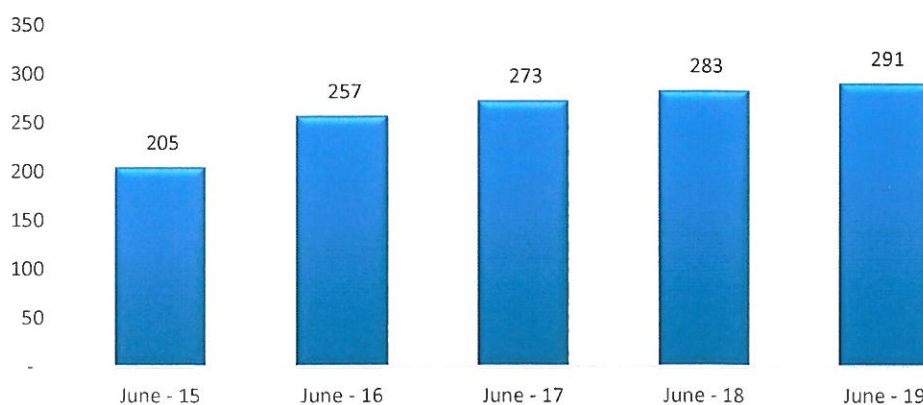
**Sharjah Islamic Bank PJSC achieved a net profit of AED 290.5 million for the First Half, an increase of 2.7%, whereas, total assets reached AED 44.3 billion.**

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 290.5 million in the first half of 2019 compared to AED 283.0 million in the same period 2018; a 2.7% increase. Total assets at 30 June 2019 slightly decreased from the 2018 year end level and were valued at AED 44.3 billion.

**Total assets**



**Net Profit**



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## Key highlights:

- Net profit for the 1<sup>st</sup> half ended June 2019 is up by 2.7% reaching a mark of AED 290.5 million as compared to AED 283 million for the period June 2018.
- Net operating income rose significantly by 26.0% reaching AED 660.7 million as compared to AED 524.2 million in 2018.
- Provision expenses – net of recoveries improved significantly, lower from AED 25.0 million in 1<sup>st</sup> half 2018 to AED 15.3 million in 1<sup>st</sup> half 2019.
- Cost to income ratio dropped significantly from 36.09% in 2018 to 30.08% in the 1<sup>st</sup> half 2019.
- Total assets of the Group reached at AED 44.3 billion as at 30 June 2019, with decrease of 1.1%.
- Liquid assets now contribute 20.4% of the total assets, amounting to AED 9.0 billion as at end of 1<sup>st</sup> half 2019.
- Investment securities decreased by 7.8% to reach AED 5.7 billion as compared to AED 6.2 billion as at 31 December 2018.
- Customer deposits of the Group increased at AED 28.2 billion as at 30 June 2019, with increase of 6.7% from the yearend level.
- NPL ratio now stands at 6%, and coverage ratio at 77% as at 30 June 2019.
- Capital adequacy ratio stands at 17.23% and Tier1 ratio stands at 16.06% at the end of 1<sup>st</sup> half 2019.
- Advances to deposit ratio stands at 87.6% as at end of 1<sup>st</sup> half 2019.
- Earnings per share stands at AED 0.05/share for the quarter ended 30 June 2019, similar to EPS as at 30 June 2018.
- Return on average assets for the period stands at 1.31%.
- Return on average equity is computed to 10.70%.
- 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.

Pricing of these perpetual 6-year non-callable Sukuk was at 5%, the lowest for any Tier-1 Sukuk or bonds ever issued in the GCC. This is yet another reflection of the Bank's financial strength and capital adequacy which attracted the largest of international institutions and individual investors to this issuance.

- Towards the end of May 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 44.3 billion.

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

### **Liquid assets:**

Liquid assets reached AED 9.0 billion or 20.4% of the statement of financial position at the end of 1<sup>st</sup> half 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 24.7 billion as at end of 1<sup>st</sup> half 2019, an increase of 2.5% or AED 593.8 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 87.6% and in line with management's strategic objectives.

### **Investment securities:**

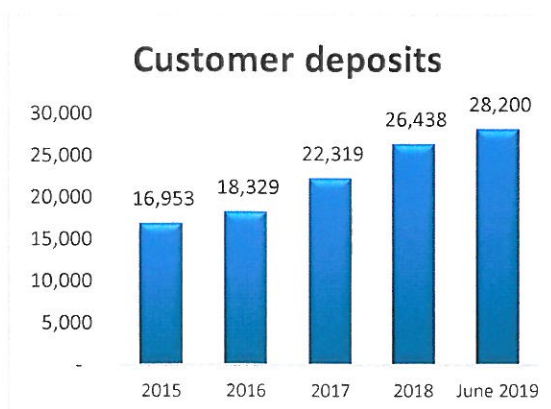
Investment securities decreased slightly by 7.8% to reach AED 5.7 billion at the end of 1<sup>st</sup> half 2019 compared to AED 6.2 billion at the end December 2018.

### **Customer deposits:**

Sharjah Islamic Bank's customer deposits reached at AED 28.2 billion for the 1<sup>st</sup> half 2019.

### **Due to banks:**

Balance due to banks declined by AED 2.4 billion and stood at 4.2 billion as against AED 6.5 billion as at year end 2018, in line with Group's efficient liquidity management policies.



### **Shareholders' equity:**

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached AED 5.5 billion or 12.4 % of total assets.

### **Asset quality:**

NPL ratio of the Bank stands at 6% as at 30 June 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 77% as at 30 June 2019.



## Income Statement:

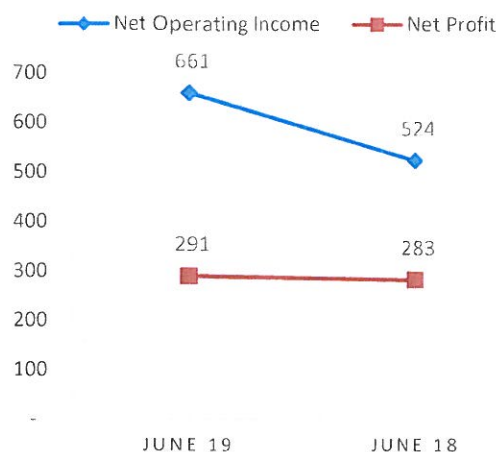
Sharjah Islamic Bank posted a net profit of AED 290.5 million for the 1<sup>st</sup> half 2019, compared to AED 283 million for the 1<sup>st</sup> half 2018, an increase of 2.7%.

Net operating income reached AED 660.7 million for second quarter 2019 compared to AED 524.2 million for the second quarter 2018, an increase of 26.0%.

Main highlights of the income statement are:

Income from Islamic financing reached AED 742.4 million for the 1<sup>st</sup> half 2019, as compared to AED 605.2 million for the 1<sup>st</sup> half 2018; an increase of AED 137.1 million or 22.7%.

Distributions to sukuk holders reached AED 95.3 million compared to AED 88.1 million; AED 7.2 million, higher by 8.1%.



Investment, fees, commission and other income reached AED 283.1 million for the 1<sup>st</sup> half 30 June 2019, compared to AED 275.8 million for the 1<sup>st</sup> half 30 June 2018 with an increase of AED 7.3 million or 2.6%.

Income from subsidiary reached AED 14.7 million for 1<sup>st</sup> half 30 June 2019 compared to AED 15.7 million for the 1<sup>st</sup> half 2018, a slight decrease of AED 1.03 million.

On the expenses side, general and administration expenses reached AED 284.2 million for the 1<sup>st</sup> half compared to AED 284.4 million for the 1<sup>st</sup> half 30 June 2018, a decrease of 0.1%.

Provision-net of recoveries reached AED 15.3 million for the 1<sup>st</sup> half 2019 compared to AED 25.0 million for the 1<sup>st</sup> half 2018, decrease of AED 9.7 million or 38.8%.

Profits allocated and distributed to depositors reached AED 354.8 million for the 1<sup>st</sup> half 30 June 2019 compared to AED 216.1 million for the 1<sup>st</sup> half 30 June 2018; an increase of 64.2%. 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.

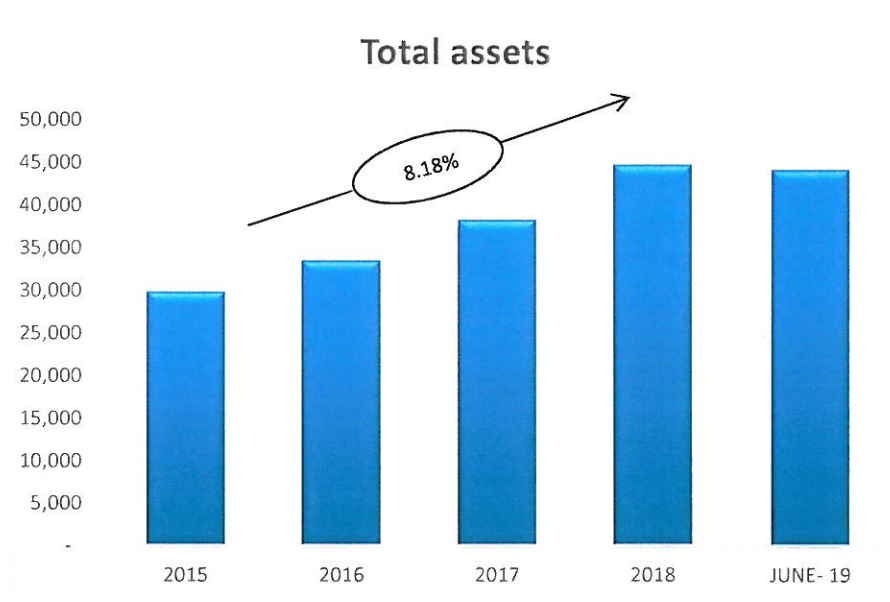
Return on average shareholders' equity (ROAE) reached 10.7% as at 30 June 2019 compared to 9.36% as at 31 December 2018, while return on average assets (ROAA) was 1.31% by the end of June 2019 compared to 1.23% by the end of December 2018.

### **Summary of key figures and performance ratios**

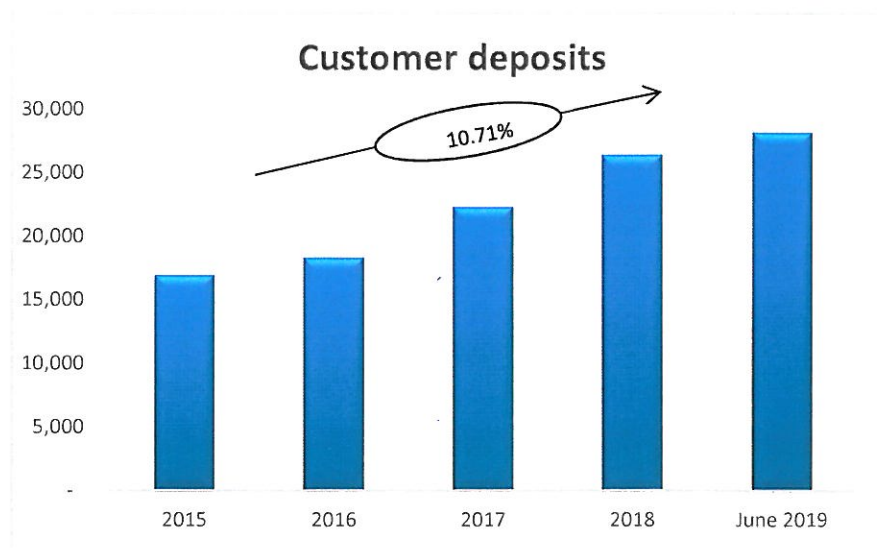
<i>(Figures in AED Millions)</i>	2014	2015	2016	2017	2018	1 <sup>ST</sup> HALF 2019
<b>Total Assets</b>	26,013	29,883	33,539	38,288	44,746	44,272
<b>Net Customer Receivables</b>	14,475	16,349	17,091	21,707	24,124	24,718
<b>Customer Deposits</b>	14,591	16,953	26,438	22,318	26,438	28,200
<b>Total Shareholders' Equity</b>	4,588	4,704	4,856	5,519	5,446	5,501
<b>Return on Average Assets</b>	1.58%	1.47%	1.46%	1.33%	1.23%	1.31%
<b>Return on Average Equity</b>	8.27%	8.82%	9.68%	9.21%	9.36%	10.67%
<b>Equity to Total Assets</b>	17.64%	15.74%	14.48%	14.41%	12.04%	12.43%
<b>Leverage of Total Capital (Times)</b>	4.67	5.35	5.91	5.94	7.31	7.09

\*Annualized

**Total Assets, AED millions:**

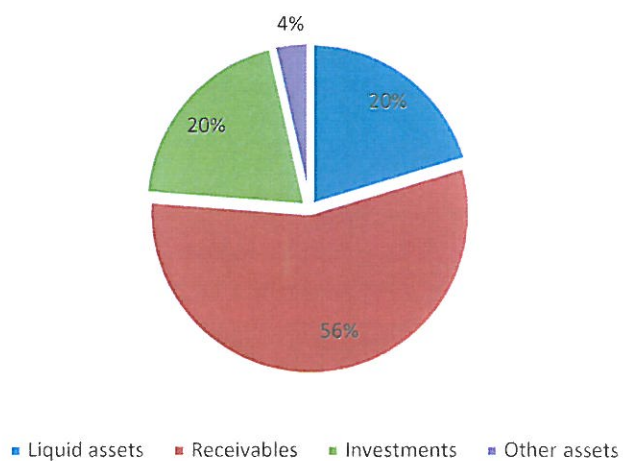


**Customer Deposits, AED millions:**



## Assets and Liabilities Structure

SIB Asset Structure



SIB Liabilities Structure

