



مصرف الشارقة الإسلامي
Sharjah Islamic Bank

Management Report

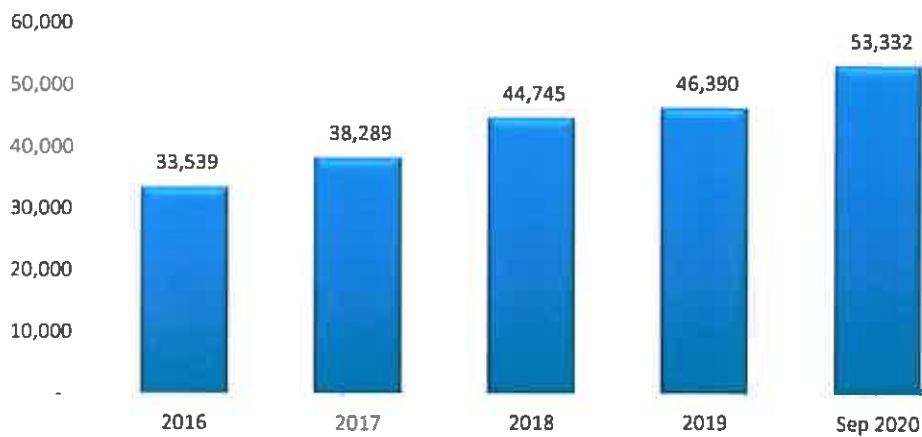
30 Sep 2020 – 3rd Quarter

Financial Review

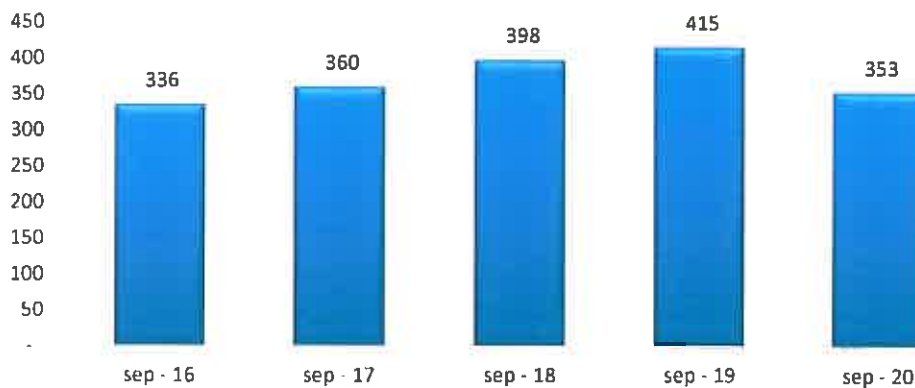
Sharjah Islamic Bank PJSC achieved a net profit of AED 353.4 million for the nine month of 2020, decrease of 14.9%, whereas, total assets increased by 15% and reached at AED 53.3 billion.

Despite COVID-19 outbreak, lowered oil prices, and lower profit rates, Sharjah Islamic Bank (SIB) recorded a profit of AED 353.4 million in the nine months of 2020 compared to AED 415.4 million in the same period in 2019; a decrease of 14.9%. This decrease is primarily on account of increase in provisions during the nine months period ended September 2020 by 101.1 million, as the Bank reported AED 151.4 million provisions as against AED 50.3 million in same period of 2019. Higher provisions taken are a result of prudent forward looking provision coverage considering the economic slowdown owing to pandemic outbreak. The Bank's total assets at 30 September 2020 increased significantly from the 2019 year end level and were valued at AED 53.3 billion, an increase of 15%. Despite fears of liquidity shortage, Bank's liquid assets stand at a strong level of 20.4% as at 30 September 2020.

Total assets



Net Profit



Key highlights:

- Net profit for nine months period ended September 2020 reached to AED 353.4 million as compared to AED 415.4 million for the same period 2019, owing to COVID-19 pandemic and increase in investment in Islamic financing provision.
- Net operating income decreased by a mere 2.2% reaching AED 959.1 million as compared to AED 980.5 million in 2019, owing to the continuous decline in market profit rates.
- Provision expenses – net of recoveries increased from AED 50.3 million in the first nine months of 2019 to AED 151.4 million for the same period 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 31.0% in 2019 to 29.6% in the nine month of 2020.
- Total assets of the Group reached at AED 53.3 billion as at 30 Sep 2020, a significant increase of 15.0%.
- Investment in Islamic financing increased significantly by AED 4.4 billion compared to AED 25.1 billion as at 31 December 2019 and stand at AED 29.5 billion as at 30 September 2020.
- Liquid assets now contribute 20.4% of the total assets, amounting to AED 10.9 billion as at end of 3rd quarter 2020.
- Investment securities increased by 32.3% to reach AED 7.7 billion as compared to AED 5.8 billion as at 31 December 2019.
- Customer deposits reached at AED 32.6 billion as at 30 September 2020, with increase of notable 19.4% or AED 5.3 billion from the year end 2019.
- NPL ratio now stands at 5.7%, and coverage ratio at 86.9% as at 30 September 2020.
- Capital adequacy ratio stands at 21.51% at the end of 3rd quarter 2020.
- Financing to deposit ratio stands at 90.6% as at end of 3rd quarter 2020.
- Earnings per share stands at AED 0.11/share for the nine month period ended 30 Sep 2020.
- Return on average assets for the period stands at 0.94%.
- Return on average equity is computed to 6.21%.

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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 53.3 billion.

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

Liquid assets:

Liquid assets stand at AED 10.9 billion or 20.4% of the total assets at the end of 3rd quarter compared to AED 10.4 billion or 22.4% at the end of December 2019.

Investment in Islamic financing:

Net investment in Islamic financing of the Group amounted to AED 29.5 billion as at end of 3rd quarter 2020, a significant increase of 17.5% or AED 4.4 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 90.6% and in line with management's strategic objectives.

Investment securities:

Investment securities increased significantly by 32.3% to reach AED 7.7 billion at the end of 3rd quarter 2020 compared to AED 5.8 billion at the end December 2019.

Customer deposits:

Sharjah Islamic Bank's customer deposits notably increased by 19.4% or by AED 5.3 billion and reached at AED 32.6 billion for the 3rd quarter 2020.

Due to banks:

Balance due to banks increased by AED 1.7 billion and stood at AED 6.8 billion at the end of 3rd quarter 2020 as against AED 5.1 billion as at year end 2019, in line with Group's efficient liquidity management policies.

Shareholders' equity:

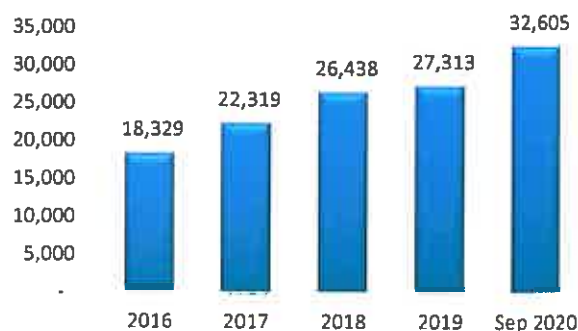
Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.6 billion or 14.3 % of total assets. Compared with AED 7.5 billion in December 2019.

Asset quality:

NPL ratio of the Bank stands at 5.7 % as at 30 Sep 2020 owing to implementation of IFRS9 and stringent risk management policies.

Banks prudent approach to provisions and NPLs has resulted in maintaining a good level of coverage ratio for the Bank. Coverage ratio now stands at the highest level of 85.6 % as at 30 Sep 2020.

Customer deposits



Income Statement:

Sharjah Islamic Bank posted a net profit of AED 353.4 million for the nine month of 2020, compared to AED 415.4 million for the similar nine month of 2019, a decrease of 14.9%, owing to COVID-19 pandemic, lower profit rates and increase in investment in Islamic financing provision

Net operating income reached AED 959.1 million for 3rd quarter 2020 compared to AED 980.5 million for the 3rd quarter 2019, a slight decrease of 2.2% due to decline in profit rates.

Main highlights of the income statement are:

Income from Islamic financing reached AED 1.28 billion for the nine month of 2020, as compared to AED 1.33 billion in the same period of 2019; a decrease of AED 44.6 million or 3.4%.

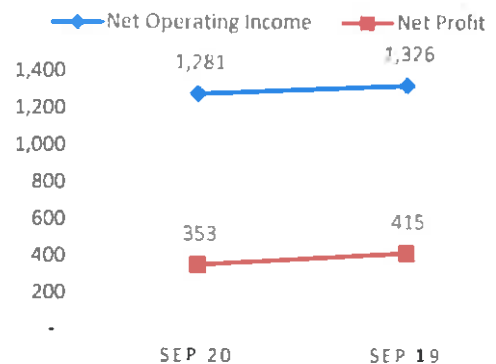
Distributions made to sukuk holders were AED 128.6 million in the nine month of 2020 compared to AED 142.9 million in the same period of 2019; a decrease of AED 14.3 million or 10.0%.

Investment, fees, commission and other income reached AED 155.0 million for the nine month of 2020, compared to AED 175.3 million for the same period of 2019, with a decrease of AED 20.4 million or 11.7%.

Income from subsidiary reached AED 54.6 million for the nine month of 2020 compared to AED 53.6 million for the same period of 2019, a slight increase of AED 1.0 million.

On the expenses side, general and administration expenses reached AED 403.2 million for the nine month of 2020 compared to AED 431.6 million for the same period of 2019, a decrease of 6.6%.

Provision-net of recoveries was recorded at AED 151.4 million for the nine month of 2020 compared to AED 50.3 million for the same period of 2019.



Profits allocated and distributed to depositors reached AED 454.4 million for the nine month of 2020 compared to AED 514.8 million for the nine month of 2019; a decrease of 11.7%. 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 6.21% as at 30 Sep 2020, while return on average assets (ROAA) remained at the same level of 0.94%.

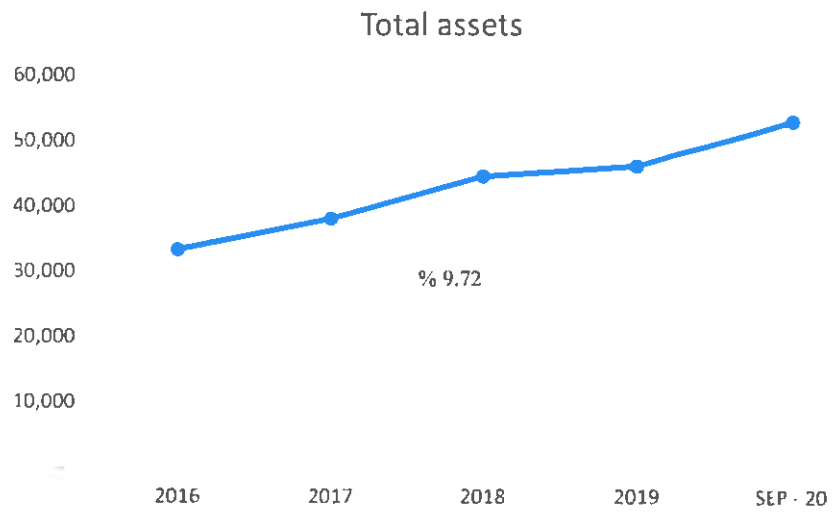
Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2015	2016	2017	2018	2019	3rd quarter 2020
Total Assets	29,883	33,539	38,288	44,746	46,390	53,332
Net Investment in Islamic financings	16,349	17,091	21,707	24,124	25,143	29,536
Customer Deposits	16,953	26,438	22,318	26,438	27,313	32,605
Total Shareholders' Equity	4,704	4,856	5,519	5,446	7,529	7,644
Return on Average Assets	1.47%	1.46%	1.33%	1.23%	1.20	0.94%
Return on Average Equity	8.82%	9.68%	9.21%	9.36%	8.45%	6.21%
Equity to Total Assets	15.74%	14.48%	14.41%	12.04%	16.23%	14.33%
Leverage of Total Capital (Times)	5.35	5.91	5.94	7.31	5.16	5.98

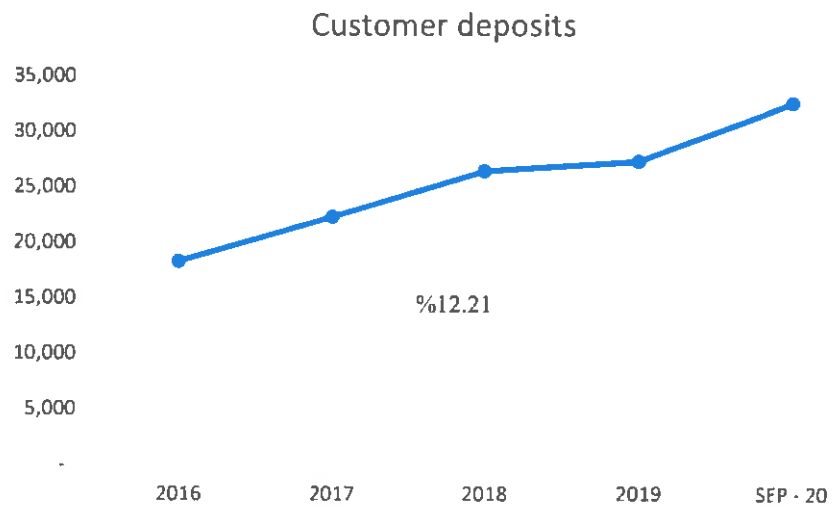
***Annualized**



Total Assets, AED millions:



Customer Deposits, AED millions:

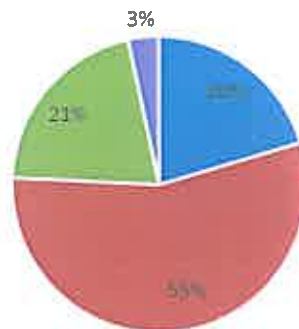


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Assets and Liabilities Structure

SIB Asset Structure

- Liquid assets
- Receivables
- Investments
- Other assets



SIB Liabilities Structure

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

