

# Management discussion and analysis report

31 March 2025



مصرف الشارقة الإسلامي  
SHARJAH ISLAMIC BANK



## KEY HIGHLIGHTS

Sharjah Islamic Bank PJSC (the “Bank” or “SIB”) and its subsidiaries (together referred to as the “Group”) demonstrated impressive financial performance for the three month period ended 31 March 2025, where the Group's net profit surged by 24.6%, reaching an impressive AED 318.9 million. This notable growth is in comparison to the net profit of AED 255.9 million recorded for the same period of 2024.

- +24.6%** ↑ The Group demonstrated strong financial performance for the three month period ended 31 March 2025, characterized by a notable 24.6% increase in net profit to AED 318.9 million, compared to AED 255.9 million for the same period of year 2024, which underscores the efficacy of the Group's management and the success of its profit-generating strategies.
- +5.3%** ↑ The total operating income for the three month period ended 31 March 2025 amounted to AED 531.7 million, showing an increase of 5.3% or AED 27.0 million compared to AED 504.7 million reported for the same period of year 2024.
- +2.1%** ↑ Net operating income, before impairment of financial assets, reached AED 333.4 million, an increase of 2.1% compared to AED 326.7 million in the corresponding period of year 2024. This improvement demonstrates the Group's efficiency in managing its core business operations.
- +28.6%** ↑ Earnings per share for the three month period ended 31 March 2025, were recorded at AED 0.09 per share, compared to AED 0.07 per share for the same period of year 2024. This increase reflects the Group's ability to generate higher earnings for its shareholders.
- +9.7%** ↑ Annualized return on average assets – after tax for the three month period ended 31 March 2025 stood at 1.58%, compared to 1.44% as at year ended 31 December 2024. This improvement demonstrates the Group's effective utilization of its assets to generate profits.
- +21.5%** ↑ Annualized return on average equity – after tax for the three month period ended 31 March 2025 was 15.50%, an increase from 12.76% as at year ended 31 December 2024. This metric reflects the Group's strong performance for the three month period ended 31 March 2025.
- +5.7%** ↑ The Group's cost-to-income ratio stands at 37.3% for the three month period ended 31 March 2025, compared to 35.7% for the year ended 31 December 2024. This reflects the Group's ongoing strategic investment aimed at driving long term growth.



## KEY HIGHLIGHTS

The Group demonstrated strong asset growth highlighted by 4.5% increase in total assets, 7.0% increase in Investment in Islamic financing and 0.7% growth in customer deposits.

- +4.5%** ↑ The Group's total assets increased to AED 82.8 billion as of 31 March 2025, reflecting a robust 4.5% increase as compared to AED 79.2 billion as of 31 December 2024. This expansion in total assets underscores the Group's capacity to enhance its asset portfolio, thereby reinforcing its financial strength.
- +7.0%** ↑ The Group's Investments in Islamic financing saw a notable increase of AED 2.6 billion, resulting an increase of 7.0%. As of 31 March 2025, the total Investments in Islamic financing reached AED 40.3 billion, compared to AED 37.7 billion as of 31 December 2024. This expansion underscores the Group's steadfast commitment to providing Islamic financial services and fostering sectoral growth.
- +0.4%** ↑ Investment securities measured at amortized cost remained stable at AED 13.2 billion with a marginal growth of 0.4%. The Group's investment securities measured at fair value were AED 4.5 billion as of 31 March 2025, compared to AED 4.6 billion as of 31 December 2024.
- +0.7%** ↑ Customer deposits increased by 0.7% to reach AED 52.1 billion as of 31 March 2025 as compared to AED 51.8 billion as of 31 December 2024 demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products and profit rates.
- +6.3%** ↑ As of 31 March 2025, the financing to deposit ratio, a key indicator of the Group's lending activity compared to its deposit base, was recorded at 77.4%, compared to 72.8% as of 31 December 2024. This ratio underscores the Group's judicious strategy in overseeing its financing portfolio, ensuring a well-balanced risk profile.
- +0.9%** ↑ Liquid assets, pivotal in bolstering the Group's liquidity profile, constituted 21.8% of the total assets, equating to AED 18.1 billion as of 31 March 2025, compared to 21.6% equating to AED 17.1 billion as of 31 December 2024. Liquidity levels are crucial for the Group to fulfill short-term obligations.
- 6.1%** ↓ The Non-Performing Financing ("NPF") ratio improved to 4.6% as of 31 March 2025, compared to 4.9% as of 31 December 2024, while the coverage ratio remains stable at 99.2% as of 31 March 2025 as compared to 99.5% as of 31 December 2024. These metrics highlight the Group's prudent approach to managing credit risk and its ability to mitigate potential losses.
- 2.5%** ↓ The Group maintained a robust capital position, with a capital adequacy ratio of 15.8% as of 31 March 2025 as compared to 16.2% as of 31 December 2024. This ratio demonstrates the Group's ability to meet regulatory requirements and indicates its strong financial foundation.

## PERFORMANCE

Total assets of the Group reached at AED 82.8 billion as of 31 March 2025, a testament to the Group's growth strategy formulated in light of prudent risk management. Stable growth in total assets by 4.5% is a composition of growth in assets across all business units of the Group including liquid assets, Investments in Islamic financing and Investment securities at amortised cost.

The net investments in Islamic financing reached AED 40.3 billion as of 31 March 2025, reflecting a net increase of 7.0% or AED 2.6 billion, compared to the balance as of 31 December 2024. Investments in Islamic financing has continually increased for the Group with CAGR of 8.6%. This growth implies strong strategy and optimal utilisation of capital and liquidity resources.

Fueling the Group's liquidity fortress, liquid assets comprised 21.8% of total assets, totaling AED 18.1 billion as of 31 March 2025. These liquidity levels signal a buoyant liquidity reservoir that empowers the Group to seamlessly navigate short-term obligations. Such numbers resonates with the Group's strategic vision of maintaining a minimum liquidity threshold of 20%.

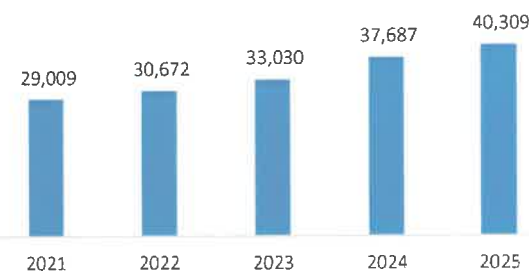
Investment securities measured at amortised cost remained stable at AED 13.2 billion as of 31 March 2025, compared to AED 13.2 billion as of 31 December 2024. This is a key investment portfolio for the Group and is driven by favorable market conditions in the UAE during 2025, including increased liquidity, rising investor demand for stable, Sharia-compliant instruments, and the government's push for infrastructure and economic development projects.

Customer deposits increased by 0.7% to reach AED 52.1 billion as compared to AED 51.8 billion as of 31 December 2024. Customer deposits have increased with a CAGR of 7.9%, demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products. \*CASA balance remained stable at 42.5% of total customer deposits as of 31 March 2025 and 42.2% as of 31 December 2024.

*\*Includes Current account, Saving account and other similar products.*

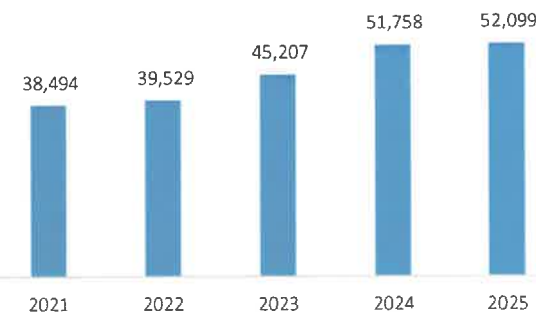
↑ CAGR 8.6%

Islamic financing



↑ CAGR 7.9%

Customer deposits





## PERFORMANCE

### BALANCE SHEET

Balance due to banks increased by AED 1.6 billion, reaching at AED 14.5 billion as of 31 March 2025 as against AED 12.9 billion as of 31 December 2024, in line with Group's liquidity management policies.

The Group remains strongly capitalized with total shareholders' equity of AED 8.2 billion or 9.9% of total assets as of 31 March 2025.

NPF ratio of the Group stands at 4.6% as of 31 March 2025 as against 4.9% as of 31 December 2024. Improvement in NPF ratio is a resultant of strong recovery on doubtful financing and increase in overall investments in Islamic financing. Coverage ratio remains stable at 99.2% as of 31 March 2025, including general impairment reserve.

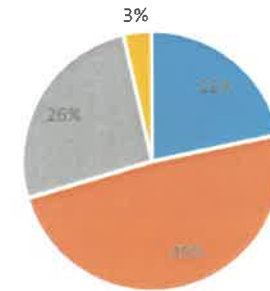
### PROFIT AND LOSS

The Group posted a profit before tax of AED 350.6 million for the three month period ended 31 March 2025, compared to AED 281.7 million for the same period of the year 2024, an increase of 24.5%. The Group achieved a profit after tax of AED 318.9 million for the three month period ended 31 March 2025, an increase of 24.6% compared to same period of the year 2024. Strong profitability is driven by a significant increase in non-profit income, reflecting the Group's enhanced focus on diversifying revenue streams through fee-based activities and other non-financing income sources.

The distribution to depositors and sukuk holders reached AED 546.9 million for the three month period ended 31 March 2025 compared to AED 490.0 million for the same period of year 2024, an increase of 11.6%. These profit allocations represent the depositors' share of the Group's net operating profits based on the profit sharing mechanism between shareholders and depositors as approved by the Group's Sharia'a Committee.

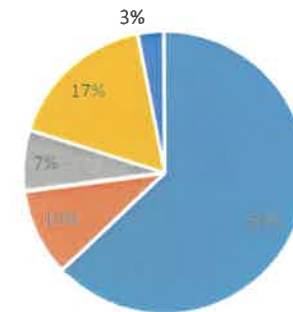
Investment, fees, commission and other income reached AED 164.4 million for the three month period ended 31 March 2025, compared to AED 132.2 million for the same period of year 2024, an increase of AED 32.1 million or 24.3%.

SIB Asset Structure



■ Liquid assets ■ Islamic financing ■ Investments ■ Other Assets

SIB Liabilities structure



■ Customer deposits ■ Shareholders' equity ■ Sukuk payable  
■ Due to banks ■ Other liabilities



## PERFORMANCE

### PROFIT AND LOSS

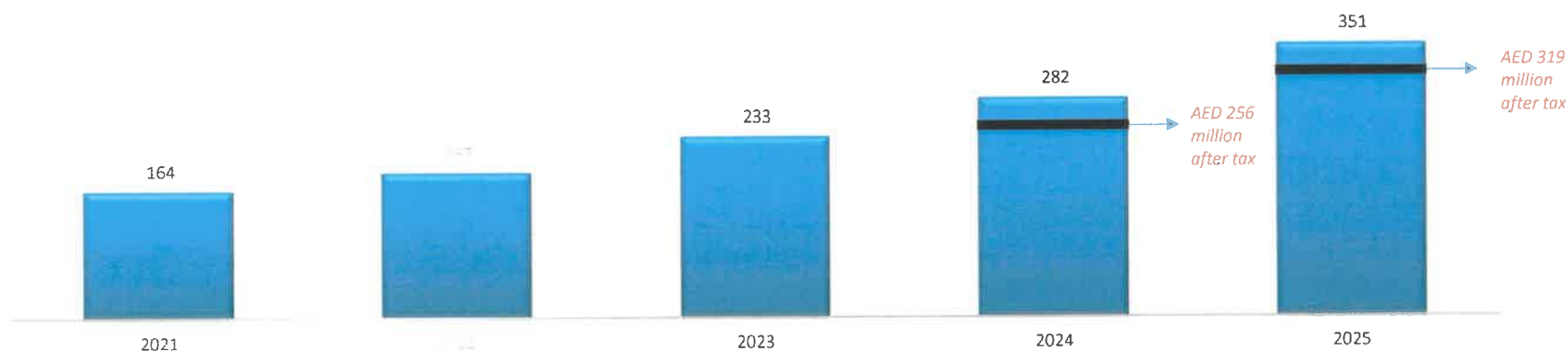
On the expenses side, general and administration expenses reached AED 198.3 million for the three month period ended 31 March 2025 compared to AED 178.1 million for the same period of year 2024, an increase of 11.4%, while cost to income ratio stood at 37.3% for the three month period ended 31 March 2025, compared to 35.7% for the year ended 31 December 2024.

The Group recognised a reversal of impairment on financial assets - net of recoveries amounting to AED 17.2 million for the three month period ended 31 March 2025, compared to a provision charge of AED 45.0 million for the same period of year 2024, a change of AED 62.2 million or 138.2%.

Annualized return on average equity (ROAE) reached 15.50% for the three month period ended 31 March 2025 compared to 12.76% for the year ended 31 December 2024, while annualized return on average assets (ROAA) was 1.58% for the three month period ended 31 March 2025 compared with 1.44% for the year ended 31 December 2024.

↑ CAGR 21.0%

### Net Profit before tax\*



\*UAE Corporate tax was introduced and was in effect from 1 January 2024



## FINANCIAL HIGHLIGHTS

Numbers in AED '000	31 March 2025	31 December 2024	Variance %
<b>Consolidated statement of financial position</b>			
Investment securities measured at amortised cost	13,226,096	13,172,684	0.4%
Investments in Islamic financing	40,308,914	37,687,026	7.0%
Customer deposits	52,098,744	51,758,444	0.7%
NPF ratio	4.6%	4.9%	-6.1%
NPF coverage ratio	99.2%	99.5%	-0.3%
Risk weighted assets	53,380,295	50,620,696	5.5%
Common equity tier 1 ratio	11.3%	11.5%	-1.7%
Tier 1 capital ratio	14.8%	15.2%	-2.6%
Capital adequacy ratio	15.8%	16.2%	-2.5%
Financing to deposit ratio	77.4%	72.8%	6.3%
ASFR	84.9%	82.7%	2.7%
ELAR	15.3%	14.6%	4.8%
Liquid asset ratio	21.8%	21.6%	0.9%
Cost to income ratio	37.3%	35.7%	4.5%
ROAE	15.50%	12.76%	21.5%
ROAA	1.58%	1.44%	9.7%

Prudent growth strategy across diversified industry segments as well as continuous customer demand has resulted in increase in Investment in Islamic financing.

Introduction of retail deposit products, focused approach and excellent customer service has resulted in growth of customer deposits.

Increase in financing portfolio and strong recovery resulted in improved NPF ratio.

The Group has maintained a high coverage ratio as a result of prudent risk management policies coupled with recovery efforts.



## FINANCIAL HIGHLIGHTS

Numbers in AED '000	31 March 2025	31 March 2024	Variance %
<b>Consolidated statement of profit or loss</b>			
Income from investments in Islamic financing and sukuks	914,261	862,485	6.0%
Distribution to depositors' and sukuk holders	(546,897)	(489,980)	11.6%
Fee, commission and other income	164,362	132,242	24.3%
Total operating income	531,726	504,747	5.4%
General and administrative expenses	(198,310)	(178,095)	11.4%
Net operating income before impairment	333,416	326,652	2.1%
Impairment on financial assets - net of recoveries	17,207	(44,996)	-138.2%
Profit before tax	350,623	281,656	24.5%
Profit for the year	318,930	255,906	24.6%
Earnings per share	0.09	0.07	28.6%

Rising profit rates and increase in financing volume across diversified industry segments resulted in significant increase in profit income.

Increase in profit rates and deposit portfolio resulted in higher profit expense.

Increase in transactional activity (investing, financing), resulting in improved fees and commission income.





## Profit and Loss Waterfall For the three month period ended 31 March 2025



- Islamic financing, sukuk investments and deposit portfolio increase resulting in increase in profit income and expense;
- Increase in profit rates, resulting in higher profit income and expense;
- Increase in transactional activity (investing, financing), resulting in improved fees and commission income; and
- Higher rental yield and real estate income resulting in improved other income.



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# Management discussion and analysis report for the three month period ended 31 March 2025

Thank You

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**Mohamed Ahmed Abdalla**  
Chief Executive Officer