



مصرف الشارقة الإسلامي  
Sharjah Islamic Bank

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# *Management Report*

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*30 September 2021*

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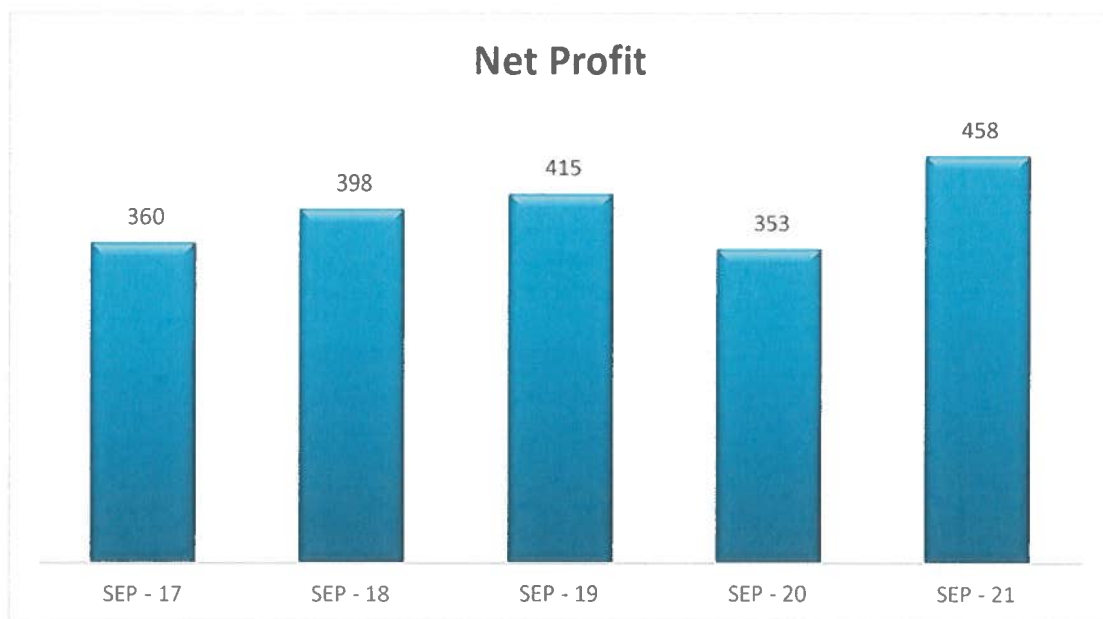
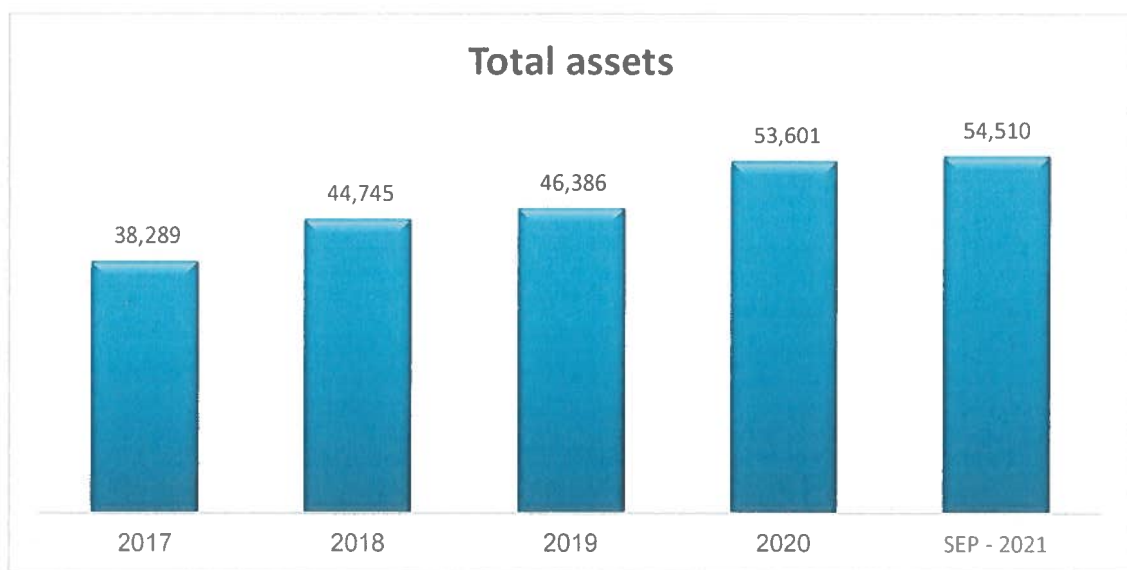
## Financial Review

Sharjah Islamic Bank PJSC achieved a net profit of AED 458.0 million for the period ended 30 September 2021, a significant increase of 29.6%, whereas, total assets increased by 1.7% and reached at AED 54.5 billion.

Sharjah Islamic Bank (SIB) recorded an increase of 29.6% in the profit reaching at AED 458.0 million for the nine months period ended 30 September 2021 compared to AED 353.4 million for the same period in 2020.

The Bank's total assets at 30 September 2021 increased from the 2020 year end level and were valued at AED 54.5 billion, an increase of 1.7%.

Bank's liquid assets stand at a strong level of 23.6% as at 30 September 2021.



## Key highlights:

- Net profit for the nine months period ended September 2021 reached to AED 458.0 million as compared to AED 353.4 million for the same period ended September 2020. The Group has reported significant increase in the net profit, despite ongoing COVID-19 pandemic and increase in financing receivable provision by 28.7% from 30 September 2020 level.
- Total operating income for the nine months period ended September 2021 reached at AED 1.1 billion as against 907.9 million in the same period ended September 2020, an increase of 16.6% or AED 150.8 million.
- Net operating income, before impairment of financial asset, increased by 29.3% reaching to AED 652.9 million as compared to AED 504.8 million in similar period of 2020.
- Impairment on financial assets - net of recoveries increased from AED 151.4 million in the nine months period ended September 2020 to AED 194.8 million for the nine months period ended 30 September 2021. The increase in provision is in line with the SIB's prudent credit management approach to reflect the impact of uncertainty in measuring ECLs due to COVID-19, despite the improvement in oil prices, real estate sector and UAE overall economy.
- Cost to income ratio significantly dropped from 44.6% in 2020 to 38.3% for the period ended 30 September 2021.
- Total assets of the Group reached to AED 54.5 billion as at 30 September 2021, increase of 1.7% from year ended 2020.
- Investment in Islamic financing reached to AED 29.6 billion at the end of September 2021 with an increase of AED 282.5 million or 1.0% compared to the year ended 2020.
- Liquid assets now contribute 23.6% of the total assets, amounting to AED 12.9 billion as at 30 September 2021.
- Investment securities decreased by 14.8% to reach AED 6.6 billion as at 30 September 2021 as compared to AED 7.7 billion for the year ended 2020.
- Customer deposits reached at AED 36.7 billion as at 30 September 2021, with increase of 9.3% or AED 3.1 billion from the year ended 31 December 2020.
- NPL ratio now stands at 4.88%, and coverage ratio at 100.1% as at 30 September 2021.
- Capital adequacy ratio stands at 21.21% at the 30 September 2021
- Advances to deposit ratio stands at 80.4% as at 30 September 2021.
- Earnings per share stands at AED 0.15/share for the period ended 30 September 2021 comparing with 0.11/share at the same period last year.
- Annualized Return on average assets for the period stands at 1.13% comparing with 0.81% last year.
- Return on average equity for the year is computed to 7.95% comparing with 5.35% last year



## **Statement of financial position:**

SIB has been successfully pursuing a strategy of stable growth in financial position, which is reflected in the figures below:

Total assets of Sharjah Islamic Bank reached at AED 54.5 billion as at 30 September 2021, comparing with AED 53.6 billion as at 31 December 2020.

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

### **Liquid assets:**

Liquid assets stand at AED 12.9 billion or 23.6% of the total assets as at 30 September 2021 compared to AED 11.2 billion or 20.9% at the end of year 2020.

### **Investment in Islamic financing:**

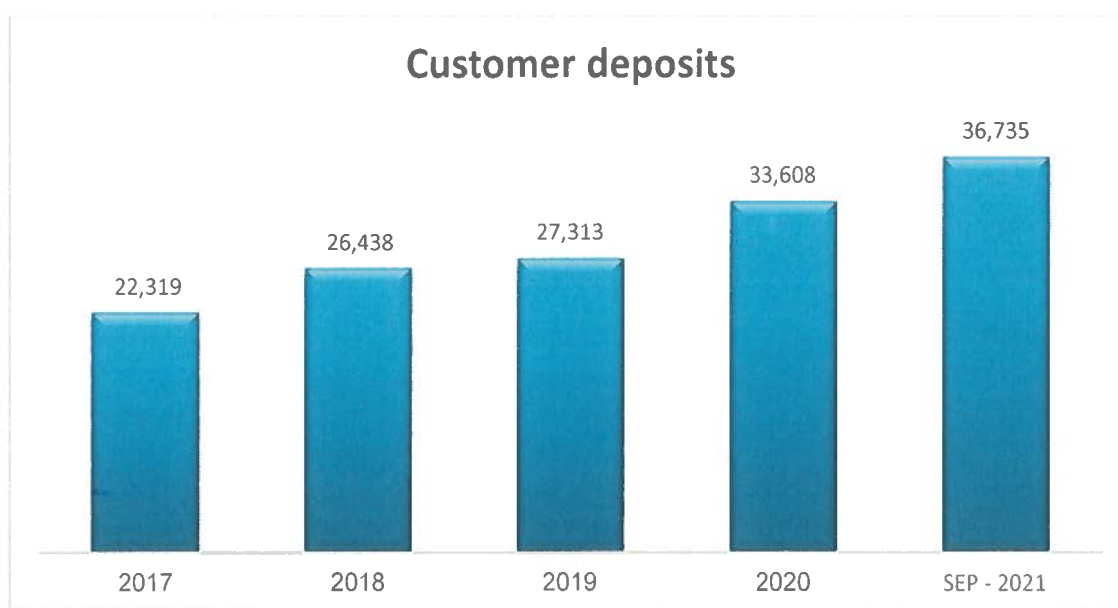
Net investment in Islamic financing of the Bank amounted to AED 29.6 billion as at 30 September 2021, a slight increase of 1.0% or AED 282.5 million compared to the year ended 31 December 2020. Investment in Islamic financing to customer deposits stands at strong 80.4% and in line with management's strategic objectives.

### **Investment securities:**

Investment securities decreased by 14.8% to reach AED 6.6 billion as at 30 September 2021 compared to AED 7.7 billion at the year ended 31 December 2020.

### **Customer deposits:**

Sharjah Islamic Bank's customer deposits notably increased by 9.3% or by AED 3.1 billion and reached at AED 36.7 billion for the nine months period ended 30 September 2021, compared to AED 33.6 billion at the yearend 2020 showing strong customer confidence in the Bank.



### **Due to banks:**

Balance due to banks decreased by AED 823.0 million, reaching at AED 5.2 billion at the end of period 30 September 2021 as against AED 6.0 billion as at year ended 2020, in line with Group's liquidity management policies.

### **Sukuk:**

Sukuk payable decreased by AED 1.8 billion and stood at AED 3.7 billion at the end of period 30 September 2021 as against AED 5.5 billion as at year end 2020, due to the repayment of USD 500.0 million in the 3rd quarter through its own sources, showing Bank's strong liquidity position.

### **Shareholders' equity:**

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.7 billion or 14.1% of total assets.

### **Asset quality:**

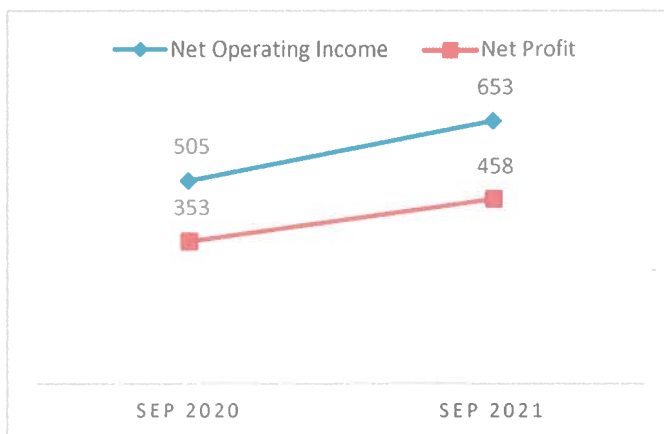
NPL ratio of the Bank stands at 4.88% as at 30 September 2021 owing to prudent management overlays and stringent risk management policies.

Banks prudent approach to provisions and NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the 100.1% as at 30 September 2021.

### **Income Statement:**

Sharjah Islamic Bank posted a net profit of AED 458.0 million for the period ended 30 September 2021, compared to AED 353.4 million for the similar period ended September 2020, an increase of 29.6%, despite the challenges posed by COVID-19 pandemic, lower profit rates and increase in investment in Islamic financing provision

Total net operating income for the nine months period ended September 2021 reached at AED 652.9 million as against 504.8 million in the same period ended September 2020, a material increase of 29.3% or AED 148.1 million.



Main highlights of the income statement are:

The distribution to depositors and sukuk holders reached AED 437.8 million for the period ended 30 September 2021 compared to AED 583.0 million for the same period 2020; a decrease of 24.9%. Profit is allocated for payment to depositors. 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.



Investment, fees, commission and other income reached AED 246.5 million for the nine months period ended 30 September 2021, compared to AED 209.6 million for the same period ended 2020, with an increase of AED 36.9 million or 17.6%.

On the expenses side, general and administration expenses reached AED 405.9 million for the nine months period ended 30 September 2021 compared to AED 403.2 million for the similar period ended September 2020, slight increase of 0.07%.

Impairment on financial assets - net of recoveries was recorded at AED 194.8 million for the period ended 30 September 2021 compared to AED 151.4 million for period ended 30 September 2020, an increase of AED 43.5 million or 28.7%.

Annualized return on average shareholders' equity (ROAE) reached 7.95% as at 30 September 2021 compared to 5.35% of year ended 31 December 2020, while annualized return on average assets (ROAA) reached at 1.13% compared with 0.81% at the yearend 2020.



## Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2016	2017	2018	2019	2020	30 September 2021
<b>Total Assets</b>	33,539	38,288	44,746	46,390	53,601	54,510
<b>Net Investment in Islamic financings</b>	17,091	21,707	24,124	25,143	29,269	29,551
<b>Customer Deposits</b>	26,438	22,318	26,438	27,313	32,608	36,735
<b>Total Shareholders' Equity</b>	4,856	5,519	5,446	7,529	7,645	7,708
<b>Return on Average Assets*</b>	1.46%	1.33%	1.23%	1.20%	0.81%	1.13%
<b>Return on Average Equity*</b>	9.68%	9.21%	9.36%	8.45%	5.35%	7.95%
<b>Equity to Total Assets</b>	14.48%	14.41%	12.04%	16.23%	14.27%	14.14%
<b>Leverage of Total Capital (Times)</b>	5.91	5.94	7.31	5.16	6.01	6.07

\*Annualized



## Assets and Liabilities Structure

