

Management discussion and analysis report









31 March 2024



مصرف الشارقة الإسلامية
SHARJAH ISLAMIC BANK

KEY HIGHLIGHTS

Sharjah Islamic Bank demonstrated impressive financial performance for the three month period ended 31 March 2024, where the Bank's net profit before tax surged by 22.5%, reaching an impressive AED 285.4 million. This notable growth is in comparison to the net profit before tax of AED 233.1 million recorded during the same period in 2023. Net profit after tax for the three month period ended 31 March 2024 was AED 259.7 million.

 +22.5%	Sharjah Islamic Bank demonstrates strong financial performance in Q1 2024, characterized by a notable 22.5% increase in net profit before tax to AED 285.4 million, compared to AED 233.1 million in Q1 2023. Concurrently, the Bank achieves a net profit after tax of AED 259.7 million during the same period with an increase of 11.4%. This substantial growth underscores the efficacy of the Bank's management and the success of its profit-generating strategies.
 +6.4%	The Bank's total assets surged to AED 70.1 billion as of March 31, 2024, reflecting a robust 6.4% escalation from the year-end figure 65.9 billion of December 31, 2023. This expansion in total assets underscores the Bank's capacity to enhance its asset portfolio, thereby reinforcing its financial strength.
 +1.0%	Sharjah Islamic Bank's investment in Islamic financing saw a notable increase of AED 3.9 billion. However, this growth was offset by timely repayments and maturities amounting to AED 3.6 billion, resulting in a modest net increase of 1.0% in Investments in Islamic financing. As of March 31, 2024, the total reached AED 33.4 billion, compared to AED 33.0 billion as of December 31, 2023. This expansion underscores the Bank's steadfast commitment to providing Islamic financial services and fostering sectoral growth.
 -0.3%	Customer deposits remained mostly stable during the first quarter 2024, amounting AED 45.1 billion as of March 31, 2024, compared to AED 45.2 billion.
 -0.33%	The Bank's cost-to-income ratio experienced a marginal decrease from 34.7% on December 31, 2023, to 34.5% on March 31, 2024. This enhancement underscores the Bank's adeptness in managing costs in proportion to its income, ultimately contributing to improved profitability.
 -0.6%	The NPL ratio improved to 5.5% as at March 31, 2024, compared to 5.6%, while the coverage ratio reached 95.8% as of March 31, 2024, compared to 93.8% as of December 31, 2023. These metrics highlight the Bank's prudent approach to managing credit risk and its ability to mitigate potential losses.
 -3.0%	The Bank maintained a robust capital position, with a capital adequacy ratio of 17.7% as of March 31, 2024. This ratio demonstrates the Bank's ability to meet regulatory requirements and indicates its strong financial foundation.
 +18.8%	Annualized return on average equity for the period was computed to be 12.84% after tax, an increase from 10.81% in the previous period. This metric reflects the Bank's ability to generate higher returns for its shareholders based on their invested equity.

KEY HIGHLIGHTS

The Bank demonstrated strong asset growth and commitment to Islamic Financing Services

- +23.0%** The Bank's investment securities measured at fair value decreased by 3.0% to reach AED 3.8 billion as of March 31, 2024, compared to AED 4.0 billion as of December 2023. Conversely, investment securities measured at amortized cost experienced substantial growth of 23.0%, reaching AED 11.8 billion as of March 31, 2024, compared to AED 9.6 billion as of December 31, 2023.
- +11.8%** Liquid assets, pivotal in bolstering the Bank's liquidity profile, constituted 21.8% of the total assets, equating to AED 15.3 billion as of March 31, 2024. This marks a rise from 20.8% as of December 2023, maintaining a robust liquidity level crucial for the Bank to adeptly fulfill short-term obligations.
- +1.3%** As of March 31, 2024, the advances to deposit ratio, a key indicator of the Bank's lending activity compared to its deposit base, was recorded at 74.0%. This ratio underscores the Bank's judicious strategy in overseeing its financing portfolio, ensuring a well-balanced risk profile.
- +13.3%** Earnings per share for the period ended March 31, 2024, were recorded at AED 0.07 per share, compared to AED 0.06 per share during the same period in the previous year. This increase reflects the Bank's ability to generate higher earnings for its shareholders.
- +12.1%** Annualized return on average assets for the period stood at 1.53% after tax, compared to 1.36% in the previous period. This improvement demonstrates the Bank's effective utilization of its assets to generate profits.
- +4.3%** The total operating income for the first three months period ended March 31, 2024 amounted to AED 504.7 million, showing an increase of 4.3% or AED 20.9 million compared to AED 483.8 million reported in the same period of 2023.
- +1.0%** Net operating income, before impairment of financial assets, also experienced a growth, reaching AED 330.4 million, an increase of 1.0% compared to AED 327.7 million in the corresponding period of 2023. This improvement demonstrates the Bank's efficiency in managing its core business operations.

PERFORMANCE

Total assets of Sharjah Islamic Bank reached at AED 70.1 billion as at March 31, 2024, a testament to the Bank's growth strategy formulated in light of prudent risk management. Stable growth in total assets by 6.4% is a composition of growth in assets across all financial statement captions including liquid asset growth, growth in Investment in Islamic financing and investment securities at amortised cost.

The net investment in Islamic financing by the Bank reached AED 33.4 billion as of March 31, 2024, reflecting a net increase of 1.0% or AED 334.0 million, compared to the year-end balance of December 31, 2023. Investments in Islamic financing has continually increased for the Bank with CAGR of 3.8%. This growth implies strong strategy and optimal utilisation of liquidity.

Fueling the Bank's liquidity fortress, liquid assets comprised a formidable 21.8% of total assets, totaling a staggering AED 15.3 billion as of March 31, 2024. This surge marks a notable uptick from 20.8% in 2023, signalling a buoyant liquidity reservoir that empowers the Bank to seamlessly navigate short-term obligations. Such numbers resonates with the Bank's strategic vision of maintaining a minimum liquidity threshold of 20%.

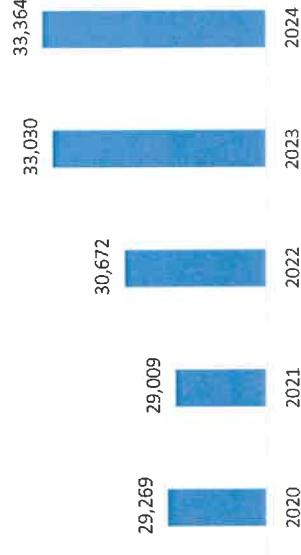
Investment securities measured at amortized cost experienced substantial growth of 23.0%, reaching AED 11.8 billion as of March 31, 2024, compared to AED 9.6 billion as at December 31, 2023. Significant growth in investment securities measured at amortized cost is owing to rebound of money market post Covid era, marking multiple new sukuk issues.

Customer deposits remained mostly stable during the first quarter 2024, amounting AED 45.1 billion as of March 31, 2024, compared to AED 45.2 billion at the end of last year. Customer deposits have increased with a CAGR of 8.6%, showing strong customer confidence in the Bank. CASA balance remained stable at 34% of total customer deposits, similar to December 2023 numbers.

Balance due to banks increased by AED 4.2 billion, reaching at AED 13.3 billion as at March 31, 2024 as against AED 9.1 billion as at year ended 2023, in line with Group's liquidity management policies.

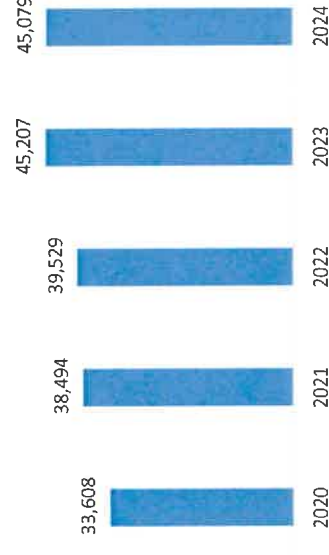
↑ CAGR 3.8%

Islamic financing



↑ CAGR 8.8%

Customer deposits



PERFORMANCE

BALANCE SHEET

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 8.1 billion or 11.5% of total assets. Slight decrease in equity is owing to 10% cash dividend paid and adjusted from retained earnings for the year ended 2023.

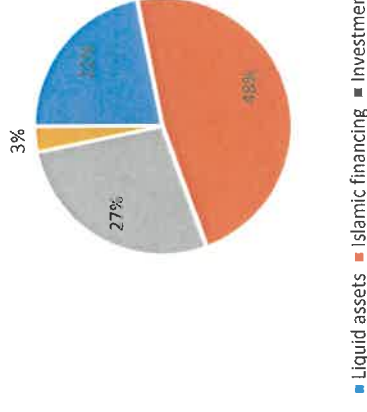
NPL ratio of the Bank stands at 5.5% as at 31 March 2024 as against 5.6% as at 31 December 2023. Improvement in NPL ratio is a resultant of strong recovery on bad financing and increase in overall investments in Islamic financing. Coverage ratio now stands at the 95.8% as at March 31, 2024, including general impairment reserve.

Sharjah Islamic Bank posted a net profit before taxation of AED 285.4 million for the first three month period ended March 31, 2024, compared to AED 233.0 million for the period ended March 31, 2023, an increase of 22.5%. The Bank achieved a net profit after tax of AED 259.7 million during the same period with an increase of 11.4%. Strong profitability is a reflection of considerable increase in profit margins owing to continuous rise in profit rates. As well, rise in consumer demand and UAE economic expansion has played a vital role in profit margin increase. Rise in income for the Bank has outpaced expense increases over the same period owing to effective cost control measures and risk management strategies.

The distribution to depositors and sukuk holders reached AED 490.0 million for the first three month period ended at March 31, 2024 compared to AED 324.2 million for the same period 2023; an increase of 51.1%. Profit is allocated for payment to Mudarab 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.

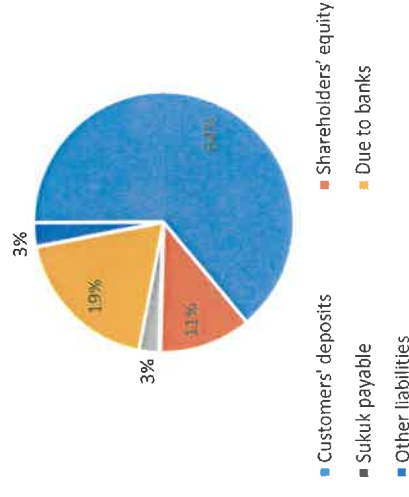
Investment, fees, commission and other income reached AED 136.7 million for the first three month period ended at March 31, 2024, compared to AED 113.5 million for the same period 2023, with an increase of AED 23.2 million or 20.4%.

SIB Asset Structure



PROFIT AND LOSS

SIB Liabilities structure



PERFORMANCE

ROFIT AND LOSS

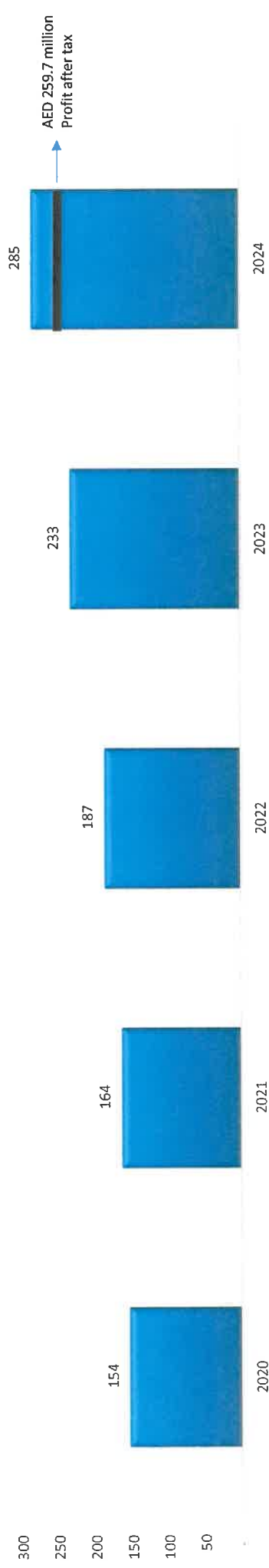
On the expenses side, general and administration expenses reached AED 174.3 million for the first three months period ended March 31, 2024 compared to AED 156.1 million for the similar period 2023, an increase of 11.7%, while cost to income ratio dropped from 34.7 last year to 34.5 at the end March, 2024.

Impairment on financial assets - net of recoveries was recorded at AED 45.0 million for the first three month period ended at March 31, 2024, compared to AED 94.7 million for same period 2023, a decrease of AED 49.7 million or 52.5%.

Return on average shareholders' equity (ROAE) reached 12.84% after tax as at March 31, 2024 compared to 10.81% of year ended 2023, while return on average assets (ROAA) reached at 1.53% after tax compared with 1.36% at the year ended 2023.

16.6%

Net Profit



FINANCIAL HIGHLIGHTS

	31 March 2024	31 December 2023	
	Un-audited	Audited	
Statement of financial position			
Investment securities measured at amortised cost	11,787,682	9,582,292	23.0%
Investments in Islamic financing	33,364,464	33,030,434	1.0%
Customers' deposits	45,078,809	45,206,574	-0.3%
NPF ratio	5.5%	5.6%	-0.6%
NPF coverage ratio	95.8%	93.8%	2.0%
Risk weighted assets	47,433,812	45,124,273	5.1%
Common equity tier 1 ratio	12.6%	12.9%	-2.1%
Tier 1 capital ratio	16.5%	17.0%	-2.9%
Capital adequacy ratio	17.7%	18.2%	-2.7%
Financing to deposit ratio	74.0%	73.1%	1.3%
ASFR	79.4%	80.7%	-1.6%
ELAR	15.5%	15.9%	-2.5%
Liquidity asset ratio	21.8%	20.8%	5.1%
Cost to income ratio	34.5%	34.7%	-0.33%
ROAE - annualised	12.84%	10.81%	18.8%
ROAA - annualised	1.53%	1.36%	12.1%

Significant increase in investment securities is owing to rebound of sukuk market amid rising profit rates.

Prudent growth strategy across diversified industry segments on the back of economic rebound has resulted in modest 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 Bank keeps on improving coverage ratio in light of ever challenging macro economic scenarios.

Constant focus on operating efficiency has resulted reduced cost to income ratio.

FINANCIAL HIGHLIGHTS

	For 3 months		
	period ended	period ended	
	March-24	March-23	
Profit and loss statement			
Income from investments in Islamic financing and sukuk	858,066	694,602	23.5%
Distribution to depositors' and sukuk holders	(489,980)	(324,225)	51.1%
Net fee and commission income	136,661	113,469	20.4%
Total operating income	504,747	483,846	4.3%
G&A	(174,345)	(156,125)	11.7%
Net operating income before impairment	330,402	327,721	0.8%
Impairment on financial assets - net of recoveries	(44,996)	(94,655)	-52.5%
Profit for the period before taxation	285,406	233,066	22.5%
Profit for the period after taxation	259,656	233,066	11.4%
EPS	0.07	0.06	13.3%

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

Profit and Loss Waterfall



- 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 off balance sheet customer portfolio management, resulting in improved fees and commission income.
- Recovery of major currencies, improving FX income and higher rental yield resulting in improved other income.

Management discussion and analysis report for the year ended 31 March 2024

Thank You



Mohamed Ahmed Abdulllah
Chief Executive Officer