



مصرف الشارقة الإسلامي
Sharjah Islamic Bank

Management Report

31 December 2021

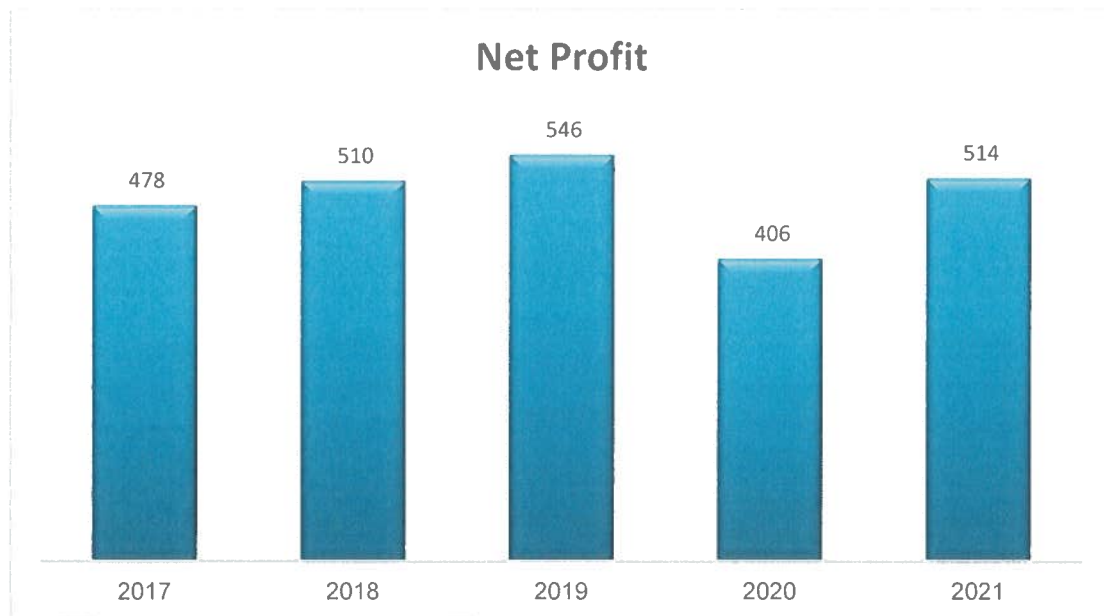
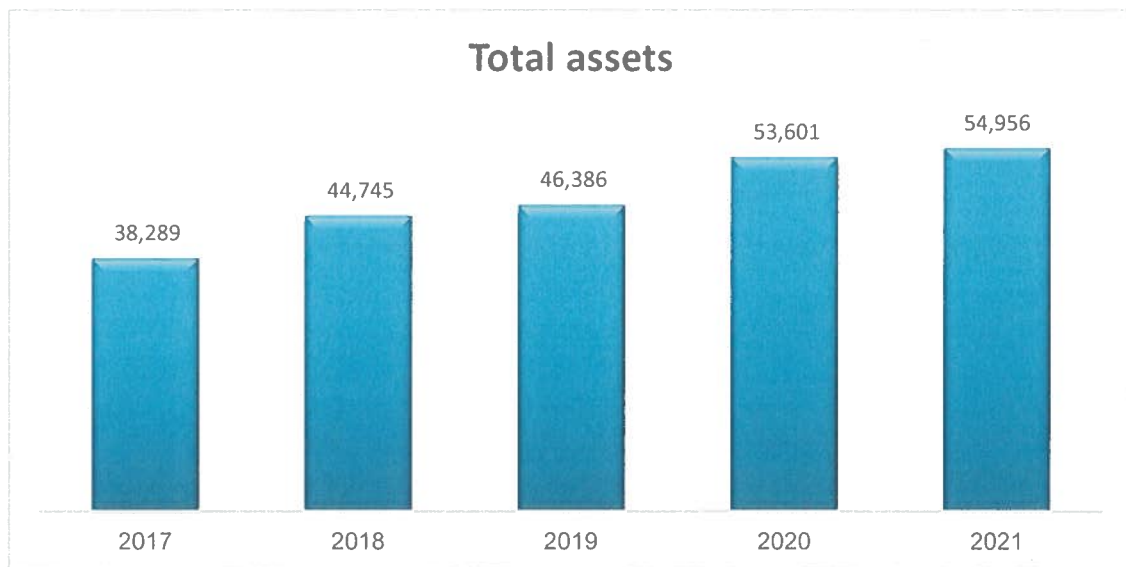
Financial Review

Sharjah Islamic Bank PJSC achieved a net profit of AED 514.1 million for the year ended 31 December 2021, a significant increase of 26.7%, whereas, total assets increased by 2.5% and reached at AED 55.0 billion.

Sharjah Islamic Bank (SIB) recorded an increase of 26.7% in the profit reaching at AED 514.1 million for the year ended 31 December 2021 compared to AED 405.8 million for the year 2020.

The Bank's total assets at 31 December 2021 increased from the 2020 year end level and were valued at AED 55.0 billion, an increase of 2.5%.

Bank's liquid assets stand at a strong level of 26.1% as at 31 December 2021.



Key highlights:

- Net profit for the year ended 31 December 2021 reached to AED 514.1 million as compared to AED 405.8 million for the same period ended 31 December 2020. The Group has reported significant increase of 26.7% in the net profit, despite ongoing COVID-19 pandemic.
- Total operating income for the year ended 31 December 2021 reached at AED 1.43 billion as against 1.26 billion in the same period ended 31 December 2020, an increase of 13.4% or AED 168.3 million.
- Net operating income, before impairment of financial asset, increased by 21.9% reaching to AED 850.7 million as compared to AED 697.7 million in similar period of 2020.
- Impairment on financial assets - net of recoveries were reported at AED 244.5 million for the year ended 31 December 2021. The 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 40.4% for the year ended 31 December 2021.
- Total assets of the Group reached to AED 55.0 billion as at 31 December 2021, increase of 2.5% from year ended 2020.
- Investment in Islamic financing were maintained at AED 29.0 billion at the end of December 2021 compared to AED 29.3 billion for the year ended 2020.
- Liquid assets now contribute 26.1% of the total assets, amounting to AED 14.3 billion as at 31 December 2021 compared to 20.9% for the year ended 2020.
- Investment securities measured at fair value decreased by 19.6% to reach AED 1.9 billion as at 31 December 2021 as compared to AED 2.3 billion for the year 2020.
- Investment securities measured at amortised cost decreased by 17.6% to reach AED 4.5 billion as at 31 December 2021 as compared to AED 5.4 billion for the year ended 2020.
- Customer deposits reached at AED 38.5 billion as at 31 December 2021, with a significant increase of 14.5% or AED 4.9 billion from the year ended 31 December 2020.
- NPL ratio stands at 4.89%, and coverage ratio at 95.79% as at 31 December 2021.
- Capital adequacy ratio stands at 20.84% at the 31 December 2021
- Advances to deposit ratio stands at 75.4% as at 31 December 2021.
- Earnings per share stands at AED 0.17/share for the year ended 31 December 2021 comparing with 0.13/share at the same period last year.
- Return on average assets for the year stands at 0.95% comparing with 0.81% last year.
- Return on average equity for the year is computed to 6.7% 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 55.0 billion as at 31 December 2021, comparing with AED 53.6 billion as at 31 December 2020, an increase of AED 1.4 billion or 2.5%.

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

Liquid assets:

Liquid assets stand at AED 14.3 billion or 26.1% of the total assets as at 31 December 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 29.0 billion as at 31 December 2021, a slight decrease of 0.9% or AED 259.5 million compared to the year ended 31 December 2020. Investment in Islamic financing to customer deposits ratio stands at strong 75.4% and in line with management's strategic objectives.

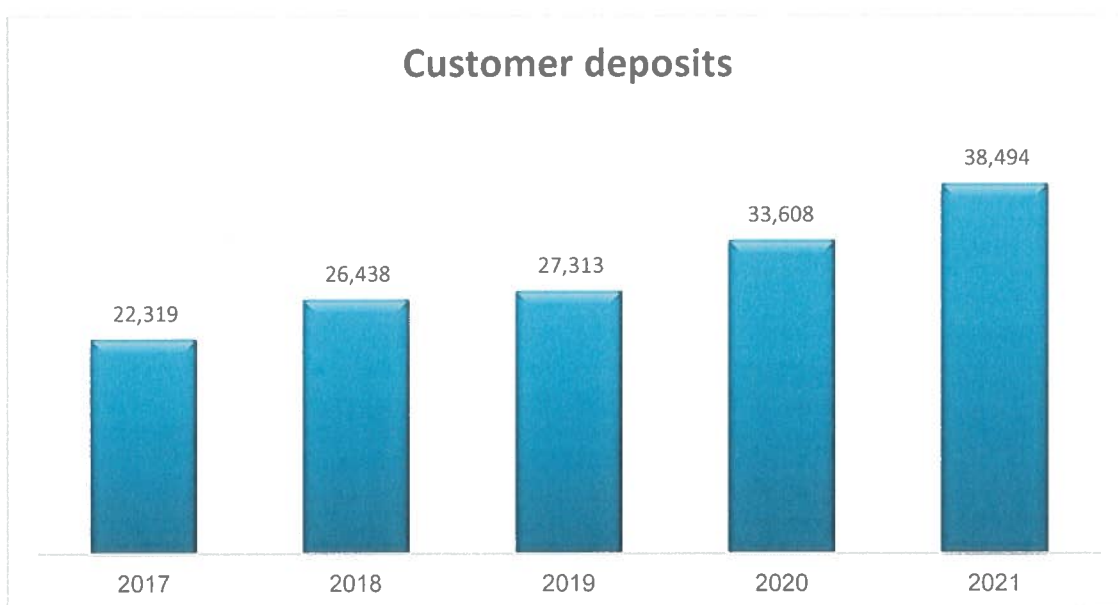
Investment securities:

Investment securities measured at fair value decreased by 19.6% to reach AED 1.9 billion as at 31 December 2021 as compared to AED 2.3 billion for the year 2020.

Investment securities measured at amortised cost decreased by 17.6% to reach AED 4.5 billion as at 31 December 2021 as compared to AED 5.4 billion for the year ended 2020.

Customer deposits:

Sharjah Islamic Bank's customer deposits notably increased by 14.5% or by AED 4.9 billion and reached at AED 38.5 billion for the year ended 31 December 2021, compared to AED 33.6 billion at the year end 2020 showing strong customer confidence in the Bank.



Due to banks:

Balance due to banks decreased by AED 1.7 billion, reaching at AED 4.2 billion at the end of year 31 December 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 31 December 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 of 2021 through its own sources, showing Bank's strong liquidly position.

Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.7 billion or 16.3% of total assets.

Asset quality:

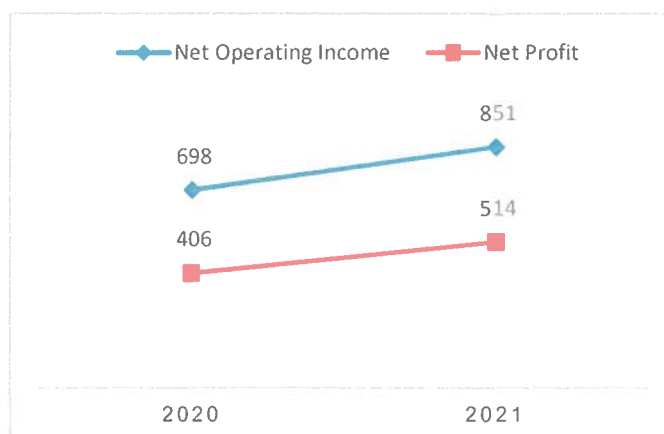
NPL ratio of the Bank stands at 4.89% as at 31 December 2021 owing to prudent management overlays and stringent risk management policies.

Banks prudent approach to provisions and NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the 95.8% as at 31 December 2021.

Income Statement:

Sharjah Islamic Bank posted a net profit of AED 514.1 million for the year ended 31 December 2021, compared to AED 405.8 million for the similar period ended 31 December 2020, an increase of 26.7%, despite the challenges posed by COVID-19 pandemic, lower profit rates and substantial provisioning in investment in Islamic financing.

Total net operating income for the year ended 31 December 2021 reached at AED 850.7 million as against 697.7 million for the year ended 31 December 2020, a material increase of 21.9% or AED 153.0 million.



Main highlights of the income statement are:

The distribution to depositors and sukuk holders reached AED 563.3 million for the Year ended 31 December 2021 compared to AED 754.0 million for the same period 2020; a decrease of 25.3%. 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 333.2 million for the year ended 31 December 2021, compared to AED 285.2 million for the year ended 2020, with an increase of AED 47.9 million or 16.8%.



On the expenses side, general and administration expenses reached AED 576.8 million for the year ended 31 December 2021 compared to AED 561.5 million for the similar period ended 31 December 2020, an increase of 2.7%.

Impairment on financial assets - net of recoveries was recorded at AED 244.5 million for the year ended 31 December 2021 compared to AED 255.8 million for year ended 31 December 2020, a small decrease of AED 11.3 million or 4.4%.

Owing to the fair value policy adopted by the Bank, a revaluation loss on investment properties of AED 92.1 million was recorded for the year ended 31 December 2021, compared to AED 36.0 million for the year ended 2020.

Return on average shareholders' equity (ROAE) reached 6.7% as at 31 December 2021 compared to 5.35% of year ended 31 December 2020, while return on average assets (ROAA) reached at 0.95% compared with 0.81% at the year ended 2020.



Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2016	2017	2018	2019	2020	2021
Total Assets	33,539	38,288	44,746	46,390	53,601	54,956
Net Investment in Islamic financings	17,091	21,707	24,124	25,143	29,269	29,009
Customer Deposits	26,438	22,318	26,438	27,313	32,608	38,494
Total Shareholders' Equity	4,856	5,519	5,446	7,529	7,645	7,695
Return on Average Assets	1.46%	1.33%	1.23%	1.20%	0.81%	0.95%
Return on Average Equity	9.68%	9.21%	9.36%	8.45%	5.35%	6.70%
Equity to Total Assets	14.48%	14.41%	12.04%	16.23%	14.27%	16.30%
Leverage of Total Capital (Times)	5.91	5.94	7.31	5.16	6.01	6.14



Assets and Liabilities Structure

