



مصرف الشارقة الإسلامي  
Sharjah Islamic Bank

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# *Management Report*

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*31 March 2021*

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## Financial Review

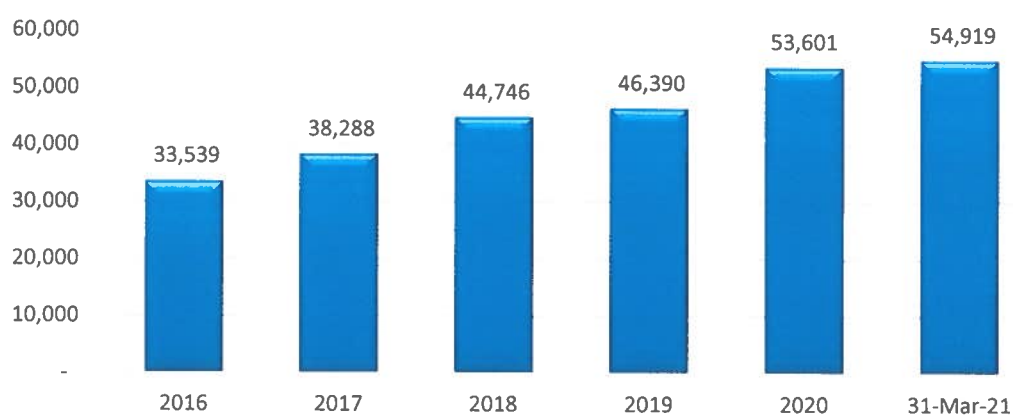
**Sharjah Islamic Bank PJSC achieved a net profit of AED 164.2 million for the period ended 31 March 2021, increase of 6.8%, whereas, total assets increased by 2.5% and reached at AED 54.9 billion.**

Sharjah Islamic Bank (SIB) recorded an increase of 6.8% in the profit reaching at AED 164.2 million for the period ended 31 March 2021 compared to AED 153.7 million in the same period in 2020.

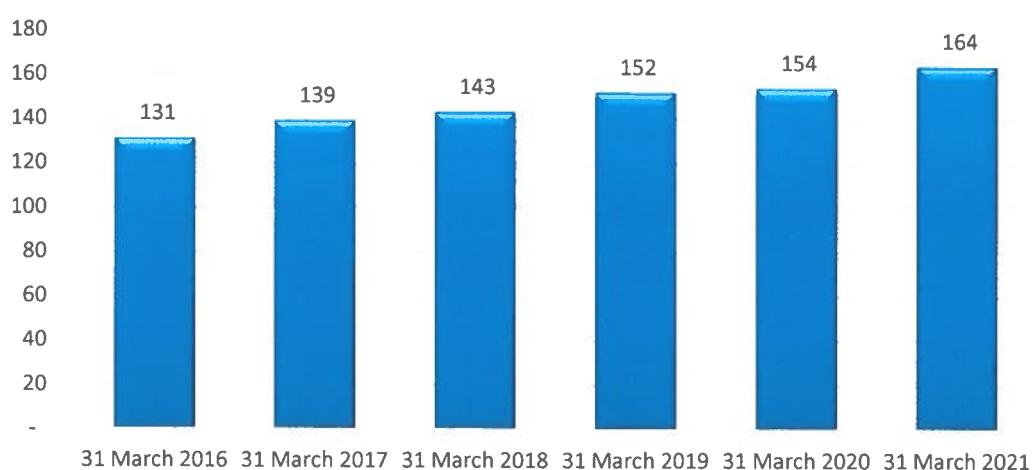
The Bank's total assets at 31 March 2021 increased from the 2020 year end level and were valued at AED 54.9 billion, an increase of 2.5%.

Bank's liquid assets stand at a strong level of 23.3% as at 31 March 2021.

### Total assets



### Net Profit



## **Key highlights:**

- Net profit for the period ended 2021 reached to AED 164.2 million as compared to AED 153.7 million for the first quarter ended 2019, despite COVID-19 pandemic and significant increase in investment in Islamic financing provision by 254.6% from 31 March 2019 level.
- Net income from financing and investment products significantly increased by AED 39.4 million or 17.6% reaching at AED 263.2 million as against AED 223.8 million for the year similar period ended 2020.
- Total operating income for the first quarter ended 2021 reached at AED 343.6 million as against 302.2 million in the same period ended 2020, a material increase of 14.2% or AED 42.9 million.
- Net operating income before impairment of financial asset increased by 26.9% reaching AED 212.2 million as compared to AED 167.2 million in similar period 2020.
- Impairment on financial assets - net of recoveries increased from AED 13.5 million in the first quarter ended 2020 to AED 48.1 million for the period ended 31 March 2021. 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 significantly dropped from 44.7% in 2020 similar period to 38.2% for the period ended 31 March 2021.
- Total assets of the Group reached at AED 54.9 billion as at 31 March 2021, increase of 2.5% from last year.
- Investment in Islamic financing stood at AED 29.3 billion with an increase of AED 58.2 million as at 31 March 2021.
- Liquid assets now contribute 23.3% of the total assets, amounting to AED 12.8 billion as at 31 March 2021.
- Investment securities decreased by 5.9% to reach AED 7.3 billion as at 31 March 2021 as compared to AED 7.7 billion for the year ended 2020.
- Customer deposits reached at AED 35.5 billion as at 31 March 2021, with increase of 5.6% or AED 1.9 billion from the year ended 31 December 2021.
- NPL ratio now stands at 5.18%, and coverage ratio at 93.04% as at 31 March 2021.
- Capital adequacy ratio stands at 20.71% at the 31 March 2021
- Advances to deposit ratio stands at 82.7% as at 31 March 2021.
- Earnings per share stands at AED 0.05/share for the period ended 31 March 2021.
- Annualized Return on average assets for the period stands at 1.21%.
- Return on average equity for the year is computed to 8.7% including Tier 1 Sukuk and 11.5% excluding Tier 1 Sukuk.

## 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 54.9 billion as at 31 March 2021, comparing with AED 52.6 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 12.8 billion or 23.3% of the total assets as at 31 March 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 29.3 billion as at 31 March 2021, a slight increase of 0.2% or AED 58.2 million compared to the year ended 2020. Investment in Islamic financing to customer deposits stands at strong 82.7% and in line with management's strategic objectives.

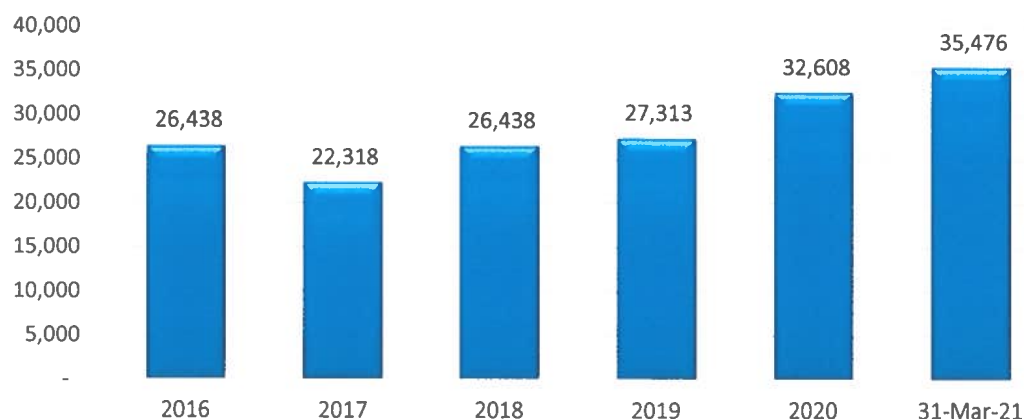
### **Investment securities:**

Investment securities decreased by 5.9% to reach AED 7.3 billion as at 31 March 2021 compared to AED 7.7 billion at the end December 2020.

### **Customer deposits:**

Sharjah Islamic Bank's customer deposits notably increased by 5.6% or by AED 1.9 billion and reached at AED 35.5 billion for the period ended 31 March 2021, showing strong customer confidence in the Bank.

## **Customer deposits**



**Due to banks:**

Balance due to banks decreased by AED 498.5 million and stood at AED 5.5 billion at the end of period 31 March 2021 as against AED 6.0 billion as at year end 2020, in line with Group's efficient liquidity management policies.

**Shareholders' equity:**

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.5 billion or 13.6% of total assets.

**Asset quality:**

NPL ratio of the Bank stands at 5.18% as at 31 March 2021 owing to prudent management overlays and stringent risk management policies.

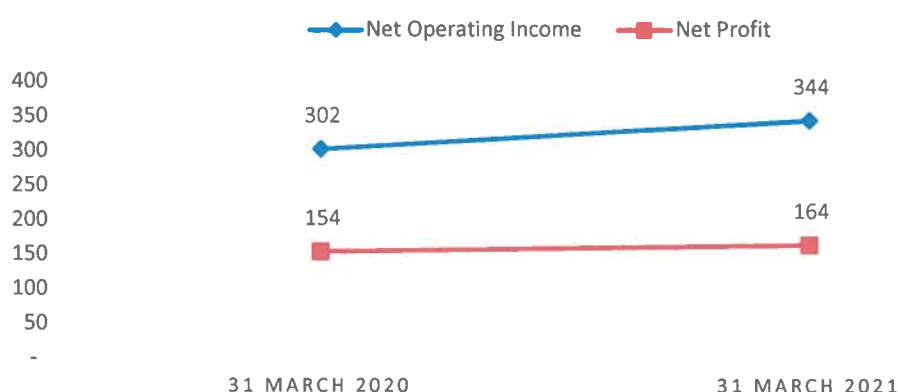
Banks prudent approach to provisions and NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the 93.04% as at 31 March 2021.

**Income Statement:**

Sharjah Islamic Bank posted a net profit of AED 164.2 million for the period ended 31 March 2021, compared to AED 153.7 million for the similar period ended 2020, an increase of 6.8%, despite the challenges posed by COVID-19 pandemic, lower profit rates and increase in investment in Islamic financing provision

Total operating income for the first quarter ended 2021 reached at AED 343.6 million as against 302.2 million in the same period ended 2020, a material increase of 14.2% or AED 42.9 million.

Main highlights of the income statement are:



The distribution to depositors and sukuk holders reached AED 155.6 million for the period ended 31 March 2021 compared to AED 200.1 million for the same period 2020; a decrease of 22.3%. 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 80.5 million for the period ended 31 March 2021, compared to AED 78.4 million for the period ended 31 March 2020, with an increase of AED 3.5 million or 4.5%.

On the expenses side, general and administration expenses reached AED 131.4 million for period ended 31 March 2021 compared to AED 134.9 million for the similar period ended 2020, a decrease of 1.5%.

Impairment on financial assets - net of recoveries was recorded at AED 48.0 million for the period ended 31 March 2021 compared to AED 13.5 million for period ended 31 March 2020, an increase of AED 34.5 million or 254.6%.

Annualized return on average shareholders' equity (ROAE) reached 8.7% as at 31 March 2021 compared to 5.35% of year end 2020, while annualized return on average assets (ROAA) reached at 1.21% compared with 0.81% at the year end 2020.

## Summary of key figures and performance ratios

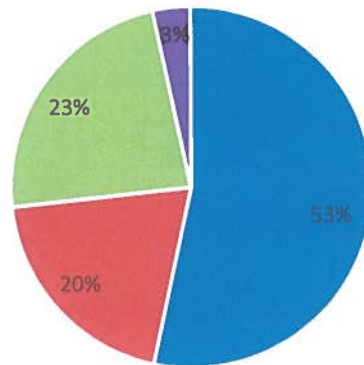
<i>(Figures in AED Millions)</i>	2016	2017	2018	2019	2020	31 March 2021
<b>Total Assets</b>	33,539	38,288	44,746	46,390	53,601	54,919
<b>Net Investment in Islamic financings</b>	17,091	21,707	24,124	25,143	29,269	29,327
<b>Customer Deposits</b>	26,438	22,318	26,438	27,313	32,608	35,476
<b>Total Shareholders' Equity</b>	4,856	5,519	5,446	7,529	7,648	7,492
<b>Return on Average Assets*</b>	1.46%	1.33%	1.23%	1.20%	0.81%	1.21%
<b>Return on Average Equity*</b>	9.68%	9.21%	9.36%	8.45%	5.35%	8.7%
<b>Equity to Total Assets</b>	14.48%	14.41%	12.04%	16.23%	14.27%	13.64%
<b>Leverage of Total Capital (Times)</b>	5.91	5.94	7.31	5.16	6.01	6.33

\*Annualized



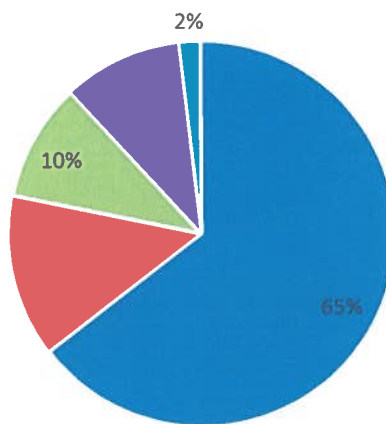
## Assets and Liabilities Structure

### SIB Asset Structure



■ Receivables ■ Investments ■ Liquid assets ■ Other assets

### SIB Liabilities Structure



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