

# Management discussion and analysis report

30 September 2024



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 nine month period ended 30 September 2024, where the Group's net profit before tax surged by 29.3%, reaching an impressive AED 992.1 million. This notable growth is in comparison to the net profit before tax of AED 767.3 million recorded during the same period in 2023. Net profit after tax for the nine month period ended 30 September 2024 was AED 902.5 million, an increase of 17.6%.

- +29.3% ↑ The Group demonstrated strong financial performance in Q3 2024, characterized by a notable 29.3% increase in net profit before tax to AED 992.1 million, compared to AED 767.3 million in Q3 2023. Concurrently, the Group achieved a net profit after tax of AED 902.5 million during the same period with an increase of 17.6%. This substantial growth underscores the efficacy of the Group's management and the success of its profit-generating strategies.
- +14.3% ↑ The total operating income for the nine month period ended 30 September 2024 amounted to AED 1,614.3 million, showing an increase of 14.3% or AED 201.4 million compared to AED 1,412.8 million reported in the same period of 2023.
- +16.3% ↑ Net operating income, before impairment of financial assets, reached AED 1,092.7 million, an increase of 16.3% compared to AED 939.8 million in the corresponding period of 2023. This improvement demonstrates the Group's efficiency in managing its core business operations.
- +19.0% ↑ Earnings per share for the period ended 30 September 2024, were recorded at AED 0.25 per share, compared to AED 0.21 per share during the same period in the previous year. This increase reflects the Group's ability to generate higher earnings for its shareholders.
- +25.7% ↑ Annualised return on average assets for the nine month period ended 30 September 2024 stood at 1.71% after tax, compared to 1.36% for the full year 2023. The ratio has improved compared to previous period despite the introduction of a 9% corporate tax with effect from 1 January 2024 demonstrating the Group's effective utilization of its assets to generate profits.
- +32.4% ↑ Annualised return after tax on average equity for the nine month period ended 30 September 2024 was 14.31%, an increase from 10.81% for the full year 2023. This metric reflects the Group's strong performance for the nine month period ended 30 September 2024 despite the introduction of a 9% corporate tax.
- 6.9% ↓ The Group's cost-to-income ratio improved from 34.7% for the full year 2023, to 32.3% for the nine month period ended 30 September 2024. This enhancement underscores the Group's adeptness in managing costs in proportion to its income, ultimately contributing to improved profitability.



## KEY HIGHLIGHTS

The group demonstrated strong asset growth highlighted by 10.7% increase in Islamic financing, 6.2% growth in customer deposits, and 29.2% surge in investments at amortized cost.

- +13.5%  The Group's total assets surged to AED 74.8 billion as of 30 September 2024, reflecting a robust 13.5% increase from the year-end figure 65.9 billion of 31 December 2023. This expansion in total assets underscores the Group's capacity to enhance its asset portfolio, thereby reinforcing its financial strength.
- +10.7%  The Group's Investments in Islamic financing saw a notable increase of AED 3.5 billion, resulting an increase of 10.7%. As of 30 September 2024, the total Investments in Islamic financing reached AED 36.6 billion, compared to AED 33.0 billion as of 31 December 2023. This expansion underscores the Group's steadfast commitment to providing Islamic financial services and fostering sectoral growth.
- +29.2%  Investment securities measured at amortized cost experienced substantial growth of 29.2%, reaching AED 12.4 billion as of 30 September 2024, compared to AED 9.6 billion as of 31 December 2023. The Group's investment securities measured at fair value were AED 4.3 billion as of 30 September 2024, compared to AED 4.0 billion as of 31 December 2023.
- +6.2%  Customer deposits increased by 6.2% to reach AED 48.0 billion as compared to AED 45.2 billion as at 31 December 2023 demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products and profit rates.
- +4.2%  As of 30 September 2024, the financing to deposit ratio, a key indicator of the Group's lending activity compared to its deposit base, was recorded at 76.2%. This ratio underscores the Group's judicious strategy in overseeing its financing portfolio, ensuring a well-balanced risk profile.
-  Liquid assets, pivotal in bolstering the Group's liquidity profile, constituted 20.8% of the total assets, equating to AED 15.6 billion as of 30 September 2024. Liquidity levels are crucial for the Group to fulfill short-term obligations.
- 7.1%  The Non-Performing Financing ("NPF") ratio improved to 5.2% as at 30 September 2024, compared to 5.6% as of 31 December 2023, while the coverage ratio reached 95.7% as of 30 September 2024, compared to 93.8% as of 31 December 2023. These metrics highlight the Group's prudent approach to managing credit risk and its ability to mitigate potential losses.
- 6.3%  The Group maintained a robust capital position, with a capital adequacy ratio of 17.7% as of 30 September 2024 as compared to 18.9% as of 31 December 2023. This ratio demonstrates the Group's ability to meet regulatory requirements and indicates its strong financial foundation.



## PERFORMANCE

### BALANCE SHEET

Total assets of the Group reached at AED 74.8 billion as at 30 September 2024, a testament to the Group's growth strategy formulated in light of prudent risk management. Stable growth in total assets by 13.5% 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 and fair value.

The net investments in Islamic financing reached AED 36.6 billion as of 30 September 2024, reflecting a net increase of 10.7% or AED 3.5 billion, compared to the balance as of 31 December 2023. Investments in Islamic financing has continually increased for the Group with CAGR of 4.5%. This growth implies strong strategy and optimal utilisation of liquidity.

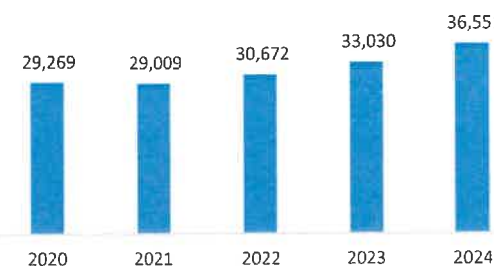
Fueling the Group's liquidity fortress, liquid assets comprised a formidable 20.8% of total assets, totaling a staggering AED 15.6 billion as of 30 September 2024. These liquidity levels signal a buoyant liquidity reservoir that empowers the Group to seamlessly navigate short-term obligations. Such numbers resonates with the Group's strategic vision of maintaining a minimum liquidity threshold of 20%.

Investment securities measured at amortized cost had a substantial growth of 29.2%, reaching AED 12.4 billion as of 30 September 2024, compared to AED 9.6 billion as at 31 December 2023. The significant growth in investment securities measured at amortized cost is driven by favorable market conditions in the UAE during 2024, 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 6.2% to reach AED 48.0 billion as compared to AED 45.2 billion as at 31 December 2023. Customer deposits have increased with a CAGR of 7.4%, demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products. CASA balance comprised 40.1% of total customer deposits as of 30 September 2024 as compared to 42.2% as of 31 December 2023.

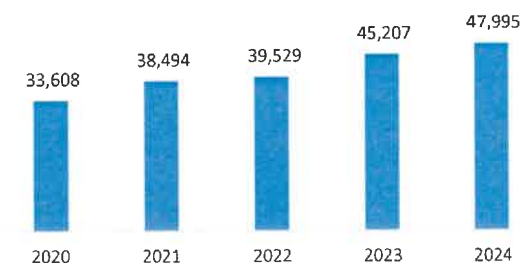
↑ CAGR 5.7%

### Islamic financing



↑ CAGR 9.3%

### Customer deposits





## PERFORMANCE

### BALANCE SHEET

Balance due to banks increased by AED 3.0 billion, reaching at AED 12.1 billion as at 30 September 2024 as against AED 9.1 billion as at year ended 2023, in line with Group's liquidity management policies.

The Group is strongly capitalized. Total shareholders' equity reached to AED 8.7 billion or 11.6% of total assets.

NPF ratio of the Group stands at 5.2% as at 30 September 2024 as against 5.6% as at 31 December 2023. Improvement in NPF ratio is a resultant of strong recovery on doubtful financing and increase in overall investments in Islamic financing. Coverage ratio now stands at the 95.7% as at 30 September 2024, including general impairment reserve.

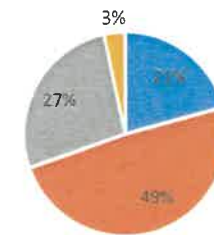
### PROFIT AND LOSS

The Group posted a net profit before taxation of AED 992.1 million for the nine month period ended 30 September 2024, compared to AED 767.3 million for the period ended 30 September 2023, an increase of 29.3%. The Group achieved a net profit after tax of AED 902.5 million for the nine month period ended 30 September 2024 with an increase of 17.6% compared to prior period. Strong profitability is a reflection of stable profit margins due to rise in consumer demand and UAE economic expansion, increase in fee and commission income as well as reduction in the Group's overall impairment provisions as compared to prior period. Rise in income for the Group has outpaced expense and impairment increases over the same period owing to effective cost control measures and robust business growth strategies.

The distribution to depositors and sukuk holders reached AED 1,617.5 million for the nine month period ended at 30 September 2024 compared to AED 1,148.6 million for the same period 2023; an increase of 40.8%. Profit is allocated for payment to Mudaraba depositors. 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.

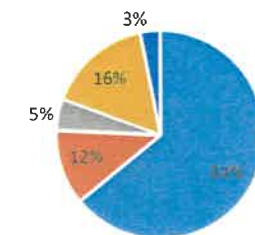
Investment, fees, commission and other income reached AED 505.8 million for the nine month period ended at 30 September 2024, compared to AED 329.6 million for the nine month period ended 30 September 2023, with an increase of AED 176.2 million or 53.4%.

SIB Asset Structure



■ Liquid assets ■ Islamic financing ■ Investments ■ Other Assets

SIB Liabilities structure



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



## PERFORMANCE

PROFIT AND LOSS

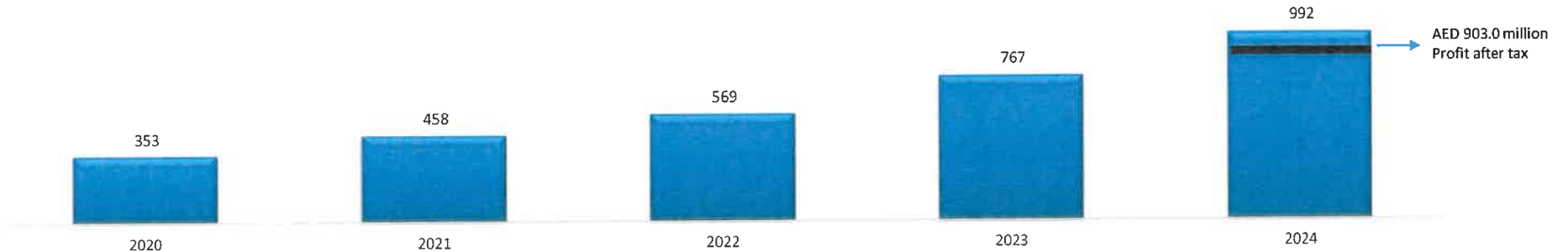
On the expenses side, general and administration expenses reached AED 521.5 million for the nine month period ended 30 September 2024 compared to AED 473.0 million for the similar period 2023, an increase of 10.3%, while cost to income ratio dropped from 34.7% for the full year 2023 to 32.3% for the nine month period ended 30 September 2024.

Impairment on financial assets - net of recoveries was recorded at AED 100.6 million for the nine month period ended at 30 September 2024, compared to AED 172.5 million for same period 2023, a decrease of AED 71.9 million or 41.7%.

Annualised return on average equity (ROAE) reached 14.31% for the nine month period ended 30 September 2024 compared to 10.81% for the full year 2023, while annualized return on average assets (ROAA) was 1.71% for the nine month period ended 30 September 2023 compared with 1.36% for the full year 2023.

↑ CAGR 29.5%

### Net Profit before tax





## FINANCIAL HIGHLIGHTS

Numbers in AED '000	30 September	31 December	Variance
	2024	2023	%
	Un-audited	Audited	
<b>Statement of financial position</b>			
Investment securities measured at amortised cost	12,382,841	9,582,292	29.2%
Investments in Islamic financing	36,550,782	33,030,434	10.7%
Customer deposits	47,995,408	45,206,574	6.2%
NPF ratio	5.2%	5.6%	-7.1%
NPF coverage ratio	95.7%	93.8%	2.0%
Risk weighted assets	50,630,439	45,124,273	12.2%
Common equity tier 1 ratio	12.9%	13.6%	-5.1%
Tier 1 capital ratio	16.5%	17.7%	-6.8%
Capital adequacy ratio	17.7%	18.9%	-6.3%
Financing to deposit ratio	76.2%	73.1%	4.2%
ASFR	78.9%	80.7%	-2.2%
ELAR	18.1%	15.9%	13.9%
Liquid asset ratio	20.8%	20.8%	-
Cost to income ratio	32.3%	34.7%	-6.9%
ROAE - annualised	14.31%	10.81%	32.4%
ROAA - annualised	1.71%	1.36%	25.7%

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

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 owing to prudent risk management policies coupled with recovery efforts



## FINANCIAL HIGHLIGHTS

Numbers in AED '000	For 9 month period ended September-24	For 9 month period ended September-23	Variance %
<b>Statement of profit or loss</b>			
Income from investments in Islamic financing and sukuk	2,725,917	2,231,846	22.1%
Distribution to depositors' and sukuk holders	(1,617,491)	(1,148,649)	40.8%
Fee, commission and other income	505,831	329,639	53.4%
Total operating income	1,614,257	1,412,836	14.3%
General and administrative expenses	(521,520)	(473,012)	10.3%
Net operating income before impairment	1,092,737	939,824	16.3%
Impairment on financial assets - net of recoveries	(100,645)	(172,520)	-41.7%
Profit for the period before taxation	992,092	767,304	29.3%
Net profit for the period	902,521	767,304	17.6%
Earnings per share	0.25	0.21	19.0%

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

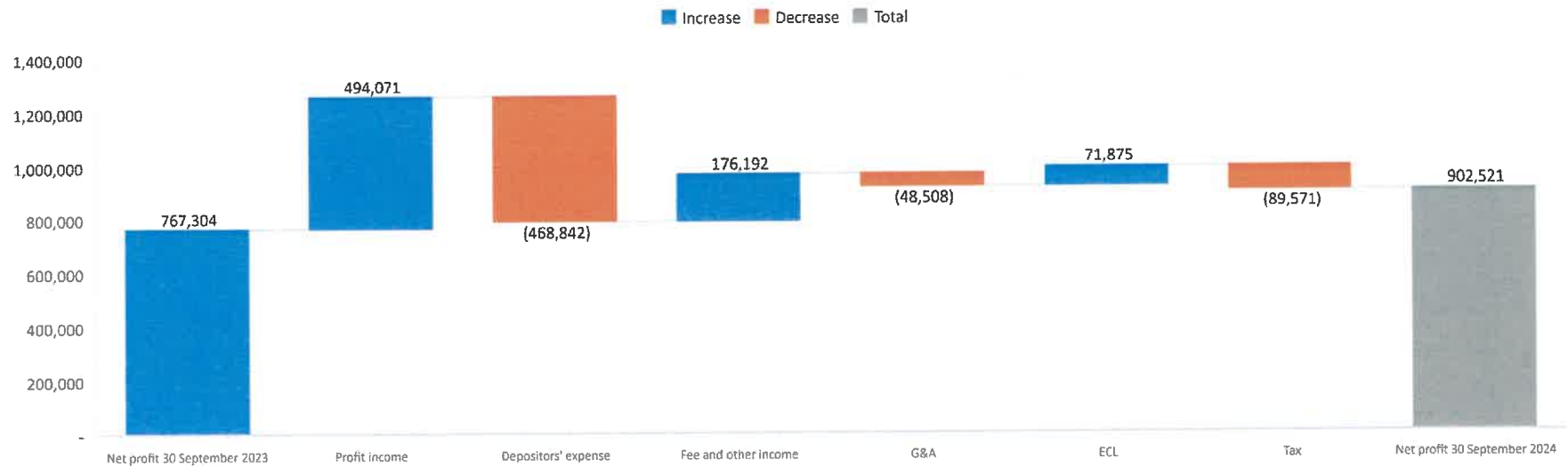
Increase in profit rates and deposit portfolio resulted in higher profit expense

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





## Profit and Loss Waterfall For the nine month period ended 30 September 2024



- 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 resulting in improved other income.



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# Management discussion and analysis report for the year ended 30 September 2024

Thank You

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**Mohamed Ahmed Abdalla**  
Chief Executive Officer