

Management discussion and analysis report

31 December 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 year ended 31 December 2024, where the Group's net profit before tax surged by 36.5%, reaching an impressive AED 1,148.8 million. This notable growth is in comparison to the net profit before tax of AED 841.5 million recorded for the year ended 31 December 2023. Net profit after tax for the year ended 31 December 2024 was AED 1,047.9 million, an increase of 24.5%.

- +36.5%** ↑ The Group demonstrated strong financial performance for the year ended 31 December 2024, characterized by a notable 36.5% increase in net profit before tax to AED 1,148.8 million, compared to AED 841.5 million for the year ended 31 December 2023. Concurrently, the Group achieved a net profit after tax of AED 1,047.9 million for the year ended 31 December 2024 with an increase of 24.5%. This substantial growth underscores the efficacy of the Group's management and the success of its profit-generating strategies.
- +24.5%** ↑
- +10.4%** ↑ The total operating income for the year ended 31 December 2024 amounted to AED 2,181.1 million, showing an increase of 10.4% or AED 206.1 million compared to AED 1,975.0 million reported for the year ended 31 December 2023.
- +9.5%** ↑ Net operating income, before impairment of financial assets, reached AED 1,402.0 million, an increase of 9.5% compared to AED 1,280.6 million in the corresponding period of 2023. This improvement demonstrates the Group's efficiency in managing its core business operations.
- +30.4%** ↑ Earnings per share for the year ended 31 December 2024, were recorded at AED 0.30 per share, compared to AED 0.23 per share for the year ended 31 December 2023. This increase reflects the Group's ability to generate higher earnings for its shareholders.
- +6.7%** ↑ Return on average assets – after tax for the year ended 31 December 2024 stood at 1.44%, compared to 1.35% the year ended 31 December 2023. The ratio has improved compared to the previous year 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.
- +19.5%** ↑ Return on average equity – after tax for the year ended 31 December 2024 was 12.76%, an increase from 10.68% for the year ended 31 December 2023. This metric reflects the Group's strong performance for the year ended 31 December 2024 despite the introduction of a 9% corporate tax.
- +1.4%** ↑ The Group's cost-to-income ratio stands at 35.7% for the year ended 31 December 2024, compared to 35.2% for the year ended 31 December 2023. This 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 14.1% increase in Investment in Islamic financing, 14.5% growth in customer deposits, and 37.5% surge in investment securities measured at amortized cost.

- +20.2% ↑ The Group's total assets surged to AED 79.2 billion as of 31 December 2024, reflecting a robust 20.2% increase as compared to AED 65.9 billion as of 31 December 2023. This expansion in total assets underscores the Group's capacity to enhance its asset portfolio, thereby reinforcing its financial strength.
- +14.1% ↑ The Group's Investments in Islamic financing saw a notable increase of AED 4.7 billion, resulting an increase of 14.1%. As of 31 December 2024, the total Investments in Islamic financing reached AED 37.7 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.
- +37.5% ↑ Investment securities measured at amortized cost experienced substantial growth of 37.5%, reaching AED 13.2 billion as of 31 December 2024, compared to AED 9.6 billion as of 31 December 2023. The Group's investment securities measured at fair value were AED 4.6 billion as of 31 December 2024, compared to AED 4.0 billion as of 31 December 2023.
- +14.5% ↑ Customer deposits increased by 14.5% to reach AED 51.8 billion as of 31 December 2024 as compared to AED 45.2 billion as of 31 December 2023 demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products and profit rates.
- 0.4% ↓ As of 31 December 2024, the financing to deposit ratio, a key indicator of the Group's lending activity compared to its deposit base, was recorded at 72.8%, compared to 73.1% as of 31 December 2023. This ratio underscores the Group's judicious strategy in overseeing its financing portfolio, ensuring a well-balanced risk profile.
- +3.8% ↑ Liquid assets, pivotal in bolstering the Group's liquidity profile, constituted 21.6% of the total assets, equating to AED 17.1 billion as of 31 December 2024, compared to 20.8% equating to AED 13.7 billion as of 31 December 2023. Liquidity levels are crucial for the Group to fulfill short-term obligations.
- +12.5% ↓ The Non-Performing Financing ("NPF") ratio improved to 4.9% as of 31 December 2024, compared to 5.6% as of 31 December 2023, while the coverage ratio reached 99.5% as of 31 December 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.
- 9.5% ↓ The Group maintained a robust capital position, with a capital adequacy ratio of 17.1% as of 31 December 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

Total assets of the Group reached at AED 79.2 billion as of 31 December 2024, a testament to the Group's growth strategy formulated in light of prudent risk management. Stable growth in total assets by 20.2% 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 37.7 billion as of 31 December 2024, reflecting a net increase of 14.1% or AED 4.7 billion, compared to the balance as of 31 December 2023. Investments in Islamic financing has continually increased for the Group with CAGR of 6.5%. This growth implies strong strategy and optimal utilisation of capital and liquidity resources.

Fueling the Group's liquidity fortress, liquid assets comprised 21.6% of total assets, totaling AED 17.1 billion as of 31 December 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%.

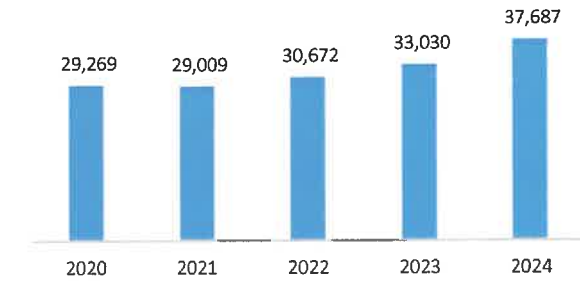
Investment securities measured at amortized cost had a substantial growth of 37.5%, reaching AED 13.2 billion as of 31 December 2024, compared to AED 9.6 billion as of 31 December 2023. The significant growth in investment securities measured at amortized cost is driven by favorable market conditions 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 14.5% to reach AED 51.8 billion as compared to AED 45.2 billion as of 31 December 2023. Customer deposits have increased with a CAGR of 11.4%, demonstrating strong business relationships with its customers as well as the competitiveness of the Group's products. *CASA balance remained stable at 42.2% of total customer deposits as of 31 December 2024 and 31 December 2023.

*Current account, Saving account and other similar products.

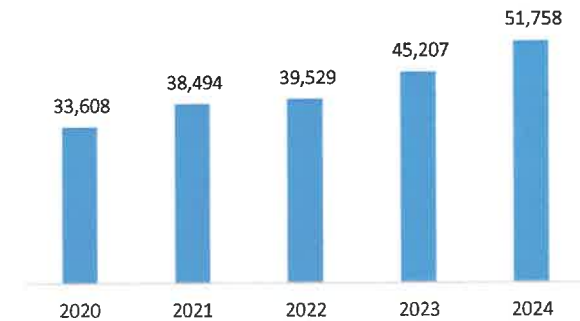
↑ CAGR 6.5%

Islamic financing



↑ CAGR 11.4%

Customer deposits



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PERFORMANCE

BALANCE SHEET

Balance due to banks increased by AED 3.8 billion, reaching at AED 12.9 billion as of 31 December 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 8.3 billion or 10.5% of total assets.

NPF ratio of the Group stands at 4.9% as of 31 December 2024 as against 5.6% as of 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 99.5% as of 31 December 2024, including general impairment reserve.

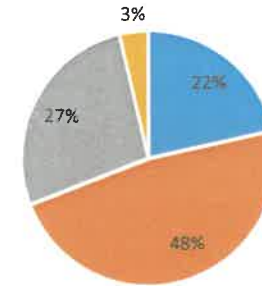
PROFIT AND LOSS

The Group posted a net profit before taxation of AED 1,148.8 million for the year ended 31 December 2024, compared to AED 841.5 million for the period ended 31 December 2023, an increase of 36.5%. The Group achieved a net profit after tax of AED 1,047.9 million year ended 31 December 2024 with an increase of 24.5% compared to year ended 31 December 2023. Strong profitability is driven by a significant increase in non-profit income, reflecting the Group's enhanced focus on diversifying revenue streams through fee-based activities and other non-financing income sources. Additionally, the reduction in revaluation loss on properties has positively impacted the bottom line, highlighting efficient real estate asset management.

The distribution to depositors and sukuk holders reached AED 2,215.2 million for the year ended at 31 December 2024 compared to AED 1,635.9 million for the year ended 31 December 2023; an increase of 35.4%. 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.

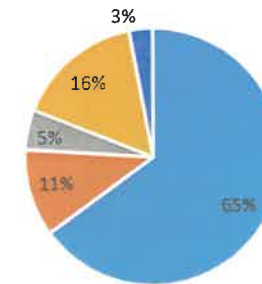
Investment, fees, commission and other income reached AED 671.3 million for the year ended 31 December 2024, compared to AED 522.1 million for the year ended 31 December 2023, with an increase of AED 149.2 million or 28.6%.

SIB Asset Structure



■ Liquid assets ■ Islamic financing ■ Investments ■ Other Assets

SIB Liabilities structure



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



PERFORMANCE

PROFIT AND LOSS

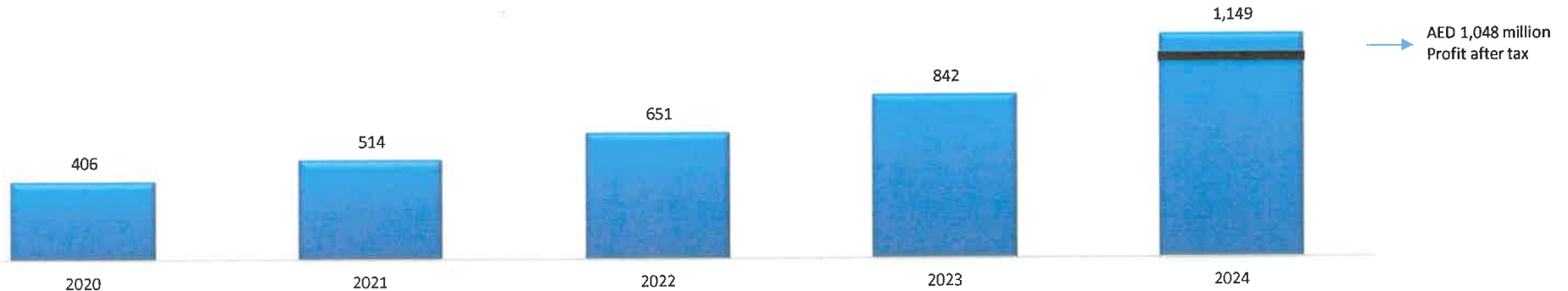
On the expenses side, general and administration expenses reached AED 779.1 million for the year ended 31 December 2024 compared to AED 694.5 million for the year ended 31 December 2023, an increase of 12.2%, while cost to income ratio stood at 35.7% for the year ended 31 December 2024, compared to 35.2% for the year ended 31 December 2023.

Impairment on financial assets - net of recoveries was recorded at AED 210.4 million for the year ended at 31 December 2024, compared to AED 220.6 million for the year ended 2023, a decrease of AED 10.2 million or 4.6%.

Return on average equity (ROAE) reached 12.76% for the year ended 31 December 2024 compared to 10.68% for the year ended 31 December 2023, while return on average assets (ROAA) was 1.44% for the year ended 31 December 2024 compared with 1.35% for the year ended 31 December 2023.

↑ CAGR 29.7%

Net Profit before tax



FINANCIAL HIGHLIGHTS

Numbers in AED '000	31 December	31 December	Variance
	2024	2023	%
Consolidated statement of financial position			
Investment securities measured at amortised cost	13,172,684	9,582,292	37.5%
Investments in Islamic financing	37,687,026	33,030,434	14.1%
Customer deposits	51,758,444	45,206,574	14.5%
NPF ratio	4.9%	5.6%	-12.5%
NPF coverage ratio	99.5%	93.8%	6.1%
Risk weighted assets	50,620,696	45,124,273	12.2%
Common equity tier 1 ratio	12.4%	13.6%	-8.8%
Tier 1 capital ratio	16.1%	17.7%	-9.0%
Capital adequacy ratio	17.1%	18.9%	-9.5%
Financing to deposit ratio	72.8%	73.1%	-0.4%
ASFR	82.7%	80.7%	2.5%
ELAR	14.6%	14.5%	0.7%
Liquid asset ratio	21.6%	20.8%	3.8%
Cost to income ratio	35.7%	35.2%	1.4%
ROAE	12.76%	10.68%	19.5%
ROAA	1.44%	1.35%	6.7%

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	31 December 2024	31 December 2023	Variance %
Consolidated statement of profit or loss			
Income from investments in Islamic financing and sukuks	3,725,070	3,088,909	20.6%
Distribution to depositors' and sukuk holders	(2,215,179)	(1,635,944)	35.4%
Fee, commission and other income	671,252	522,057	28.6%
Total operating income	2,181,143	1,975,022	10.4%
General and administrative expenses	(779,113)	(694,454)	12.2%
Net operating income before impairment and revaluation	1,402,030	1,280,568	9.5%
Impairment on financial assets - net of recoveries	(210,414)	(220,608)	-4.6%
Revaluation loss on properties	(42,772)	(218,420)	-80.4%
Profit before taxation	1,148,844	841,540	36.5%
Profit for the year	1,047,885	841,540	24.5%
Earnings per share	0.30	0.23	30.4%

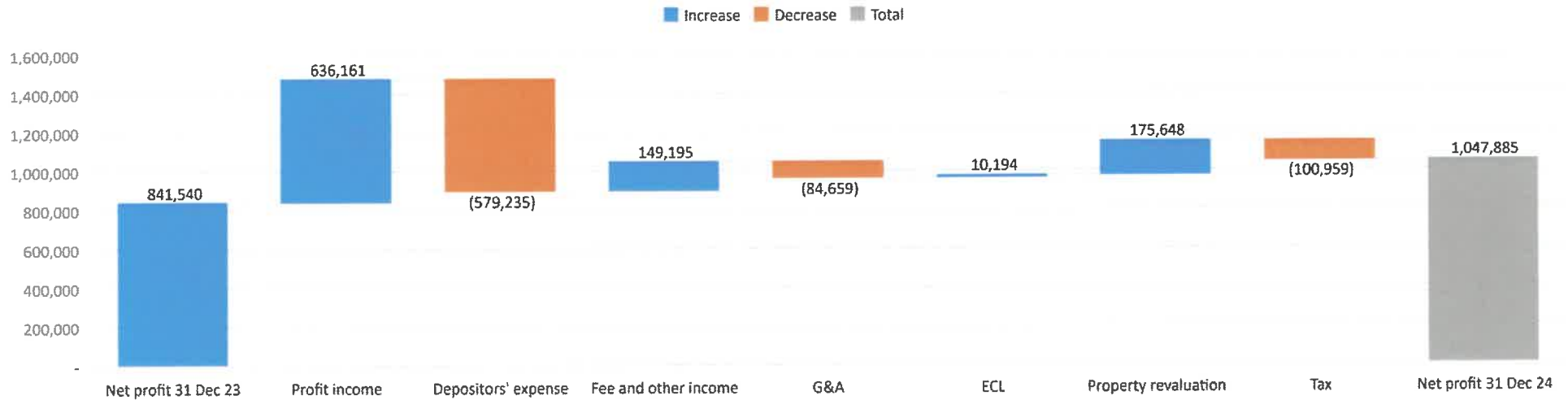
Rising profit rates and increase in financing volume across diversified industry segments resulted in significant increase in profit income.

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 year ended 31 December 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 and real estate income resulting in improved other income.



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

Thank You

Mohamed Ahmed Abdalla
Chief Executive Officer