



مصرف الشارقة الإسلامي
Sharjah Islamic Bank

Management Report

30 June 2023

Financial Review

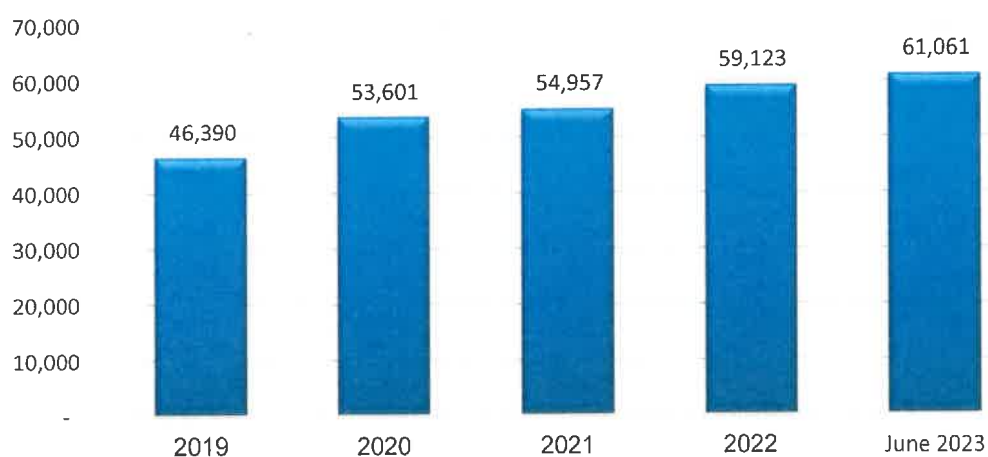
Sharjah Islamic Bank PJSC achieved a net profit of AED 494.6 million for the 1st half ended 30 June 2023, a significant increase of 36.7%, whereas, total assets increased by 3.3% and reached at AED 61.1 billion.

Sharjah Islamic Bank (SIB) recorded an increase of 36.7% in the net profit AED 494.6 million for the 1st half ended 30 June 2023, compared to AED 361.9 million for the same period 2022.

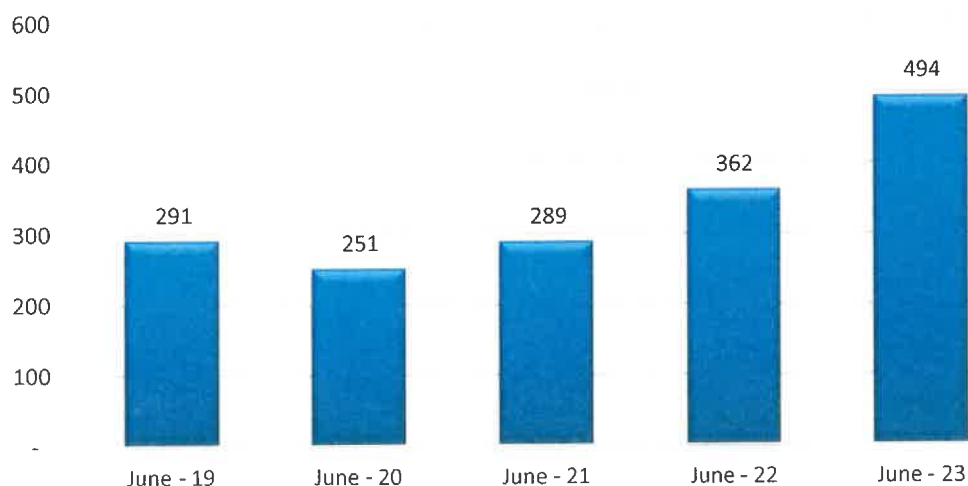
The Bank's total assets at 30 June 2023 increased from the 2022 year end level by 3.3% and were valued at AED 61.1 billion.

Bank's liquid assets stand at a strong level of 20.0% as at 30 June 2023.

Total assets



Net Profit



Key highlights:

- Net profit for the 1st half ended 30 June 2023 reached to AED 494.6 million as compared to AED 361.9 million for the same period ended 30 June 2022. The Group has reported significant increase of 36.7% in the net profit.
- Total operating income for the 1st half ended 30 June 2023 reached at AED 964.5 million as against 771.4 million in the same period ended 30 June 2022, an increase of 25.0% or AED 193.0 million.
- Net operating income, before impairment of financial asset, increased by 30.5% reaching to AED 648.7 million as compared to AED 497.2 million in similar period of 2022.
- Impairment on financial assets - net of recoveries were reported at AED 154.2 million for the 1st half ended 30 June 2023. The provision is in line with the SIB's prudent credit management approach.
- Cost to income ratio significantly dropped from 38.0% in 2022 to 32.7% as at 30 June 2023
- Total assets of the Group reached to AED 61.1 billion as at 30 June 2023, increase of 3.3% from year ended 2022.
- Investment in Islamic financing increased by 3.0% to reach AED 31.6 billion at the end of June 2023 compared to AED 30.7 billion for the year ended 2022.
- Liquid assets now contribute 20.0% of the total assets, amounting to AED 12.2 billion as at 30 June 2023 compared to 23.9% for the year ended 2022.
- Investment securities measured at fair value decreased by 6.1% to reach AED 3.7 billion as at 30 June 2023 as compared to AED 4.0 billion for the year 2022.
- Investment securities measured at amortised cost increased by 69.6% to reach AED 7.8 billion as at 30 June 2023 as compared to AED 4.6 billion for the year ended 2022.
- Customer deposits reached at AED 42.1 billion as at 30 June 2023, with an increase of 6.6% or AED 2.6 billion compared to the year ended 31 December 2022.
- NPL ratio stands at 5.9%, and coverage ratio at 91.3% as at 30 June 2023.
- Capital adequacy ratio stands at 19.4% at the 30 June 2023.
- Advances to deposit ratio stands at 74.9% as at 30 June 2023.
- Earnings per share stands at AED 0.15/share for the period ended 30 June 2023 comparing with 0.11/share at the same period last year.
- Return on average assets for the year stands at 1.65% comparing with 1.14% last year.
- Return on average equity for the year is computed to 12.84% comparing with 8.49% 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 61.1 billion as at 30 June 2023, comparing with AED 59.1 billion as at 31 December 2022, an increase of AED 1.9 billion or 3.3%.

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

Liquid assets:

Liquid assets stand at AED 12.2 billion or 20.0% of the total assets as at 30 June 2023 in the same level of AED 14.1 billion or 23.9% at the end of year 2022.

Investment in Islamic financing:

Net investment in Islamic financing of the Bank amounted to AED 31.6 billion as at 30 June 2023, an increase of 3.0% or AED 906.3 million compared to the year ended 31 December 2022. Investment in Islamic financing to customer deposits ratio stands at strong 74.9% and in line with management's strategic objectives.

Investment securities:

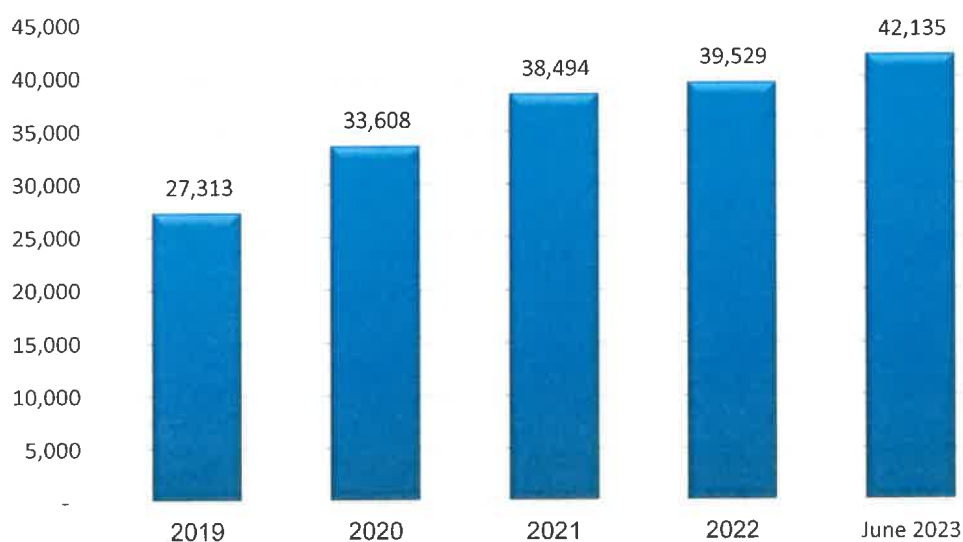
Investment securities measured at fair value decreased by 6.1% to reach AED 3.7 billion as at 30 June 2023 as compared to AED 4.0 billion for the year 2022.

Investment securities measured at mortised cost increased by 69.6% to reach AED 7.8 billion as at 30 June 2023 as compared to AED 4.6 billion for the year ended 2022.

Customer deposits:

Sharjah Islamic Bank's customer deposits increased by 6.6% or by AED 2.6 billion and reached at AED 42.1 billion for the 1st half ended 30 June 2023, compared to AED 39.5 billion at the year-end 2022 showing strong customer confidence in the Bank.

Customer deposits



Due to banks:

Balance due to banks increased by AED 1.1 billion, reaching at AED 7.7 billion at the end of 1st half 30 June 2023 as against AED 6.7 billion as at year ended 2022, in line with Group's liquidity management policies.

Sukuk:

Sukuk payable decreased by AED 1.8 billion and stood at AED 1.8 billion at the end of period 30 June 2023 as against AED 3.7 billion as at year end 2022, due to the repayment of USD 500.0 million in the 2nd quarter through its own sources, evidencing excellent liquidity position

Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.8 billion or 12.7% of total assets.

Asset quality:

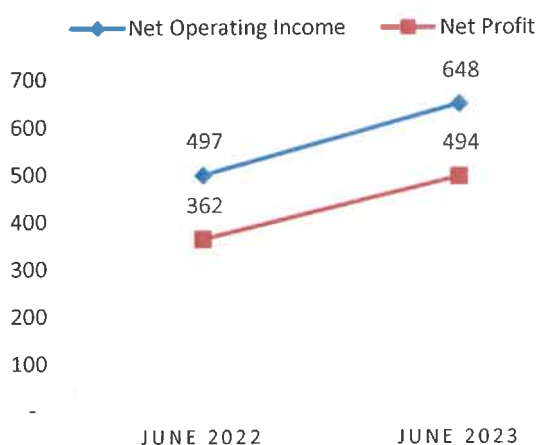
NPL ratio of the Bank stands at 5.9% as at 30 June 2023 owing to prudent management overlays and stringent risk management policies.

Banks prudent approach to provisions and NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the 91.3% as at 30 June 2023.

Income Statement:

Sharjah Islamic Bank posted a net profit of AED 494.6 million for the 1st half ended 30 June 2023, compared to AED 361.9 million for the similar period ended 30 June 2022, an increase of 36.7%.

Total net operating income for the 1st half ended 30 June 2023 reached at AED 648.7 million as against 497.2 million for the 1st half ended 30 June 2022, a material increase of 30.5% or AED 151.6 million.

**Main highlights of the income statement are:**

The distribution to depositors and sukuk holders reached AED 720.4 million for the 1st half ended 30 June 2023 compared to AED 291.9 million for the same period 2022; an increase of 146.8%. 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 247.5 million for the 1st half ended 30 June 2023, compared to AED 184.1 million for the same period 2022, with an increase of AED 63.4 million or 34.4%.

On the expenses side, general and administration expenses reached AED 315.7 million for the 1st half ended 30 June 2023 compared to AED 274.3 million for the similar period ended 30 June 2022, an increase of 15.1%, while cost to income ratio significantly dropped from 38.0% in 2022 to 32.7% for the 1st half ended 30 June 2023.

Impairment on financial assets - net of recoveries was recorded at AED 154.2 million for the 1st half ended 30 June 2023, compared to AED 135.3 million for same period ended 30 June 2022, an increase of AED 18.9 million or 14.0%.

Return on average shareholders' equity (ROAE) reached 12.84% as at 30 June 2023 compared to 8.49% of year ended 30 June 2022, while return on average assets (ROAA) reached at 1.65% compared with 1.14% at the year ended 2022.

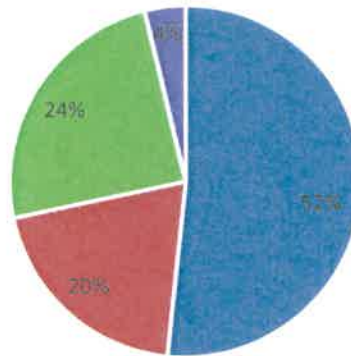
Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2018	2019	2020	2021	2022	2023
Total Assets	44,746	46,390	53,601	54,956	59,123	61,061
Net Investment in Islamic financings	24,124	25,143	29,269	29,009	30,672	31,578
Customer Deposits	26,438	27,313	32,608	38,494	39,529	42,135
Total Shareholders' Equity	5,446	7,529	7,645	7,695	7,632	7,774
Return on Average Assets	1.23%	1.20%	0.81%	0.95%	1.14%	1.65%
Return on Average Equity	9.36%	8.45%	5.35%	6.70%	8.49%	12.84%
Equity to Total Assets	12.04%	16.23%	14.27%	16.30%	12.91%	12.73%
Leverage of Total Capital (Times)	7.31	5.16	6.01	6.14	6.75	6.85



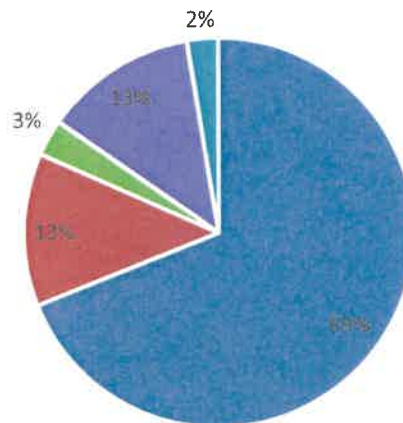
Assets and Liabilities Structure

SIB Asset Structure



■ Islamic Financing ■ Liquid assets ■ Investments ■ Other assets

SIB Liabilities structure



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