



مصرف الشارقة الإسلامية
Sharjah Islamic Bank

Management Report

30 September 2023

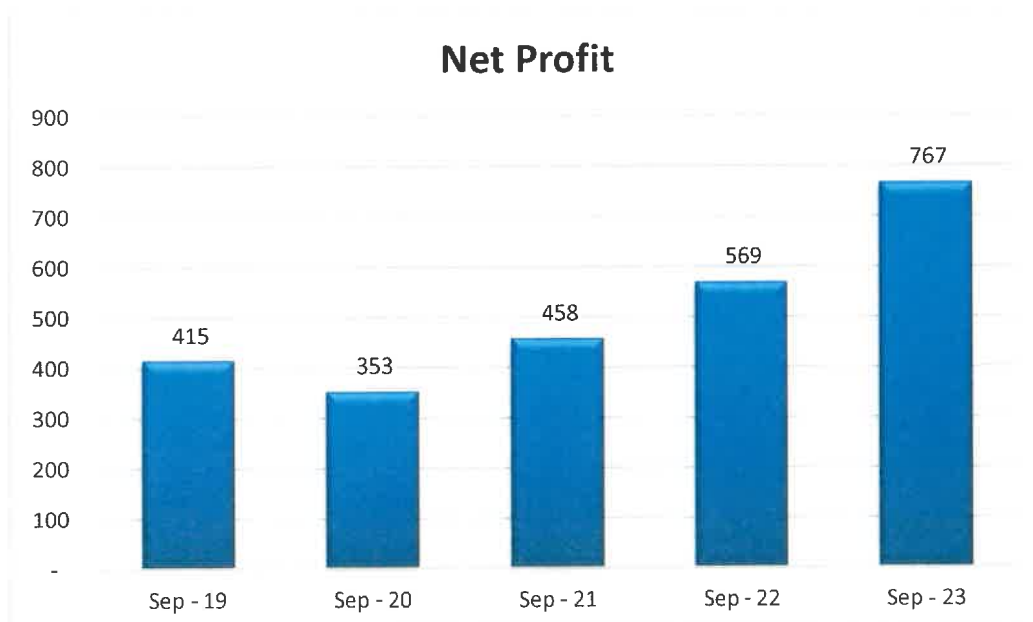
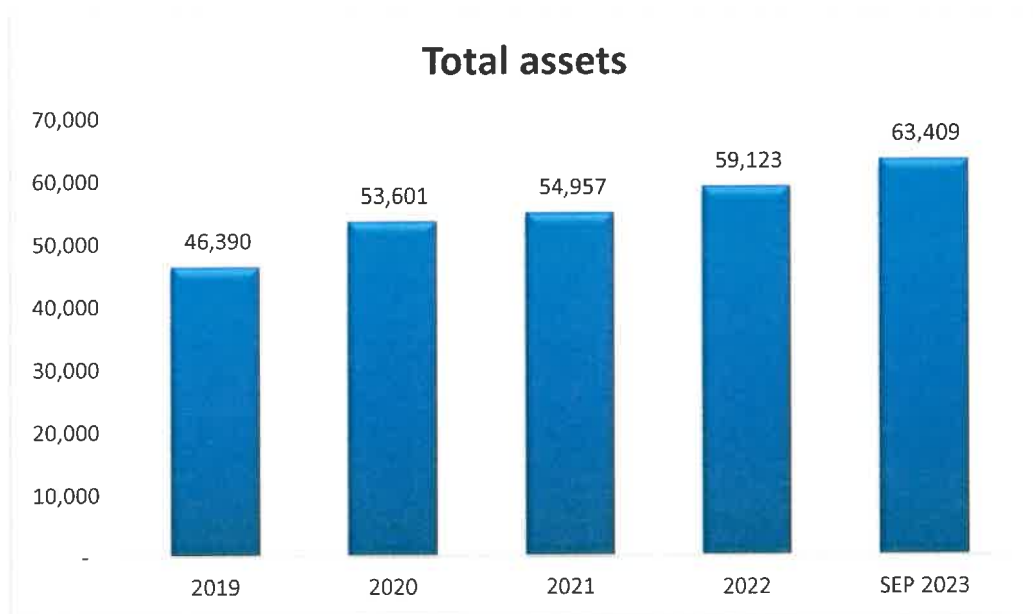
Financial Review

Sharjah Islamic Bank PJSC achieved a net profit of AED 767.3 million for the nine month period ended 30 September 2023, a significant increase of 34.9%, whereas, total assets increased by 7.3% to reach AED 63.4 billion.

Sharjah Islamic Bank (SIB) recorded an increase of 34.9% in the net profit AED 767.3 million for the nine month period ended 30 September 2023, compared to AED 568.6 million for the nine month period ended 30 September 2022.

The Bank's total assets at 30 September 2023 increased by 7.3% or AED 4.3 billion as compared to the total assets as at 31 December 2022 and were valued at AED 63.4 billion.

Bank's liquid assets stand at a strong level of 21.8% as at 30 September 2023.



Key highlights:

- The Group has reported a net profit for the nine month period ended 30 September 2023 amounted to AED 767.3 million as compared to AED 568.6 million for the nine month period ended 30 September 2022, a significant increase of 34.9% or AED 198.7 million.
- Total operating income for the nine month period ended 30 September 2023 amounted to AED 1,412.8 million as against AED 1,150.8 million for the nine month period ended 30 September 2022, an increase of 22.8% or AED 262.0 million.
- Net operating income before impairment of financial assets, increased by 28.7% to reach AED 939.8 million for the nine month period ended 30 September 2023 as compared to AED 730.3 million for the nine month period ended 30 September 2022.
- Impairment on financial assets - net of recoveries were reported at AED 172.5 million for the nine month period ended 30 September 2023. The provision is in line with the SIB's prudent credit management approach.
- Cost to income ratio significantly dropped from 38% for the year ended 31 December 2022 to 33.5% for the nine month period ended 30 September 2023.
- Total assets of the Group reached AED 63.4 billion as at 30 September 2023, increase of 7.3% or AED 4.3 billion as compared to total assets as at 31 December 2022.
- Investment in Islamic financing increased by 3.9% to reach AED 31.9 billion as at 30 September 2023 compared to AED 30.7 billion as at 31 December 2022.
- Liquid assets now contribute 21.8% of the total assets, amounting to AED 13.8 billion as at 30 September 2023 compared to 23.9% of the total assets as at 31 December 2022.
- Investment securities measured at fair value decreased by 6.5% to reach AED 3.7 billion as at 30 September 2023 as compared to AED 4.0 billion as at 31 December 2022. Investment securities measured at amortised cost increased by 81.9% to reach AED 8.4 billion as at 30 September 2023 as compared to AED 4.6 billion as at 31 December 2022.
- Customer deposits reached AED 45.2 billion as at 30 September 2023, with an increase of 14.5% or AED 5.7 billion as compared to customer deposits as at 31 December 2022.
- Non-performing loans ratio stands at 5.6% and coverage ratio at 93.1% as at 30 September 2023.
- Capital adequacy ratio stands at 19.6% at the 30 September 2023.
- Advances to deposit ratio stands at 70.4% as at 30 September 2023.
- Earnings per share stands at AED 0.21/share for the nine month period ended 30 September 2023 as compared to AED 0.15/share for the nine month period ended 30 September 2022.
- Return on average assets for the nine month period ended 30 September 2023 stands at 1.67% as compared to 1.14% for the year ended 31 December 2022.
- Return on average equity for the nine month period ended 30 September 2023 stands at 13.09% as compared to 8.49% for the year ended 31 December 2022.

Statement of financial position:

The Group has been successfully pursuing a strategy of stable growth in financial position, which is reflected in the figures below:

Total assets of the Group reached at AED 63.4 billion as at 30 September 2023, comparing with AED 59.1 billion as at 31 December 2022, an increase of AED 4.3 billion or 7.3%.

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

Liquid assets:

Liquid assets stand at AED 13.8 billion or 21.8% of the total assets as at 30 September 2023 as compared to AED 14.1 billion or 23.9% as at 31 December 2022.

Investment in Islamic financing:

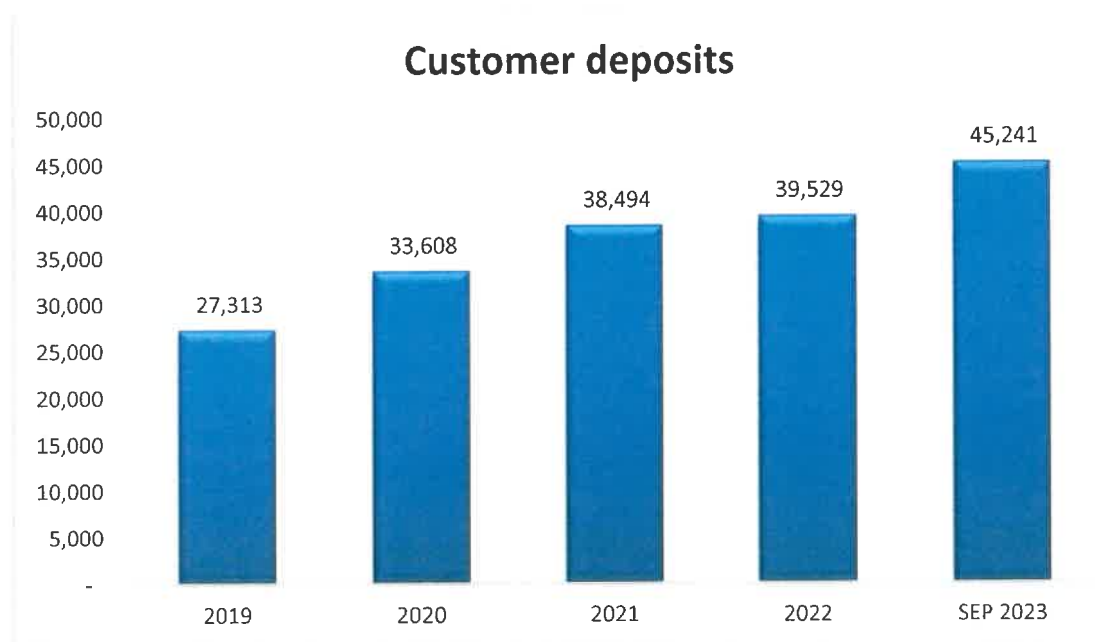
Investment in Islamic financing of the Bank amounted to AED 31.9 billion as at 30 September 2023, an increase of 3.9% or AED 1.2 billion as compared to 31 December 2022. Investment in Islamic financing to customer deposits ratio stands at strong 70.4% and is in line with management's strategic objectives.

Investment securities:

Investment securities measured at fair value decreased by 6.5% to reach AED 3.7 billion as at 30 September 2023 as compared to AED 4.0 billion as at 31 December 2022. Investment securities measured at amortised cost increased by 81.9% to reach AED 8.4 billion as at 30 September 2023 as compared to AED 4.6 billion as at 31 December 2022.

Customer deposits:

Customer deposits increased by 14.5% or by AED 5.7 billion to reach AED 45.2 billion as at 30 September 2023, compared to AED 39.5 billion as at 31 December 2022 showing strong customer confidence in the Bank.



Due to banks:

Balances due to banks increased by AED 130.3 million, reaching at AED 6.8 billion at the end of 3rd quarter 30 September 2023 as against AED 6.7 billion as at 31 December 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 as at 30 September 2023 as against AED 3.7 billion as at 31 December 2022, due to the repayment of USD 500 million in the 2nd quarter of 2023 through its own sources, evidencing excellent liquidity position.

Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached AED 8.0 billion or 12.6% of total assets as at 30 September 2023.

Asset quality:

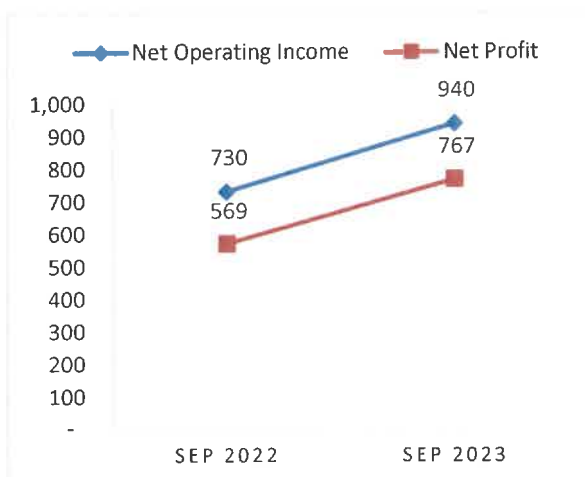
NPL ratio of the Bank stands at 5.6% as at 30 September 2023 owing to prudent management overlays and stringent risk management policies.

Banks prudent approach to provisions and NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the 93.1% as at 30 September 2023.

Income Statement:

The Group posted a net profit of AED 767.3 million for the nine month period ended 30 September 2023, compared to AED 568.6 million for the nine month period ended 30 September 2022, an increase of 34.9%.

Total net operating income for the nine month period ended 30 September 2023 reached to AED 939.8 million as against 730.3 million for the nine month period ended 30 September 2022, a material increase of 28.7% or AED 209.5 million.

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

Income from investments in Islamic financing and Sukuk increased by AED 862.2 million or 63% to reach AED 2.2 billion for the nine month period ended 30 September 2023 as compared to AED 1.4 billion for the nine month period ended 30 September 2022.

The distribution to depositors and sukuk holders reached AED 1,148.6 million for the nine month period ended 30 September 2023 as compared to AED 484.6 million for the nine month period ended 30 September 2022; an increase of 137%. 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 the Group's Shari'a Board.



Investment, fee, commission and other income reached AED 329.6 million for the nine month period ended 30 September 2023, as compared to AED 265.8 million for the nine month period ended 30 September 2022, an increase of AED 63.8 million or 24.0%.

On the expenses side, general and administration expenses reached AED 473.0 million for the nine month period ended 30 September 2023 compared to AED 420.5 million for the nine month period ended 30 September 2022, an increase of 12.5%, while cost to income ratio significantly dropped from 38.0% for the year ended 31 December 2022 to 33.5% for the nine month period ended 30 September 2023.

Impairment on financial assets - net of recoveries reached AED 172.5 million for the nine month period ended 30 September 2023, compared to AED 161.7 million for the nine month period ended 30 September 2022, an increase of AED 10.8 million or 6.7%.

Return on average shareholders' equity ("ROAE") reached 13.09% as at 30 September 2023 compared to 8.49% as at 31 December 2022, while return on average assets ("ROAA") reached at 1.67% compared with 1.14% as at 31 December 2022.

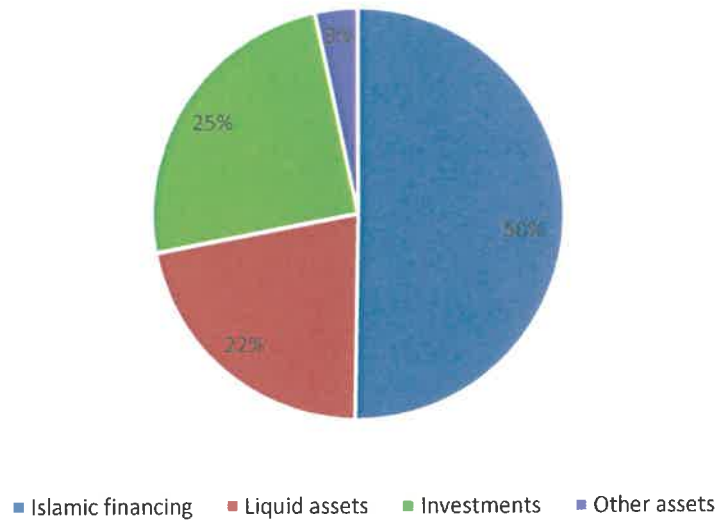
Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2018	2019	2020	2021	2022	2023
Total Assets	44,746	46,390	53,601	54,956	59,123	63,409
Net Investment in Islamic financings	24,124	25,143	29,269	29,009	30,672	31,865
Customer Deposits	26,438	27,313	32,608	38,494	39,529	45,241
Total Shareholders' Equity	5,446	7,529	7,645	7,695	7,632	7,998
Return on Average Assets	1.23%	1.20%	0.81%	0.95%	1.14%	1.67%
Return on Average Equity	9.36%	8.45%	5.35%	6.70%	8.49%	13.09%
Equity to Total Assets	12.04%	16.23%	14.27%	16.30%	12.91%	12.61%
Leverage of Total Capital (Times)	7.31	5.16	6.01	6.14	6.75	6.93



Assets and Liabilities Structure

SIB Asset Structure



SIB Liabilities structure

