



مصرف الشارقة الإسلامي
Sharjah Islamic Bank

Management Report

31 December 2022

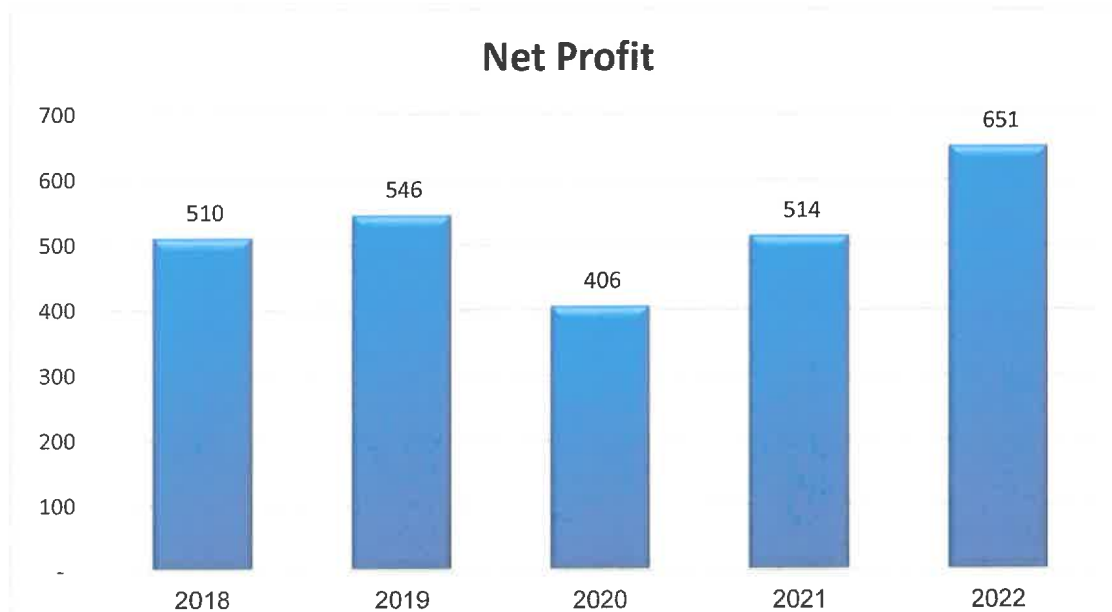
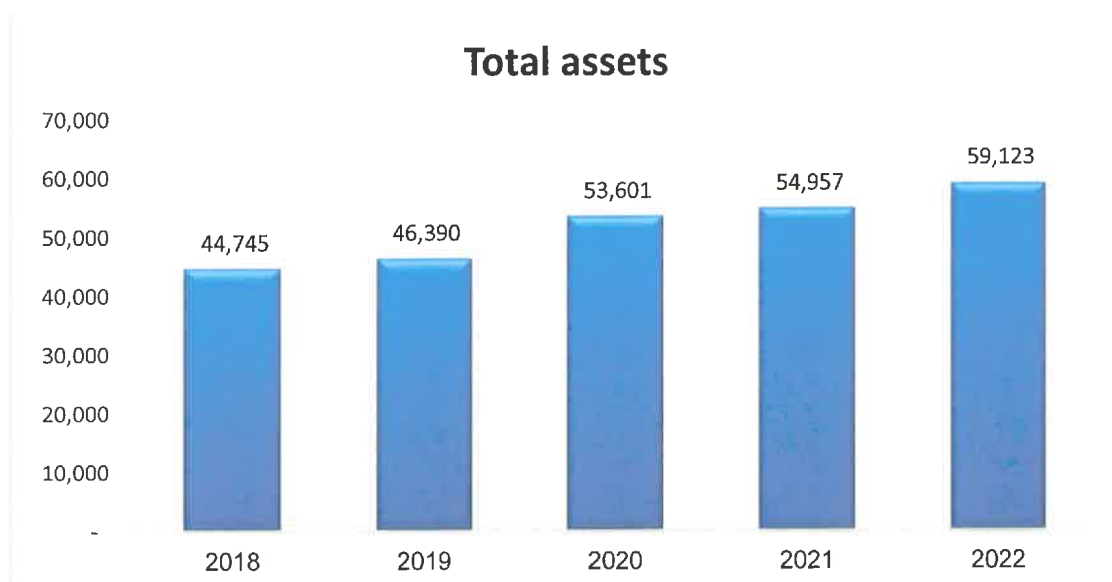
Financial Review

Sharjah Islamic Bank PJSC achieved a net profit of AED 650.9 million for the year ended 31 December 2022, a significant increase of 26.6%, whereas, total assets increased by 7.6% and reached at AED 59.1 billion.

Sharjah Islamic Bank (SIB) recorded an increase of 26.6% in the net profit AED 650.9 million for the year ended 31 December 2022, compared to AED 514.1 million for the year 2021.

The Bank's total assets at 31 December 2022 increased from the 2021 year end level by 7.6% and were valued at AED 55.0 billion.

Bank's liquid assets stand at a strong level of 23.9% as at 31 December 2022.



Key highlights:

- Net profit for the year ended 31 December 2022 reached to AED 650.9 million as compared to AED 514.1 million for the same period ended 31 December 2021. The Group has reported significant increase of 26.6% in the net profit.
- Total operating income for the year ended 31 December 2022 reached at AED 1.6 billion as against 1.4 billion in the same period ended 31 December 2021, an increase of 12.7% or AED 181.7 million.
- Net operating income, before impairment of financial asset, increased by 17.4% reaching to AED 998.3 million as compared to AED 850.7 million in similar period of 2021.
- Impairment on financial assets - net of recoveries were reported at AED 313.8 million for the year ended 31 December 2022. The provision is in line with the SIB's prudent credit management approach.
- Cost to income ratio significantly dropped from 40.4% in 2021 to 37.9% for the year ended 31 December 2022.
- Total assets of the Group reached to AED 59.1 billion as at 31 December 2022, increase of 7.6% from year ended 2021.
- Investment in Islamic financing increased by 5.7% to reach AED 30.7 billion at the end of December 2022 compared to AED 29.0 billion for the year ended 2021.
- Liquid assets now contribute 23.9% of the total assets, amounting to AED 14.1 billion as at 31 December 2022 compared to 26.1% for the year ended 2021.
- Investment securities measured at fair value increased by 111.3% to reach AED 4.0 billion as at 31 December 2022 as compared to AED 1.9 billion for the year 2021.
- Investment securities measured at amortised cost increased by 2.9% to reach AED 4.6 billion as at 31 December 2022 as compared to AED 4.5 billion for the year ended 2021.
- Customer deposits reached at AED 39.5 billion as at 31 December 2022, with an increase of 2.7% or AED 1.0 billion compared to the year ended 31 December 2021.
- NPL ratio stands at 6.2%, and coverage ratio at 81.6% as at 31 December 2022.
- Capital adequacy ratio stands at 19.09% at the 31 December 2022.
- Advances to deposit ratio stands at 77.6% as at 31 December 2022.
- Earnings per share stands at AED 0.21/share for the year ended 31 December 2022 comparing with 0.17/share at the same period last year.
- Return on average assets for the year stands at 1.14% comparing with 0.95% last year.
- Return on average equity for the year is computed to 8.49% comparing with 6.7% 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 59.1 billion as at 31 December 2022, comparing with AED 55.0 billion as at 31 December 2021, an increase of AED 4.2 billion or 7.6%.

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

Liquid assets:

Liquid assets stand at AED 14.1 billion or 23.9% of the total assets as at 31 December 2022 compared to AED 14.3 billion or 26.1% at the end of year 2021.

Investment in Islamic financing:

Net investment in Islamic financing of the Bank amounted to AED 30.7 billion as at 31 December 2022, an increase of 5.7% or AED 1.7 billion compared to the year ended 31 December 2021. Investment in Islamic financing to customer deposits ratio stands at strong 77.6% and in line with management's strategic objectives.

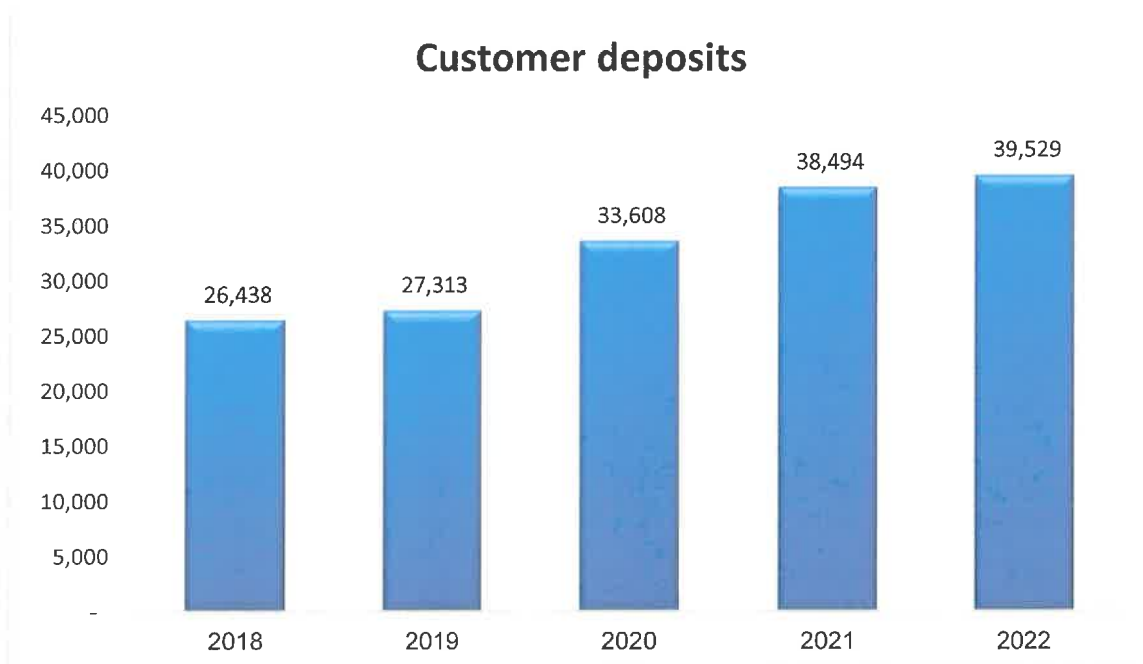
Investment securities:

Investment securities measured at fair value increased by 111.3% to reach AED 4.0 billion as at 31 December 2022 as compared to AED 1.9 billion for the year 2021.

Investment securities measured at amortised cost increased by 2.9% to reach AED 4.6 billion as at 31 December 2022 as compared to AED 4.5 billion for the year ended 2021.

Customer deposits:

Sharjah Islamic Bank's customer deposits increased by 2.7% or by AED 1.0 billion and reached at AED 39.5 billion for the year ended 31 December 2022, compared to AED 38.5 billion at the yearend 2021 showing strong customer confidence in the Bank.



Due to banks:

Balance due to banks increased by AED 2.4 billion, reaching at AED 6.7 billion at the end of year 31 December 2022 as against AED 4.2 billion as at year ended 2021, in line with Group's liquidity management policies.

Shareholders' equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.6 billion or 12.9% of total assets.

Asset quality:

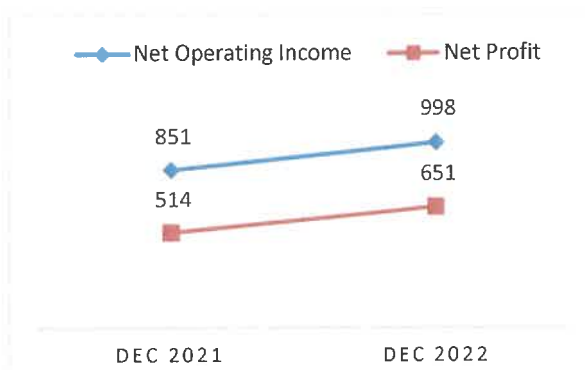
NPL ratio of the Bank stands at 6.15% as at 31 December 2022 owing to prudent management overlays and stringent risk management policies.

Banks prudent approach to provisions and NPLs with Coverage ratio now stands at the 81.6% as at 31 December 2022.

Income Statement:

Sharjah Islamic Bank posted a net profit of AED 650.9 million for the year ended 31 December 2022, compared to AED 514.1 million for the similar period ended 31 December 2021, an increase of 26.6%.

Total net operating income for the year ended 31 December 2022 reached at AED 998.3 million as against 850.7 million for the year ended 31 December 2021, a material increase of 17.4% or AED 147.6 million.



Main highlights of the income statement are:

The distribution to depositors and sukuk holders reached AED 725.3 million for the year ended 31 December 2022 compared to AED 563 million for the same period 2021; an increase of 28.8%. 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 395.8 million for the year ended 31 December 2022, compared to AED 333.2 million for the year ended 2021, with an increase of AED 62.6 million or 18.8%.

On the expenses side, general and administration expenses reached AED 610.8 million for the year ended 31 December 2022 compared to AED 576.8 million for the similar period ended 31 December 2021, an increase of 5.9%.

Impairment on financial assets - net of recoveries was recorded at AED 313.8 million for the year ended 31 December 2022 compared to AED 244.5 million for year ended 31 December 2021, an increase of AED 69.3 million or 28.3%.

Return on average shareholders' equity (ROAE) reached 8.49% as at 31 December 2022 compared to 6.7% of year ended 31 December 2021, while return on average assets (ROAA) reached at 1.14% compared with 0.95% at the year ended 2021.

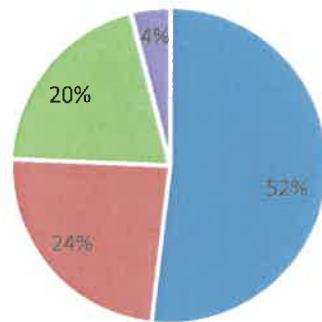
Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2017	2018	2019	2020	2021	2022
Total Assets	38,288	44,746	46,390	53,601	54,956	59,123
Net Investment in Islamic financings	21,707	24,124	25,143	29,269	29,009	30,672
Customer Deposits	22,318	26,438	27,313	32,608	38,494	39,529
Total Shareholders' Equity	5,519	5,446	7,529	7,645	7,695	7,632
Return on Average Assets	1.33%	1.23%	1.20%	0.81%	0.95%	1.14%
Return on Average Equity	9.21%	9.36%	8.45%	5.35%	6.70%	8.49%
Equity to Total Assets	14.41%	12.04%	16.23%	14.27%	16.30%	12.9%
Leverage of Total Capital (Times)	5.94	7.31	5.16	6.01	6.14	6.74



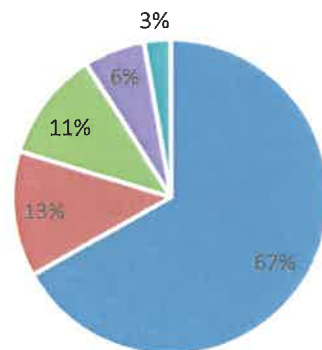
Assets and Liabilities Structure

SIB Asset Structure



■ Islamic financing ■ Liquid assets ■ Investments ■ Other assets

SIB Liabilities structure



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