



مصرف الشارقة الإسلامي  
Sharjah Islamic Bank

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# *Management Report*

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*31 March 2023*

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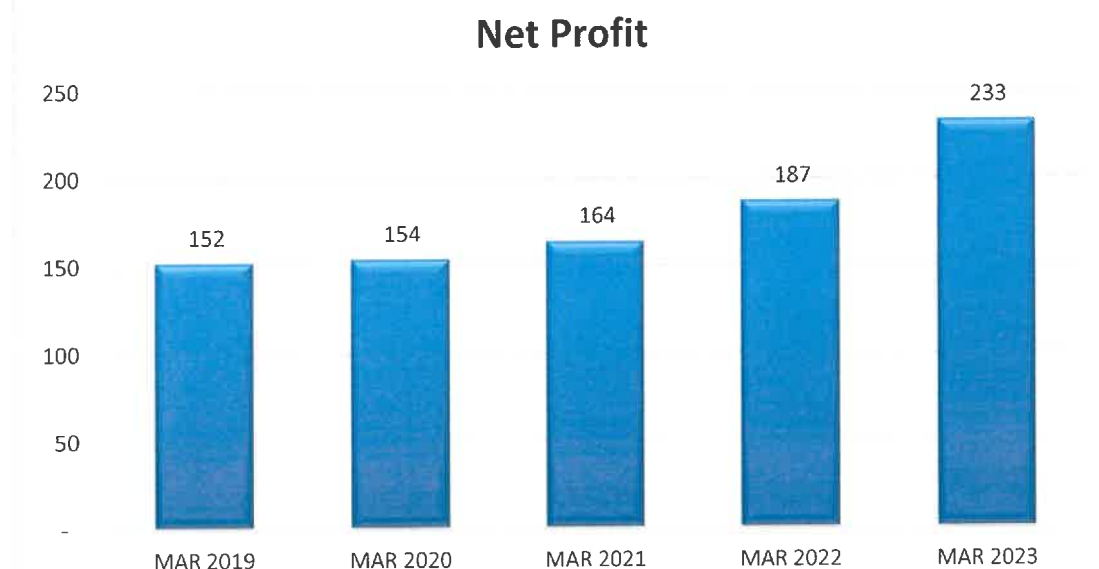
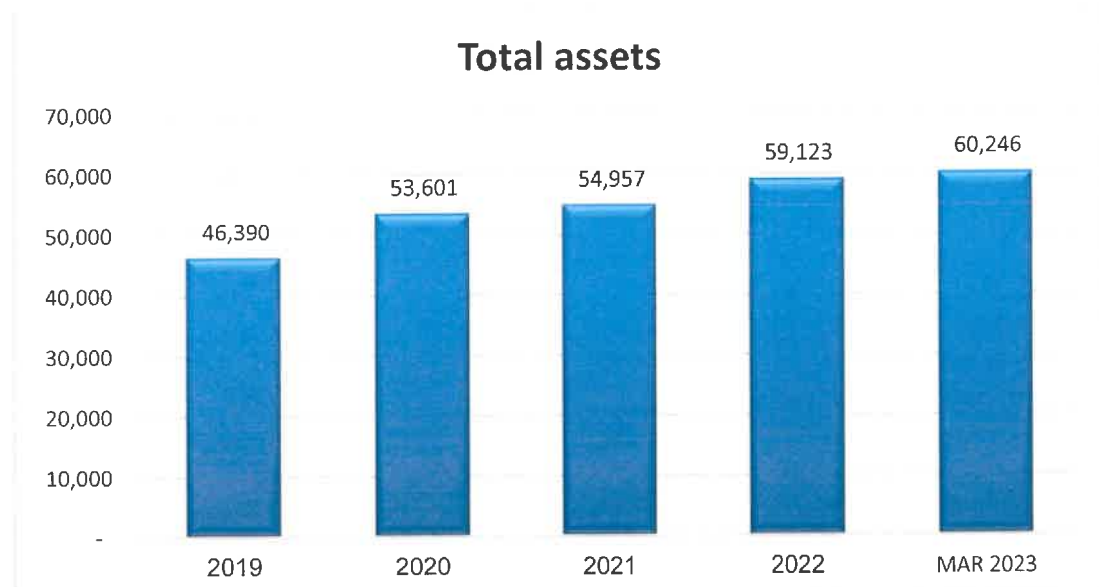
## Financial Review

**Sharjah Islamic Bank PJSC achieved a net profit of AED 233.1 million for the 1<sup>st</sup> quarter ended 31 March 2023, a significant increase of 24.6%, whereas, total assets increased by 1.9% and reached at AED 60.2 billion.**

Sharjah Islamic Bank (SIB) recorded an increase of 24.6% in the net profit AED 233.1 million for the 1<sup>st</sup> quarter ended 31 March 2023, compared to AED 187.0 million for the same period 2022.

The Bank's total assets at 31 March 2023 increased from the 2022 year end level by 1.9% and were valued at AED 60.2 billion.

Bank's liquid assets stand at a strong level of 23.3% as at 31 March 2023.



### Key highlights:

- Net profit for the 1<sup>st</sup> quarter ended 31 March 2023 reached to AED 233.1 million as compared to AED 187.1 million for the same period ended 31 March 2022. The Group has reported significant increase of 24.6% in the net profit.
- Total operating income for the 1<sup>st</sup> quarter ended 31 March 2023 reached at AED 483.8 million as against 384.3 million in the same period ended 31 March 2022, an increase of 25.9% or AED 99.6 million.
- Net operating income, before impairment of financial asset, increased by 31.9% reaching to AED 327.7 million as compared to AED 248.5 million in similar period of 2022.
- Impairment on financial assets - net of recoveries were reported at AED 94.7 million for the 1<sup>st</sup> quarter ended 31 March 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 32.3% quarter on quarter.
- Total assets of the Group reached to AED 60.2 billion as at 31 March 2023, increase of 1.9% from year ended 2022.
- Investment in Islamic financing decreased by 1.0% to reach AED 30.4 billion at the end of March 2023 compared to AED 30.7 billion for the year ended 2022.
- Liquid assets now contribute 23.3% of the total assets, amounting to AED 14.1 billion as at 31 March 2023 compared to 23.9% for the year ended 2022.
- Investment securities measured at fair value decreased by 13.4% to reach AED 3.4 billion as at 31 March 2023 as compared to AED 4.0 billion for the year 2022.
- Investment securities measured at mortised cost increased by 48.8% to reach AED 6.8 billion as at 31 March 2023 as compared to AED 4.6 billion for the year ended 2022.
- Customer deposits reached at AED 41.9 billion as at 31 March 2023, with an increase of 5.9% or AED 2.3 billion compared to the year ended 31 December 2022.
- NPL ratio stands at 6.3%, and coverage ratio at 83.7% as at 31 March 2023.
- Capital adequacy ratio stands at 19.4% at the 31 March 2023.
- Advances to deposit ratio stands at 72.6% as at 31 March 2023.
- Earnings per share stands at AED 0.07/share for the year ended 31 March 2023 comparing with 0.06/share at the same period last year.
- Return on average assets for the year stands at 1.56% comparing with 1.14% last year.
- Return on average equity for the year is computed to 12.33% 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 60.2 billion as at 31 March 2023, comparing with AED 59.1 billion as at 31 December 2022, an increase of AED 1.1 billion or 1.9%.

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 23.3% of the total assets as at 31 March 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 30.4 billion as at 31 March 2023, a slight decrease of 1.0% or AED 269.6 million compared to the year ended 31 December 2022. Investment in Islamic financing to customer deposits ratio stands at strong 72.6% and in line with management's strategic objectives.

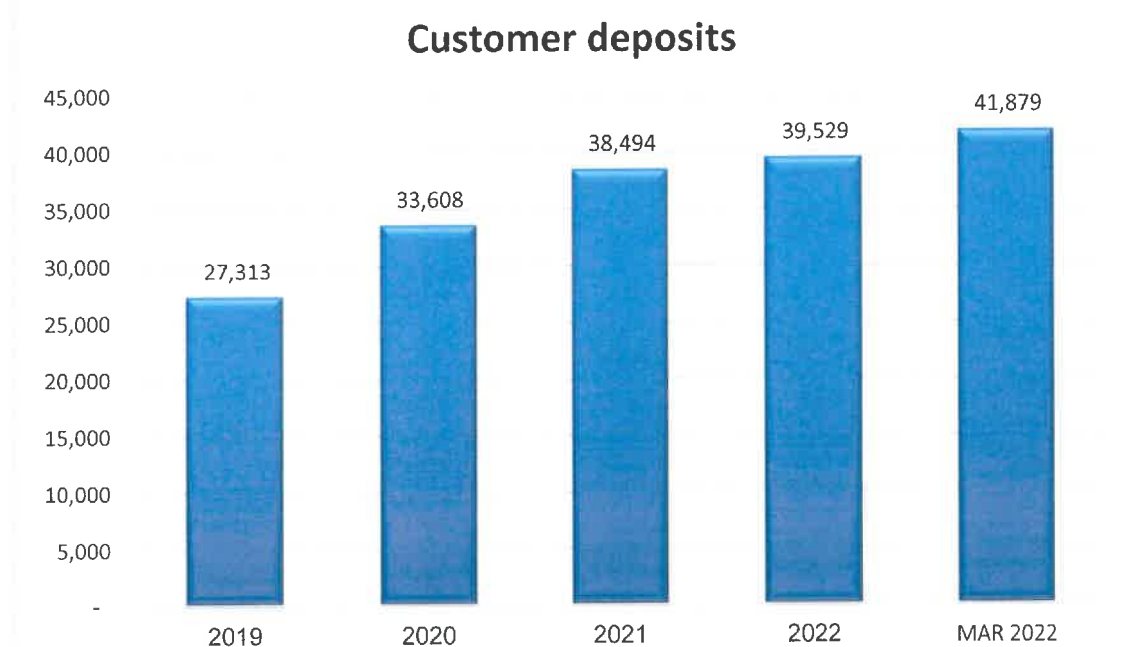
### **Investment securities:**

Investment securities measured at fair value decreased by 13.4% to reach AED 3.4 billion as at 31 March 2023 as compared to AED 4.0 billion for the year 2022.

Investment securities measured at mortised cost increased by 48.8% to reach AED 6.8 billion as at 31 March 2023 as compared to AED 4.6 billion for the year ended 2022.

### **Customer deposits:**

Sharjah Islamic Bank's customer deposits increased by 5.9% or by AED 2.3 billion and reached at AED 41.9 billion for the 1<sup>st</sup> quarter ended 31 March 2023, compared to AED 39.5 billion at the year-end 2022 showing strong customer confidence in the Bank.



**Due to banks:**

Balance due to banks decreased by AED 750.7 million, reaching at AED 5.9 billion at the end of 1<sup>st</sup> quarter 31 March 2023 as against AED 6.7 billion as at year ended 2022, in line with Group's liquidity management policies.

**Shareholders' equity:**

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached to AED 7.5 billion or 12.4% of total assets.

**Asset quality:**

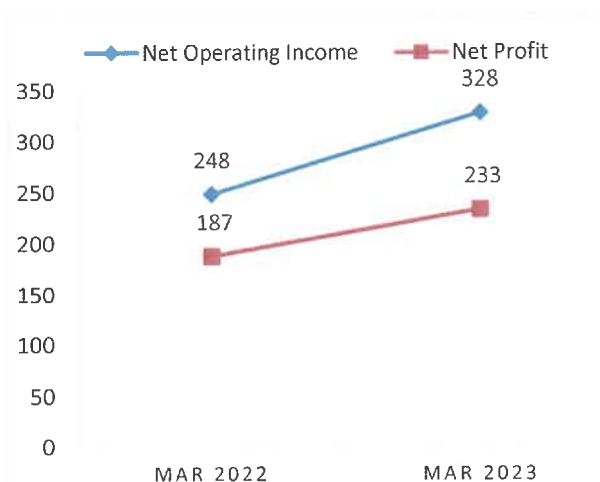
NPL ratio of the Bank stands at 6.3% as at 31 March 2023 owing to prudent management overlays and stringent risk management policies.

Banks prudent approach to provisions and NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the 83.7% as at 31 March 2023.

**Income Statement:**

Sharjah Islamic Bank posted a net profit of AED 233.1 million for the 1<sup>st</sup> quarter ended 31 March 2023, compared to AED 187.0 million for the similar period ended 31 March 2022, an increase of 24.6%.

Total net operating income for the 1<sup>st</sup> quarter ended 31 March 2023 reached at AED 327.7 million as against 248.4 million for the 1<sup>st</sup> quarter ended 31 March 2022, a material increase of 31.9% or AED 79.2 million.



Main highlights of the income statement are:

The distribution to depositors and sukuk holders reached AED 324.2 million for the 1<sup>st</sup> quarter ended 31 March 2023 compared to AED 141.6 million for the same period 2022; an increase of 129.0%. 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 113.5 million for the 1<sup>st</sup> quarter ended 31 March 2023, compared to AED 90.5 million for the same period 2022, with an increase of AED 22.9 million or 25.3%.

On the expenses side, general and administration expenses reached AED 156.1 million for the 1<sup>st</sup> quarter ended 31 March 2023 compared to AED 135.8 million for the similar period ended 31 March 2022, an increase of 15%, while cost to income ratio significantly dropped from 38.0% in 2022 to 32.3% for the 1<sup>st</sup> quarter ended 31 March 2023.



Impairment on financial assets - net of recoveries was recorded at AED 94.7 million for the 1<sup>st</sup> quarter ended 31 March 2023, compared to AED 61.5 million for same period ended 31 March 2022, an increase of AED 33.2 million or 54.0%.

Return on average shareholders' equity (ROAE) reached 12.33% as at 31 March 2023 compared to 8.49% of year ended 31 March 2022, while return on average assets (ROAA) reached at 1.56% compared with 1.14% at the year ended 2022.

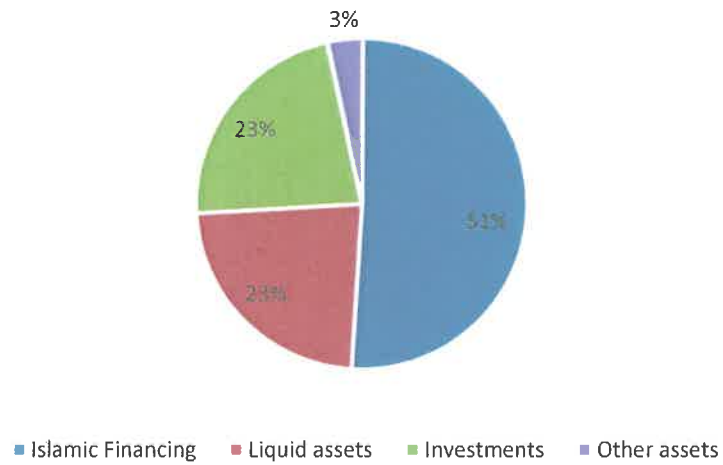
#### Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Total Assets</b>	44,746	46,390	53,601	54,956	59,123	60,246
<b>Net Investment in Islamic financings</b>	24,124	25,143	29,269	29,009	30,672	30,402
<b>Customer Deposits</b>	26,438	27,313	32,608	38,494	39,529	41,879
<b>Total Shareholders' Equity</b>	5,446	7,529	7,645	7,695	7,632	7,483
<b>Return on Average Assets</b>	1.23%	1.20%	0.81%	0.95%	1.14%	1.56%
<b>Return on Average Equity</b>	9.36%	8.45%	5.35%	6.70%	8.49%	12.33%
<b>Equity to Total Assets</b>	12.04%	16.23%	14.27%	16.30%	12.91%	12.42%
<b>Leverage of Total Capital (Times)</b>	7.31	5.16	6.01	6.14	6.74	7.05



## Assets and Liabilities Structure

### SIB Asset Structure



### SIB Liabilities structure

