



مصرف الشارقة الإسلامي
Sharjah Islamic Bank

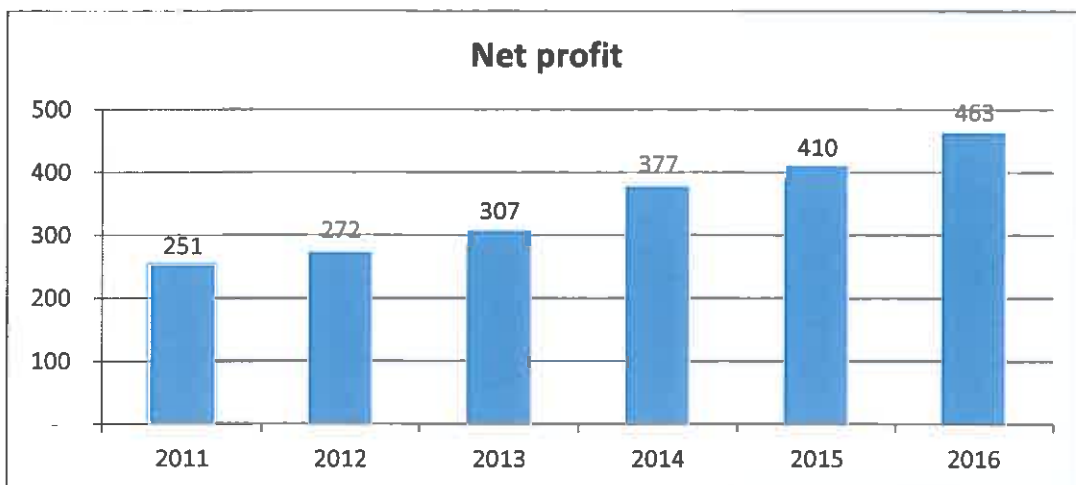
Management Report

31 December 2016

Financial Review

Sharjah Islamic Bank achieved a net profit of AED 462.9 million for the year ended 31 December 2016, whereas total assets reached AED 33.5 billion, an increase of 12.9% and 12.2% respectively.

During 2016 Sharjah Islamic Bank (SIB) continued its achievement and growth, SIB achieved outstanding financial performance through various activities resulting in substantial growth in profits of AED 462.9 million of 2016 compared to AED 409.9 million last year; a 12.9% increase. Total assets reached AED 33.5 billion at the end of 2016 compared to AED 29.9 billion at the end of 2015.



Key highlights:

- Net profit up by 12.9% reaching a mark of AED 462.9 million as compared to AED 409.9 million in 2015.
- Operating income rose by 1.5% reaching AED 890.4 million as compared to AED 877.3 million in 2015.
- Provision expenses – net of recoveries improved significantly, lower from AED 349.9 million in 2015 to AED 227.5 million in 2016.
- Total assets of the Bank increased significantly by 12.2% to reach AED 33.5 billion as at 31 December 2016 compared to AED 29.9 billion as at 31 December 2015.
- Liquid assets now contribute 23.4% of the total assets, amounting to AED 7.8 billion as at 31 December 2016.
- Investment securities increased by 73.7% to reach AED 4.1 billion as compared to AED 2.4 billion.
- Customer deposits of the Bank increased remarkably to reach AED 18.3 billion as at 31 December 2016 from AED 16.9 billion as at 31 December 2015, a significant increase of 8.1%.
- Consistent improvement in NPL ratio, as it stands at 5.9%, compared to 6.3% for the previous year.
- Consequent improvement in coverage ratio from 86.1% in 2015 to 100.1% for 2016.
- Capital adequacy ratio stands at a strong level of 21.35% as at 31 December 2016 as compared to 21.89% as at 31 December 2015.
- Lending to stable deposits ratio (LSRR) reached 69.3%, which is well below the Central Bank requirement.
- Advances to deposit ratio stands at 93.3% as at 31 December 2016.
- Earnings per share stands at AED 0.19 for the year 2016, as compared to AED 0.17 for the year 2015, an improvement of 11.8%.
- Return on average assets for the year remained stable at 1.46% as compared to 1.47% for 2015.
- Return on average equity is computed to 9.68% for the year 2016 as compared to 8.82% for the year 2015.



Statement of financial position:

SIB has been successfully pursuing a strategy of stable growth in both profitability and financial position:

Total assets of Sharjah Islamic Bank reached AED 33.5 billion at the end of December 2016 compared to AED 29.9 billion at the end of December 2015.

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

Liquid Assets:

Liquid assets reached AED 7.8 billion or 23.4% of total assets position at the end of December 2016 compared to AED 6.9 billion or 23.1% at the end of December 2015.

Customer financing:

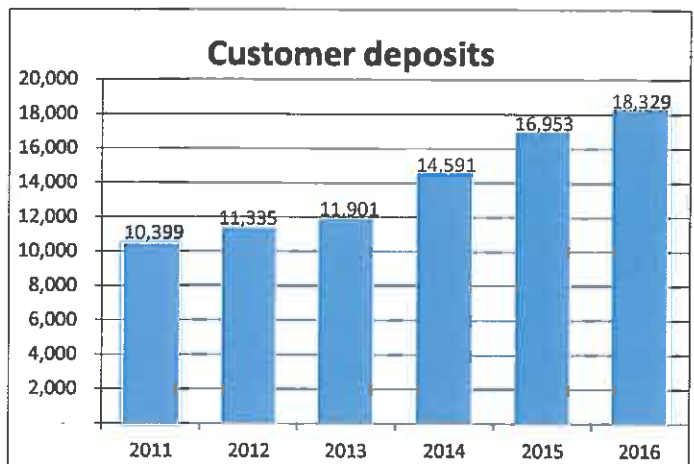
Net customer financing of the bank reached to AED 17.1 billion as at 31 December 2016, an increase of 4.5% or AED 741.8 million compared to the year ended 2015. Bank continued to improve its customer financing book, equally across corporate and retail sectors, maintaining the concentration in all sectors of the industry. Customer financing to customer deposits stands at strong 93.3% and in line with management's strategic targets.

Investment Securities:

Investment securities increased by 73.7% to reach AED 4.1 billion at the end of December 2016 compared to AED 2.4 billion at the end of December 2015, mostly on account of sovereign and other investment grade tradable sukuk investments.

Customer Deposits:

Sharjah Islamic Bank was successful in attracting more customer deposits during the year 2016 as the total customer deposits reached AED 18.3 billion by the end December 2016, growing significantly by AED 1.4 billion or 8.1% compared to AED 16.9 billion as of December 2015, despite tight liquidity in the industry.



Due to Banks:

Balance due to banks reached AED 3.9 billion as at 31 December 2016 with an increase of AED 1.8 billion or 88.2% compared to AED 2.0 billion at the end of 31 December 2015, in line with Bank's liquidity management.

Sukuks:

During the year ended 31 December 2016, as part of USD 1.5 billion medium term sukuk program, in September 2016 SIB successfully issued a new five years sukuk of USD 500 million.

As well in May 2016, bank has repaid a sukuk worth AED 1.47 billion (USD 400 million) through its own sources, evidencing strong liquidity position.

Accordingly total sukuk reached AED 5.5 billion at the end of December 2016 compared to AED 5.1 billion at the end of December 2015.

Shareholders' Equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached AED 4.9 billion or 14.5% of total assets by the end of December 2016. This strong financial position allows the bank to pursue its strategic growth objectives while maintaining a strong CAR at 21.35% as at 31 December 2016.

Asset Quality:

NPL ratio of the Bank improved to 5.9% in 2016 as compared to 6.3% in 2015, reflecting stringent risk management policies and procedures in place, allowing the Bank to grow its good book.

Banks prudent approach to provisions and improvements in NPLs has resulted in significantly improved coverage ratio for the Bank. Coverage ratio now stands at the highest level of 100.1% as at 31 December 2016 as compared to 86.1% as at 31 December 2015.

Income Statement:

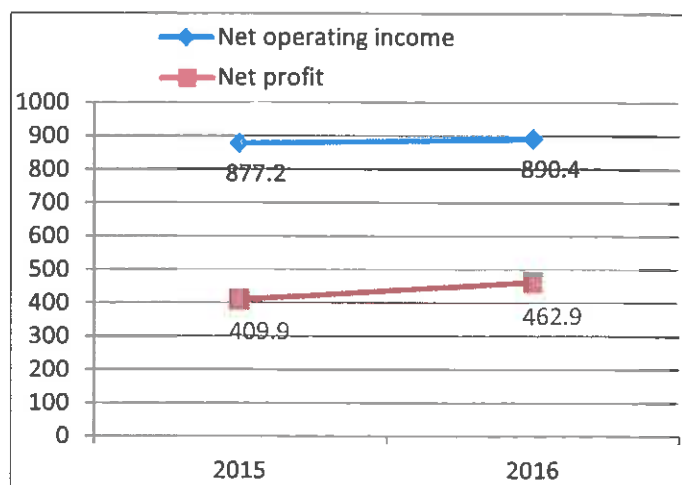
Sharjah Islamic Bank posted a Net Profit of AED 462.9 million for the year ended 31 December 2016, compared to AED 409.9 million for the year ended 31 December 2015, an increase of 12.9%.

Net Operating Income reached AED 890.4 million for 2016 compared to AED 877.3 million for 2015, an increase of 1.5%.

Other main highlights of the Income Statement are:

Income from Islamic financing reached AED 838.4 million for the year ended 31 December 2016 as compared to AED 811.9 million for the year ended 31 December 2015, an increase of AED 26.5 million or 3.3%.

Profit paid on Sukuk reached AED 156.2 million compared to AED 168.6 million for 2015; AED 12.4 million, lower by 7.4%.



Investment, fees, commission and other income reached AED 665.2 million for the year ended 31 December 2016 (including profit on sale of property held for sale amounting AED 218 million), compared to AED 663.6 million for the year ended 31 December 2015, an increase of AED 1.6 million or 0.2%.

Income from subsidiary reached AED 27.1 million for the year ended 31 December 2016 compared to AED 28.5 million for the year ended 31 December 2015, a decrease of AED 1.5 million or 5.2%

On the expenses side, general and administration expenses reached AED 484.0 million for the year ended 31 December 2016 compared to AED 458.1 million for the year ended 31 December 2015, an increase of AED 25.9 million or 5.7%.

Provision-net of recoveries reached AED 227.5 million for the year ended 31 December 2016 compared to AED 349.9 million for the year ended 31 December 2015, decrease of AED 122.4 million or 35%. Increase in provision levels and decline in NPL ratio from 6.3% to 5.9% has resulted in improved coverage ratio of 100.1% in 2016 as compared to 86.1% in 2015.



Profits allocated and distributed to depositors reached AED 200.0 million for the year ended 31 December 2016 compared to AED 117.4 million for the year ended 31 December 2015; an increase of 70.4%. These profit allocations represent the depositors' share of the Bank's net operating profits based on the profit sharing mechanism between shareholders and depositors as approved by SIB's Shari'a Board.

Return on Average Shareholders' Equity (ROAE) reached 9.68% as at 31 December 2016 compared to 8.82% as at 31 December 2015, while Return on Average Assets (ROAA) was 1.46% by the end of December 2016 compared to 1.47% by the end of December 2015.

Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2011	2012	2013	2014	2015	2016
Total Assets	17,733	18,316	21,732	26,013	29,883	33,539
Net Customer Receivables	10,427	10,749	12,519	14,475	16,349	17,091
Customer Deposits	10,398	11,335	11,901	14,591	16,953	18,329
Total Shareholders' Equity	4,406	4,444	4,536	4,588	4,704	4,856
Return on Average Assets	1.46%	1.51%	1.53%	1.58%	1.47%	1.46%
Return on Average Equity	5.74%	6.15%	6.84%	8.27%	8.82%	9.68%
Equity to Total Assets	24.85%	24.26%	20.87%	17.64%	15.74%	14.48%
Leverage of Total Capital (Times)	3.02	3.12	3.79	4.67	5.35	5.91



KEY ACHIEVEMENTS:

During the year 2016, Bank has successfully changed its core banking software to meet the upcoming technological business transformations and provide outstanding customer services while focusing on increase in online transaction processing.

During the year 2016, branch network of the Bank increased from 31 to 32 and number of ATMs increased to 127 as compared to 116 in 2016.

SIB continued its leading role in corporate social responsibilities, during 2016 SIB supported and donated to a number of, educational, culture, social, humanitarian, sport, healthcare and environmental entities, that service and help develop local communities.

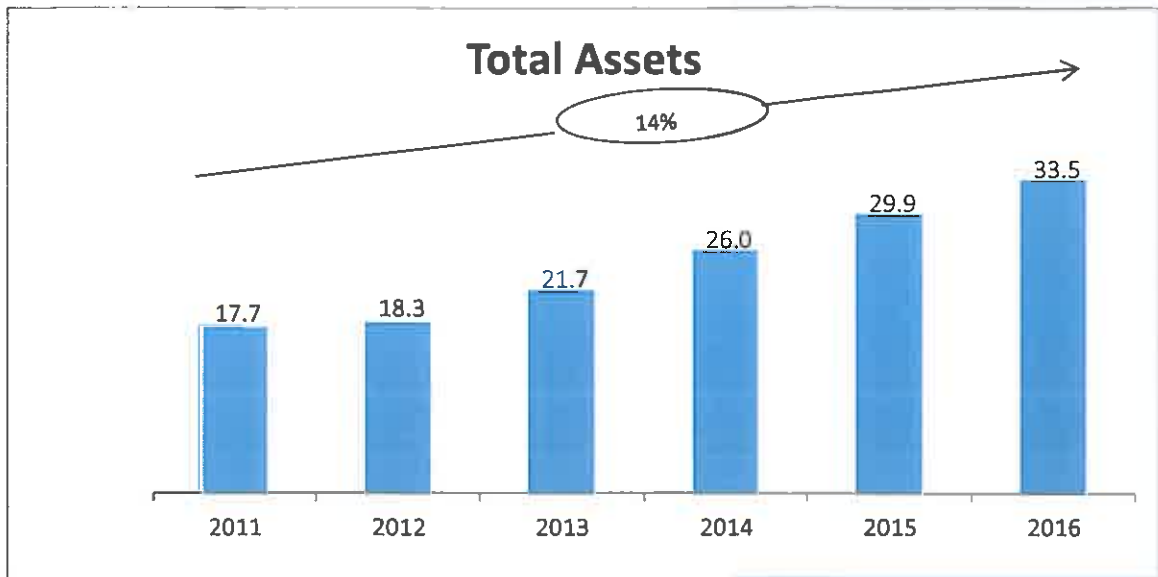
During the year 2016, Bank has bagged the following awards in its name:

- Sharjah Islamic Bank wins "Best Islamic Bank IN UAE – Islamic finance category- world finance award;
- Sharjah Islamic Bank CEO shortlisted for Mediaquest Magazine's Top 100 CEOs award in the GCC;
- Wells Fargo "Straight-Through Processing Award;
- Best Professional Practices in Internal Audit in the Private Sector' award under the "Governance, Risks and Control" Category, at the 6th Chief Audit Executive Conference in Abu Dhabi.

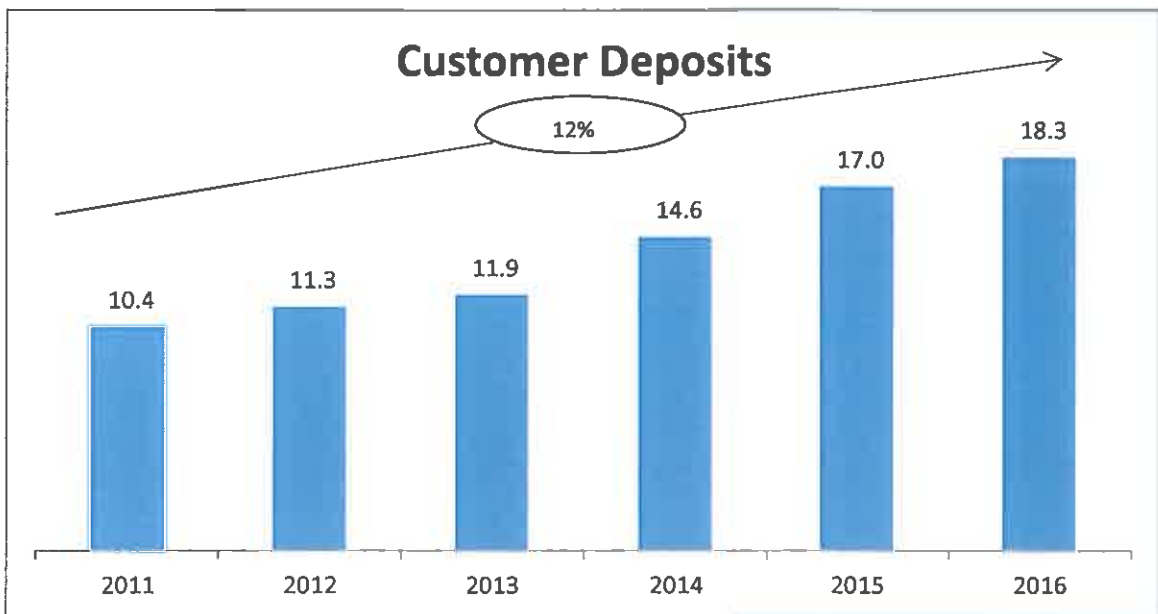
The bank seeks further achievement of better results in 2017 and subsequent years to provide better services in all sectors in the country, contributing to support the economic development in the country, in line with the strategy set by the Board of Directors.



Total Assets, AED millions



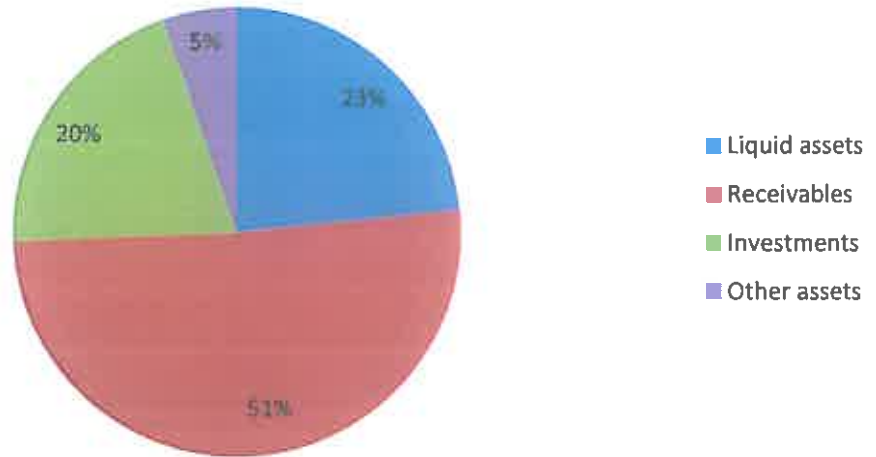
Customer Deposits, AED millions



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Assets and Liabilities Structure

SIB Asset Structure



SIB Liabilities Structure

