



مصرف الشارقة الإسلامية
Sharjah Islamic Bank

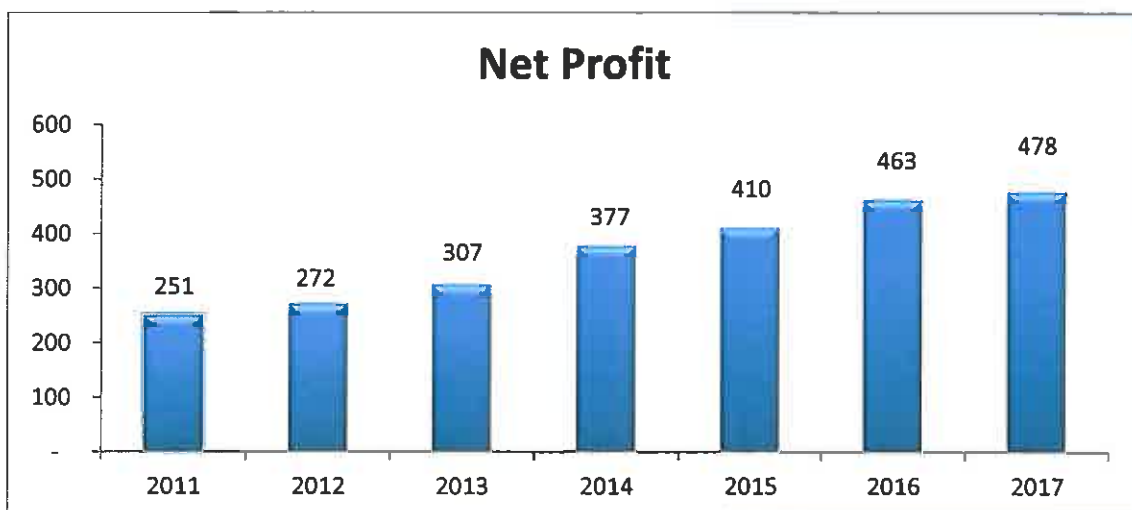
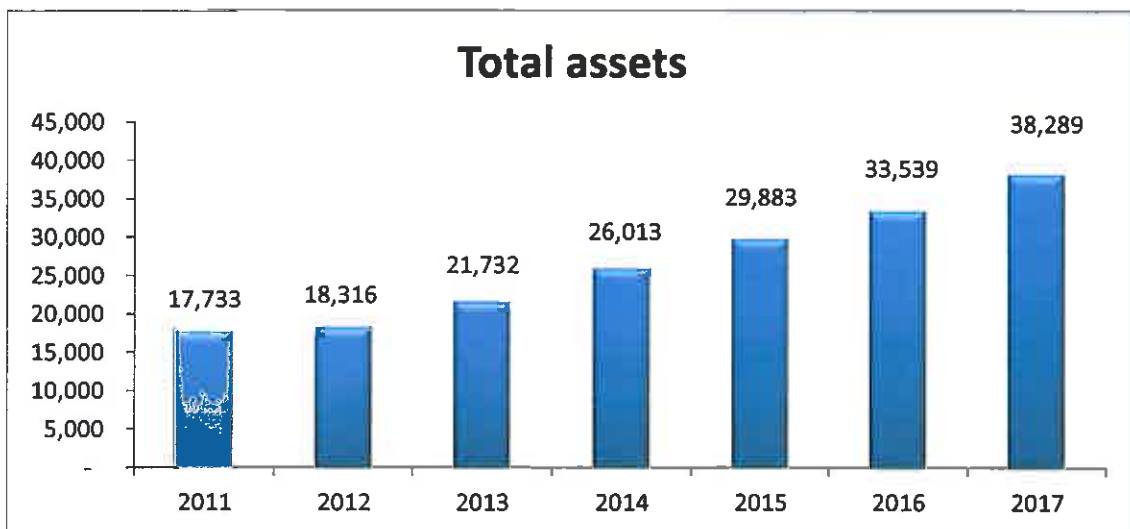
Management Report

31 December 2017

Financial Review

Sharjah Islamic Bank achieved a net profit of AED 477.7 million for the year ended 31 December 2017, whereas total assets reached AED 38.3 billion, an increase of 3.2% and 14.2% respectively.

During 2017 Sharjah Islamic Bank (SIB) continued its achievements and growth, successfully overcoming all the challenges affecting the regional economy. SIB achieved its performance through its continual focus over core banking operations resulting in profit of AED 477.7 million in 2017 compared to AED 462.9 million last year; a 3.2% increase. Total assets reached AED 38.3 billion at the end of 2017 compared to AED 33.5 billion at the end of 2016.



Key highlights:

- Net profit up by 3.2% reaching a mark of AED 477.7 million as compared to AED 462.9 million in 2016.
- Operating income rose by 4.9% reaching AED 933.8 million as compared to AED 890.4 million in 2016.
- Provision expenses – net of recoveries improved significantly, lower from AED 227.5 million in 2016 to AED 148.8 million in 2017.
- Cost to income ratio stands at 37.3% as at 31 December 2017 as compared to 35.2% as at 31 December 2016.
- Total assets of the Bank increased significantly by 14.2% to reach AED 38.3 billion as at 31 December 2017 compared to AED 33.5 billion as at 31 December 2016.
- Liquid assets now contribute 18.4% of the total assets, amounting to AED 7.0 billion as at 31 December 2017.
- Investment securities increased by 22.6% to reach AED 5 billion as compared to AED 4 billion.
- Customer deposits of the Bank increased remarkably to reach AED 22.3 billion as at 31 December 2017 from AED 18.3 billion as at 31 December 2016, a significant increase of 21.8%.
- Consistent improvement in NPL ratio, as it stands at 5.4%, compared to 6.4% for the previous year.
- Capital share reached AED 2.9 billion, increased by AED 509.4 million or 21 % compared with AED 2.4 billion as of last year, due to 10% bonus share amounting to AED 246.6 million in 1st quarter 2017 and issuance of convertible sukuk into ordinary share amounting to AED 266.8 million in the 4th quarter 2017.
- leverage value remains at 100% in comparison to 2016, depicting bank's prudent approach.
- Capital adequacy ratio stands at strong level of 21.14% as at 31 December 2017 as compared to 21.35% as at 31 December 2016.
- Tier 1 ratio stands at 20.15% as at 31 December 2017, compared to 20.35% as at 31 December 2016.
- Advances to deposit ratio stands at 97.3% as at 31 December 2017.
- Earnings per share stands at AED 0.18 for the year 2017, as compared to AED 0.17 for the year 2016, an improvement of 5.9%.
- Return on average assets for the year remained stable at 1.33% as compared to 1.46% for 2016.
- Return on average equity is computed to 9.2% for the year 2017 as compared to 9.7% for the year 2016.



Statement of financial position:

SIB has been successfully pursuing a strategy of stable growth in both profitability and financial position which is reflected in the figures below: Total assets of Sharjah Islamic Bank reached AED 38.3 billion at the end of the December 2017 compared to AED 33.5 billion at the end of December 2016.

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

Liquid Assets:

Liquid assets reached AED 7.0 billion or 18.4% of the statement of financial position at the end of December 2017 compared to AED 7.8 billion or 23.4% at the end of December 2016.

Customer financing:

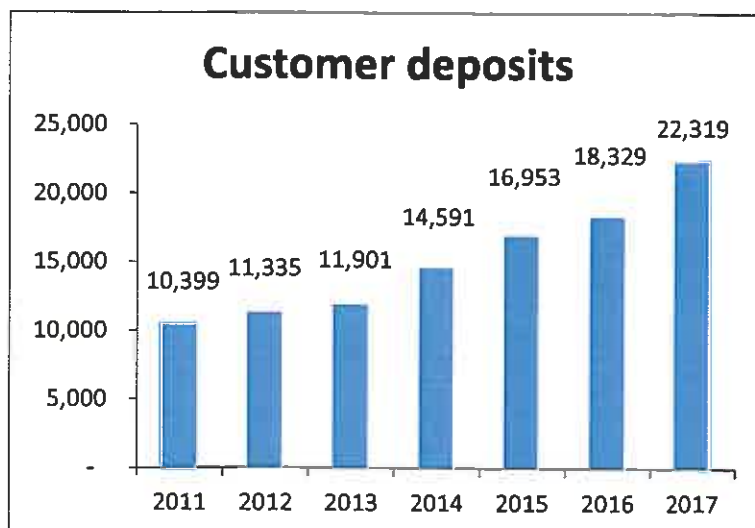
Net Customer financing of the bank amounted to AED 21.7 billion as at 31 December 2017, an increase of 27.0% or AED 4.6 billion compared to the year ended 2016. Bank continued to improve its Customer financing book, equally across corporate and retail sectors, maintaining the concentration in all sectors of the industry. Customer financing to customer deposits stands at strong 97.3% and in line with management's strategic targets.

Investment Securities:

Investment securities increased by 22.6% to reach AED 5.0 billion at the end of December 2017 compared to AED 4.1 billion at the end of December 2016, mostly on account of sovereign and other high rated sukuk investments.

Customer Deposits:

Sharjah Islamic Bank was successful in attracting more customer deposits during the year 2017 as the total customer deposits reached AED 22.3 billion by the end December 2017, growing significantly by AED 3.9 billion or 21.8% compared to AED 18.3 billion as of December 2016, despite tight liquidity in the industry.



Due to Banks:

Balance due to banks reached AED 4.1 billion as at 31 December 2017 with an increase of AED 225.3 million or 5.8% compared to AED 3.9 billion at the end of 31 December 2016, in line with Bank's liquidity management.

Shareholders' Equity:

During the Annual General Meeting of the Bank held on 11 March 2017, a dividend of 10% bonus share – 1 bonus share for every 10 shares amounting to AED 242.6 million was approved by the shareholders for the year ended 31 December 2016 (2016: cash dividend of AED 242.6 million i.e. 10% per share for 2015).

During the last quarter of 2017, the Bank issued a perpetual Sukuk convertible into ordinary shares of the Bank equivalent to 10% of share capital.

The perpetual Sukuk was issued for an amount of AED 266,805,000, equivalent to 10% of the Share Capital of the Bank as at the date of issuance with an option to convert to ordinary shares of the Bank at par value of AED 1 per share. The perpetual Sukuk was fully subscribed by the Sharjah Social Security Fund (Investor), an endowment fund established by an Emiri Decree No. 66 of 2017, issued by H.H. The Ruler of Sharjah. The Sukuk offered a profit of 2% per annum, payable to the Investor semi-annually or upon termination of the Sukuk. The Investor exercised the option to convert the Sukuk into Ordinary Shares of the Bank. Post conversion, the Sukuk was terminated and all profits due to the Investor were paid out.

By virtue of the above activity, the Bank's ordinary shares and share capital increased from 2,668,050,000 shares to 2,934,500,000 shares and from AED 2,668,050,000 to AED 2,934,500,000 respectively.

Asset Quality:

NPL ratio of the Bank improved to 5.4% in 2017 as compared to 6.4% in 2016, 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% as at 31 December 2017.



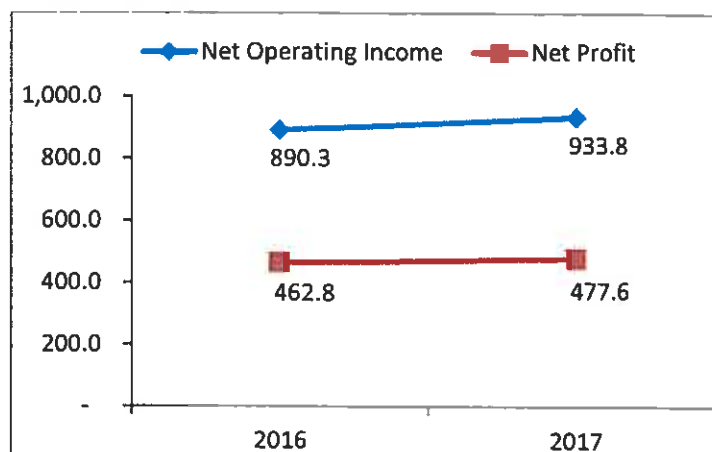
Income Statement:

Sharjah Islamic Bank posted a Net Profit of AED 477.7 million for the year ended 31 December 2017, compared to AED 462.9 million for the year ended 31 December 2016, an increase of 3.2%.

Net Operating Income reached AED 933.8 million for 2017 compared to AED 890.4 million for 2016, an increase of 4.9%.

Other main highlights of the Income Statement are:

Income from Islamic financing reached AED 1.11 billion for the year ended 31 December 2017 as compared to AED 838.4 million for the year ended 31 December 2016, an increase of AED 272.6 million or 32.5%.



Profit paid on Sukuk reached AED 167.8 million compared to AED 156.2 million for 2016; AED 11.5 million, higher by 7.4%.

Investment, fees, commission and other income reached AED 516.2 million by for the year ended 31 December 2017, compared to AED 665.2 million for the year ended 31 December 2016, decrease of AED 148.9 million or 22.4%.

Income from subsidiary reached AED 30.6 million for the year ended 31 December 2017 compared to AED 27.1 million for the year ended 31 December 2016 a increase of AED 3.5 million or 13.0%

On the expenses side, general and administration expenses reached AED 556.2 million for the year ended 31 December 2017 compared to AED 484.0 million for the year ended 31 December 2016, an increase of AED 72.2 million or 14.9%.

Provision-net of recoveries reached AED 148.8 million for the year ended 31 December 2017 compared to AED 227.5 million for the year ended 31 December 2016, decrease of AED 78.7 million or 34.6%.

Profits allocated and distributed to depositors reached AED 307.3 million for the year ended 31 December 2017 compared to AED 199.9 million for the year ended 31 December 2016; an increase of 53.7%. 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.

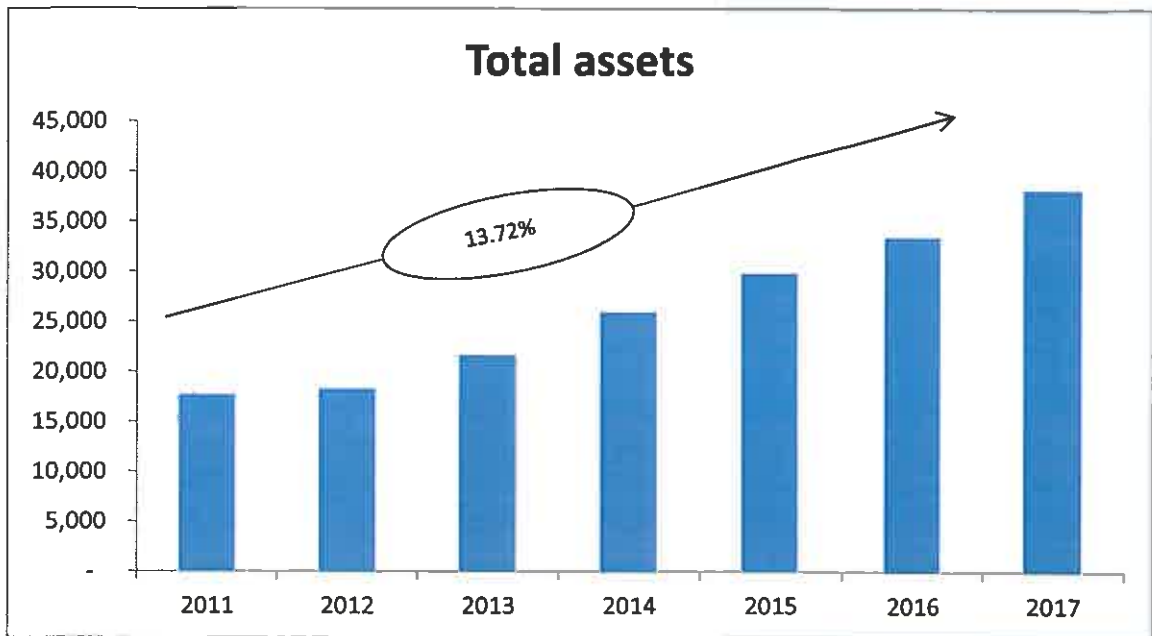
Return on Average Shareholders' Equity (ROAE) reached 9.21% as at 31 December 2017 compared to 9.68% as at 31 December 2016, while Return on Average Assets (ROAA) was 1.33% by the end of December 2017 compared to 1.46% by the end of December 2016.

Summary of key figures and performance ratios

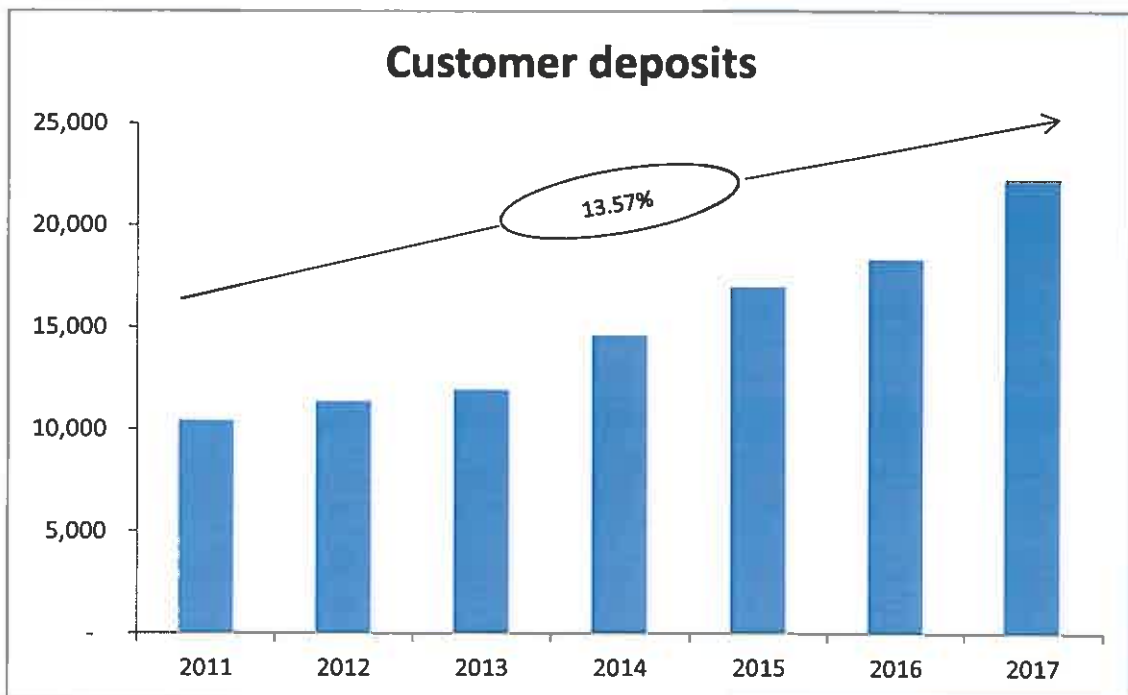
<i>(Figures in AED Millions)</i>	2011	2012	2013	2014	2015	2016	2017
Total Assets	17,733	18,316	21,732	26,013	29,883	33,539	38,288
Net Customer Receivables	10,427	10,749	12,519	14,475	16,349	17,091	21,707
Customer Deposits	10,398	11,335	11,901	14,591	16,953	18,329	22,318
Total Shareholders' Equity	4,406	4,444	4,536	4,588	4,704	4,856	5,519
Return on Average Assets	1.46%	1.51%	1.53%	1.58%	1.47%	1.46%	1.33%
Return on Average Equity	5.74%	6.15%	6.84%	8.27%	8.82%	9.68%	9.21%
Equity to Total Assets	24.85%	24.26%	20.87%	17.64%	15.74%	14.48%	14.41%
Leverage of Total Capital (Times)	3.02	3.12	3.79	4.67	5.35	5.91	5.94



Total Assets, AED millions

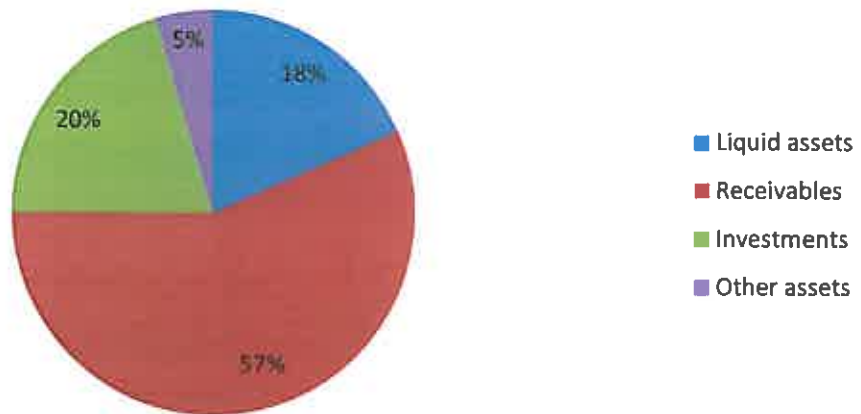


Customer Deposits, AED millions



Assets and Liabilities Structure

SIB Asset Structure



SIB Liabilities Structure

