



مصرف الشارقة الإسلامي
Sharjah Islamic Bank

Management Report

Year ended 31 December 2015

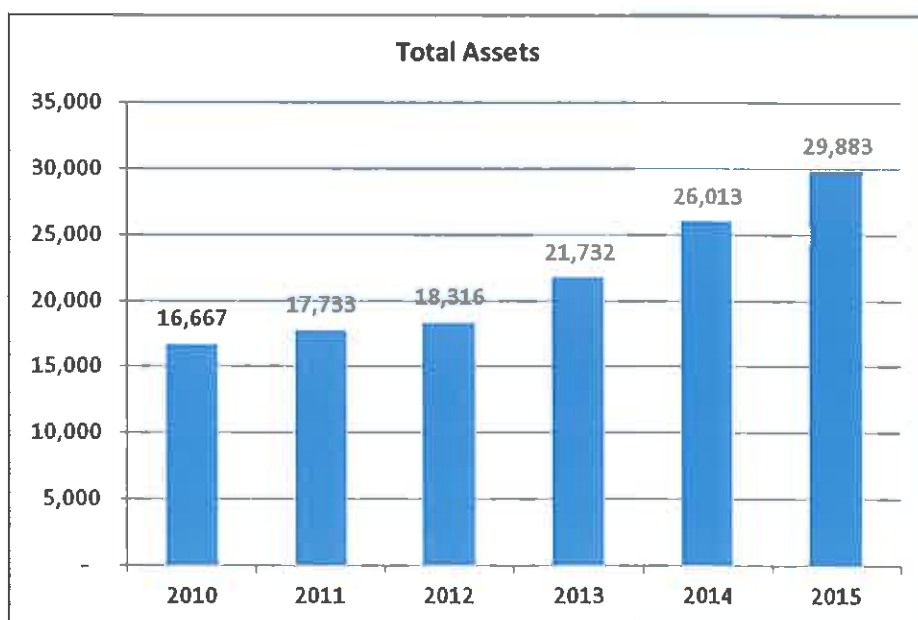
Financial Review

Sharjah Islamic Bank (SIB) achieved good results with a net profit of AED 409.9 million for the year of 2015 compared to AED 377.2 million for last year; a 9% increase.

The balance sheet reflects our strong and sound financial position; total assets grew by 14.9% reaching AED 29.9 billion at the end of December 2015 compared to AED 26.0 billion at the end of 2014. The results reflect the success of SIB's strategy of pursuing consistent and stable growth in profitability and its solid financial position.

Balance Sheet:

Sharjah Islamic Bank's financial position grew stronger in the year 2015 with an increase in total net assets of 14.9% to reach AED 29.9 billion as at the end of December 2015 compared to AED 26.0 billion as of previous year end. Year on year growth trends in total assets are shown in the following chart.



The major changes and highlights in 2015 Financial Position include:

Liquid Assets:

Liquid assets reached AED 6.9 billion or 23.1% of the total assets as at 31 December 2015 compared to AED 6.3 billion or 24.1% at the end of 2014. The marginal drop in liquid assets ratio is partially due to new investments in high yielding assets and a drop in due from banks in 2015.



Customer Receivables:

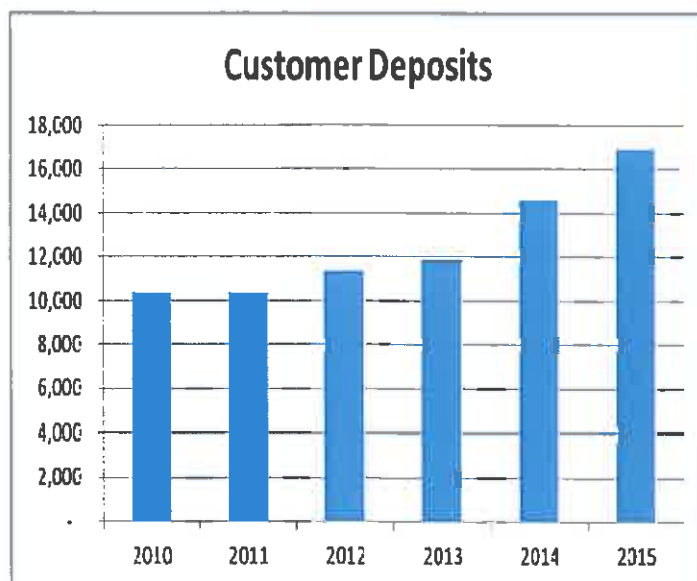
The bank continued to provide financing facilities to large companies and SME'S in different economic sectors in accordance with its prudent credit policy that takes into consideration the effects of the prevailing market volatility and instability in global and regional capital market on banking operations. Financing facilities reached AED 16.4 billion, an increase of AED 1.9 billion or 13% compared to AED 14.5 billion in 2014.

Investments:

Investments including investment securities, investment properties and held for sale investments witnessed a major growth in 2015 and recorded a combined increase of 39.7%. reaching AED 4.8 billion compared to AED 3.5 billion in 2014.

Customer Deposits:

SIB successfully attracted more deposits during the year as customer deposits reached AED 17.0 billion growing by AED 2.4 billion or 16.2% compared to AED 14.6 billion at the end of 2014



Due to Banks:

Due to banks balances reached AED 2.0 billion by the end of December 2015 with a decrease of AED 0.4 billion or 16.7% compared to AED 2.5 billion as at December 2014.

Sukuk payable:

During the year SIB issued a USD 500 million five-year sukuk as part of its USD 3 billion medium-term notes sukuk program, thus enhancing the bank's position in the field of international sukuk. It is worth mentioning that this is SIB's fourth sukuk issuance since 2006 supporting its strategic objectives to diversify sources of funding. As a result, sukuk payables reached AED 5.1 billion by end of December 2015 compared to AED 3.3 billion at the end of 2014 with an increase of AED 1.8 billion or 55.6 %



Shareholders' Equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached AED 4.7 billion or 15.7% of total assets as at 31 December 2015. This strong financial position allows the bank to pursue its strategic growth objectives, maintain a strong capital adequacy ratio of 21.99% and to remain structurally strong.

Income Statement:

Sharjah Islamic Bank posted a Net Profit of AED 409.9 million for the year 2015, compared to AED 377.2 million for the year 2014, an increase of 8.7%. The average increase in net profits of the Bank in the past five years stands at 9.4%, which manifests the Bank's strategy of sustainable growth.

Net Operating Income reached AED 877.3 million for the year 2015 compared to AED 729.4 million in 2014, an increase of 20.3%.

Other main highlights of Income Statement are:

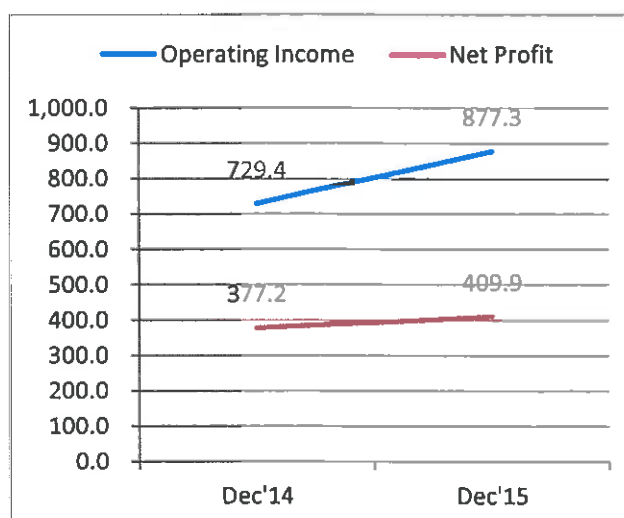
Income from Murabaha and Leasing reached AED 811.9 million for the year 2015 compared to AED 786.6 million for the year 2014, an increase of AED 25.3 million or 3.2%. This is due to an increase in Islamic financing products and a strong focus on core activities.

Profit paid on Sukuk reached AED 168.6 million compared to AED 126.6 million for the year 2014; AED 42.0 million higher which was mainly due to the issuance of new Sukuk of USD 500 million in March 2015.

Fees, Commissions and Other Income reached AED 663.6 million for the year ended 31 December 2015 compared to AED 452.2 million for the same period 2014, an increase of AED 211.5 million or 46.7%. The increase mainly pertains to positive revaluation on investment properties.

Income from subsidiary reached AED 28.5 million for the year 2015 compared to AED 45.1 million for the year 2014, a decrease of AED 16.5 million or 36.7%

On the expenses side, General and Administration Expenses reached AED 458.1 million for the year 2015 compared to AED 427.8 million in the same period 2014, an increase of AED 30.4 million or 7.1%. Despite the increase in general and administration expenses, the efficiency ratio (cost/income ratio) has improved from 40.69% during 2014 to 37.61% during 2015. Such level is considered favorable compared to the ratio in banking sector



Provisioning net of recoveries reached AED 350.0 million compared to AED 246.5 million in 2014 with an increase of AED 103.5 million or 42% as the bank continued improving its asset quality. Provisioning during the year resulted in high non-performing coverage ratio of 87.3% as compared to coverage ratio of 81.7% in 2014. The 2015 provisions include AED 153.0 million in general provisions bringing total general provisions to a record high of AED 317 million, equivalent to 1.54% of total customer risk weighted assets, above the central bank requirement of 1.5%.

Profits allocated and distributed to depositors reached AED 117.4 million for the year 2015 compared to AED 105.8 million for the same period 2014; an increase of 11.0%. 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. The increase pertains to increase in deposits in the year 2015.

Sharjah Islamic bank's strong performance reflected positively on its financial indicators. Basel II Capital adequacy ratio stood at 21.99 % by end of 2015 far above the central bank minimum requirement of 12%.

Sharjah Islamic bank operates in a highly competitive environment with a large local branch network of 31 branches supported by 114 ATMs distributed across all emirates. During 2015, Sharjah Islamic bank was awarded "Mohamed Bin Rashid Al Maktoum Business Award" and "Best Islamic Bank in Sukuk Structuring" by World Union of Arab Bankers, Egypt. Sharjah Islamic bank maintained its credit rating at A3 by Moody's and BBB+ by Standard and Poor's and Fitch rating agencies, with future stable outlook by all three agencies, reflecting the bank's strong financial position, capital adequacy, quality of assets and consistent profitability.



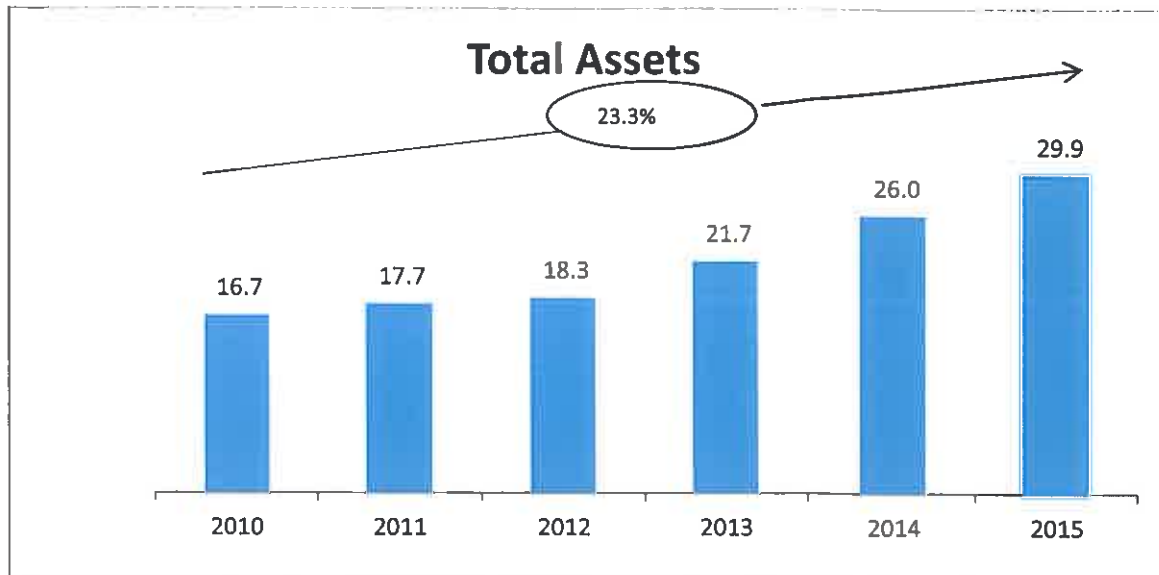
Summary of key figures and performance ratios

<i>(Figures in AED Millions)</i>	2010	2011	2012	2013	2014	2015
Total Assets	16,667	17,733	18,316	21,732	26,013	29,883
Net Customer Receivables	9,653	10,428	10,749	12,519	14,475	16,349
Customer Deposits	10,378	10,399	11,335	11,901	14,592	16,953
Total Shareholders' Equity	4,348	4,406	4,406	4,536	4,588	4,704
Return on Average Assets	1.63%	1.46%	1.51%	1.53%	1.58%	1.47%
Return on Average Equity	6.18%	5.73%	6.17%	6.87%	8.26%	8.82%
Equity to Total Assets	26.1%	24.8%	24.1%	20.9%	17.6%	15.7%
Leverage of Total Capital (Times)	2.22	2.37	2.44	2.76	3.15	3.48

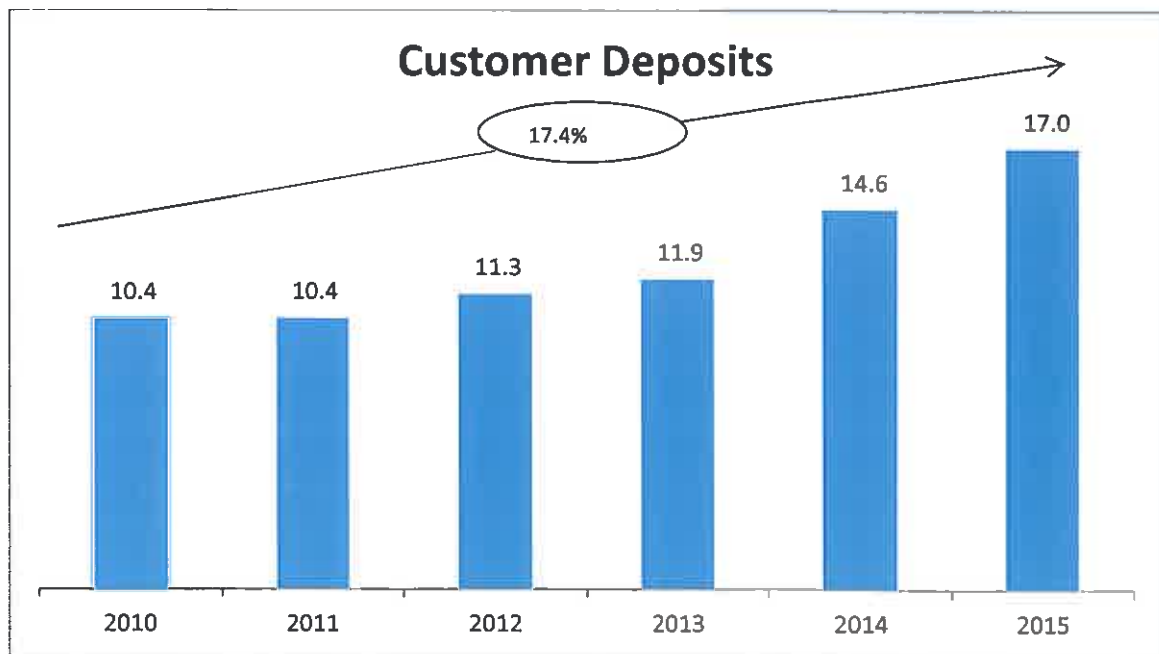
* Annualized.



Total Assets, AED billion

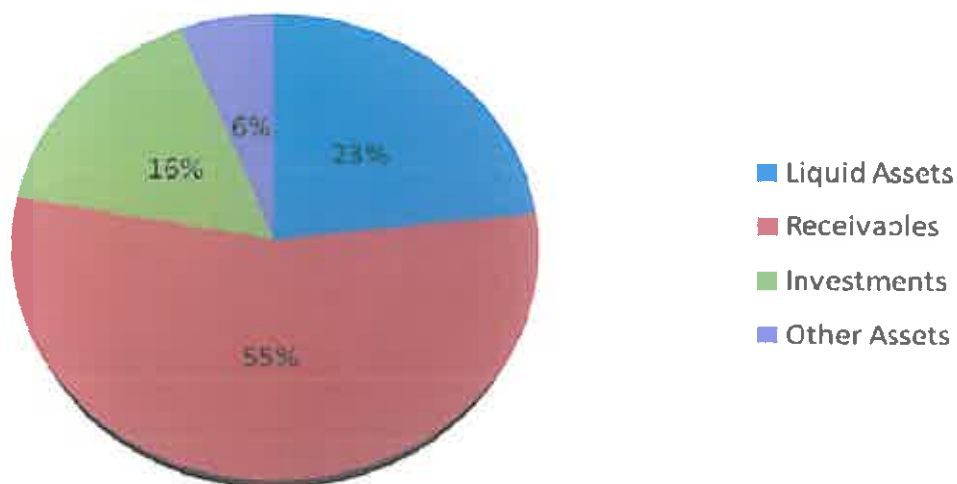


Customer Deposits, AED billion



Assets and Liabilities Structure

SIB Assets Structure



SIB Liabilities Structure

