



مصرف الشارقة الإسلامية  
Sharjah Islamic Bank

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# *Management Report*

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## *2014-Annual Report*

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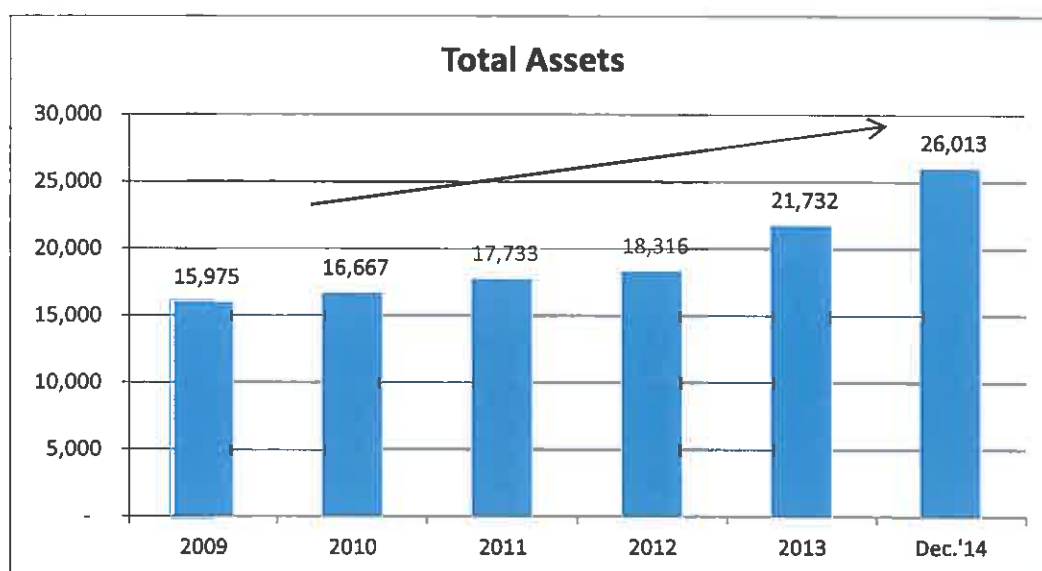
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## Financial Review

Sharjah Islamic Bank achieved a net profit of AED 377.0 million and its total assets reached AED 26.0 billion by the end of December 2014. SIB has been successfully pursuing a strategy of stable growth in both profitability and financial position which is reflected in the figures below.

### **Balance Sheet:**

Total Balance Sheet of Sharjah Islamic Bank grew by 19.7% to reach AED 26.0 billion at the end of December 2014 compared to AED 21.7 billion at the end of December 2013.



The following are the main changes and highlights that occurred on the asset-side of the balance sheet:

#### **Liquid Assets:**

Liquid assets reached AED 6.3 billion or 24.1% of the Balance Sheet at the end of December 2014 compared to AED 5.1 billion or 23.6% at the end of 2013.

#### **Customer Receivables:**

Net customer receivables of the bank amounted to AED 14.5 billion at the end of December 2014; an increase of 15.6% or AED 2.0 billion compared to the end of December 2013.

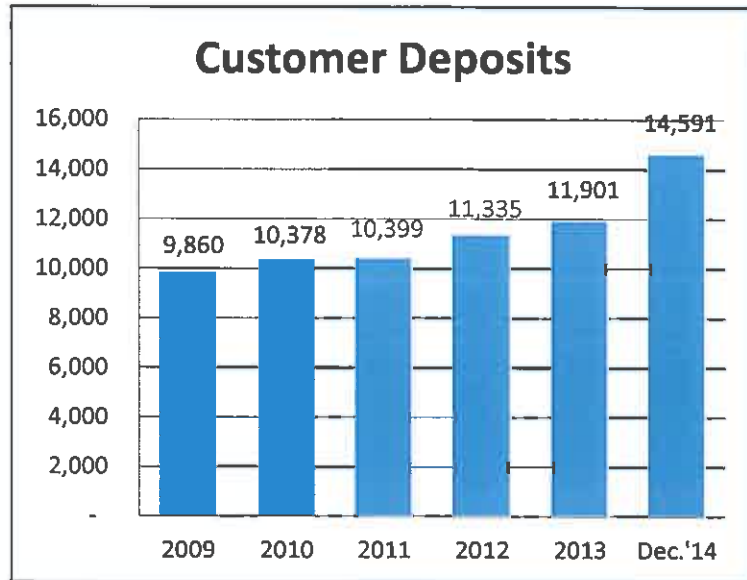
The increase in Customer Receivables reflects higher but cautious customer financing. It also reflects the changes made to the financing portfolio of the bank so as to make better use of available liquidity while being aware of the risks that are still prevalent.

### Investment Securities:

Investment securities increase by 27.1% to reach AED 1.6 billion at the end of December 2014 compared to AED 1.2 billion at the end of December 2013.

### Customer Deposits:

Sharjah Islamic Bank was successful in attracting more deposits during the 4<sup>th</sup> quarter of the year as customer deposits reached AED 14.6 billion by the end of December 2014; growing by 2.7 billion or 22.6% compared to AED 11.9 billion at the end of 2013.



### Due to Banks:

Due to banks reached AED 2.4 billion by the end of December 2014 with an increase of AED 1.1 billion or 88.0% compared to AED 1.3 billion at the end of December 2013.

### Shareholders' Equity:

Sharjah Islamic Bank is strongly capitalized. Total shareholders' equity reached AED 4.6 billion or 17.6% of total balance sheet by the end of December 2014. This strong financial position allows the bank to pursue its strategic growth objectives, maintain a strong capital adequacy ratio (23.92% by the end of December 2014) and to remain structurally strong.

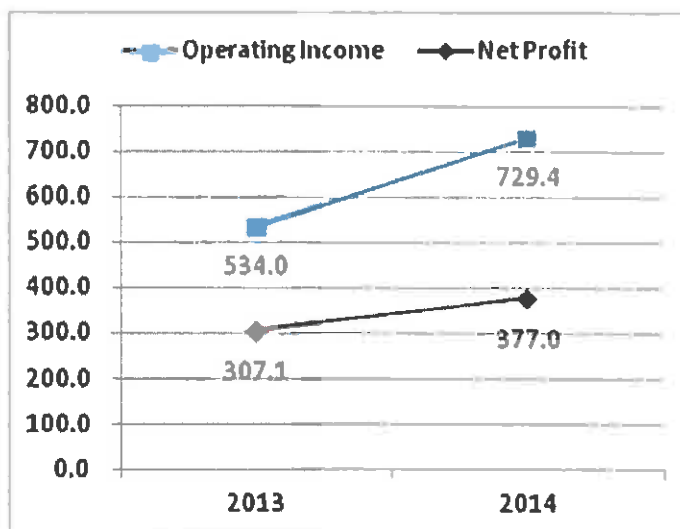
## Income Statement:

Sharjah Islamic Bank posted a Net Profit of AED 377.0 million at the end of the 4<sup>th</sup> Quarter of 2014, compared to AED 307.1 million in the same period of 2013, an increase of 22.8%.

Net Operating Income reached AED 729.4 million by the end of December 2014 compared to AED 534.0 million in the same period 2013, an increase of 36.6%.

Other main highlights of the Income Statement are:

Income from Murabaha and Leasing reached AED 786.6 million by the end of December 2014 compared to AED 692.9 million at the same period 2013; an increase of AED 93.7 million or 13.5%.



Profit paid on Sukuk reached AED 126.6 million compared to AED 110.5 in the same period 2013; AED 16.1 million higher which was mainly due to the issuance of new Sukuk of USD 500 million in April 2013.

Fees, Commission and Other Income reached AED 452.2 million by the end of December 2014 compared to AED 305.3 million in the same period 2013, an increase of AED 146.6 million or 48.0%.

Income from subsidiary reached AED 45.1 million by end of December 2014 compared to AED 33.5 million in the same period 2013 an increase of AED 12.0 million or an 35.9%

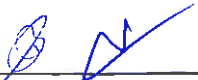
On the expenses side, General and Administration Expenses reached AED 427.7 million by the end of December 2014 compared to AED 387.2 million in the same period 2013; an increase of AED 40.8 million or 10.5%.

Income statement interprets improved cost to income ratio from 42% in 2013 to 37% in 2014. 5% decrease in efficiency is due to the stringent measures taken by the Bank for streamlining of operational processes. This in turn successfully reduced the transaction processing time, enabling the Bank to reduce transactional cost and increase customer satisfaction

Provision-net of recoveries reached AED 246.5 million by end of December 2014 compared to AED 125.3 million in the same period last year with an increase of AED 144.8 million or 142.5%, during the year 2014, Bank targeted at increasing its NPR coverage as a measure to implement its long term strategy of stable returns and prudent approach in building the provision level. Additional provision for the year 2014 amounting to AED 298 million increased by 106.9% compared to AED 144 million in 2013. Out of total gross provisions, specific provision amounts to AED 225 million (2013: 124 million) and collective provision amounts to AED 73 million (2013: AED 20 million). The recoveries from doubtful receivables amounted AED 52 million (2013: 42 million).

Profits allocated and distributed to depositors reached AED 105.8 million by the end of December 2014 compared to AED 125.3 million in the same period 2013; a decrease of 22.8%. 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 (annualized) on Average Shareholders' Equity (ROAE) reached 8.27% by the end of the 4th Quarter 2014 compared to 6.84% at the end of December 2013, while Return (annualized) on Average Assets (ROAA) was 1.58% by the end of December 2014 compared to 1.53% at the end of December 2013.

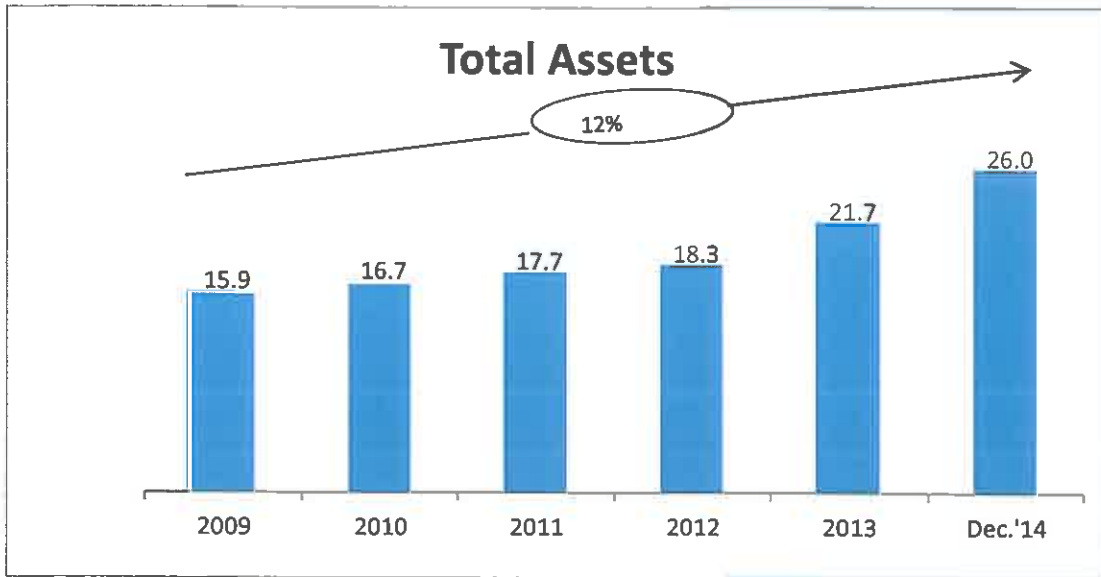


### Summary of key figures and performance ratios

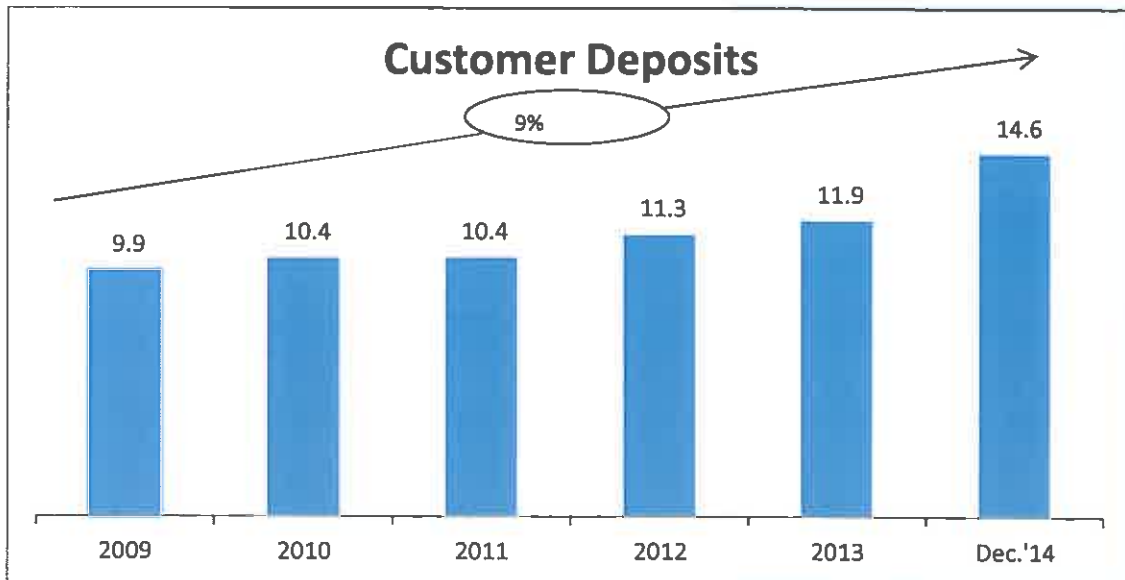
| <i>(Figures in AED Millions)</i>         | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>Q4-2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|----------------|
| <b>Total Assets</b>                      | 15,975      | 16,667      | 17,733      | 18,316      | 21,732      | 26,013         |
| <b>Net Customer Receivables</b>          | 10,021      | 9,654       | 10,427      | 10,749      | 12,519      | 14,475         |
| <b>Customer Deposits</b>                 | 9,860       | 10,378      | 10,398      | 11,335      | 11,901      | 14,591         |
|  |             |             |             |             |             |                |
| <b>Total Shareholders' Equity</b>        | 4,264       | 4,348       | 4,406       | 4,444       | 4,536       | 4,588          |
|  |             |             |             |             |             |                |
| <b>Return on Average Assets</b>          | 1.65%       | 1.63%       | 1.46%       | 1.51%       | 1.53%       | 1.58%          |
|  |             |             |             |             |             |                |
| <b>Return on Average Equity</b>          | 6.17%       | 6.19%       | 5.74%       | 6.15%       | 6.84%       | 8.27%          |
| <b>Equity to Total Assets</b>            | 26.69%      | 26.09%      | 24.85%      | 24.26%      | 20.87%      | 17.64%         |
| <b>Leverage of Total Capital (Times)</b> | 2.75        | 2.83        | 3.02        | 3.12        | 3.79        | 4.67           |

\* Annualized.

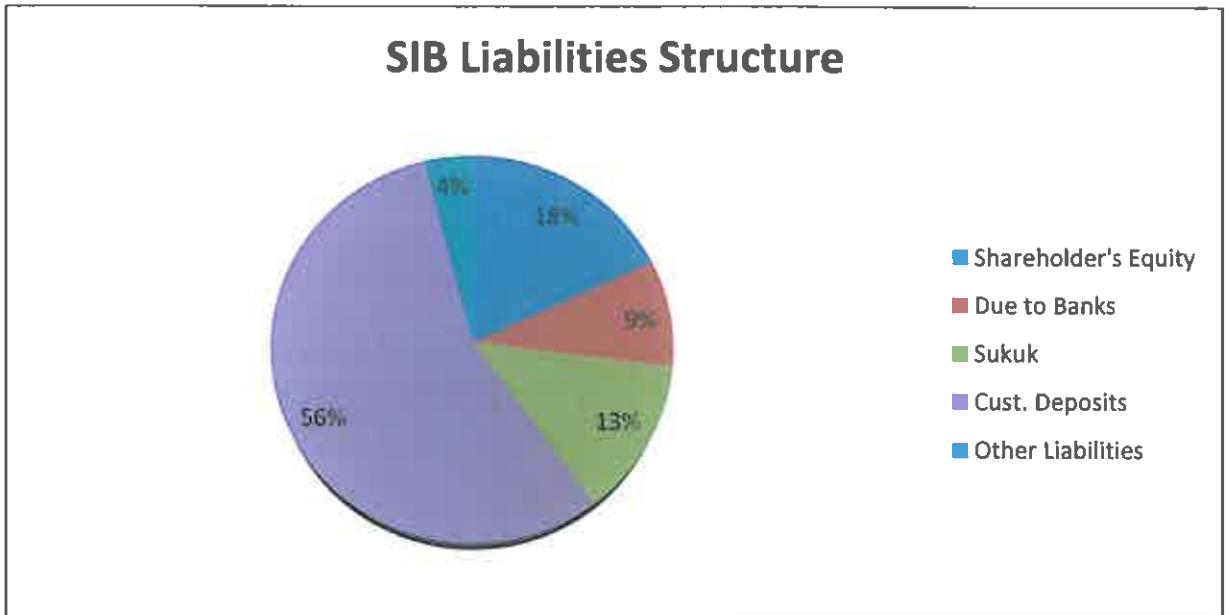
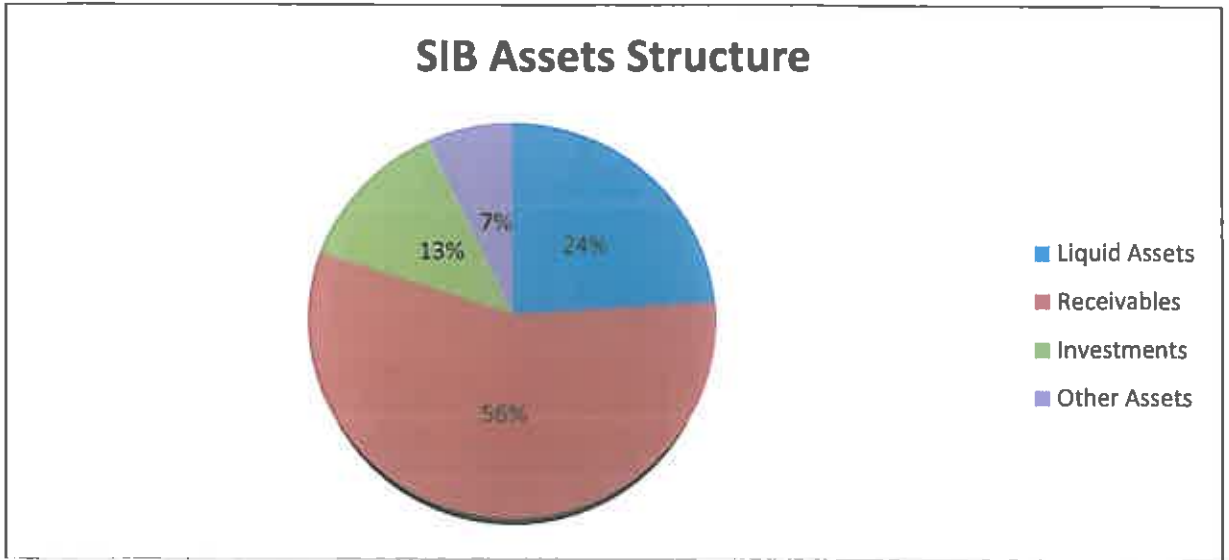
**Total Assets, AED billion**



**Customer Deposits, AED billion**



Assets and Liabilities Structure



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