SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

SHARJAH ISLAMIC BANK
Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of SHARJAH ISLAMIC BANK ("the Bank") and its subsidiaries, together referred to as ("the Group") for the year ended 31 December 2015.

Financial Highlights

As at 31 December 2015, total assets of the Bank increased by AED 3.9 billion to reach AED 29.9 billion, an increase of 14.9%.

Financing receivables and Ijarah receivables increased by 13.0% (AED 1.9 billion) to reach AED 16.3 billion and customer deposit increased by 16.2% (AED 2.4 billion) to reach AED 17.0 billion.

During the year 2015, the Bank, through a Sharia compliant financing arrangement, raised a sukuk of AED 1.9 billion, taking the total sukuk issuance to AED 5.1 billion.

Capital adequacy ratio stands at a strong level of 21.99% as at 31 December 2015.

Net operating income for the Bank increased by 20.3%, to reach AED 877.3 million for 2015 as compared to AED 729.4 million in 2014.

Impairment provisions – net of recoveries (collective and specific) made in the year 2015 amounts to AED 349.9 million, an increase of 42%.

Net profits of AED 409.9 million is recorded for year ended 31 December 2015 compared to AED 377.2 million for the corresponding prior year, an increase of 8.7%.

The Directors propose to the Shareholders a cash dividend of 10% of the par value of share (AED 0.10 per share) amounting to AED 242.6 million, whereas proposed Directors' fees for the year ended 31 December 2015 amounts to AED 5.3 million.

After proposed appropriations, total shareholders' equity will amount to AED 4.5 billion.

Auditors:-

KPMG were appointed as auditors of SHARJAH ISLAMIC BANK for the year 2015 at the Annual General Meeting held on 28 February 2015.

KPMG expressed their willingness for their re-appointment for the year ending 31 December 2016.

Abdul Rahman Mohammed Nasser Al Owais
Chairman
9 January 2016

KPMG

KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard
PO Box 3800
Downtown Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent auditor's report to the shareholders of Sharjah Islamic Bank PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sharjah Islamic Bank PJSC ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive income (comprising a consolidated statement of comprehensive income and separate consolidated income statement), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and its preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, Union Law No.10 of 1980, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the shareholders of Sharjah Islamic Bank PJSC (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, Union Law No.10 of 1980, and the Articles of Association of the Bank and its subsidiaries;

iii) the Bank and its subsidiaries have maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is in agreement with the books of account of the Bank and its subsidiaries;

v) note 10 to the consolidated financial statements discloses the investment made during the financial year ended 31 December 2015;

vi) note 32 to the consolidated financial statements reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank and any of its subsidiaries has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 and Union Law No.10 of 1980 or of their Articles of Associations which would materially affect their activities or Group's consolidated financial position as at 31 December 2015; and

viii) note 33 to the consolidated financial statements reflects the social contributions made during the year.

KPMG

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No: 793
Date: 9 January 2016

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(Currency: Thousands of U.A.E. Dirham)

	Notes	2015	2014
Assets:			
Cash and balances with banks and financial institutions	6	**2,602,045**	3,067,083
International murabaha and wakalah with financial institutions	7	**4,315,697**	3,214,863
Financing receivables	8	**5,735,334**	5,471,701
Ijarah receivable	9	**10,613,873**	9,002,953
Investment securities	10	**2,364,160**	1,581,167
Investment properties	11	**1,811,784**	445,490
Properties held-for-sale	12	**652,965**	1,430,465
Other assets	13	**845,947**	851,542
Property and equipment	14	**940,888**	947,624
Total assets		**29,882,693**	**26,012,888**
Liabilities:			
Customers' deposits	15	**16,953,018**	14,591,968
Due to banks	16	**2,046,372**	2,455,664
Sukuks payable	17	**5,133,860**	3,298,733
Other liabilities	18	**966,695**	956,453
Zakat payable		**78,347**	121,678
Total liabilities		**25,178,292**	**21,424,496**
Shareholders' equity:			
Share capital	19	**2,425,500**	2,425,500
Legal reserve	22	**1,330,626**	1,330,626
Statutory reserve	22	**89,008**	89,008
Fair value reserve	22	**(31,867)**	(68,698)
Retained earnings		**891,134**	811,956
Total shareholders' equity:		**4,704,401**	**4,588,392**
Total liabilities and shareholders' equity		**29,882,693**	**26,012,888**

The consolidated financial statements were authorised for issue in accordance with a resolution of Directors on 9 January 2016 and signed on its behalf by:

Abdul RahmanMohammed Nasser Al Owais
Chairman

Mohammed Ahmed Abdullah
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 3 and 4.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(Currency: Thousands of U.A.E. Dirham)

	Notes	2015	2014
Income from financing and leasing		**811,876**	786,595
Profit expense on sukuks		**(168,634)**	(126,627)
Investment, fees, commission and other income	23	**663,623**	452,158
Income from subsidiary companies		**28,544**	45,061
Total income		**1,335,409**	**1,157,187**
General and administrative expenses	24	**(458,132)**	(427,769)
Net operating income		**877,277**	**729,418**
Provisions - net of recoveries	25	**(349,995)**	(246,469)
Profit before distribution to depositors		**527,282**	**482,949**
Distribution to depositors	26	**(117,357)**	(105,773)
Profit for the year (Attributable to the equity holders of the Bank)		**409,925**	377,176
Earnings per share (U.A.E. Dirham)	27	**0.17**	**0.16**

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 3 and 4.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

(Currency: Thousands of U.A.E. Dirham)

	2015	2014
Profit for the year		
(Attributable to the equity holders of the Bank)	**409,925**	377,176
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Net change in fair value reserve	**7,998**	(25,108)
Total comprehensive income for the year		
(Attributable to the equity holders of the Bank)	417,923	**352,068**

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 3 and 4.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(Currency: Thousands of U.A.E. Dirham)

	2015	2014
Cash flows from operating activities:		
Profit for the year	**409,925**	377,176
Adjustments:		
Depreciation	**33,128**	33,034
Amortisations of sukuks issuance cost	**3,995**	2,844
Provision on customer receivables and ijarah receivable	**348,302**	233,082
Provision on subsidiaries	**1,693**	736
Provision for impairment on investment securities	**-**	12,804
Gain on Government grant	**-**	174,185
Revaluation gain on investment properties	**(337,945)**	(23,985)
Operating profit before changes in operating assets and liabilities	**459,098**	809,876
Changes in:		
Reserve with Central Bank	**(225,845)**	(236,089)
International murabaha and wakalah with financial institution	**(821,824)**	235,521
Financing receivables and ijarah receivable	**(2,222,855)**	(2,188,330)
Other assets, net	**3,902**	(390,286)
Customers' deposits	**2,361,050**	2,690,961
Due to banks	**(409,292)**	1,149,231
Zakat payable	**(43,331)**	17,743
Other liabilities	**(49,122)**	310,690
Net cash (used in) / provided by operating activities	**(948,219)**	2,399,317
Cash flows from investing activities:		
Change in property and equipment – net	**(26,392)**	(70,851)
Change in investment properties – net	**(1,028,349)**	(82,153)
Change in properties held for sale – net	**777,500**	(484,382)
Change in investment securities - net	**(774,995)**	(375,430)
Net cash used in investing activities	**(1,052,236)**	(1,012,816)
Cash flows from financing activities:		
Proceeds from issuance of Sukuk	**1,831,132**	-
Cash dividends	**(242,550)**	(242,550)
Net cash from / (provided) by financing activity	**1,588,582**	(242,550)
Net (decrease) / increase in cash and cash equivalents	**(411,873)**	1,143,951
Cash and cash equivalents, beginning of the year	**4,710,912**	3,566,961
Cash and cash equivalents, end of year (note 28)	**4,299,039**	4,710,912

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 3 and 4.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER2015

(Currency: Thousands of U.A.E. Dirham)

	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK					
	Share capital	Legal reserves	Statutory reserves	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2014	2,425,500	1,330,233	89,008	(42,693)	733,859	4,535,907
Total comprehensive income for the year						
Profit for the year	-	-	-	-	377,176	377,176
Other comprehensive income						
Net change in fair value reserve	-	-	-	(25,108)	-	(25,108)
Total comprehensive income for the year	-	-	-	(25,108)	377,176	352,068
Transactions with owners recorded directly in equity						
Fair value adjustment	-	-	-	(897)	897	-
Dividends paid (note 20)	-	-	-	-	(242,550)	(242,550)
Transfer to legal reserve	-	393	-	-	(393)	-
Zakat	-	-	-	-	(53,533)	(53,533)
Board of directors' fees (note 21)	-	-	-	-	(3,500)	(3,500)
Total transactions with owners	-	393	-	(897)	(299,079)	(299,583)
As at 31 December 2014	2,425,500	1,330,626	89,008	(68,698)	811,956	4,588,392
As at 1 January 2015	2,425,500	1,330,626	89,008	(68,698)	811,956	4,588,392
Total comprehensive income for the year						
Profit for the year	-	-	-	-	409,925	409,925
Other comprehensive income						
Net change in fair value reserve	-	-	-	7,998	-	7,998
Total comprehensive income for the year	-	-	-	7,998	409,925	417,923
Transactions with owners recorded directly in equity						
Relaized loss on Financial assets through OCI transferred to retained earning	-	-	-	28,833	(28,833)	-
Dividends paid (note 20)	-	-	-	-	(242,550)	(242,550)
Transfer to legal reserve	-	-	-	-	-	-
Zakat	-	-	-	-	(55,864)	(55,864)
Board of directors' fees (note 21)	-	-	-	-	(3,500)	(3,500)
Total transactions with owners	-	-	-	28,833	(330,747)	(301,914)
As at 31 December 2015	2,425,500	1,330,626	89,008	(31,867)	891,134	4,704,401

In accordance with the Ministry of Economy & Commerce interpretation of Article 118 of Commercial Law No. 8 of 1984, Directors' remuneration has been treated as an appropriation from equity.

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 3 and 4.

1. Legal status and activities

SHARJAH ISLAMIC BANK ("the Bank") was incorporated in 1975 as a public joint stock company by an Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates and is listed in Abu Dhabi stock securities. The Bank is engaged in banking activities, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulation of the Central Bank of UAE ("the CBUAE"), which are carried out through its 31 branches (2014 : 30 branches) established in United Arab Emirates.

At the extraordinary shareholders' meeting held on 18 March 2001 a resolution was passed to transform the Bank's activities to be in full compliance with the Islamic Shari'a rules and principles. The entire process was completed on 30 June 2002 ("the transformation date"). As a result the Bank transformed its conventional banking products into Islamic banking products during the 6-month period ended 30 June 2002 after negotiation and agreement with its customers.

The consolidated financial statements of the Group comprise the Bank and its fully owned subsidiaries incorporated in United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Service (SIFS), Contact Marketing and ASAS Real Estate (all together referred to as "the Group"). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. Contact Marketing provides certain support services to the Bank whereas; ASAS Real Estate is involved in the management of Bank's real estate portfolio.

The registered address of the Bank is Post Box No.4, Sharjah, United Arab Emirates.

2. Disclosure policy

The Group has laid down the disclosure policy to ensure compliance with all applicable laws concerning disclosure of material information, including International Financial Reporting Standards, the CBUAE (lead regulator), BASEL II Pillar 3 guidelines laid down by the CBUAE, Emirates Securities and Commodities Authority (ESCA) and Abu Dhabi Financial Market (ADX).

The following are the key features of the Group's disclosure policy concerning disclosure of financial information (consolidated basis):

Materiality thresholds

Information is considered material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions and/or any material information that might affect the share price. The Group, in order to ensure adequate disclosure lays down a materiality threshold, so that no material information is omitted or misstated; at the same time it does not jeopardize its competitive position.

Internal controls

In order to ensure true and fair disclosure, the Group has established controls including detailed procedures for finalization and review of accounting and financial disclosures. In addition the consolidated financial statements are subject to quarterly reviews and annual audit procedures by the Group's external auditors.

2. Disclosure policy (continued)

Frequency and medium of disclosure

Interim consolidated financial results are disclosed on a quarterly basis while complete consolidated financial statements complying with the requirements of IFRS, Basel II Pillar 3 and other guidelines from the CBUAE and ESCA is made on an annual basis. Disclosures of material financial information are made by the Financial Control Department of the Group in coordination with Marketing Department through the following mediums:

- Sending quarterly reviewed and annual audited consolidated financial statements along with Directors' report to ADX and ESCA; and

- Uploading quarterly and annual consolidated financial statements on the Group's website; and

3. Basis of preparation

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting standards ("IFRS") as issued by International Accounting Standard Board ("IASB"), and comply with the guidance of the CBUAE, Islamic Shari'a principles and applicable requirements of the Federal laws relating to Islamic Banks and listed Companies. Federal Law No 2 of 2015 ("UAE Companies Law of 2015") was issued on 1 April 2015 and has enforced from 1 July 2015. Companies are allowed to ensure compliance with the UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein. The Bank is currently in the process of implementing all changes required by the UAE Companies Law of 2015.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following that are measured at fair value:

i) financial assets at fair value through profit or loss (FVTPL);

ii) financial assets at fair value through other comprehensive income (FVTOCI); and

iii) investment properties

c. Functional and presentation currency

These consolidated financial statements of the Group are presented in UAE Dirham (AED), which is the Group's functional currency, rounded to the nearest thousand.

d. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. In particular these estimates and judgments relate to impairment losses on financing receivables, Ijarah receivable and amortised cost investments, valuation of financial asset classified at FVTPL and FVTOCI and investment properties (refer note 29).

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the mandatory adoption of new accounting standards stated in note 4(v). The significant accounting policies adopted in preparation of these consolidated financial statements are as follows:

a. Basis of consolidation

These consolidated financial statements comprise a consolidation of the financial statements of the Bank and its subsidiaries on a line by line basis.

Subsidiaries

Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

i) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

ii) Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the Islamic securitization of particular assets, or the execution of a specific financing transaction. The consolidated financial special purpose entities are included in the Group's consolidated financial statement where the substance of the relationship is the Group controls the special purpose entity.

iii) Fiduciary activities

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors in the fiduciary capacity as trustee/manager. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in note 4(s) and note 34.

4. Summary of significant accounting policies (continued)

b. Non-derivative financial instruments

i. Classification of financial assets

A financial instrument is any contract that gives rise to both a financial asset for the Group and a financial liability or equity instrument for another party or vice versa. The Group classifies its financial assets at initial recognition in the following categories:

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as financial assets at fair value through profit or loss, unless the Group designates them as an investment that is not held for trading and are accordingly carried as at fair value through other comprehensive income (FVTOCI).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

The Group has not designated any financial assets (other than equity instruments) as at FVTPL.

Financial assets measured at FVTPL are initially recognised and subsequently measured at fair value, with any gains or losses arising in re-measurement recognised in the consolidated statement of income. All transaction costs are charged to consolidated statement of income.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated statement of income when Group's right to receive is established.

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on instrument by instrument basis) to designate other investments under the classification of FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Financial assets measured at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income.

Dividends on these investments are recognised in the consolidated statement of income when Group's right to receive is established.

Financial assets measured at amortised costs

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Income is recognised in the consolidated statement of profit or loss on an effective profit rate basis for financing and investing instruments measured subsequently at amortised cost.

4. Summary of significant accounting policies (continued)

b. Non-derivative financial instruments (continued)

i. Classification of financial assets (continued)

Financial assets measured at amortised costs (continued)

Financial assets measured at amortised costs are initially measured at fair value plus transaction costs. Subsequently, they are measured at amortised cost using their effective yield less any impairment, with profit recognised in the consolidated statement of income.

Subsequent to the initial recognition, the Group is required to reclassify investments from amortised cost to FVTPL, if the objective of the business model changes so that the amortised cost criteria is no longer met.

Following terminologies for financial assets, classified under each of the financial instrument classification mentioned above, have been used in preparation of these consolidated financial statements:

Murabaha is an agreement for sale of commodities purchased by the Bank based on the promise of the customer to buy the commodities on a cost plus the agreed profit basis.

Istisna'a is a sale contract between two parties whereby the Bank undertakes to construct, for its customer, a specific asset or property according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount.

Wakala is an agency or a delegated authority where the muwakkil (principal) appoints the wakil (agent) to carry out a specific job on behalf of the muwakkil.

Musharaka is an agreement between the Bank and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement.

Sukuks are asset backed Sharia'a compliant trust certificates.

Qard Hasan receivables are non-profit bearing financing receivables whereby the customer borrows funds for a period of time with an understanding that the same amount shall be repaid at the end of the agreed period.

Ijarah is classified as a finance lease, when the Bank transfers substantially all the risks and rewards incident to an ownership of the Ijarah receivable to the lessee. Ijarah receivable represent finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. The lease agreements provide that the lessor undertakes to transfer the leased property to the lessee upon receiving the final rental payment or the agreed price. Ijarah receivables are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

ii. Classification of financial liabilities

Group has classified all its financial liabilities at amortised cost. These include customer deposits, due to banks and other financial institution, sukuk payable, other liabilities and zakat payable.

4. Summary of significant accounting policies (continued)

b. Non-derivative financial instruments (continued)

iii. Recognition of financial instruments

Financial assets and liabilities are recognised when a Group becomes a party to the contractual provisions of the instrument.

All regular way purchase and sale of financial assets are recognised and derecognised on the trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

iv. Derecognition of financial instruments

The Group derecognises financial assets when the contractual right to the cash flows from the financial assets expires, or when it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risk and rewards of the ownership of the financial assets are transferred to other party.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

v. Fair value measurement principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Prior year's consolidated financial statements defined the basis of fair value measurement for comparatives.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Investments in unlisted funds and securities are fair valued internally by using valuation techniques. Where valuation techniques (such as models) are used to determine fair values these are tested before they are used and models are calibrated to ensure that outputs reflects actual data and comparative market prices.

4. Summary of significant accounting policies (continued)

b. Non-derivative financial instruments (continued)

vi. Impairment of financial assets

Financial assets classified at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment for specific assets, or a group of similar assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of specific assets or a group of similar assets is calculated as the present value of the expected future cash flows.

Movement in provisions is recognised in the consolidated statement of income. Financial assets are written off only in circumstances where all reasonable restructuring and collecting activities have been exhausted.

Impairment of financing receivables and Ijara financing, measured at amortised cost, is assessed by the Group as follows:

Individually assessed financing receivables and Ijara financing

Financing receivables and Ijara financing are individually assessed as to whether there exists any objective evidence of impairment. These assets are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Group in accordance with the original contractual terms.

Collectively assessed financing receivables and Ijara financing

Impairment is determined on a collective basis in two different scenarios:

- for assets subject to individual assessment to cover losses which have been incurred but have not yet been identified; and
- for homogeneous groups of loans that are not considered individually significant.

Individually assessed financing receivables and Ijara financing for which no evidence of loss has been identified are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This arises from individual financing asset's impairment at the reporting date which will only be specifically identified in the future.

The collective impairment loss is determined after taking into account:

- historical loss experience in portfolios of similar risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate specific allowance against the individual financing asset; and
- management's judgment as to whether current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The period between a loss occurring and its identification is estimated by the management for each portfolio grouping.

For homogeneous groups of financing and Ijarah receivables that are not considered individually significant, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

4. Summary of significant accounting policies (continued)

c. Investment properties

Properties held for rental or capital appreciation are classified as investment properties. Investment properties are stated at fair value determined regularly by an independent valuer. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of income.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income statament in the period in which the property is derecognised.

Transfers to investment properties are made when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development plan.

Transfers to and from investment properties are made when, and only when, there is change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

d. Properties held-for-sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale. Properties held for sale are measured at a lower of cost and net realisable value (NRV) less impairment loss, if any.

NRV is the estimated selling price, less the estimated selling and other expenses necessary to complete the sale.

Transfer to and from held-for-sale properties is either upon completion of under-construction properties or in case of change in use.

e. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Except for freehold land, property and equipment are depreciated on a straight-line basis over their estimated useful lives, using annual rates of 5% to 33% depending on the type of asset involved.

f. Other assets

Other assets include profit and other receivables which are stated at amortised cost net of provision for impairment, if any.

g. Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with the CBUAE (excluding statutory reserves), current accounts with other banks and financial institutions, international murabaha and wakalah arrangements and other highly liquid assets with original maturities of less than three months from the date of acquisition.

h. Other liabilities

These include financial liabilities and other payables. Financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortised cost using the effective yield method.

Other payables are stated at cost and are recognised for amounts to be paid in the future for goods or services received, whether or not billed.

4. Summary of significant accounting policies (continued)

i. Acceptances

Acceptances are recognised as financial liability in the consolidated statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

j. Provision

A provision is recognised as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

k. Zakat

Zakat is computed in accordance with the Bank's Articles of Association and is approved by the Bank's Fatwa and Shari'a Supervisory Board. Zakat is calculated at 2.577% (to account for the difference between the Gregorian and Lunar calendar) on the Bank's reserves, retained earnings and provision for staff end of service benefits at the year end and it is the Bank's shareholders responsibility to pay the Zakat on their respective share in the Bank's capital and the distributed cash dividends.

l. Revenue recognition

Murabaha

The profit on Murabaha is quantifiable and contractually determined at the commencement of the contract; profit is recognised as it accrues over the period of the contract on an effective yield basis.

Ijarah

Income from Ijarah receivable is recognised on an accrual basis on an effective yield basis.

Fees and commissions

Fees and commissions income relating to underwriting and financing activities is recognised as the related service is performed.

Rental income

Rental income from investment properties are recognised in profit and loss on a straight-line basis over the term of the leases.

Dividend income

Dividend income is recognised in the profit and loss when the Group's right to receive income is established. Usually this is the ex-dividend date for equity securities.

Other income

Other income includes revenue from provision of accommodation, food, beverages and brokerage commission relating to the services provided by the subsidiaries.

Revenue from provision of accommodation, food, beverages and other services is recognised on an accrual basis as the services are rendered.

Commissions are accounted for on the completion of the brokerage deal.

4. Summary of significant accounting policies (continued)

m. Distribution of profit between holders of unrestricted investment deposit and the shareholders

The Bank is complied with Shari'a rules as set out below:

Net gains on all items of income and expenses at the end of each month are the net profit distributable between the shareholders and the holders of unrestricted investment deposits.

- The share of the holders of unrestricted investment deposits is calculated from the net profit on a daily basis after deducting the Bank's agreed upon and declared Mudaraba percentage.
- Due to the amalgamation of unrestricted investment funds with the Bank's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

n. Provision for end-of-service benefits

Provision is made for end-of-service benefits payable to expatriate employees in accordance with the U.A.E. labor laws, calculated on the basis of the individual's period of service at the reporting date and included under "Other liabilities".

With respect to its UAE national employees, the Bank makes contributions to the pension fund established by the General Pension and Social Security Authority as percentage of the employees' salaries. The Bank's obligation is limited to these contributions, which are recognised in the consolidated statement of income.

o. Due to Banks

Amounts due to banks are initially recognised at the fair value of the consideration received, and are subsequently measured at amortised cost using the effective yield method.

p. Customers' deposits

The Bank accepts customer savings and time deposit on a Mudaraba and Wakala basis, whereas current and other similar in nature deposits are accepted on a Qard Hassan (profit free loan) basis.

q. Translation of foreign currencies

The accounting records of the Group are maintained in UAE Dirham. Transactions in foreign currencies are translated to UAE Dirham at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to UAE Dirham at the foreign exchange ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost, are translated to UAE Dirham at the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

r. Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net a basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by under IFRS.

4. Summary of significant accounting policies (continued)

s. Fiduciary activities

The Bank is involved in fiduciary activities in its capacity as a portfolio agent that results in the holding or placing of assets on behalf of customers in sharia compliant equity portfolio. These assets and income arising thereon from the equity portfolio are excluded from these consolidated financial statements, as they are not part of the Bank.

t. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary share. Basic EPS is calculated by dividing the profit or losses attributable to ordinary shareholders of the Bank by the weighted average number of ordinary share outstanding during the year. Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

u. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or group of persons that allocates resources and assesses the performance of the operating segments of an entity. The Bank has determined the Bank's management Committee as its chief operating decision maker. All transactions between business segments are conducted on an arm´s length basis. Income and expenses directly associated with each segment are included in determining business segment performance.

v. Standards and interpretation adopted for accounting periods beginning on 1 January 2015

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015. The changes did not have a material impact on the Group's consolidated financial statements.

i) IAS 16, IAS 38 – proportionate restatement of accumulated depreciation/amortization on revaluation of property, plant and equipment
ii) Amendments to IAS 27 – Equity method in Separate Financial Statements
iii) Amendments to IAs 40 – Interrelationship between IFRS 3 and IAS 40
iv) Amendment to IFRS 8 - Operating Segments – Aggregation of segments and reconciliations of segment assets
v) Amendment to IFRS 3 - Business Combination – Accounting for contingent consideration and scope exception for joint operation

The change did not have any impact on the Group's financial statements.

4. Summary of significant accounting policies (continued)

w. Standards and interpretation issued and not yet effective for accounting periods beginning after 1 January 2015

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Standards	**Description**	**Effective for the periods after 1 January 2015**
IFRS 9	Financial Instruments (Phase II and Phase III)	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 16 (Amendment)	IAS 16 – Property, plant and equipment	1 January 2016
IAS 16, IAS 38 (Amendment)	Clarification of Acceptable Methods of depreciation and amortization	1 January 2016

IFRS 9 (Phase II and Phase III) includes new guidance on expected credit loss model for calculating impairment on financial assets and a new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

The Group is still evaluating the potential impact of these standards.

5. Risk management

i. Risk management framework

The Board of Directors ('the Board") is responsible for the overall framework of the risk governance and management. The Board is responsible for determining risk strategy, setting the Group's risk limits and ensuring that risk exposure is monitored, controlled effectively and kept within set limits. It is also responsible for establishing a clearly defined risk management structure and for approval of the risk policies and procedures, infrastructure and management of all risks related to the Group.

In order to effectively discharge this responsibility, the Board is assisted by three Board Committees and five Management Committees. The briefing about the role and function of each committee is as follows:

Executive Committee (EC)

EC acts as the Board's senior executive management assuring that the Board meets its strategic and operational objectives. EC consists of four members.

Audit Committee (AC)

The AC consists of Board members and its purpose is to assist the Board in fulfilling its oversight responsibility by:

- Overseeing the Group's financial reporting processes, maintaining accounting policies, reviewing and approving the financial information;
- Reviewing reports on the internal controls;
- Managing the relationship with the Group's external auditors; and
- Reviewing the internal audit reports and monitors control issues of major significance of the Group.

Risk Management Committee (RMC)

The RMC consists of Board Members and its purpose is to assist the Board in fulfilling its oversight responsibility by:

- Overseeing the risks inherent in the businesses of the Bank and the control processes with respect to such risks;
- Reviewing the risk profile of the Bank;
- Managing the Risk Management Compliance and control activities of the Bank;
- Providing a critical assessment of the organisation's business strategies and plans from an Enterprise risk perspective; and
- Ensuring that appropriate policies and procedures are in place for managing risks to which the bank is exposed.

5. Risk management (continued)

i. Risk management framework (continued)

Management Committee (MC)

The scope of management committee includes all cross functional issues that are not covered in the scope of other committees. Typically, MC covers the areas like strategic, policies, human resources, marketing and administrative processes. In addition, the MC is also responsible to liaise with all other units/divisions across the Group.

Investment Committee (IC)

The purpose of the Investments Committee is to review the quality of the Bank's Investment portfolio on behalf of the Board of Directors, trends affecting the portfolio, the administration of investment related policies, as well as the approval of Investment proposals, including Sukuks and Syndicate Finance within the approval limit set by the BOD.

IT Steering Committee (ITSC)

The ITSC provides strategic and tactical guidance for managing the Group's overall technology systems in the long and short term, to ensure that Information Technology (IT) initiatives are consistent with the strategic business goals of the Group. The ITSC is charged with assisting the Board in:

- Providing guidance in the prioritization and implementation of technology initiatives and projects (including those related to infrastructure);
- Reviewing IT operations;
- Reviewing IT Security plans, policies and reports relating to the effectiveness of information security, their implementation and measures taken to address any residual risks;
- Reviewing Business Continuity plans, policies and reports relating to the effectiveness of business continuity, their implementation and measures taken to address any residual risks; and
- Reviewing the Group's IT development, strategic opportunities and plans.

Asset and Liability Committee (ALCO)

The objective of ALCO is to derive the most appropriate strategy for the Group in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of profit rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy. The ALCO is also responsible to ensure that all strategies conform to the Group's risk appetite and levels of exposure as determined by the Board of Directors.

The roles of ALCO include the following:

- Develop an effective asset and liability management process and related procedures to oversee and monitor the Group's approved policies and procedures in relation to the management and control of the following risks:
  - Liquidity risk – being the risk from the Group's inability to meet obligations when they become due without incurring unacceptable losses because of an inability to liquidate assets or to obtain adequate funding;

5. Risk management (continued)

i. Risk management framework (continued)

Asset and Liability Committee (ALCO) (continued)

- Market risk – being the following risks;
  - The risk to earnings from adverse movements in profit rates, exchange rates and market volatility and;
  - The risk from changes in the value of portfolio of financial instruments;
- Statement of financial position risk - being the following risks;
  - The risk to earnings from changes in profit rates and market volatility in retail and wholesale rates;
  - The risk to value and capital from changes in the value of assets and liabilities as a result of changes in profit rates and market volatility; and
  - The risk from material changes in global and domestic economic conditions generally.

Credit Committee (CC)

CC manages the credit risk of the Group by continuous review of credit limits, policies and procedures, the approval of specific exposures and work out situation, constant revaluation of the loans portfolio and the sufficiency of provisions thereof.

Human Resource Committee (HRC)

HRC manages the resources, performance and requirement of individuals required by Group on time to time basis.

- Risk management group (RMG)

In order to manage the credit, market, operational and IT security risks an RMG is in place. Its role includes the following:

- develop a strategy, policy and framework for risk management such that these are aligned with business requirements;
- provide support to the Group in implementation of the framework;
- bring together analysis of risk concentrations and sensitivities across the Group;
- act as a point of reference for risk and control matters, providing advice to management, sharing best practices and carrying out special reviews as directed by ALCO; and
- provide independent assessment of, and challenge to the business areas' risk management and profiles to ensure that they are maintained in a robust manner.

5. **Risk management (continued)**

i. **Risk management framework (continued)**

Risk management group (continued)

- Compliance

The overall mission and role of compliance is to:

- ensure compliance risks are adequately identified, assessed, monitored and controlled in conjunction with Business and other control functions;

- ensure senior management is fully informed of significant compliance issues including "KYC" and "AML", and plans for their resolution;

- contribute to a "no surprise" compliance culture by educating and communicating compliance awareness throughout the Group;

- align annual compliance plans with business strategies and goals; and

- meet regulatory expectations.

- Internal audit

The role of the internal audit department within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group's policies and procedures.

It is led by the head of internal audit who reports to the AC of the Board of Directors, with administrative reporting to the Chief Executive Officer (CEO).

To perform its role effectively, internal audit has organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

- Internal control

The role of the internal control department is to ensure that the Group has a sound internal control system in place, meeting international standards and fulfilling the requirements of the Group's management and external regulatory bodies. The functions and responsibilities of the Internal control department include:

- Ensuring that the Group's operational policies, processes and controls are adhered to;

- Ensuring that proper internal controls are in place and that they are functioning as designed in a timely and effective manner;

- Periodic review of the Group's internal control system in order to identify areas where internal controls may be weak, not present and areas where there appear to be excessive controls resulting in operational inefficiency so as to suggest ways to rectify the same;

- Enable the management to conduct an annual review of the efficiency of the internal control system and report its findings; and

- Follow up of the operational activities from a preventive and detective angle and oversee operational controls being exercised to ensure that these are timely and effective.

5. Risk management (continued)

ii. Financial risk management

The Group has exposure to the following primary risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

Risk is inherent to the Group's business and activities. The Group's ability to identify, assess, monitor and manage each type of risk to which the Group is exposed is an important factor in its financial stability, performance and reputation.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

This note presents information relating to the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

a. Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's financing receivables, ijarah receivable, balances with banks and financial institutions, international murabaha and wakalah with financial institutions, other assets and in debt securities.

The Group manages its credit risk exposure through diversification of its financing activities and investments to avoid concentration of risk with individuals or group of customers in specific location or business.

In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

Regular audits of business units and Group credit processes are undertaken by internal audit division.

Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentration of credit risk by industrial sector for financing receivables and Ijarah receivables are presented in notes 8b and 9b.

Concentration of credit risk by geographical distribution of due from banks and international murabaha and wakalah arrangements with financial institutions is set out in note 6 and 7.

The Group measure its exposure to credit risk by reference to gross carrying amount of financial assets less amounts offset, profit suspended and impairment losses, if any.

5. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

Collaterals and securities

The Group holds collateral and securities against financing receivable and Ijarah in the form of cash margins, personal guarantees, and mortgages over properties or other securities over assets. Estimates of credit risk mitigation relating to financing receivables and Ijarah are based on the value of collateral assessed at the time of financing, and are subsequently monitored on a periodic basis. A quantification of the extent to which collateral and other credit enhancements mitigate credit risk is shown below:

	Against neither past due nor impaired		Against past due but not impaired		Against individually impaired	
	2015	2014	**2015**	2014	**2015**	2014
Mortgage of property	**11,482,567**	9,310,317	**74,150**	795,254	**664,453**	623,816
Listed shares	**-**	114,876	**-**	26,058	**205**	-
Cash lien and others	128,741	125,911	**1,066**	14,725	**-**	-
Carrying amount	11,611,308	9,551,104	**75,216**	836,037	664,658	623,816

Impairment of financial Assets

Financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment for specific assets, or a group of similar assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of specific assets or a group of similar assets is calculated as the present value of the expected future cash flows.

Financial assets are written off only in circumstances where all reasonable restructuring and collecting activities have been exhausted. The Bank establishes an allowance for impairment losses that represents its estimate for incurring losses in its financing portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures after considering guidance provided by Central Bank, and a collective financing receivable and ijarah loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Financial assets with renegotiated terms

Financial assets with renegotiated terms are those that have been restructured due to deterioration in the borrower's financial position and where the Group has made concession that it would not otherwise consider.

5. Risk management (continued)

ii. Financial risk management (continued)

a. Credit risk (continued)

	Banks and financial Institutions		Investment securities		Financing receivable and Ijarah receivable		Others, loans and advances	
	2015	2014	2015	2014	2015	2014	2015	2014
Individually impaired								
Substandard	-	-	-	-	**584,760**	443,889	-	-
Doubtful	-	-	-	-	**404,297**	261,733	-	-
Loss	-	-	-	-	112,248	71,386	27,008	25,190
Gross amount	-	-	-	-	1,101,305	777,008	27,008	25,190
Profit in suspense	-	-	-	-	**(74,107)**	(58,819)	**(22,909)**	(21,091)
Specific allowance for impairment	-	-	-	-	**(566,725)**	(406,830)	**(4,099)**	(4,099)
Total	-	-	-	-	460,473	311,359	-	-
Past due but not impaired more than 90 days	-	-	-	-	74,302	397,352	-	-
Neither past due nor impaired	**5,292,860**	4,128,035	**1,693,603**	1,119,199	**16,131,436**	13,929,947	-	-
Collective allowance for impairment	-	-	-	-	**(317,004)**	(164,004)	-	
Carrying amount	5,292,860	4,128,035	1,693,603	1,119,199	16,349,207	14,474,654	-	-

Bank and financial institutions exclude cash in hand and cash reserve deposits with the CBUAE.

The Group also has the credit risk exposure in other assets amounting to AED 719.4 million (2014: AED 769.6 million), out of which AED 138.1 million (2014 : AED 119.6 million) is impaired. Specific provision of AED 30.0 million (2014: AED 28.4 million) and profit in suspense of AED 82.3 million (2014: AED 62.2 million) are recognised in these consolidated financial statement against the impaired assets. The Group's exposure to credit risk relating to off balances sheet commitments are disclosed in note 31. These are neither past due nor impaired.

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by ensuring that a trade date is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit limits monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group risk.

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate timeframe and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

5. Risk management (continued)

ii. Financial risk management (continued)

b. Liquidity risk (continued)

The Group's approach to manage liquidity risk is to ensure that, management has diversified funding sources and closely monitors liquidity to ensure adequate funding.

All liquidity policies and procedures are subject to review and approval by ALCO.

Exposure to liquidity risk

The Group's contractual maturities of financial instruments are summarised in the table below based on the contractual repayment arrangements and does not take account of the effective maturities as indicated by the Group's deposit retention history. The contractual maturities of financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is to be maintained.

31 December 2015	Less than 3 months	3 months to 1 year	1-5 Year	Over 5 Year	Total
Assets					
Cash and balances with banks and financial institutions	2,602,045	-	-	-	2,602,045
International murabaha and wakalah with financial institutions	3,005,364	1,023,839	286,494	-	4,315,697
Financing receivables	1,468,241	386,189	2,597,082	1,283,822	5,735,334
Ijarah receivable	408,192	189,016	4,029,437	5,987,228	10,613,873
Investments securities	101,187	46,059	1,460,177	756,737	2,364,160
	7,585,029	1,645,103	8,373,190	8,027,787	25,631,109
Liabilities					
Customers' deposits	(13,974,196)	(2,978,822)	-	-	(16,953,018)
Due to banks	(2,046,372)	-	-	-	(2,046,372)
Sukuks payable	-	(1,468,637)	(3,665,223)	-	(5,133,860)
Other liabilities and zakat payable	(591,216)	(359,795)	(94,031)	-	(1,045,042)
	(16,611,784)	(4,807,254)	(3,759,254)	-	(25,178,292)

31 December 2014	Less than 3 months	3 months to 1 year	1-5 Year	Over 5 Year	Total
Assets					
Cash and balances with banks and financial institutions	2,267,083	800,000	-	-	3,067,083
International murabaha and wakalah with financial institutions	2,726,354	304,859	183,650	-	3,214,863
Financing receivables	1,292,606	995,471	2,567,353	616,271	5,471,701
Ijarah receivable	617,156	606,795	5,000,548	2,778,454	9,002,953
Investments securities	147,983	9,447	1,183,464	240,273	1,581,167
	7,051,182	2,716,572	8,935,015	3,634,998	22,337,767
Liabilities					
Customers' deposits	(11,532,880)	(3,059,088)	-	-	(14,591,968)
Due to banks	(2,455,664)	-	-	-	(2,455,664)
Sukuks payable	-	-	(3,298,733)	-	(3,298,733)
Other liabilities and zakat payable	(956,453)	(26,882)	(94,796)	-	(1,078,131)
	(14,944,997)	(3,085,970)	(3,393,529)	-	(21,424,496)

5. Risk management (continued)

ii. Financial risk management (continued)

b. Liquidity risk (continued)

Cash and balances with banks and financial institutions include mandatory deposits with the CBUAE (refer note 28). The Group's expected cash flows may vary from this analysis, for example, demand deposits from customers are expected to maintain a stable or increasing balance.

The residual maturity analysis has not been presented. The Group follows Shari'a principles and contractual returns are not guaranteed and are on profit or loss sharing basis.

c. Market risks

Market risk is the risk that the Group's income and / or value of a financial instrument will fluctuate because of changes in market prices such as profit rates, foreign exchange rates and market prices of equity.

Profit rate risk

Profit rate or pricing risk, comprising market and valuation risks, are managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value. Overall pricing or profit rate risk positions are managed by the ALCO.

The Bank is not significantly exposed to risk in terms of the re-pricing of its liabilities since primarily in accordance with Islamic Shari'a, the Bank does not provide a contractual rate of return to its depositors.

Currency risk

Currency risk is managed on the basis of limits determined by the Board of Directors and a continuous assessment of the Bank's open position and current and expected exchange rate movements. The Bank does not engage in foreign exchange trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or correlated currency.

The Board of Directors has set limits on positions by currency. Positions are closely monitored by ALCO to ensure positions are maintained within established limits.

At 31 December, the Group had the following significant net exposures denominated in foreign currencies:

Currency Net position	2015	2014
US dollar	**(1,252,256)**	(270,741)
Sterling pound	**33**	27
Euro	**(487)**	(10)
Bahrani Dinar	**7,365**	7,521
Qatari Riyal	**1,206**	(4,236)
Saudi Riyals	**2,308**	282
Kuwaiti Dinar	**13,828**	16,477

The exchange rate of AED against US Dollar is pegged since November 1980 and the Group's exposure to currency risk is limited to that extent.

5. Risk management (continued)

ii. Financial risk management (continued)

c. Market risk (continued)

Equity price risk

Equity price risk arises from the change in fair value of equity instruments. The Group manages this risk through diversification of investment in terms of geographical distribution and industry concentration.
The table summarises the impact of change in equity prices by ±10% on profit and other comprehensive income of the Group.

	2015		2014	
	Effect on profit	Effect on other comprehensive income	Effect on profit	Effect on other comprehensive income
Financial assets at fair value through profit or loss	**1,238**	-	6,031	-
Financial assets at fair value through other comprehensive income	-	76,576	-	40,200

d. Operational risks

Operational risk is the risk of a direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Risk Management Committee identify and manage operational risk to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Internal Audit Division. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

e. Capital management

Regulatory capital

The Group's lead regulator, the CBUAE, sets and monitors regulatory capital requirements. The Group's objectives when managing capital are as follows:

- Safeguard the Group's ability to continue as a going concern and increase returns for shareholders; and
- Comply with regulatory capital requirements set by the CBUAE.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

5. Risk management (continued)

ii. Financial risk management (continued)

e. Capital management (continued)

The Group's regulatory capital adequacy ratio is set by the CBUAE. The Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the year. The Group has adopted a standardised approach for Credit risk and Market risk and a Basic Indicator approach for Operational Risk as a starting point and is working towards migrating to foundation internal rating based (IRB) and advanced IRB as per time line set by CBUAE.

- Tier 1 capital, which includes ordinary share capital, translation reserve and retained earnings
- Tier 2 capital, which includes fair value reserves relating to unrealised gains / losses on financial assets classified as FVTPL, FVTOCI and collective impairment provision.

The following limits have been applied for Tier 2 capital:

- Total tier 2 capital shall not exceed 67% of tier 1 capital
- Subordinated liabilities shall not exceed 50% of total tier 1 capital
- Collective impairment provision shall not exceed 1.25% of total risk weighted assets.

The table below summarises the composition of regulatory capital of the Group:

	Basel II	
	2015	2014
Tier 1 capital		
Ordinary share capital	**2,425,500**	2,425,500
Retained earnings	**870,418**	789,328
Statutory and special reserve	**89,008**	89,008
Legal Reserve	**1,330,626**	1,330,626
Total tier 1 capital base	**4,715,552**	**4,634,462**
Tier 2 capital		
Fair value reserve	**(31,867)**	(68,698)
Collective impairment provisions	**282,168**	164,004
Total tier 2 capital base	**250,301**	95,306
Total capital base	4,965,853	**4,729,768**
On balance sheet	**30,173,724**	26,215,700
Off balance sheet	**1,626,256**	2,020,661
Risk weighted assets:		
Credit risk	**20,609,122**	18,208,143
Market risk	**48,498**	7,631
Operational risk	**1,915,850**	1,558,300
Risk weighted assets	**22,573,470**	19,774,074
Tier 1 ratio	**20.89%**	23.44%
Capital adequacy **ratio**	**21.99%**	23.92%

5. Risk management (continued)

ii. Financial risk management (continued)

e. Capital management (continued)

Risk weighted capital requirement

The Group has adopted the standardised approach for credit risk, market risk and basic indicator approach for operational risk for regulatory reporting purposes. The Group's risk weighted capital requirement for credit, market and operation risk are given below:

Risk weights for credit risk

The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the Standard Portfolio approach mentioned under the CBUAE Basel II Capital Adequacy Framework. The descriptions of the counterparty classes along with the risk weights used to derive the risk weighted assets are as follows:

Claims on sovereigns
These pertain to exposures to governments and their central banks. Claims on central banks and sovereigns are risk weighted in accordance with their ratings from acceptable ECAIs, except that, for all GCC sovereigns a 0% weight has been applied.

Claims on public sector entities (PSEs)
Domestic currency claims on GCC non commercial PSE were treated as claims on GCC sovereign if their central bank or monetary authority treats them as such. Foreign currency claims on GCC PSE were treated one grade less favorable than its sovereign i.e. 20% risk weight were applied. Claims on other foreign noncommercial PSE were treated one grade less favorable than its sovereign. Claims on commercial PSE were treated as claims on corporate.

Claims on multilateral development banks (MDBs)
All MDBs are risk weighted in accordance with the banks credit rating except for those members listed in the World Bank Group which are risk weighted at 0%.

Claims on banks
Claims on banks are risk weighted based on the ratings assigned to them by external rating agencies, however, short term claims denominated in local currency were assigned more favorable risk weighting. No claim on an unrated bank would receive a risk weight lower than that applied to claims on its sovereign of incorporation.

Claims on corporate portfolio
Claims on corporate are risk weighted in accordance with ratings from acceptable ECAIs. Risk weightings for unrated corporate claims are assigned at 100%.

Claims on regulatory retail exposures
Retail claims that are included in the regulatory retail portfolio are assigned risk weights of 75% (except for past due loans), if it meets the criteria mentioned in the CBUAE BASEL-II guidelines.

Claims secured by residential property
A preferential risk weight of 35% was applied on claims that did not exceed AED 10 million and the claim was secured by residential property with LTV of up to 85%. Other claims secured on residential property were risk weighted 100%.

Claims secured by commercial property
100% risk weight was applied on claims secured by commercial property.

5. Risk management (continued)

ii. Financial risk management (continued)

e. Capital management (continued)

Past due exposures
The unsecured portion of any loan (other than a qualifying residential mortgage loan) that is past due for more than 90 days, net of specific provisions (including partial write-offs), is risk weighted as follows:

- 150% risk weight when specific provisions are less than 20% of the outstanding amount of the financing; and

- 100% risk weight when specific provisions are greater than 20% of the outstanding amount of the financing.

Equity portfolios

0% risk weight was applied on equity in trading book. Equity in banking book was risk weighted at 100%.
The risk weighted at 100% for other exposures.

Risk weighted assets as per standardised approach is set out below:

31 December 2015

Assets classes (on net basis)	On balance sheet - net	Off balance sheet	Credit risk mitigation (CRM)			Risk weighted assets
			Exposure before CRM	CRM	After CRM	
Claims on sovereigns	6,350,869	2,333	6,353,202	-	6,353,202	232,735
Claims on non-central government public sector entities (PSES)	1,094,192	2,321	1,096,513	-	1,096,513	1,541
Claims on banks	4,887,448	89,729	4,977,177	-	4,977,177	1,682,156
Claims on corporate	5,519,717	1,499,392	7,019,109	(41,028)	6,978,081	7,009,126
Claims included in the regulatory retail portfolio	6,611,329	30,000	6,641,329	(19)	6,641,310	6,209,524
Claims secured by residential property	11,365	-	11,365	-	11,365	8,887
Claims secured by commercial real estate	42,550	-	42,550	-	42,550	42,550
High risk categories	7,125	-	7,125	-	7,125	10,688
Past due financing receivables	551,054	2,481	553,535	-	553,535	630,193
Other assets	5,098,075	-	5,098,075	-	5,098,075	4,781,722
Total claims	30,173,724	1,626,256	31,799,980	(41,047)	31,758,933	20,609,122
Total credit risk						20,609,122

5. Risk management (continued)

ii. Financial risk management (continued)

e. Capital management (continued)

31 December 2014

Assets classes (on net basis)	On balance sheet - net	Off balance sheet	Credit risk mitigation (CRM)			Risk weighted assets
			Exposure before CRM	CRM	After CRM	
Claims on sovereigns	4,356,299	77,170	4,433,469	-	4,433,469	90,707
Claims on non-central government public sector entities (PSES)	2,090,140	25	2,090,165	-	2,090,165	28,638
Claims on banks	4,564,826	110,105	4,674,931	-	4,674,931	2,176,107
Claims on corporate	5,072,807	1,771,041	6,843,848	(27,625)	6,816,223	6,203,306
Claims included in the regulatory retail portfolio	5,429,440	30,469	5,459,909	(19)	5,459,890	5,051,667
Claims secured by residential property	17,916	-	17,916	-	17,916	14,739
Claims secured by commercial real estate	51,447	-	51,447	-	51,447	51,447
High risk categories	11,539	-	11,539	-	11,539	17,309
Past due financing receivables	708,711	31,851	740,562	(27,147)	713,415	933,181
Other assets	3,912,575	-	3,912,575	-	3,912,575	3,641,042
Total claims	**26,215,700**	**2,020,661**	**28,236,361**	**(54,791)**	**28,181,570**	**18,208,143**
Total credit risk						**18,208,143**

Risk weights for market risk

Capital requirement for market risk is calculated using the standardised approach. The capital requirement for market risk is analysed into capital requirement for profit rate risk, equity risk, foreign exchange risk.

A summary of the capital requirement for market risk under standardised approach under Basel II is set out below:

	2015	2014
Equity position risk	-	73
Foreign currency risk	5,820	842
	5,820	915

Risk weight for operational risk

The capital requirement for operation risk is calculated using the basic indicator approach. The total capital requirement is calculated as 15% of last three years average income which amounts to AED 153 million *(2014: AED 125 million)*.

6. Cash and balances with banks and financial institutions:

	2015	2014
Cash	**316,512**	271,386
Deposits with CBUAE	**1,308,370**	1,882,525
Due from banks (Note 6.1)	**977,163**	913,172
	2,602,045	**3,067,083**

6.1 Due from banks - by geographical distribution

GCC countries	**270,351**	518,126
Europe	**291,218**	186,301
USA	**374,495**	201,718
North America	**39,872**	6,144
Others	**1,227**	883
	977,163	**913,172**

7. International murabaha and wakalah with financial institutions:

International murabaha and wakalah represent transactions with local and international banks with residual maturity less than one year from the reporting date.

International murabaha	**670,254**	3,934
Wakala arrangements	**3,645,443**	3,210,929
	4,315,697	**3,214,863**

International murabaha and wakalah with financial institutions by geographical distribution:

Within UAE	**3,223,362**	2,313,444
GCC countries	**908,685**	717,769
Others	**183,650**	183,650
	4,315,697	**3,214,863**

8. Financing receivables :

Financing receivables are secured by acceptable forms of collateral to mitigate the related credit risk. Financing receivables comprise the following:

a) By type

Vehicle murabaha	**364,673**	421,716
Goods murabaha	**4,365,302**	3,892,281
Real estate murabaha	**281,875**	386,354
Other murabaha receivable	**506,895**	938,465
Syndicate murabaha	**473,549**	558,917
Syndicate musharaka	**150,000**	150,000
Qard hasan	**559,486**	62,307
Credit card receivables	**23,857**	36,408
Istisna	**102,452**	18,375
Deferred Profit	**(445,027)**	(572,202)
Provision for impaired financing receivables	**(647,728)**	(420,920)
	5,735,334	**5,471,701**

8. Financing receivables (continued)

b) By sector

	2015	2014
Government departments and authorities	**34,496**	50,926
Construction	**181,715**	599,656
Manufacturing	**317,996**	269,593
Transportation	**245,482**	137,358
Real estate	**229,256**	288,193
Trading	**914,096**	951,378
Financial institutions	**324,473**	219,561
Other services	**213,841**	178,085
Individual	**1,749,795**	1,642,631
High net worth individuals	**2,607,366**	2,121,262
Others	**9,573**	6,180
Deferred profit	**(445,027)**	(572,202)
Provision for impaired financing receivables	**(647,728)**	(420,920)
	5,735,334	**5,471,701**

c) Impairment provision for financing receivables

Balance, beginning of the year	**420,920**	225,580
Written off during the year	**(29,600)**	(13,463)
Additional provision for the year	**262,371**	217,000
Recoveries and write-backs during the year	**(5,963)**	(8,197)
	647,728	**420,920**

9. Ijarah receivable

Ijarah receivable are finance leases, which comprise the following:

a) Net investment in Ijarah receivable

Gross investment	**10,849,874**	9,152,867
Provision for impaired ijarah receivable	**(236,001)**	(149,914)
	10,613,873	**9,002,953**

b) By sector

Government departments and authorities	**5,462,672**	4,651,526
Construction	**535,536**	409,837
Manufacturing	**227,493**	239,538
Transportation	**106,050**	128,721
Real estate	**574,068**	356,660
Trading	**146,891**	217,705
Financial institutions	**39,533**	8,945
Other Services	**330,195**	363,370
Individual	**1,008,177**	741,506
High net worth individuals	**2,419,259**	2,035,059
Provision for impaired Ijarah receivable	**(236,001)**	(149,914)
	10,613,873	**9,002,953**

9. Ijarah receivable (continued)

c) Impairment provision for Ijarah receivable

	2015	2014
Balance, beginning of the year	**149,914**	133,995
Written off during the year	**(5,985)**	(8,359)
Additional provision for the year	**93,772**	65,611
Recoveries and write-backs during the year	**(1,700)**	(41,333)
	236,001	**149,914**

d) The net investment in Ijarah receivable comprises:

Less than one year	**597,208**	1,223,951
Between one and five years	**4,029,437**	5,000,548
More than five years	**5,987,228**	2,778,454
	10,613,873	**9,002,953**

10. Investment securities:

Investments comprise the following:

- Financial assets at fair value through profit or loss	**41,835**	90,194
- Financial assets at fair value through other comprehensive income	**865,588**	401,653
- Financial assets measured at amortised cost	**1,456,737**	1,089,320
	2,364,160	**1,581,167**

Investment securities – by category

Debt securities	**1,486,191**	1,119,199
Equities and others	877,969	461,968
	2,364,160	**1,581,167**

Investment securities – by geographical distribution

- Financial assets at fair value through profit or loss:		
Domestic	**11,265**	56,535
International	**30,570**	33,659
	41,835	**90,194**
- Financial assets at fair value through other comprehensive income		
Domestic	**756,227**	111,713
International	**109,361**	289,940
	865,588	**401,653**
- Financial assets measured at amortised cost		
Domestic	**1,026,991**	767,617
International	**429,746**	321,703
	1,456,737	**1,089,320**

10. Investments securities (continued)

Investments securities – by quoted / unquoted

- Financial assets at fair value through profit or loss:	2015	2014
Quoted	41,284	87,830
Unquoted	551	2,364
	41,835	90,194
-Financial assets at fair value through other comprehensive income		
Quoted	665,433	298,754
Unquoted	200,155	102,899
	865,588	401,653
- Financial assets measured at amortised cost		
Quoted	1,207,202	876,516
Unquoted	249,535	212,804
	1,456,737	1,089,320

10.1 The Bank has purchased equity investments worth AED 367.3 million during the year ended 31 December 2015 *(2014: 91.8 million)*. Equity investments purchased during the year have been classified under fair value through other comprehensive income.

11. Investment properties

	Land and Completed properties	Properties – under construction	Total
Balance as at 1 January 2015	444,506	984	445,490
Additions	68,252	180	68,432
Transfer from held-for-sale	972,739	-	972,739
Transfer to held-for-sale	-	(984)	(984)
Disposal	(11,838)	-	(11,838)
Revaluation gain	337,945	-	337,945
As at 31 December 2015	1,811,604	180	1,811,784
Balance as at 1 January 2014	325,093	14,259	339,352
Additions	88,738	176	88,914
Transfer	13,451	(13,451)	-
Revaluation gain	17,224	-	17,224
As at 31 December 2014	444,506	984	445,490

- Investment properties by geographical distribution:	2015	2014
Domestic	1,811,784	439,288
International	-	6,202
	1,811,784	445,490

The carrying amount of investment property is the fair value of the property as determined by an independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on an annual basis. Fair values were determined based on open market value basis, significant assumption taken by the valuer are mentioned in note 29.

During 2015, some properties were transferred to investment properties, because they no longer meet the criterea for properties held for sale. Previously, these properties were either under construction or under the master plan for construction for the purposes of disposal in the short term. However, owing to the real estate market sentiments and for the purpose of long term capital appreciation, these properties have now been reclassified to investment properties. Immediately before transfer, the Bank remeasured the property to fair value and recognised a gain of AED 341.6 million in the consolidated statement of income. The valuation techniques and significant unobservable inputs used in measuring the fair value of the properties at the date of transfer were the same as those applied to investment properties at the reporting date.

12. Properties held for sale

	Land and Completed Properties	Properties – under construction	Total
Balance as at 1 January 2015	**1,154,453**	**276,012**	**1,430,465**
Addition	**17,494**	**220,537**	**238,031**
Transfer to investment properties	**(972,739)**	**(18,257)**	**(990,996)**
Transfer to completed properties	**408,572**	**(408,572)**	**-**
Disposal	**-**	**(14,482)**	**(14,482)**
Transfer others	**-**	**(10,053)**	**(10,053)**
As at 31 December 2015	**607,780**	**45,185**	**652,965**
Balance as at 1 January 2014	932,489	187,779	1,120,268
Addition	241,899	259,372	501,271
Disposal	(26,696)	(171,139)	(197,835)
Revaluation gain	6,761	-	6,761
As at 31 December 2014	1,154,453	276,012	1,430,465

13. Other assets

Prepaid expenses	**114,652**	61,459
Profit receivable	**178,819**	155,640
Sundry debtors	**301,231**	166,614
Assets available for sale - murabaha assets	**11,872**	20,501
Others	**37,937**	47,582
Reimbursements under acceptances	**201,436**	399,746
	845,947	851,542

14. Property and equipment

	Freehold land & buildings	Equipment, furniture & fittings	Computer equipment	Motor vehicles	Capital - work in progress	Total
Cost – 2015						
As at 1 January 2015	**957,290**	**123,754**	**57,855**	**5,572**	**32,924**	**1,177,395**
Additions	**2,406**	**3,653**	**2,190**	**-**	**18,215**	**26,464**
Transfer to investment properties	**-**	**-**	**-**	**-**	-	**-**
Disposals	**(2,164)**	**(2,493)**	**(11,793)**	**-**	**-**	**(16,450)**
Capitalised	**3,744**	**1,006**	7,802	**-**	(12,552)	**-**
As at 31 December 2015	**961,276**	**125,920**	**56,054**	**5,572**	**38,587**	**1,187,409**
Accumulated depreciation - 2015						
As at 1 January 2015	**102,585**	**82,985**	**41,207**	**2,994**	**-**	**229,771**
Additions	**12,468**	**10,541**	**9,239**	**880**	**-**	**33,128**
Disposals	**(2,164)**	**(2,424)**	**(11,790)**	**-**	**-**	**(16,378)**
As at 31 December 2015	**112,889**	**91,102**	**38,656**	**3,874**	**-**	**246,521**
Net book value						
As at 31 December 2015	**848,387**	**34,818**	**17,398**	**1,698**	**38,587**	**940,888**
As at 31 December 2014	854,705	40,769	16,648	2,578	32,924	947,624

15. Customers' deposits

	2015	2014
Current accounts	**6,124,354**	4,955,863
Saving accounts	**1,947,213**	1,696,577
Watany / call accounts	**619,203**	689,145
Time deposits	**7,843,191**	7,018,474
Margins	**419,057**	231,909
	16,953,018	14,591,968

16. Due to banks

Term deposit	**2,040,349**	2,448,285
On demand	**6,023**	7,379
	2,046,372	2,455,664

17. Sukuks payable

Name of issuer	Maturity date	31 December 2015		31 December 2014	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk Company II Limited	25 May 2016	**1,468,637**	4.715%	1,467,227	4.715%
SIB Sukuk Company III Limited	15 April 2018	**1,832,999**	2.95%	1,831,506	2.95%
SIB Sukuk 2020	17 March 2020	**1,832,224**	2.843%	-	-
Total		5,133,860		3,298,733	

The Bank through a Shari'a compliant Sukuk financing arrangements raised three Sukuks of US$ denominated medium term finance amounting to: US$ 400 million (AED 1.46 billion) on 24 May 2011, US$ 500 million (AED 1.83 billion) on 14 April 2013; and US$ 500 million (AED 1.82 billion) on 17 March 2015. SIB Sukuk Company II Limited is listed in London Stock exchange and SIB Sukuk Company III Limited and SIB Sukuk 2020 are listed in Irish Stock exchange.

The terms of the arrangement includes the transfer of certain leased assets of the Bank on a co-ownership basis to SIB Sukuk Company II Limited, SIB Sukuk Company III Limited and SIB Sukuk 2020, collectively referred to as ("the issuers"). These assets are under control of the Bank and shall be continued to be serviced by the Bank.. In case of any default, the Bank has provided an undertaking to make good all losses to the Sukuk holders.

The Issuers will pay the semi-annual distribution amounts from the returns received in respect of the leased assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amounts payable to Sukuk holders on each semi-annual distribution date. Upon maturity the Bank has undertaken to repurchase the assets at the exercise prices of US$ 400 million (AED 1.46 billion) against SIB Sukuk Company II Limited, US$ 500 million (AED 1.83 billion) against SIB Sukuk Company III Limited and US$ 500 million (AED 1.82 billion) against SIB Sukuk 2020.

18. Other liabilities

	2015	2014
Depositors' profit payable	**71,067**	48,329
Accrual and provision	**17,929**	10,181
Accounts payable	**80,495**	111,941
Provision for staff benefits	**55,142**	43,858
Profit reserve	**24,967**	28,807
Managers' cheques	**92,989**	43,558
Obligations under acceptances	**201,436**	399,746
Sundry creditors	**419,961**	269,377
Others	**2,709**	656
	966,695	**956,453**

19. Share capital

The Bank's issued and fully paid share capital comprises 2,425,500,000 shares of AED 1.0 each.

	2015		2014	
	No. of shares	**Value**	**No. of shares**	**Value**
Share capital	**2,425,500,000**	**2,425,500**	2,425,500,000	2,425,500

20. Proposed cash dividend and Bonus Share

The Directors propose to the Shareholders a cash dividend of 10% of the par value of share (AED 0.10 per share) amounting to AED 242.6 million *(2014: cash dividend of AED 242.6 million (AED 0.10 per share) for 2014).*

21. Proposed directors' remuneration

In accordance with the Ministry of Economy & Planning interpretation of Article 118 of Commercial Companies Law No. 8 of 1984, the proposed directors' remuneration of AED 5.3 million *(2014: AED 3.5 million)* has been treated as a as an appropriation from equity and is included in retained earnings.

22. Reserves

In accordance with the Bank's Articles of Association and Article (82) of Union Law No. 10 of 1980, the Bank transfers 10% of annual profits, if any, to the legal reserve until it equals 50% of the share capital. Also, in accordance with its Articles of Association, 10% of annual profits, if any, maybe transferred to a statutory reserve until it is suspended by an ordinary general meeting upon a proposal by the Board of directors. The Statutory reserve can be utilised for the purposes determined by the ordinary general meeting upon recommendations of the Board of Director. The movements in reserves are as follows:

	Legal reserve	Statutory reserve	Fair value Reserve
Balance at 1 January 2015	1,330,626	89,008	(68,698)
Transfer to reserve	-	-	28,833
Fair value adjustment	-	-	-
Change in fair value of financial assets	-	-	7,998
Balance at 31 December 2015	**1,330,626**	**89,008**	**(31,867)**

The fair value reserve comprises the cumulative net change in fair values of financial assets through other comprehensive income.

(Currency: Thousands of U.A.E. Dirham)

	2015	2014
23. Investment, fees, commission and other income:		
Fees and commissions	**155,612**	141,670
Net gains from dealing in foreign currencies	**26,388**	19,682
Income from investments securities	**110,226**	67,322
Income from sale of properties held-for-sale	**10,808**	9,357
Revaluation gains on investment properties	**337,945**	23,985
Rent income	**19,935**	14,684
Other operating income	**2,709**	175,458
	663,623	**452,158**

24. General and administrative expenses

Staff costs	**315,890**	289,207
Depreciation	**33,128**	33,034
Other general and administrative expenses	**109,114**	105,528
	458,132	**427,769**

25. Provision - net of recoveries

a) provision for customer receivables – net of recoveries		
Provision made during the year	**(356,143)**	(282,611)
Recoveries during the year	**7,663**	49,529
	(348,480)	**(233,082)**
b) Other provision – net of recoveries		
Impairment provision – investment securities	-	(12,804)
Impairment provision - customer receivables – SIFS, net	**(1,693)**	(736)
	(1,693)	**(13,540)**
c) Other recoveries		
Other recoveries during the year	**178**	**153**
Total provision - net of recoveries	**(349,995)**	**(246,469)**

26. Distribution to depositors:

The distribution of profit between depositor and shareholders is made in accordance with the methods approved by the Bank's Fatwa and Shari'a Supervisory Board effective from 1 July 2002. The Bank has adopted the "Common Pool Method" for distribution of profit between depositors and shareholders. The application of the above method resulted in:

Appropriation to depositors	**121,197**	106,148
Other adjustments	**(3,840)**	(375)
	117,357	**105,773**

27. Basic and diluted earnings per share

The calculation of earnings per share is based on earnings of AED 409.9 million *(2014 : AED 377.2 million)* for the year divided by the number of shares outstanding during the year. There is no dilution impact on basic earnings per share.

28. Cash and cash equivalents

Cash and cash equivalents comprise of:		
Cash and balances with banks and financial institutions	**2,602,045**	3,067,083
Wakala arrangements with financial institutions	**3,005,364**	2,726,354
	5,607,409	5,793,437
Less cash reserves with CBUAE	**(1,308,370)**	(1,082,525)
Cash and cash equivalents	**4,299,039**	4,710,912

Cash reserves with CBUAE are non-profit bearing and not available to fund day-to-day operations of the Bank.

29. Key accounting estimates, and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year and the resultant provisions and fair value. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, considerable judgment is required by management in respect of the following:

Impairment losses on financing receivables, Ijarah and other assets

The Group reviews its portfolios of financing receivables and ijarah receivable to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio within financing receivables and ijarah receivable before the decrease can be identified with an individual receivable in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of customers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss. Experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

29. Key accounting estimates, and judgments in applying accounting policies (continued)

Valuation of financial instruments (continued)

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation function, which is independent of front office management and reports to the Investment Committee, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations ;
- a review and approval process for new models and changes to models involving valuation function;
- calibration and back-testing of models against observed market transactions at regular intervals;
- analysis and investigation of significant valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by Investment Committee.

Significant valuation issues are reported to the Investment Committee.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

29. Key accounting estimates, and judgments in applying accounting policies (continued)

Valuation of financial instruments (continued)

	Note	Level 1	Level 2	Level 3	Total
31 December 2015					
Financial assets					
Investment securities - FVTPL	10	41,284	-	551	41,835
Investment securities – FVTOCI		665,433	-	200,155	865,588
Total		706,717	-	200,706	907,423
Non-financial assets					
Investment properties	11	-	-	1,811,784	1,811,784
31 December 2014					
Financial assets					
Investment securities - FVTPL	10	87,830	-	2,364	90,194
Investment securities – FVTOCI		298,754	-	102,899	401,653
Total		386,584	-	105,263	491,847
Non-financial assets					
Investment properties	11	-	-	445,490	445,490

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for investment securities:

	2015		2014	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Balance as at 1 January	2,364	102,899	52,754	143,745
Losses	(1,910)	(1,444)	(663)	(353)
Additions	97	99,831	-	-
Disposals	-	(1,131)	(49,727)	(40,493)
Balance as at 31 December	551	200,155	2,364	102,899

Non-financial assets

	2015	2014
Balance as at 1 January 2015	445,490	339,352
Additions	68,432	88,914
Transfer from held-for-sale	972,739	-
Transfer to held-for-sale	(984)	-
Disposal	(11,838)	-
Revaluation gain	337,945	17,224
As at 31 December 2015	1,811,784	445,490

Unobservable inputs used in measuring fair value

The investment banking division constantly monitors the progress of its investments by conducting its own valuation assessment along with information provided by the fund manager. Depending on the nature of the underlying asset, quantitative methods are used such as residual value, DCF/scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed.

29. Key accounting estimates, and judgments in applying accounting policies (continued)

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

	Effect on profit or loss		Effect on OCI	
31 December 2015	Favorable	Unfavorable	Favorable	Unfavorable
	181,234	**(181,234)**	**20,016**	**(20,016)**

	Effect on profit and loss		Effect on OCI	
31 December 2014	Favorable	Unfavorable	Favorable	Unfavorable
	44,785	(44,785)	10,290	(10,290)

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2015	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Financial assets					
Cash and balances with banks and financial institutions	-	2,602,045	-	2,602,045	2,602,045
International murabaha and wakalah with financial institutions	-	4,315,697	-	4,315,697	4,315,697
Financing receivables	-	-	5,735,334	5,735,334	5,735,334
Ijarah receivables	-	-	10,613,873	10,613,873	10,613,873
Financial assets measured at amortised cost	1,207,202	-	249,535	1,456,737	1,456,737
Other assets	-	719,423	-	719,423	719,423
Total	1,207,202	7,637,165	16,598,742	25,443,109	25,443,109
Financial Liabilities					
Customers' deposits	-	16,953,018	-	16,953,018	16,953,018
Due to banks	-	2,046,372	-	2,046,372	2,046,372
Sukuks payable	-	5,133,860	-	5,133,860	5,133,860
Other liabilities	-	1,045,042	-	1,045,042	1,045,042
Total	-	25,178,292	-	25,178,292	25,178,292

29. Key accounting estimates, and judgments in applying accounting policies (continued)

Financial instruments not measured at fair value (continued)

31 December 2014	Level 1	Level 2	Level 3	Total Fair value	Total Carrying amount
Financial assets					
Cash and balances with banks and financial institutions	-	3,067,083	-	3,067,083	3,067,083
International murabaha and wakalah with financial institutions	-	3,214,863	-	3,214,863	3,214,863
Financing receivables	-	-	5,471,701	5,471,701	5,471,701
Ijarah receivables	-	-	9,002,953	9,002,953	9,002,953
Financial assets measured at amortised cost	876,516	-	212,804	1,089,320	1,089,320
Other assets	-	790,083	-	790,083	790,083
Total	876,516	**7,072,029**	**14,687,458**	**22,636,003**	**22,636,003**
Financial Liabilities					
Customers' deposits	-	14,591,968	-	14,591,968	14,591,968
Due to banks	-	2,455,664	-	2,455,664	2,455,664
Sukuks payable	-	3,298,733	-	3,298,733	3,298,733
Other liabilities	-	956,453	-	956,453	956,453
Total	-	**21,302,818**	-	**21,302,818**	**21,302,818**

For the purpose of above table, following assumptions have been taken:

1. In respect of those financial assets and financial liabilities measured at amortised cost, which are of short term nature (up to 1 year), management believes that carrying amount is equivalent to its fair value.

2. In respect of investments in sukuks, management has used the quoted price for disclosure of their fair values.

3. Financing to customers are fair valued based on discounted cash flow which takes into account original underlying cash borrower credit grading and expected prepayments. These features are used to estimate expected cash flows and discounted at risk-adjusted rates. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

4. Fair values of customer deposits and due to banks is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

Valuation of investment property

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio annually.

29. Key accounting estimates, and judgments in applying accounting policies (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Group has taken the highest and best use fair values for the fair value measurement of its investment properties.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
		The estimated fair value increase / decrease if:
Investment method	Expected market rental growth rate	Expected market rental growth rate were higher
	Risk adjusted discount rates	The risk adjusted discount rates were lower / higher
	Free hold property	The property is not free hold
	Free of covenants, third party rights and obligations	The property is subject to any covenants, rights and obligations
	Statutory and legal validity	The property is subject to any adverse legal notices / judgment
	Condition of the property	The property is subject to any defect / damages
Comparison method	Not applicable	Not applicable

30. Segment reporting

The Bank's activities comprise the following main business segments:

a. Government and corporate

Within this business segment the Bank provides companies, institutions and government departments with a range of Islamic financial products and services.

b. Retail

The retail segment provides a wide range of Islamic financial services to individuals.

c. Investment and treasury

This segment mainly includes income on investments of the Bank and other money market activities.

d. Subsidiaries

SNH through its divisions is engaged in operating hotels and resorts, catering and related services and Sharjah Islamic Financial service which is offering brokerage services for trading in Islamic Sharia'a compliant shares.

30. Segment reporting (continued)For the year ended 31 December 2015:	Corporate and government	Retail	Investment and treasury	Hospitality and brokerage	Total
Consolidated statement of income:					
Income from murabaha and leasing	397,678	334,946	79,252	-	811,876
Profit expense on sukuks	-	-	(168,634)	-	(168,634)
Investments, fees, commission and other income	84,184	68,054	507,031	-	659,269
Income for subsidiaries	-	-	-	28,544	28,544
Unallocated income	-	-	-	-	4,354
Total income	481,862	403,000	417,649	28,544	1,335,409
General and administrative expenses	-	-	-	(32,841)	(32,841)
Unallocated general and administrative expenses	-	-	-	-	(425,291)
Net operating income	481,862	403,000	417,649	(4,297)	877,277
Provisions- net of recoveries	(193,120)	(143,406)	(11,776)	(1,693)	(349,995)
Profit before distribution to depositors	288,742	259,594	405,873	(5,990)	527,282
Distribution to depositors	(74,625)	(40,844)	(1,888)	-	(117,357)
Profit for the year	214,117	218,750	403,985	(5,990)	409,925
As at 31 December 2015:					
Consolidated statement of financial position:					
Assets					
Segment assets	9,745,577	6,828,420	11,654,033	669,085	28,897,115
Unallocated assets	-	-	-	-	985,578
Total assets	9,745,577	6,828,420	11,654,033	669,085	29,882,693
Liabilities					
Segment liabilities	9,946,154	7,222,566	7,180,232	65,856	24,414,808
Unallocated liabilities	-	-	-	-	763,484
Total liabilities	9,946,154	7,222,566	7,180,232	65,856	25,178,292

For the year ended 31 December 2014:	Corporate and government	Retail	Investment and treasury	Hospitality and brokerage	Total
Consolidated statement of income:					
Income from murabaha and leasing	391,761	340,890	53,944	-	786,595
Profit expense on sukuks	-	-	(126,627)	-	(126,627)
Investments, fees, commission and other income	75,620	52,945	128,367	-	256,932
Income for subsidiaries	-	-	-	45,061	45,061
Unallocated income	-	-	-	-	195,226
Total income	467,381	393,835	55,684	45,061	1,157,187
General and administrative expenses	-	-	-	(38,113)	(38,113)
Unallocated general and administrative expenses	-	-	-	-	(389,656)
Net operating income	467,381	393,835	55,684	6,948	729,418
Provisions- net of recoveries	(30,061)	(188,737)	(26,935)	(736)	(246,469)
Profit before distribution to depositors	437,320	205,098	28,749	6,212	482,949
Distribution to depositors	(66,109)	(38,118)	(1,546)	-	(105,773)
Profit for the year	371,211	166,980	27,203	6,212	377,176
Consolidated statement of financial position:					
As at 31 December 2014:					
Assets					
Segment assets	9,120,615	5,889,897	9,365,332	682,097	25,057,941
Unallocated assets	-	-	-	-	954,947
Total assets	9,120,615	5,889,897	9,365,332	682,097	26,012,888
Liabilities					
Segment liabilities	9,048,192	5,956,929	5,741,743	72,738	20,819,602
Unallocated liabilities	-	-	-	-	604,894
Total liabilities	9,048,192	5,956,929	5,741,743	72,738	21,424,496

30. Segment reporting (continued)

Assets 2015	Total	GCC	Other Arab Countries	North America	USA	Europe	Asia	Other
Cash and balances with banks and financial institutions	2,602,045	1,896,066	185	39,872	374,495	291,218	141	68
International murabaha and wakalah with financial institutions	4,315,697	4,132,047	-	-	-	183,650	-	-
Financing receivables	5,735,334	5,688,851	-	-	-	31,223	15,260	-
Financing ijarah	10,613,873	10,613,873	-	-	-	-	-	-
Investments securities	2,364,160	1,982,937	-	-	-	166,198	188,476	26,549
Investment properties	1,811,784	1,811,784	-	-	-	-	-	-
Properties held for sale	652,965	652,965	-	-	-	-	-	-
Other assets	845,947	845,947	-	-	-	-	-	-
Property and equipment	940,888	940,888	-	-	-	-	-	-
Total assets	29,882,693	28,565,358	185	39,872	374,495	672,289	203,877	26,617
Liabilities 2015								
Customers' deposits	16,953,018	16,923,184	9,323	-	56	11,382	8,491	582
Due to banks	2,046,372	2,045,102	-	-	574	-	696	-
Sukuks payable	5,133,860	5,133,860	-	-	-	-	-	-
Other liabilities and zakat payable	1,045,042	1,045,042	-	-	-	-	-	-
Shareholders' Equity	4,704,401	4,704,401	-	-	-	-	-	-
Total liabilities and shareholder's equity	29,882,693	29,851,589	9,323	-	630	11,382	9,187	582

(Currency: Thousands of U.A.E. Dirham)

30. Segment reporting (continued)

Assets 2014	Total	GCC	Other Arab Countries	North America	USA	Europe	Asia	Other
Cash and balances with banks and financial institutions	3,067,083	2,672,038	475	6,144	201,717	186,301	183	225
International murabaha and wakalah with financial institutions	3,214,863	3,031,213	-	-	-	183,650	-	-
Financing receivables	5,471,701	5,391,662	-	-	-	80,039	-	-
Financing ijarah	9,002,953	9,002,953	-	-	-	-	-	-
Investments securities	1,581,167	1,306,223	8,865	-	2,236	149,980	95,498	18,365
Investment properties	445,490	439,288	6,202	-	-	-	-	-
Properties held for sale	1,430,465	1,430,465	-	-	-	-	-	-
Other assets	851,542	851,542	-	-	-	-	-	-
Property and equipment	947,624	947,624	-	-	-	-	-	-
Total assets	26,012,888	25,073,008	15,542	6,144	203,953	599,970	95,681	18,590
Liabilities 2014								
Customers' deposits	14,591,968	14,569,525	3,715	3	55	13,429	4,608	633
Due to banks	2,455,664	2,372,798	-	-	-	-	82,866	-
Sukuks payable	3,298,733	3,298,733	-	-	-	-	-	-
Other liabilities and zakat payable	1,078,131	1,078,131	-	-	-	-	-	-
Shareholders' Equity	4,588,392	4,588,392	-	-	-	-	-	-
Total liabilities and shareholder's equity	26,012,888	25,907,579	3,715	3	55	13,429	87,474	633

31. Contingencies and commitments

The Bank provides financial guarantees and letter of credit to meet the requirements of the Bank's customers. These agreements have fixed limits and expirations and are not concentrated in any period.

The amounts reflected for guarantees represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

These contingent liabilities have off balance-sheet credit risk as only the related fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

	2015	2014
a)Letter of credit - by sector:		
Corporate	**202,089**	259,802
Government	**14,164**	2,064
	216,253	261,866
b)Letter of guarantee – by sector:		
Banks	**7,723**	16,396
Corporate	**1,237,847**	874,823
Government	**152**	75,095
High net worth individual	**17,939**	11,932
Individual	**9,624**	8,706
Non-banking financial institution	**135,026**	97,709
	1,408,311	1,084,661

Others

The Bank has issued a financial commitment of AED 50 million *(2014: AED 50 million)* to the Real Estate Department of UAE/Sharjah against under construction building of ASAS Tower, till the completion of project.

The Bank has also issued a financial commitment of AED 5 million *(2014: AED 5 million)* to the Department of Economic Development against real estate leasing and management license to ASAS real estate.

In addition a financial commitments of AED 230.0 Million which comprises of AED 100.0 million issued to Abu Dhabi securities exchange, AED 100.0 million to Dubai Financial Market and AED 30.0 million to UAE Central Bank against conducting brokerage operations for Sharjah Islamic Financial Services*(2013 : AED 230.0 million)*.

32. Related parties

The Bank has transactions in the ordinary course of business with directors, staff of the Bank and entities of which they are principal owners on agreed basis.

The significant balances outstanding at 31 December in respect of related parties included in the consolidated financial statements are as follows:

Government of Sharjah receivables	**2,377,000**	1,600,000
Government departments and authorities receivables	**2,910,215**	2,823,497
Other financing receivables and investing activities	**821,097**	820,578
Government of Sharjah deposits	**51,849**	193,371
Government department & authority deposits	**2,007,947**	1,521,903
Other deposits	**562,141**	471,656
Contingent liabilities	**154,851**	211,527
Income from financing and investing activities	**252,768**	294,765
Depositors' share of profit	**13,505**	14,045

32. Related parties(continued)

Key management compensation includes salaries and other short term benefits of AED 20.3 million in 2015 *(2014: AED* 18.0 *million)* and post-employment benefits of AED 2.7 million in 2015 *(2014: AED* 4.0 million*)*.

No impairment loss has been recognised against balances outstanding with key management personnel and other related parties.

33. Social contributions

The Bank has made social contributions of AED 99.2 million *(2014: AED 35.8 million)* from zakat fund. Zakat fund is calculated in accordance with note 4(k).

The Bank during the year has also made a social contribution of AED 3.1 million *(2014: AED 8.3 million)* as donations and charities. These donations and charities are the amounts collected from the customers of the Bank as approved and defined by Bank's Fatwa and Shari'a Supervisory Board.

34. Fiduciary activities

The Bank has launched a sharia'a compliant investment fund 'Tharwa Islamic Equity Portfolio' ("the fund") during 2005. The Bank in its capacity as a portfolio agent of the fund is responsible for certain fiduciary activities on behalf of customers investing in the fund. At the reporting date, the net assets value of the fund was AED 20.7 million *(2014: AED* 18.5 *million)*.

35. Comparatives figures

Certain prior year comparatives have been reclassified in order to conform to current year's presentation. The comparatives set out in these consolidated financial statements represent the activities of the Group.