
SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(UN – AUDITED)
31 MARCH 2012

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK ("the Bank") for the three-month period ended 31st March 2012.

Financial Highlights


The Group has reported a net profit of AED 82.7 million for the three-month period ended 31th March 2012 compared to AED 70.0 million for the corresponding prior year period, an increase of 18.2%.

Compared to December 2011, total assets decreased by AED 88.5 million to reach AED 17.7 billion, a decrease of 0.5%, financing receivables and leased assets increased by 0.2 % (AED 23.4 million) to reach AED 10.5 billion, and customer deposits experienced a growth of 1.3 % (AED 131.5 million) to reach AED 10.5 billion.

Directors:-

H.H. Shaikh Sultan Bin Mohammed Bin Sultan Al Qassimi	Chairman
H.E. Abdul Rahman Mohammed Nasser Al Owais	Vice Chairman
Mr. Othman Mohammed Sharif Zaman	Member
Mr. Ahmed Ghanim Al Suwaidi	Member
Mr. Ali Bin Salim Al Mazrou	Member
Mr. Ahmed Mohamed Obaid Al Shamsi	Member
Mr. Jassar Dakhil Al Jassar	Member
Mr. Mohammad N. Al Fouzan	Member



 Sultan Bin Mohammed Bin Sultan Al Qassimi
Chairman
18th April 2012



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Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders SHARJAH ISLAMIC BANK PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sharjah Islamic Bank PJSC ("the Bank") and its subsidiaries (collectively referred as "the Group") as at 31 March 2012, the condensed consolidated interim statements of comprehensive income (comprising a separate condensed consolidated interim statement of income and a condensed consolidated interim statement of comprehensive income), changes in equity and cash flows for the three-month period then ended, and notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards IAS 34, "*Interim financial reporting*". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34, "*Interim Financial Reporting*".

KPMG
Munther Dajani
Registration No: 268

1 8 APR 2012

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

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

	31 March 2012 <u>Un-audited</u>	31 December 2011 <u>Audited</u>
Assets		
Cash and balances with banks and financial institutions	1,625,351	1,770,432
International murabaha and wakalah with financial institutions	2,362,346	2,341,534
Financing receivables	2,452,107	2,370,688
Leased assets	7,998,746	8,056,746
Investments securities	718,517	734,536
Investment properties	177,207	177,207
Properties held-for-sale	1,026,923	1,020,803
Other assets	412,017	408,198
Property and equipment	871,447	852,998
Total assets	<u>17,644,661</u>	<u>17,733,142</u>
Liabilities		
Customers' deposits	10,530,384	10,398,853
Due to banks	744,626	900,972
Sukuk payable	1,463,429	1,463,062
Other liabilities	517,360	413,742
Accrued zakat	73,757	150,355
Total liabilities	<u>13,329,556</u>	<u>13,326,984</u>
Shareholders' equity		
Share capital	2,425,500	2,425,500
Legal reserve	1,327,617	1,327,617
Statutory reserve	89,008	89,008
Revaluation reserve	(46,340)	(20,481)
Retained earnings	519,320	584,514
Total shareholders' equity	<u>4,315,105</u>	<u>4,406,158</u>
Total liabilities and shareholders' equity	<u>17,644,661</u>	<u>17,733,142</u>
Contingent Liabilities		
Letters of credit	152,872	153,106
Letters of guarantee	860,508	660,447
	<u>1,013,380</u>	<u>813,553</u>

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 18th April 2012.


Sultan Bin Mohammed Bin Sultan Al Qassimi
Chairman


Mohammed Ahmed Abdullah
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 31 March	
	2012	2011
Income from murabaha and leasing	181,220	182,374
Profit paid on sukuk	(17,685)	(2,168)
Fees, commission and other income	40,111	32,419
Income from subsidiaries	7,759	8,133
Total income	211,405	220,758
General and administrative expenses	(78,729)	(76,190)
Net operating income	132,676	144,568
Provisions - net of recoveries	(8,968)	(9,802)
Net profit before distribution to depositors	123,708	134,766
Distribution to depositors	(40,972)	(64,796)
Net profit for the period	82,736	69,970
Earning per share (U.A.E. Dirhams)	0.03	0.03

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 31 March	
	2012	2011
Net profit for the period	82,736	69,970
Other comprehensive income		
Net changes in fair value reserve	(25,859)	52
Total comprehensive income for the period (attributable to the equity holders of the Bank)	56,877	70,022

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 31 March	
	2012	2011
Cash flows from operating activities:		
Net profit for the period	82,736	69,970
Adjustments:		
Depreciation and amortisation	6,601	6,339
Provision on customer receivables	15,765	8,991
Impairment losses on investments securities	441	988
Operating profit before changes in operating assets and liabilities	105,543	86,288
Changes in operating assets and liabilities:		
Change in reserve with Central Bank of UAE	(1,871)	(7,356)
Change in international murabaha and wakalah with financial institutions	136,241	76,509
Change in financing receivables and leased assets	(39,184)	(620,579)
Change in other assets, net	(3,819)	(4,447)
Change in customers' deposits	131,531	757,020
Change in due to banks	(156,346)	(354,265)
Change in zakat payable	(76,598)	(8,544)
Change in other liabilities	103,618	142,278
Net cash provided by operating activities	199,115	66,904
Cash flows from investing activities:		
Properties and equipment - net	(24,683)	(5,179)
Acquisition of properties held-for-sale	(6,120)	(4,757)
Investments securities	(10,281)	8,427
Net cash used in investing activities	(41,084)	(1,509)
Cash flows from financing activities:		
Board of Directors' fees paid	(2,400)	(2,470)
Cash dividends	(145,530)	(133,403)
Net cash used in financing activities	(147,930)	(135,873)
Net increase/(decrease) in cash and cash equivalents	10,101	(70,478)
Cash and cash equivalents, beginning of the period	3,099,539	3,297,124
Cash and cash equivalents, end of period	3,109,640	3,226,646
Cash and cash equivalents comprise of:-		
Cash and balances with banks and financial institutions (excluding cash reserve with central bank)	964,001	979,216
International murabaha and wakalah with financial institutions: less than 3 months maturity	2,145,639	2,247,430
	3,109,640	3,226,646

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (Un- audited)

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

	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 2011	2,425,500	1,327,617	89,008	(15,426)	521,166	4,347,865
Fair value adjustment – IFRS - 9	-	-	-	2,102	(2,102)	-
As at 1 January 2011 (Restated)	2,425,500	1,327,617	89,008	(13,324)	519,064	4,347,865
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	69,970	69,970
Other comprehensive income						
Net change in fair value reserve	-	-	-	52	-	52
Total comprehensive income for the period	-	-	-	52	69,970	70,022
Transactions with owners recorded directly in equity						
Cash dividends paid	-	-	-	-	(133,402)	(133,402)
Board of directors' fees - paid	-	-	-	-	(2,470)	(2,470)
Total transactions with owners	-	-	-	-	(135,872)	(135,872)
As at 31 March 2011	2,425,500	1,327,617	89,008	(13,272)	453,162	4,282,015
As at 1 January 2012	2,425,500	1,327,617	89,008	(20,481)	584,514	4,406,158
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	82,736	82,736
Other comprehensive income						
Net change in fair value reserve	-	-	-	(25,859)	-	(25,859)
Total comprehensive income for the period	-	-	-	(25,859)	82,736	56,877
Transactions with owners recorded directly in equity						
Dividends paid	-	-	-	-	(145,530)	(145,530)
Board of directors' fees - paid	-	-	-	-	(2,400)	(2,400)
Total transactions with owners	-	-	-	-	(147,930)	(147,930)
As at 31 March 2012	2,425,500	1,327,617	89,008	(46,340)	519,320	4,315,105

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

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

1. Legal status and activities

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

The Group formed a fully owned subsidiary ("ASAS LLC" or "ASAS") incorporated in United Arab Emirates. The principle objective of the ASAS is to manage the real estate assets of the Bank.

The condensed consolidated interim financial statements of the Bank comprise the Bank and its subsidiaries incorporated in United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS), Contact Marketing and ASAS (all together referred to as "the Group", also refer note 3). 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.

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

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial reporting Standards ("IFRS") IAS 34, Interim financial reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31st December 2011.

b) Key accounting estimates & judgment

The preparation of condensed consolidated interim 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 preparing condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

c) Financial risk management

The Group financial risk management objectives, policies and procedures are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

3. Summary of significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

The management has assessed the impact of new standards that are applicable for the annual periods beginning on or after 1 January 2012 and believes that changes have no significant effect on the Group's condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un- audited)

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

4. Segment reporting

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

a. Government and corporate

Within this business segment the Bank provides companies, institutions and government 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 wakalah deals with other financial institutions, 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 SIFS is offering Brokerage services for trading in Islamic Sharia'a Compliant shares.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

4. Segment reporting (continued)

	Corporate and Government	Retail	Investment and treasury	Subsidiaries	Total
Condensed consolidated interim statement of income or the three-month period ended 31 March 2012 (un-audited)					
Income from murabaha and leasing	102,951	63,964	14,305	-	181,220
Profit paid on sukuk	-	-	(17,685)	-	(17,685)
Fees, commission and other income	10,015	8,632	15,379	-	34,026
Income from subsidiaries	-	-	-	7,759	7,759
	112,966	72,596	11,999	7,759	205,320
Unallocated income	-	-	-	-	6,085
Total income	112,966	72,596	11,999	7,759	211,405
General and administrative expenses	-	-	-	(4,683)	(4,683)
General and administrative expenses - unallocated	-	-	-	-	(74,046)
Net operating income	112,966	72,596	11,999	3,076	132,676
Provisions - net of recoveries	243	(9,283)	(4,114)	4,186	(8,968)
Net profit before distribution to depositors	113,209	63,313	7,885	7,262	123,708
Distribution to depositors	(26,915)	(13,350)	(707)	-	(40,972)
Net profit for the period	86,294	49,963	7,178	7,262	82,736

Condensed consolidated interim statement of financial position As at 31 March 2012 (un-audited)

Assets

Segment assets	6,191,113	4,127,232	6,088,471	684,760	17,091,576
Unallocated assets	-	-	-	-	553,085
Total assets	6,191,113	4,127,232	6,088,471	684,760	17,644,661

Liabilities

Segment liabilities	5,898,347	4,689,936	2,208,055	68,045	12,864,383
Unallocated liabilities	-	-	-	-	465,173
Total liabilities	5,898,347	4,689,936	2,208,055	68,045	13,329,556

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

4. Segment reporting (continued)

	Corporate and Government	Retail	Investment and treasury	Subsidiaries	Total
Condensed consolidated interim statement of income for the three-month period ended 31 March 2011 (un-audited)					
Income from murabaha and leasing	92,617	75,787	13,970	-	182,374
Profit paid on sukuk	-	-	(2,168)	-	(2,168)
Fees, commission and other income	11,953	8,208	8,127	-	28,288
Income from subsidiaries	-	-	-	8,133	8,133
	104,570	83,995	19,929	8,133	216,627
Unallocated income	-	-	-	-	4,131
Total income	104,570	83,995	19,929	8,133	220,758
General and administrative expenses	-	-	-	(6,269)	(6,269)
General and administrative expenses - unallocated	-	-	-	-	(69,921)
Net operating income	104,570	83,995	19,929	1,864	144,568
Provisions - net of recoveries	(1,335)	(5,511)	(988)	(1,968)	(9,802)
Net profit before distribution to depositors	103,235	78,484	18,941	(104)	134,766
Distribution to depositors	(43,913)	(20,565)	(318)	-	(64,796)
Net profit / (loss) for the period	59,322	57,919	18,623	(104)	69,970
Consolidated statement of financial position as at 31 December 2011					
Assets					
Segment assets	6,139,305	4,154,040	6,238,477	672,112	17,203,934
Unallocated assets	-	-	-	-	529,208
Total assets	6,139,305	4,154,040	6,238,477	672,112	17,733,142
Liabilities					
Segment liabilities	5,824,985	4,636,141	2,364,034	55,073	12,880,233
Unallocated liabilities	-	-	-	-	446,751
Total liabilities	5,824,985	4,636,141	2,364,034	55,073	13,326,984

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

5. 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. At the reporting date, such significant balances include:

Condensed consolidated interim statement of financial position	31 March 2012	31 December 2011
	(Un-audited)	(Audited)
Government of Sharjah receivables	1,113,055	1,013,637
Government departments and authorities receivables	2,797,782	2,750,234
Other financing receivables and investing activities	958,613	963,357
Government of Sharjah deposits	174,210	38,518
Government department and authorities deposits	1,492,906	1,596,193
Other deposits	448,101	293,997
Contingent liabilities	305,777	115,897

Condensed consolidated interim statement income	31 March 2012	31 March 2011
	(Un-audited)	(Un-audited)
Income from financing and investing activities	72,673	71,746
Depositors' share of profit	5,592	11,034

Key management compensation includes salaries and other short term benefits of AED 3.4 million for the period ended 31 March 2012 (31 March 2011: AED 3.3 million) and post employment benefits of AED 0.4 million for the period ended 31 March 2012 (31 March 2011: AED 0.4 million).

6. Properties held-for-sale

These are properties which have been acquired for the purpose of sale after re-development and are stated at the lower of cost or net realisable value.

7. Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year.

8. Comparatives

Certain prior year/period comparatives have been reclassified due to early adoption of IFRS 9 and to conform the current period's presentation.