

21 July 2010

BANK OF SHARJAH'S RATINGS AFFIRMED

Capital Intelligence (CI), the international credit rating agency, today announced that it has affirmed Bank of Sharjah's (BOS) Foreign Currency ratings at A- long-term and A2 short-term with a Stable Outlook and a Support rating of 2, reflecting its government ownership, the availability of federal government support and the Bank's overall sound financials. The Financial Strength rating, which is affirmed at BBB+, is underpinned by the Bank's good management, strong capital adequacy, sound asset quality and good profitability. The Bank's exposure to low-rated risk overseas through its subsidiary and the ongoing uncertainties in the domestic market are constraining factors. A Stable Outlook is assigned to the Financial Strength rating in view of the Bank's good Q1 results.

BOS was able to endure the economic downturn largely unscathed owing to its conservative policies and good credit judgement. The Bank has a deep understanding of its biggest customers and their markets and many of its clients have very long-standing relationships with the Bank. This has been a significant factor contributing to its historically low non-performing loans (NPLs) to gross loans ratios. BOS has no exposure to two major Saudi-based conglomerates that defaulted in 2009 nor does it have any significant retail banking delinquencies since its consumer book is very small. The Bank also largely stayed away from the real estate market in the UAE, partly because of the growing speculative activities in some segments of the market. Its principal activity continues to be providing short-term working capital finance to companies in Sharjah, Dubai and Abu Dhabi. The Bank's Lebanese subsidiary has a business model similar to that of BOS; the subsidiary performed reasonably well last year and is expected to grow in line with the expansion of the local economy.

The Bank has delivered strong profitability ratios over the years. However, ROAA declined following a new acquisition in 2008. In addition, increased general provisions and reduced non-interest revenues, reflecting lower trade finance and other activities in the country, contributed to the fall. Still, the Bank's key ratios continued to be strong and were well above the industry average due to its wide interest spreads and low operating cost base. Q1 2010 results were good, although operating profitability declined.

Asset quality ratios strengthened at end 2009 and although key ratios weakened in Q1 2010, NPLs remained low and were fully covered by provisions. The Bank's good provisioning, high capital base and strong profitability are expected to cushion the impact of a possible further rise in bad debts this year. Historically, BOS's liquidity ratios have been strong, underscoring management's commitment to ensuring a liquid balance sheet at all times. Key ratios tightened after the financial crisis but have remained at acceptable levels. The Bank's low asset/liability maturity mismatch position is a mitigating factor here. The capital adequacy ratio was solid at end 2009 and at end March 2010.

BOS is primarily a corporate banking institution with a strong trade finance focus. The Bank lends primarily to medium and large UAE-based companies. It typically provides short-term working capital finance and has limited long-term credit exposures. The Bank also offers a range of retail banking services and products but these are not aggressively marketed. BOS operates four branches, one each in Sharjah, Dubai, Abu Dhabi and Al Ain but intends to expand its presence by setting up electronic kiosks.

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