

BANK OF SHARJAH P.J.S.C.

**Review report and interim
financial information for the
period from 1 January 2009
to 30 September 2009**

BANK OF SHARJAH P.J.S.C.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Bank of Sharjah P.J.S.C.
Sharjah, U.A.E

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bank of Sharjah P.J.S.C. (the “Bank”) and its subsidiaries (together referred to as “the Group”) as of 30 September 2009, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of 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 interim financial information is not prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche

Saba Y. Sindaha
Registration Number 410
24 October 2009

**Condensed consolidated statement of financial position
at 30 September 2009**

	Notes	30 September 2009 (unaudited) AED'000	31 December 2008 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	5	1,169,338	1,172,930
Deposits and balances due from banks	6	2,205,839	1,413,288
Loans and advances, net	7	11,071,149	10,340,367
Investment in securities	8	1,493,768	1,188,569
Investment in an associate		80,074	80,074
Investment property		91,723	91,723
Other assets		849,106	1,060,462
Property and equipment, net		209,627	193,219
Goodwill		280,180	279,830
Total assets		17,450,804	15,820,462
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits	9	11,561,447	10,118,326
Due to banks	10	541,607	409,554
Other liabilities		578,020	715,093
Syndicated loan		734,600	734,600
Total liabilities		13,415,674	11,977,573
EQUITY			
Equity attributable to shareholders of the parent company			
Share capital	11	2,000,000	1,737,472
Statutory reserve	11	1,085,357	1,347,885
Contingency reserve		242,671	242,671
Additional reserves		30,390	30,390
Cumulative changes in fair value		126,446	53,529
Retained earnings		499,752	385,492
Total equity attributable to shareholders of the parent company		3,984,616	3,797,439
Non-controlling interests		50,514	45,450
Total equity		4,035,130	3,842,889
Total liabilities and equity		17,450,804	15,820,462
Commitments and contingent liabilities	14	7,535,297	7,904,287

.....
Mr. Ahmed Al Noman
Chairman

.....
Mr. Varouj Nerguizian
Executive Director & General Manager

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

**Condensed consolidated statement of income (unaudited)
for the period from 1 January 2009 to 30 September 2009**

	3 months ended 30 September		9 months ended 30 September	
	2009	2008	2009	2008
	AED'000	AED'000	AED'000	AED'000
Interest income	249,442	146,783	726,202	403,186
Interest expense	(112,912)	(45,287)	(295,926)	(153,517)
Net interest income	136,530	101,496	430,276	249,669
Net fee and commission income	28,376	32,168	86,932	83,728
Exchange profit	4,876	8,630	17,740	23,606
Investment income	19,364	86,850	47,283	63,204
Net investment property revaluation gain	-	-	-	18,620
Other (expense)/income	(705)	14,194	(488)	51,563
Operating income	188,441	243,338	581,743	490,390
General and administrative expenses	(43,768)	(23,661)	(132,131)	(72,441)
Net impairment charge on financial assets	(12,509)	(74,415)	(57,140)	(77,415)
Net profit before taxes	132,164	145,262	392,472	340,534
Income tax expense - overseas	(2,156)	-	(4,440)	-
Net profit for the period	130,008	145,262	388,032	340,534
Attributable to:				
Equity holders of the parent company	127,908	145,262	383,381	340,534
Non-controlling interests	2,100	-	4,651	-
	130,008	145,262	388,032	340,534
Basic earnings per share (AED) (note 12)	0.064	0.073	0.192	0.183
Diluted earnings per share (AED) (note 12)	0.064	0.073	0.192	0.173

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the period from 1 January 2009 to 30 September 2009**

	3 months ended 30 September		9 months ended 30 September	
	2009	2008	2009	2008
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	130,008	145,262	388,032	340,534
Other comprehensive income				
(Decrease)/increase in fair value of investments available for sale	35,825	(112,037)	73,330	5,395
Charity donations appropriated for 2008	-	-	(2,500)	(2,500)
Directors' remuneration – 2008	-	-	(6,000)	(6,000)
Other comprehensive income for the period	35,825	(112,037)	64,830	(3,105)
Total comprehensive income for the period	165,833	33,225	452,862	337,429
Attributable to:				
Equity holders of the parent company	162,973	33,225	447,798	337,429
Non-controlling interests	2,860	-	5,064	-
	165,833	33,225	452,862	337,429

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

BANK OF SHARJAH P.J.S.C.

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Condensed consolidated statement of changes in equity (unaudited) for the period from 1 January 2009 to 30 September 2009

	Share capital AED'000	Statutory reserve AED'000	Contingency reserve AED'000	Additional reserve AED'000	Equity component in convertible bonds AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Total AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at 1 January 2008 (audited)	1,250,000	372,941	201,669	26,233	4,157	114,338	328,978	2,298,316	-	2,298,316
Effect of restating appropriations (Note 3)	-	-	-	-	-	-	8,500	8,500	-	8,500
As restated	1,250,000	372,941	201,669	26,233	4,157	114,338	337,478	2,306,816	-	2,306,816
Profit for the period	-	-	-	-	-	-	340,534	340,534	45,440	385,974
Net movement in cumulative changes in fair value	-	-	-	-	-	5,395	-	5,395	-	5,395
Charity donations appropriated for 2007	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Directors' remuneration – 2007	-	-	-	-	-	-	(6,000)	(6,000)	-	(6,000)
Total comprehensive income for the period	-	-	-	-	-	5,395	332,034	337,429	45,440	382,869
Issue of shares as a result of the conversion of convertible bonds	487,472	974,944	-	4,157	(4,157)	-	-	1,462,416	-	1,462,416
Dividends (Note 13)	-	-	-	-	-	-	(312,500)	(312,500)	-	(312,500)
	487,472	974,944	-	4,157	(4,157)	-	(312,500)	1,149,916	-	1,149,916
Balance at 30 September 2008 (unaudited)	1,737,472	1,347,885	201,669	30,390	-	119,733	357,012	3,794,161	45,440	3,839,601
Balance at 31 December 2008 (audited)	1,737,472	1,347,885	242,671	30,390	-	53,529	385,492	3,797,439	45,450	3,842,889
Profit for the period	-	-	-	-	-	-	383,381	383,381	4,651	388,032
Net movement in cumulative changes in fair value	-	-	-	-	-	72,917	-	72,917	413	73,330
Charity donations appropriated for 2008	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Directors' remuneration – 2008	-	-	-	-	-	-	(6,000)	(6,000)	-	(6,000)
Total comprehensive income for the period	-	-	-	-	-	72,917	374,881	447,798	5,064	452,862
Issue of bonus shares from legal reserve	262,528	(262,528)	-	-	-	-	-	-	-	-
Dividends (Note 13)	-	-	-	-	-	-	(260,621)	(260,621)	-	(260,621)
Balance at 30 September 2009 (unaudited)	2,000,000	1,085,357	242,671	30,390	-	126,446	499,752	3,984,616	50,514	4,035,130

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

**Condensed consolidated statement of cash flows (unaudited)
for the period from 1 January 2009 to 30 September 2009**

	<u>9 months ended 30 September</u>	
	2009	2008
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit for the period	388,032	340,534
Adjustments for:		
Depreciation of property and equipment	8,190	4,636
Amortisation of discount/(premium) on receivables, investments, and bonds	(9,896)	322
Gain on disposal of property and equipment	(7)	-
Gain on disposal of investments	(662)	(103,627)
Fair value (gain)/loss on trading investments and derivatives	(49,794)	59,427
Fair value gain on investment property	-	(18,620)
Allowance for doubtful loans and advances, net of recoveries	57,140	77,415
Payment of Directors' remuneration and charity donation	(8,500)	(8,500)
	<hr/>	<hr/>
Operating profit before changes in working capital	384,503	351,587
Movements in working capital:		
Decrease in deposits and due from banks maturing after three months	437,061	-
(Decrease)/increase in due to banks maturing after three months	(8,113)	56,379
Decrease/(increase) in statutory reserves with Central Banks	78,233	(547,627)
Increase in loans and advances	(787,922)	(4,381,521)
Decrease/(increase) in other assets	211,356	(133,217)
Increase in customers' deposits	1,443,121	3,056,257
(Decrease)/increase in other liabilities	(137,073)	228,036
	<hr/>	<hr/>
Net cash from/(used) in operating activities	1,621,166	(1,370,106)
INVESTING ACTIVITIES		
Purchases of property and equipment	(26,176)	(128,324)
Proceeds from disposal of property and equipment	1,585	-
Proceeds from disposal of investments	116,828	332,531
Purchase of investment property	-	(91,723)
Purchase of investments	(288,695)	(825,417)
Investment in an associate	-	(80,074)
Acquisition of a subsidiary	-	(176,680)
	<hr/>	<hr/>
Net cash used in investing activities	(196,458)	(969,687)
FINANCING ACTIVITIES		
Dividends paid	(260,621)	(312,500)
Proceeds from issuance of convertible bonds	-	974,944
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(260,621)	662,444
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	1,164,087	(1,677,349)
Cash and cash equivalents at the beginning of the period	870,045	3,318,152
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period (Note 15)	2,034,132	1,640,803
	<hr/>	<hr/>

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

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009****1 General information**

Bank of Sharjah (Public Shareholding Company) (the “Bank”), a Public Shareholding Company, was incorporated by an Emiri Decree issued on 22 December 1973 by His Highness The Ruler of Sharjah and was registered in February 1993 under the Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced operations under a banking license issued from United Arab Emirates Central Bank dated 26 January 1974. The Bank is engaged in commercial and investment banking activities.

The Bank’s registered office is located at Al Hosn Avenue, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank operates through four branches in the United Arab Emirates situated in the Emirates of Sharjah, Dubai, Abu Dhabi and Al Ain.

2 Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard No. 34- *Interim Financial Reporting* issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in U.A.E Dirhams (AED) as that is the currency in which the majority of the Bank’s transactions are denominated.

3 Summary of significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in the preparation of these interim condensed consolidated financial statements as were applied in the preparation of the audited financial statements of the Group for the year ended 31 December 2008, except for the impact of the adoption of the Standards and Interpretations described below:

IFRS 8 Operating Segments

(effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard that requires re-designation of the Group’s reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and performance assessment. There was no material impact of this Standard on the previous disclosures or reported results of the financial position of the Group.

IAS 1 (revised 2007) Presentation of financial statements

(effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standards has had no impact on the reported results or financial position of the Group.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)****3 Summary of significant accounting policies (continued)**Estimates

The preparation of condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated 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 were applied to the consolidated financial statements as at and for the year ended 31 December 2008.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2008.

Restatement of prior year balances

During the period, the balance of retained earnings as at 1 January 2008 has been restated to reverse the accrual of Directors' remuneration of AED 6 million and Charity donations of AED 2.5 million relating to the year 2007. The accruals have been made during the period ended 30 June 2008 to ensure comparability of the quarterly comprehensive income/charge. The restatement has no effect on the reported earnings per share of the prior periods.

Accounting policies

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to investment securities and investment properties have been disclosed in the condensed consolidated financial statements.

Basis of consolidation

The condensed consolidated financial statements incorporate the financial information of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The condensed consolidated financial statements comprise the financial information of the Bank and of the following subsidiaries. The financial information of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

3 Summary of significant accounting policies (continued)

The Bank's interest, held directly or indirectly, in the subsidiaries is as follows:

Name of Subsidiary	Proportion of ownership interest	Year of incorporation	Country of incorporation	Principal activities
Emirates Lebanon Bank S.A.L (previously known as Banque de la Bekaa S.A.L)	81%	1965	Lebanon	Financial institution
Wifco Financial Brokerage L.L.C.	100%	1998	U.A.E	Agent in trading of financial instruments and stocks.
Ginco Steel L.L.C.	100%	1975	U.A.E	Manufacturing of metallic building structures
Polyco L.L.C.	100%	1981	U.A.E	Manufacturing storage tanks
BOS Real Estate FZC	100%	2008	U.A.E	Real estate development activities
BOS Capital FZC	100%	2007	U.A.E	Investment of own financial resources

Investments

Trading securities

Investments are considered as held for trading if they have been acquired principally for the purpose of selling in the near term, or if they form part of an identified portfolio of financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Trading securities are initially recognised and subsequently measured at fair value with any unrealised gain or loss arising from the change in fair value and realised gains and losses taken to the consolidated income statement. Interest income and dividend income are recorded in the consolidated income statement according to the terms of the contracts, or when the right to the payment has been established.

Held for trading securities have been reclassified to available for sale investments in accordance with the amendments made to International Accounting Standards (IAS) 39 issued on 13 October 2008.

Investment securities

These are classified as follows:

- Held to maturity
- Available for sale

All investments are initially recognised at cost, being the fair value of consideration paid plus transaction costs that are directly attributable to the acquisition.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

3 Summary of significant accounting policies (continued)

Investments (continued)

Held to maturity

Investments which have fixed or determinable payments with fixed maturities which the Bank has the intention and ability to hold to maturity, are classified as held to maturity investments. Held to maturity investments are carried at amortised cost, using effective interest rate method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition using an effective interest rate method.

Any gain or loss on such investments is recognised in the consolidated income statement when the investment is derecognised or impaired.

Investments classified as held to maturity and not close to their maturity, cannot ordinarily be sold or reclassified without impacting the Bank's ability to use this classification and cannot be designated as a hedged item with respect to interest rate or prepayment risk, reflecting the longer-term nature of these investments.

Available for sale

Investments not classified as either "held for trading" or "held to maturity" are classified as "available for sale".

After initial recognition, investments which are classified as "available for sale" are remeasured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair value is included in the consolidated income statement for the year.

Dividends on available for sale equity instruments are recognised in the consolidated income statement when the Bank's right to receive the dividends is established.

Investment properties

Investment properties are held to earn rental income and/or capital appreciation. Investment property includes cost of initial purchase, developments transferred from property under development, subsequent cost of development and fair value adjustments. Investment property is reflected at valuation based on fair value at the statement of financial position date. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The fair value is determined on periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the consolidated income statement in the period in which these gains or losses arise.

4 Seasonality of results

No income of seasonal nature was recorded in the statement of income for the nine months period ended 30 September 2009 and 2008.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

5 Cash and balances with Central Banks

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Cash on hand	51,329	54,865
Statutory deposit with Central Banks	799,438	877,671
Current account with Central Banks	19,003	87,373
Certificates of deposit with Central Banks	299,568	153,021
	<hr/> 1,169,338 <hr/>	<hr/> 1,172,930 <hr/>

Cash and balances with Central banks are due from:

Banks abroad	806,752	709,950
Banks in the U.A.E.	362,586	462,980
	<hr/> 1,169,338 <hr/>	<hr/> 1,172,930 <hr/>

The statutory deposits with the Central Banks are not available to finance the day to day operations of the Bank.

6 Deposits and balances due from banks

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Demand	562,150	439,198
Time	1,643,689	974,090
	<hr/> 2,205,839 <hr/>	<hr/> 1,413,288 <hr/>
Deposits and balances due from banks are due from:		
Banks abroad	915,256	764,339
Banks in the U.A.E.	1,290,583	648,949
	<hr/> 2,205,839 <hr/> <hr/>	<hr/> 1,413,288 <hr/> <hr/>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

7 Loans and advances, net

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Overdrafts	5,571,646	6,810,009
Commercial loans	4,976,236	2,866,085
Bills receivable	472,979	678,415
Other advances	381,000	230,474
	<u>11,401,861</u>	<u>10,584,983</u>
Less: Allowance for doubtful loans and advances	(244,926)	(183,802)
Less: Interest in suspense	(85,786)	(60,814)
	<u><u>11,071,149</u></u>	<u><u>10,340,367</u></u>

The loans and advances of the Bank are as follows:

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Loans and advances in the U.A.E.	8,804,939	8,856,816
Loans and advances outside the U.A.E.	2,596,922	1,728,167
	<u>11,401,861</u>	<u>10,584,983</u>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

8 Investment in securities

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Available for sale investments		
Quoted equity	240,428	140,630
Unquoted equity	583,746	612,338
Quoted debt instruments	399,224	164,786
	<hr/>	<hr/>
	1,223,398	917,754
	<hr/> <hr/>	<hr/> <hr/>
Held to maturity investments		
Unquoted debt instruments	9,939	42,250
	<hr/> <hr/>	<hr/> <hr/>
Investments carried at fair value through profit and loss		
Quoted equity	104,739	67,722
Quoted debt instruments	155,692	160,843
	<hr/>	<hr/>
	260,431	228,565
	<hr/> <hr/>	<hr/> <hr/>
Total investment in securities	1,493,768	1,188,569
	<hr/> <hr/>	<hr/> <hr/>

The majority of the quoted investments are listed on the securities markets in the U.A.E. (Abu Dhabi Securities Market and Dubai Financial Market).

The composition of the investments portfolio by geography is as follows:

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
United Arab Emirates	532,748	395,394
G.C.C. countries (other than U.A.E.)	12,257	11,972
Middle East and Africa (other than G.C.C. countries)	942,903	765,128
United States	515	13,017
Europe	5,345	3,058
	<hr/>	<hr/>
	1,493,768	1,188,569
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

8 Investment in securities (continued)

The debt securities included under available for sale investments represent investments in treasury bills issued by the Central Bank of Lebanon with variable maturities and interest rates.

Investments carried at fair value through profit and loss includes an investment in an Emirati Government debt security, which will mature in April 2013 with an interest rate of 3 months EIBOR plus 50 basis points.

The Federal Government has decided to merge Emirates Industrial Bank ("EIB"), of which the Bank is a shareholder and 'Real Estate Bank' into 'Emirates Development Bank'. Pursuant to a decision made by the shareholders of EIB in their Annual General Meeting, the Bank has been invited to sell its shares to EIB at a price of AED 1,560 per share. The application of this price per share has translated into a loss of AED 9,400 thousands that the bank provided for in the first half of 2009. The bank has expressed its reservation as to the offered price and claims its dividends till the effective date of sale.

9 Customers' deposits

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Current and other accounts	2,853,615	3,446,231
Saving accounts	1,373,475	1,269,683
Time deposits	7,334,357	5,402,412
	<u>11,561,447</u>	<u>10,118,326</u>

10 Due to banks

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Demand	109,713	96,191
Time	431,894	313,363
	<u>541,607</u>	<u>409,554</u>
Due to banks represent due to:		
Banks in the U.A.E.	338	109
Banks outside the U.A.E.	541,269	409,445
	<u>541,607</u>	<u>409,554</u>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

11 Share capital

At an extraordinary general meeting of the shareholders held on 29 March 2009, the shareholders approved the transfer of AED 262,528 thousands from the statutory reserve to share capital by issuing 15.11% bonus shares comprising of 262,527,194 shares. Consequently, the Bank's share capital was increased to AED 2 Billion comprising of 2 Billion shares of AED 1 each (2008: 1,737,472,086 shares of AED 1 each).

12 Earnings per share

Earnings per share are computed by dividing the net profit for the period by the average number of shares outstanding during the period as follows:

	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
	2009	2008	2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Basic earnings per share				
Net profit attributable to parent company shareholders for the period (AED'000)	127,908	145,262	383,381	340,534
Weighted average number of shares outstanding during the period (in thousands)	2,000,000	2,000,000	2,000,000	1,863,010
Basic earnings per share (AED)	0.064	0.073	0.192	0.183
Diluted earnings per share				
Net profit attributable to parent company shareholders for the period (AED'000)	127,908	145,262	383,381	340,534
Interest on convertible bonds (AED'000)	-	-	-	5,516
Net profit adjusted for the effect of convertible bonds for the period (AED'000)	127,908	145,262	383,381	346,050
Weighted average number of shares outstanding adjusted for the impact of convertible bonds during the period (in thousands)	2,000,000	2,000,000	2,000,000	2,000,000
Diluted earnings per share (AED)	0.064	0.073	0.192	0.173

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

13 Appropriation of profits

At the ordinary Annual General Meeting of the shareholders held on 29 March 2009, the shareholders approved a cash dividend of AED 260,621 thousand representing Fils 15 per outstanding and issued share as of 31 December 2008 (2007: cash dividend of AED 312,500 thousand representing Fils 25 per outstanding and issued share as of 31 December 2007). The shareholders also approved Directors' remuneration of AED 6,000 thousand (2007: AED 6,000 thousand) and charity donations of AED 2,500 thousands (2007: AED 2,500 thousands).

14 Commitments and contingent liabilities

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Financial guarantees for loans	1,539,362	1,155,035
Other guarantees	3,035,670	4,005,014
Letters of credit	1,121,578	1,167,233
Capital commitments	108,730	120,164
	<hr/>	<hr/>
	5,805,340	6,447,446
Irrevocable commitments to extend credit	1,729,957	1,456,841
	<hr/>	<hr/>
	7,535,297	7,904,287
	<hr/>	<hr/>

15 Cash and cash equivalents

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Cash and bank balances with Central Banks	1,169,338	1,172,930
Deposits and balances due from banks	2,205,839	1,413,288
Due to banks	(541,607)	(409,554)
	<hr/>	<hr/>
	2,833,570	2,176,664
Less: Deposits and balances due from banks – maturity more than 3 months	-	(437,061)
Add: Due to banks – maturity more than 3 months	-	8,113
Less: Statutory reserve with Central Banks	(799,438)	(877,671)
	<hr/>	<hr/>
	2,034,132	870,045
	<hr/>	<hr/>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

16 Fiduciary assets

The Bank holds investments amounting to AED 1.26 billion (31 December 2008: AED 1.06 billion) which are held in custody on behalf of customers and not treated as assets in the statement of financial position.

17 Related party transactions

The Bank enters into transactions with major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

The related parties balances included in the consolidated statement of financial position and the significant transactions with related parties are as follows:

	30 September 2009 AED'000 (unaudited)	31 December 2008 AED'000 (audited)
Loans and advances	1,929,885	1,853,934
Deposits	982,306	470,547
Letters of credit, guarantee and acceptances	976,530	816,255

	3 months ended 30 September		9 months ended 30 September	
	2009	2008	2009	2008
	AED '000 (unaudited)	AED'000 (unaudited)	AED'000 (unaudited)	AED'000 (unaudited)
Interest income	37,404	37,946	92,018	66,944
Interest expense	13,706	5,503	25,287	9,947
Directors' fee	-	-	6,000	6,000

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

18 Segmental information

The Group has adopted IFRS 8: *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14: *Segment Reporting*) required an entity to identify two segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. However, the business segments reported earlier as per the requirements of IAS 14 *Segment Reporting* are also used by the General Manager to allocate resources to the segments and to assess its performance.

For operating purposes, the Bank is organised into two major business segments:

- (i) Commercial Banking, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and
- (ii) Investment Banking, which involves the management of the Bank's investment portfolio.

These segments are the basis on which the Bank reports its segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds and an equitable allocation of expenses.

The following table presents information regarding the Bank's operating segments for the 9 months period ended 30 September 2009 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Net interest income	430,276	-	-	430,276
Net fee, commissions, and trading income	104,672	47,283	-	151,955
Net segment profit for the period	357,626	34,846	(4,440)	388,032
Segmental assets – 30 September 2009	15,101,270	2,100,159	249,375	17,450,804

**Notes to the condensed consolidated financial statements
for the period from 1 January 2009 to 30 September 2009 (continued)**

18 Segmental information (continued)

The following table presents information regarding the Bank's operating segments for the 9 months period ended 30 September 2008 (unaudited) and segment assets as at 31 December 2008 (audited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Net interest income	249,669	-	-	249,669
Net fee, commission, and trading income	125,506	115,215	-	240,721
Net segment profit for the period	236,185	104,349	-	340,534
Segmental assets – 31 December 2008	13,518,251	2,052,195	250,016	15,820,462

19 Comparative figures

Certain comparative figures for the prior period have been reclassified, where necessary, to conform with the current period presentation.

20 Approval of interim financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 24 October 2009.