

**BANK OF SHARJAH P.S.C.**

**REVIEW REPORT AND  
INTERIM FINANCIAL INFORMATION  
FOR THE SIX MONTHS PERIOD ENDED  
30 JUNE 2011**

**Bank of Sharjah P.S.C.**

**Review Report and Interim Financial Information  
for the six months period ended 30 June 2011**

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## **Report on Review of Interim Financial Information**

To the Board of Directors  
Bank of Sharjah P.S.C.  
Sharjah  
United Arab Emirates

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Bank of Sharjah P.S.C. (the “Bank”) and its subsidiaries (the “Group”) as at 30 June 2011, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended. 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 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 (M.E.)

Saba Y. Sindaha  
Registration No. 410

27 July 2011

**Condensed Consolidated Statement of Financial Position  
as at 30 June 2011**

	Notes	30 June 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with Central Banks	8	2,438,251	1,833,550
Deposits and balances due from banks	9	2,976,397	3,272,452
Loans and advances, net	10	12,654,605	12,106,840
Other financial assets measured at fair value	11	1,078,672	888,104
Other financial assets measured at amortized cost	11	761,858	902,530
Investment properties		149,665	149,665
Goodwill and other intangibles		269,262	273,153
Other assets		692,678	964,104
Property and equipment		279,237	227,282
<b>Total assets</b>		<b>21,300,625</b>	<b>20,617,680</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Customers' deposits	12	15,446,416	14,377,327
Deposits and balances due to banks	13	358,500	423,979
Other liabilities		727,775	870,492
Syndicated loan	14	550,950	550,950
<b>Total liabilities</b>		<b>17,083,641</b>	<b>16,222,748</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital		2,100,000	2,100,000
Treasury shares	15	(132,866)	(2,657)
Statutory reserve		1,085,357	1,085,357
Contingency reserve		329,213	329,213
Additional reserves		30,390	30,390
Cumulative changes in fair value		16,914	(11,454)
Retained earnings		553,712	640,436
<b>Equity attributable to equity holders of the Parent</b>		<b>3,982,720</b>	<b>4,171,285</b>
Non-controlling interests		234,264	223,647
<b>Total equity</b>		<b>4,216,984</b>	<b>4,394,932</b>
<b>Total liabilities and equity</b>		<b>21,300,625</b>	<b>20,617,680</b>
<b>Commitments and contingent liabilities</b>	17	<b>5,583,564</b>	<b>6,137,864</b>

.....  
Mr. Ahmed Al Noman  
Chairman

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

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

**Condensed Consolidated Statement of Income (un-audited)  
for the six months period ended 30 June 2011**

	3 months ended 30 June		6 months ended 30 June	
	2011	2010	2011	2010
	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000	Unaudited AED'000
Interest income	274,036	260,239	540,918	516,273
Interest expense	(147,935)	(117,229)	(294,855)	(235,267)
<b>Net interest income</b>	<b>126,101</b>	143,010	<b>246,063</b>	281,006
Net fee and commission income	21,559	27,373	48,699	56,864
Exchange profit	5,958	5,291	11,607	10,701
Investment income	33,111	7,238	29,336	12,162
Gain on sale of an associate	-	-	-	7,426
Other income/(loss)	5,901	(1,433)	9,457	2,685
<b>Operating income</b>	<b>192,630</b>	181,479	<b>345,162</b>	370,844
Net impairment (charge)/recovery on financial assets	(70,940)	9,295	(91,568)	6,711
<b>Net operating income</b>	<b>121,690</b>	190,774	<b>253,594</b>	377,555
Amortization of intangible assets	(1,946)	(1,945)	(3,892)	(3,891)
General & administrative expenses	(46,884)	(45,042)	(93,288)	(94,621)
<b>Profit before taxes</b>	<b>72,860</b>	143,787	<b>156,414</b>	279,043
Income tax expense – overseas	(2,359)	(1,614)	(4,510)	(2,955)
<b>Profit for the period</b>	<b>70,501</b>	142,173	<b>151,904</b>	276,088
<b>Attributable to:</b>				
Equity holders of the parent	64,467	140,739	140,680	273,535
Non-controlling interests	6,034	1,434	11,224	2,553
	<b>70,501</b>	142,173	<b>151,904</b>	276,088
<b>Basic earnings per share (AED)</b> (Note 16)	<b>0.032</b>	0.067	<b>0.068</b>	0.130

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

**Condensed Consolidated Statement of Comprehensive Income (un-audited)  
for the six months period ended 30 June 2011**

	<b>3 months ended 30 June</b>		<b>6 months ended 30 June</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
	<b>AED'000</b>	AED'000	<b>AED'000</b>	AED'000
<b>Profit for the period</b>	<b>70,501</b>	142,173	<b>151,904</b>	276,088
<b>Other comprehensive loss</b>				
Changes in fair value of available for sale investments	-	(33,928)	-	(32,650)
Changes in fair value of financial assets measured at fair value through other comprehensive income	<b>20,323</b>	-	<b>23,079</b>	-
Loss on sale of financial assets measured at fair value through other comprehensive income	<b>(190)</b>	-	<b>(664)</b>	-
Charity donations appropriated during the period	-	-	<b>(2,500)</b>	(2,500)
Directors' remuneration paid during the period	-	-	<b>(9,700)</b>	(9,695)
<b>Other comprehensive income/(loss) for the period</b>	<b>20,133</b>	(33,928)	<b>10,215</b>	(44,845)
<b>Total comprehensive income for the period</b>	<b>90,634</b>	108,245	<b>162,119</b>	231,243
<b>Attributable to:</b>				
Equity holders of the parent	<b>84,600</b>	106,593	<b>151,502</b>	228,319
Non-controlling interests	<b>6,035</b>	1,652	<b>10,617</b>	2,924
	<b>90,635</b>	108,245	<b>162,119</b>	231,243

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

**Condensed Consolidated Statement of Changes in Equity (un-audited)  
for the six months period ended 30 June 2011**

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Contingency reserve AED'000	Additional reserves AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Total equity attributable to equity holders of the parent AED'000	Non- controlling interests AED'000	Total equity AED'000
<b>Balance at 1 January 2010 - audited</b>	<b>2,000,000</b>	-	<b>1,085,357</b>	<b>289,468</b>	<b>30,390</b>	<b>98,413</b>	<b>537,543</b>	<b>4,041,171</b>	<b>55,528</b>	<b>4,096,699</b>
Effect of IFRS 9 – Note 2	-	-	-	-	-	(110,805)	98,400	(12,405)	(2,910)	(15,315)
Balance at 1 January 2010 (restated) - audited	2,000,000	-	1,085,357	289,468	30,390	(12,392)	635,943	4,028,766	52,618	4,081,384
Profit for the period	-	-	-	-	-	-	273,535	273,535	2,553	276,088
Other comprehensive loss	-	-	-	-	-	(33,438)	(11,778)	(45,216)	371	(44,845)
Total comprehensive income for the period	-	-	-	-	-	(33,438)	261,757	228,319	2,924	231,243
Issue of bonus shares (Note 15)	100,000	-	-	-	-	-	(100,000)	-	-	-
Dividends (Note 15)	-	-	-	-	-	-	(240,000)	(240,000)	-	(240,000)
Regulator reserve for assets acquired in satisfaction of loans (Lebanese regulator required reserve)	-	-	-	-	-	-	(1,436)	(1,436)	(334)	(1,770)
	100,000	-	-	-	-	-	(341,436)	(241,436)	(334)	(241,770)
<b>Balance at 30 June 2010 (unaudited)</b>	<b>2,100,000</b>	-	<b>1,085,357</b>	<b>289,468</b>	<b>30,390</b>	<b>64,975</b>	<b>457,864</b>	<b>4,028,054</b>	<b>58,118</b>	<b>4,086,172</b>
Balance at 1 January 2011 (audited)	2,100,000	(2,657)	1,085,357	329,213	30,390	(11,454)	640,436	4,171,285	223,647	4,394,932
Profit for the period	-	-	-	-	-	-	140,680	140,680	11,224	151,904
Other comprehensive income	-	-	-	-	-	28,368	(17,546)	10,822	(607)	10,215
Total comprehensive income for the period	-	-	-	-	-	28,368	123,134	151,502	10,617	162,119
Treasury shares	-	(130,209)	-	-	-	-	-	(130,209)	-	(130,209)
Dividends (Note 15)	-	-	-	-	-	-	(209,858)	(209,858)	-	(209,858)
	-	(130,209)	-	-	-	-	(209,858)	(340,067)	-	(340,067)
<b>Balance at 30 June 2011 (unaudited)</b>	<b>2,100,000</b>	<b>(132,866)</b>	<b>1,085,357</b>	<b>329,213</b>	<b>30,390</b>	<b>16,914</b>	<b>553,712</b>	<b>3,982,720</b>	<b>234,264</b>	<b>4,216,984</b>

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

**Condensed Consolidated Statement of Cash Flows (un-audited)  
for the six months period ended 30 June 2011**

	<b>6 months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>Unaudited AED'000</b>	<b>Unaudited AED'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	<b>151,904</b>	276,088
<b>Adjustments for:</b>		
Depreciation of property and equipment/intangible assets amortization	<b>9,392</b>	8,840
Amortisation of discount and premium on receivables, investments, and bonds	<b>(2,886)</b>	(7,522)
Gain on sale of associate	<b>-</b>	(7,426)
Gain on disposal of property and equipment	<b>(62)</b>	(42)
Loss on disposal of investments	<b>-</b>	189
Fair value loss on trading investments and derivatives	<b>6,714</b>	18,673
Allowance/(recovery) for doubtful loans and advances	<b>91,568</b>	(6,711)
Payment of directors' remuneration and charity donation	<b>(12,200)</b>	(9,695)
<b>Operating profit before changes in working capital</b>	<b>244,430</b>	272,394
Movements in working capital:		
Decrease/(increase) in deposits and due from banks maturity more than three months	<b>504,790</b>	(81,547)
Increase in statutory reserves with Central Banks	<b>(21,505)</b>	(43,187)
Increase in loans and advances	<b>(639,333)</b>	(511,915)
Decrease/(increase) in other assets	<b>276,476</b>	(198,608)
Increase in customers' deposits	<b>1,069,089</b>	1,351,711
(Decrease)/increase in other liabilities	<b>(142,717)</b>	54,719
<b>Net cash generated from operating activities</b>	<b>1,291,230</b>	843,567
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<b>(61,386)</b>	(2,366)
Proceeds from disposal of property and equipment	<b>3,992</b>	124
Purchase of investments	<b>(180,680)</b>	(104,868)
Proceeds from sale of associate	<b>-</b>	87,500
Proceeds from disposal of investments	<b>144,321</b>	31,541
<b>Net cash (used in)/generated from investing activities</b>	<b>(93,753)</b>	11,931
<b>FINANCING ACTIVITIES</b>		
Treasury shares acquired	<b>(130,209)</b>	-
Dividends paid	<b>(209,858)</b>	(240,000)
Payment of syndication loan	<b>-</b>	(734,600)
<b>Net cash used in financing activities</b>	<b>(340,067)</b>	(974,600)
<b>Increase/ (decrease) in cash and cash equivalents</b>	<b>857,410</b>	(119,102)
Cash and cash equivalents at the beginning of the period	<b>3,261,425</b>	1,746,708
<b>Cash and cash equivalents at the end of the period (Note 18)</b>	<b>4,118,835</b>	1,627,606

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

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**1. General information**

Bank of Sharjah, a public shareholding company (the “Bank”), was incorporated by an Emiri Decree issued on December 22, 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 its 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**

The 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 Group’s transactions are denominated.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2010. In addition, results for the period from 1 January 2011 to 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The Bank adopted IFRS 9 Financial Instruments (IFRS 9) in 2010 in advance of its effective date. The Standard was applied retrospectively and the Bank had chosen the limited exemption not to restate comparative information in the year of initial application. As a result, the difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application were recognised in the opening retained earnings (or other component of equity, as appropriate).

**3. Application of new and revised International Financial Reporting Standards (IFRSs)**

**3.1 New and revised IFRSs is in issue but not yet effective**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
▪ Amendments to IFRS 1 relating to Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2011
▪ Amendments to IFRS 1 relating to Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	1 July 2011
▪ Amendments to IFRS 7 Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets	1 July 2011
▪ IFRS 10 Consolidated Financial Statements	1 January 2013

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**3. Application of new and revised International Financial Reporting Standards (IFRSs)  
(continued)**

**3.1 New and revised IFRSs is in issue but not yet effective (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
▪ IFRS 11 Joint Arrangements	1 January 2013
▪ IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
▪ IFRS 13 Fair Value Measurement	1 January 2013
▪ Amendments to IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets)	1 January 2012
▪ Amendments to IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	1 July 2012
▪ Amendments to IAS 19 Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
▪ IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements	1 January 2013
▪ IAS 28 Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the condensed consolidated financial statements of the Group in the period of initial application. Management have not yet had an opportunity to consider potential impact of the adoption of these amendments.

**4. 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 2010.

**5. 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 31 December 2010.

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**6. Summary of significant accounting policies**

As required by the Securities and Commodities Authority of the U.A.E. (“SCA”) Notification No. 2624/2008 dated 12 October 2008, certain required accounting policies have been disclosed in the condensed consolidated financial statements.

**Basis of consolidation**

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

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

<b>Name of Subsidiary</b>	<b>Proportion of ownership interest</b>	<b>Year of incorporation</b>	<b>Country of incorporation</b>	<b>Principal activities</b>
Emirates Lebanon Bank S.A.L (previously known as Banque de la Bekaa S.A.L)	51%	1965	Lebanon	Financial institution
Polyco General Trading L.L.C.	100%	2008	U.A.E	General trading
BOS Real Estate FZC	100%	2009	U.A.E	Real estate development activities
BOS Capital FZC	100%	2009	U.A.E	Investment of own financial resources.
Borealis Gulf FZC	100%	2010	U.A.E.	Real estate development activities

**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 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 statement of income in the period in which these gains or losses arise.

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**7. Seasonality of results**

No income of seasonal nature was recorded in the condensed consolidated statement of income for the six months period ended 30 June 2011 and 2010.

**8. Cash and balances with Central Banks**

(a) The analysis of the Group's cash and balances with Central Banks is as follows:

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Cash on hand	53,702	52,372
Statutory deposit with Central Banks	896,469	874,964
Current account with Central Banks	132,402	62,549
Certificates of deposit with Central Banks	1,355,678	843,665
	<hr/> <b>2,438,251</b> <hr/>	<hr/> 1,833,550 <hr/>

(b) The geographical analysis of the cash and balances with Central Banks is as follows:

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Banks abroad	985,895	917,451
Banks in the U.A.E.	1,452,356	916,099
	<hr/> <b>2,438,251</b> <hr/>	<hr/> 1,833,550 <hr/>

The statutory deposits with the Central Banks are not available to finance the day to day operations of the Group. However, as per notice 4310/2008, the Central Bank of the U.A.E. has allowed banks to borrow up to 100% of their AED and US\$ reserve requirement limit. As at 30 June 2011, the statutory deposit with the Central Bank of the U.A.E. amounted to AED 339 million (31 December 2010: AED 322 million).

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**9. Deposits and balances due from banks**

(a) The analysis of the Group's deposits and balances due from banks is as follows:

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Demand	<b>638,761</b>	530,792
Time	<b>2,337,636</b>	2,741,660
	<hr/> <b>2,976,397</b> <hr/>	<hr/> 3,272,452 <hr/>

(b) The above represent deposits and balances due from:

Banks abroad	<b>1,114,095</b>	1,961,082
Banks in the U.A.E.	<b>1,862,302</b>	1,311,370
	<hr/> <b>2,976,397</b> <hr/>	<hr/> 3,272,452 <hr/>

**10. Loans and advances, net**

(a) The analysis of the Group's loans and advances measured at amortised cost is as follows:

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Overdrafts	<b>6,207,445</b>	6,019,681
Commercial loans	<b>5,940,867</b>	5,338,981
Bills receivable	<b>200,029</b>	1,093,946
Other advances	<b>971,798</b>	215,535
	<hr/> <b>13,320,139</b> <hr/>	<hr/> 12,668,143 <hr/>
Less: Allowance for doubtful loans and advances	<b>(563,820)</b>	(467,216)
Less: Interest in suspense	<b>(101,714)</b>	(94,087)
	<hr/> <b>12,654,605</b> <hr/> <hr/>	<hr/> 12,106,840 <hr/> <hr/>

(b) The loans and advances of the Group are as follows:

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Loans and advances in the U.A.E.	<b>10,807,318</b>	10,427,669
Loans and advances outside the U.A.E.	<b>2,512,821</b>	2,240,474
	<hr/> <b>13,320,139</b> <hr/> <hr/>	<hr/> 12,668,143 <hr/> <hr/>

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**11. Other financial assets**

Other financial assets of the Group as at 30 June 2011 classified in accordance with IFRS 9 are as follows:

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
<b>Other financial assets measured at fair value</b>		
<b>(i) Investments measured at FVTPL</b>		
Quoted equity	76,434	69,557
Debt securities	6,902	99
	<hr/> 83,336	<hr/> 69,656
<b>(ii) Investments carried at FVTOCI</b>		
Quoted equity	156,346	168,077
Unquoted equity	838,990	650,371
	<hr/> 995,336	<hr/> 818,448
<b>Total other financial assets measured at fair value</b>	<hr/> <b>1,078,672</b>	<hr/> 888,104
<b>Other financial assets measured at amortized cost</b>		
Debt securities	761,858	902,530
	<hr/> 761,858	<hr/> 902,530
<b>Total other financial assets</b>	<hr/> <b>1,840,530</b> <hr/>	<hr/> 1,790,634 <hr/>

The composition of the other financial assets portfolio by geography is as follows:

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
United Arab Emirates	404,902	410,397
G.C.C. countries (other than U.A.E.)	7,438	10,360
Middle East and Africa (other than G.C.C. countries)	1,423,395	1,366,580
Europe	4,795	3,297
	<hr/> 1,840,530 <hr/>	<hr/> 1,790,634 <hr/>

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**12. Customers' deposits**

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Current and other accounts	3,220,511	3,376,180
Saving accounts	1,460,384	1,440,798
Time deposits	10,765,521	9,560,349
	<hr/>	<hr/>
	<b>15,446,416</b>	14,377,327
	<hr/> <hr/>	<hr/> <hr/>

**13. Deposits and balances due to banks**

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Demand	207,349	175,319
Time	151,151	248,660
	<hr/>	<hr/>
	<b>358,500</b>	423,979
	<hr/> <hr/>	<hr/> <hr/>
Due to banks represent due to:		
Banks in the U.A.E.	-	336
Banks outside the U.A.E.	358,500	423,643
	<hr/>	<hr/>
	<b>358,500</b>	423,979
	<hr/> <hr/>	<hr/> <hr/>

**14. Syndicated loan**

On 29 July 2010, the Bank signed a new USD 150 million (AED 551 million) syndicated term loan facility. The purpose of the facility was to finance general corporate activities. The facility has a tenor of one year and is payable at maturity. The facility carries an interest rate of one year LIBOR plus a margin of 150 basis points which is payable on a quarterly basis.

On 28 June 2010, a USD 200 million (AED 735 million) syndicated term loan facility matured and was settled.

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**15. Dividend and bonus issue**

At the Annual General Meeting of the shareholders held on 26 February 2011, the shareholders approved a cash dividend of AED 210 million representing AED 0.10 per share outstanding on 31 December 2010 (2010 : cash dividend AED 240 million representing AED 0.12 per outstanding share on 31 December 2009 and a 5% bonus issue amounting to AED 100 million ).

The shareholders also approved Directors' remuneration of AED 7.5 million (2010: AED 7.5 million) and charity donations of AED 2.5 million (2010: AED 2.5 million). In addition to the above, an amount of AED 2.2 million was paid as Directors' remuneration to Emirates Lebanon Bank S.A.L., a subsidiary of the Bank (2010: AED 2.2 million).

On June 5, 2010, the Board approved to buy back 10% of the Bank's outstanding shares. After obtaining the required regulatory approvals, the bank started acquiring its shares on the open market. As of 30 June 2011, the Bank has acquired 75.47 million shares (31 December 2010: 1.14 million shares) amounted to AED 132.87 million (31 December 2010: AED 2.66 million). As such the number of shares outstanding as at 30 June 2011 is 2.03 billion shares (31 December 2010: 2.09 billion shares).

**16. Earnings per share**

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

	<b>6 months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(unaudited)</b>	(unaudited)
<b>Basic earnings per share</b>		
Profit attributable to equity holders of the parent for the period (AED'000)	<b>140,680</b>	273,535
Weighted average number of shares outstanding during the period (in thousands)	<b>2,078,327</b>	2,100,000
<b>Basic earnings per share (AED)</b>	<b>0.068</b>	0.130

As at 30 June 2011 and 30 June 2010, there were no potential dilutive shares outstanding.

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**17. Commitments and contingent liabilities**

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Financial guarantees for loans	<b>1,491,542</b>	1,586,546
Other guarantees	<b>1,612,510</b>	1,962,350
Letters of credit	<b>937,969</b>	886,979
Capital commitments	<b>104,333</b>	104,333
	<hr/>	<hr/>
	<b>4,146,354</b>	4,540,208
Irrevocable commitments to extend credit	<b>1,437,210</b>	1,597,656
	<hr/>	<hr/>
	<b>5,583,564</b>	6,137,864
	<hr/> <hr/>	<hr/> <hr/>

**18. Cash and cash equivalents**

	<b>30 June 2011 AED'000 (unaudited)</b>	30 June 2010 AED'000 (unaudited)
Cash and balances with Central Banks (Note 8)	<b>2,438,251</b>	1,290,026
Deposits and balances due from banks (Note 9)	<b>2,976,397</b>	2,191,041
Deposits and balances due to banks (Note 13)	<b>(358,500)</b>	(563,409)
	<hr/>	<hr/>
	<b>5,056,148</b>	2,917,658
Less: Deposits and balances due from banks - maturity more than three months	<b>(40,844)</b>	(443,910)
Less: Statutory reserves with Central Banks (Note 8)	<b>(896,469)</b>	(846,142)
	<hr/>	<hr/>
	<b>4,118,835</b>	1,627,606
	<hr/> <hr/>	<hr/> <hr/>

**19. Fiduciary assets**

As at 30 June 2011, the Group holds investments at fair value amounting to AED 1.06 billion (31 December 2010: at fair value AED 1.23 billion) which are held in custody on behalf of customers and therefore they are not treated as assets in the condensed consolidated statement of financial position.

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**20. Related party transactions**

The Group 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 Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

	<b>30 June 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Loans and advances	<b>1,935,870</b>	1,908,688
Deposits	<b>724,274</b>	718,768
Letters of credit, guarantee and acceptances	<b>975,734</b>	1,008,338
	<b>6 months ended 30 June 2011 AED'000 (unaudited)</b>	2010 AED'000 (unaudited)
Interest income	<b>72,467</b>	66,702
Interest expense	<b>19,036</b>	20,496
Directors fees	<b>9,700</b>	9,695

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**21. Segmental information**

Operating segments are 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.

For operating purposes, the Group 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 Group's investment portfolio.

These segments are the basis on which the Group 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 Group's operating segments as at 30 June 2011 (unaudited) and 31 December 2010 (audited):

	<b>Commercial Banking AED'000</b>	<b>Investment Banking AED'000</b>	<b>Unallocated AED'000</b>	<b>Total AED'000</b>
<b><u>30 June 2011 (unaudited):</u></b>				
<b>Segment assets</b>	<b>18,741,340</b>	<b>1,990,196</b>	<b>569,089</b>	<b>21,300,625</b>
<b>Segment liabilities</b>	<b>16,207,742</b>	<b>550,950</b>	<b>324,949</b>	<b>17,083,641</b>
<b><u>31 December 2010 (audited):</u></b>				
Segment assets	18,095,118	2,200,474	322,088	20,617,680
Segment liabilities	15,410,428	550,950	261,370	16,222,748

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**21. Segmental information (continued)**

The following table presents information regarding the Group's operating segments for the 6 months period ended 30 June 2011 (unaudited) and 30 June 2010 (unaudited):

	<b>Commercial Banking AED'000</b>	<b>Investment Banking AED'000</b>	<b>Unallocated AED'000</b>	<b>Total AED'000</b>
<b><u>6 months ended 30 June 2011:</u></b>				
<b>Revenue from external customers</b>				
Net interest income	246,063	-	-	246,063
Net fee and commission income	48,699	-	-	48,699
Exchange profit	11,607	-	-	11,607
Investment income	-	29,336	-	29,336
Other income	5,104	4,353	-	9,457
<b>Operating income</b>	<b>311,473</b>	<b>33,689</b>	<b>-</b>	<b>345,162</b>
<b>Other material non-cash items</b>				
Net impairment charge on financial assets	(91,568)	-	-	(91,568)
Amortisation of intangible assets	(3,892)	-	-	(3,892)
Depreciation of property and equipment	-	-	(5,500)	(5,500)
<b>Profit for the period after taxes</b>	<b>141,395</b>	<b>20,521</b>	<b>(10,012)</b>	<b>151,904</b>
<b><u>6 months ended 30 June 2010:</u></b>				
<b>Revenue from external customers</b>				
Net interest income	281,006	-	-	281,006
Net fee and commission income	56,864	-	-	56,864
Exchange profit	10,701	-	-	10,701
Investment income	-	12,162	-	12,162
Other income	-	10,111	-	10,111
<b>Operating income</b>	<b>348,571</b>	<b>22,273</b>	<b>-</b>	<b>370,844</b>
<b>Other material non-cash items</b>				
Net impairment recovery on financial assets	6,711	-	-	6,711
Amortisation of intangible assets	(3,891)	-	-	(3,891)
Depreciation of property and equipment	-	-	(4,949)	(4,949)
<b>Profit for the period after taxes</b>	<b>275,911</b>	<b>8,081</b>	<b>(7,904)</b>	<b>276,088</b>

**Notes to the condensed consolidated financial statements (continued)  
for the six months period ended 30 June 2011**

**21. Segmental information** (continued)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (2010: Nil). Transactions between segments, inter-segment cost of funds and allocation of expenses are not determined by management for resource allocation purpose. The accounting policies of the reportable segments are the same as the Group's accounting policies as disclosed in the consolidated financial statements for the year ended 31 December 2010.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments except for property and equipment, goodwill and other intangibles and certain amounts included in other assets; and
- All liabilities are allocated to reportable segments except for certain amounts included in other liabilities.

**Geographical information**

The Group operates in two principal geographical areas – United Arab Emirates (country of domicile) and Lebanon (referred to as 'foreign').

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	<b>Country of domicile AED'000</b>	<b>Foreign AED'000</b>	<b>Total AED'000</b>
<b>2011</b>			
Operating income (from external customers) for the 6 months period ended 30 June 2011 (unaudited)	<u>277,951</u>	<u>67,211</u>	<u>345,162</u>
Non-current assets as at 30 June 2011(unaudited)	<u>1,009,644</u>	<u>381,198</u>	<u>1,390,842</u>
<b>2010</b>			
Operating income (from external customers) for the 6 months period ended 30 June 2010 (unaudited)	<u>316,632</u>	<u>54,212</u>	<u>370,844</u>
Non-current assets as at 30 June 2010 (unaudited)	<u>1,227,057</u>	<u>451,162</u>	<u>1,678,219</u>

**22. Approval of interim condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on 27 July 2011.