

Bank of Sharjah P.S.C.

**Review report and
interim financial information
for the six months period ended 30 June 2012**

Bank of Sharjah P.S.C.

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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 2012, 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 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 (M.E.)

Anis Sadek
Registration No. 521
29 July 2012

**Condensed Consolidated Statement of Financial Position
as at 30 June 2012**

	Notes	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	8	1,850,148	1,599,145
Deposits and balances due from banks	9	3,332,535	3,648,645
Loans and advances, net	10	12,048,977	12,039,325
Other financial assets measured at fair value	11	1,074,582	1,111,349
Other financial assets measured at amortized cost	11	707,279	736,597
Investment properties		126,821	126,821
Goodwill and other intangibles		261,478	265,370
Other assets	12	1,384,804	1,176,385
Property and equipment		232,625	230,735
Total assets		21,019,249	20,934,372
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	13	15,031,412	14,940,143
Deposits and balances due to banks	14	464,120	465,651
Other liabilities		1,008,530	833,402
Syndicated loan	15	495,855	495,855
Total liabilities		16,999,917	16,735,051
Equity			
Capital and reserves			
Share capital		2,100,000	2,100,000
Treasury shares	16	(327,792)	(230,602)
Statutory reserve		1,085,357	1,085,357
Contingency reserve		352,078	352,078
Additional reserves		62,565	30,390
Investment fair value reserve		81,944	(4,947)
Retained earnings		410,286	618,820
Equity attributable to equity holders of the Parent		3,764,438	3,951,096
Non-controlling interests		254,894	248,225
Total equity		4,019,332	4,199,321
Total liabilities and equity		21,019,249	20,934,372
Commitments and contingent liabilities	18	5,809,555	5,794,893

.....
Mr. Abdul Rahman Bukhatir
Director

.....
Mr. Mario Tohme
Deputy General Manager

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

**Condensed Consolidated Statement of Income (unaudited)
for the six months period ended 30 June 2012**

	3 months ended 30 June		6 months ended 30 June	
	2012	2011	2012	2011
	AED'000	AED'000	AED'000	AED'000
Interest income	246,044	274,036	497,983	540,918
Interest expense	(119,183)	(147,935)	(239,721)	(294,855)
Net interest income	126,861	126,101	258,262	246,063
Net fee and commission income	26,018	21,559	52,043	48,699
Exchange profit	5,616	5,958	11,309	11,607
Investment income/(loss)	(8,413)	33,111	1,393	29,336
Other income	1,254	5,901	3,320	9,457
Operating income	151,336	192,630	326,327	345,162
Net impairment charge on financial assets	(31,557)	(70,940)	(91,753)	(91,568)
Net operating income	119,779	121,690	234,574	253,594
Amortization of intangible assets	(1,946)	(1,946)	(3,892)	(3,892)
General and administrative expenses	(50,164)	(46,884)	(100,877)	(93,288)
Profit before taxes	67,669	72,860	129,805	156,414
Income tax expense - overseas	(2,673)	(2,359)	(4,748)	(4,510)
Profit for the period	64,996	70,501	125,057	151,904
Attributable to:				
Equity holders of the parent	60,597	64,467	117,380	140,680
Non-controlling interests	4,399	6,034	7,677	11,224
Profit for the period	64,996	70,501	125,057	151,904
Basic earnings per share (AED) (Note 17)	0.032	0.032	0.061	0.068

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

**Condensed Consolidated Statement of Comprehensive Income (unaudited)
for the six months period ended 30 June 2012**

	3 months ended 30 June		6 months ended 30 June	
	2012	2011	2012	2011
	AED'000	AED'000	AED'000	AED'000
Profit for the period	64,996	70,501	125,057	151,904
Other comprehensive income/(loss)				
Net changes in fair value of financial assets measured at FVTOCI	(18,316)	20,133	(1,271)	22,415
Charity donations appropriated during the period		-	(2,500)	(2,500)
Directors' remuneration paid during the period		-	(10,585)	(9,700)
Other comprehensive (loss)/income for the period	(18,316)	20,133	(14,356)	10,215
Total comprehensive income for the period	46,680	90,634	110,701	162,119
Attributable to:				
Equity holders of the parent	42,282	84,600	104,032	151,502
Non-controlling interests	4,398	6,034	6,669	10,617
Total comprehensive income for the period	46,680	90,634	110,701	162,119

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

Condensed Consolidated Statement of Changes in Equity for the six months period ended 30 June 2012

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Contingency reserve AED'000	Additional reserves AED'000	Investment fair value reserve 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
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 paid (Note 16)	-	-	-	-	-	-	(209,858)	(209,858)	-	(209,858)
Balance at 30 June 2011 (unaudited)	2,100,000	(132,866)	1,085,357	329,213	30,390	16,914	553,712	3,982,720	234,264	4,216,984
Balance at 1 January 2012 (audited)	2,100,000	(230,602)	1,085,357	352,078	30,390	(4,947)	618,820	3,951,096	248,225	4,199,321
Profit for the period	-	-	-	-	-	-	117,380	117,380	7,677	125,057
Other comprehensive loss	-	-	-	-	-	86,891	(100,239)	(13,348)	(1,008)	(14,356)
Total comprehensive income for the period	-	-	-	-	-	86,891	17,141	104,032	6,669	110,701
Transfer to reserves	-	-	-	-	32,175	-	(32,175)	-	-	-
Treasury shares acquired during the period	-	(97,190)	-	-	-	-	-	(97,190)	-	(97,190)
Dividends paid (Note 16)	-	-	-	-	-	-	(193,500)	(193,500)	-	(193,500)
Balance at 30 June 2012 (unaudited)	2,100,000	(327,792)	1,085,357	352,078	62,565	81,944	410,286	3,764,438	254,894	4,019,332

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 2012**

	6 months ended 30 June	
	2012	2011
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit for the period	125,057	151,904
Adjustments for:		
Depreciation of property and equipment	5,364	5,500
Amortization of intangibles	3,892	3,892
Amortisation of discount and premium on receivables and investments	(966)	(2,886)
Gain on disposal of property and equipment	(455)	(62)
Fair value loss on trading investments and derivatives	7,282	6,714
Allowance for doubtful loans and advances	91,753	91,568
Payment of directors' remuneration and charity donation	(13,085)	(12,200)
Operating profit before changes in working capital	218,842	244,430
Movements in working capital:		
(Increase)/decrease in deposits and due from banks maturity more than three months	(165,910)	504,790
Increase in statutory reserves with Central Banks	(36,632)	(21,505)
Increase in loans and advances	(101,405)	(639,333)
(Increase)/decrease in other assets	(205,820)	276,476
Increase in customers' deposits	91,269	1,069,089
Increase/(decrease) in other liabilities	175,127	(142,717)
Net cash (used in)/generated from operating activities	(24,529)	1,291,230
INVESTING ACTIVITIES		
Purchases of property and equipment	(8,374)	(61,386)
Proceeds from disposal of property and equipment	1,575	3,992
Purchase of investments	(82,130)	(180,680)
Proceeds from disposal of investments	138,030	144,321
Net cash generated from/(used in) investing activities	49,101	(93,753)
FINANCING ACTIVITIES		
Treasury shares acquired	(97,190)	(130,209)
Dividends paid	(193,500)	(209,858)
Net cash used in financing activities	(290,690)	(340,067)
(Decrease)/increase in cash and cash equivalents	(266,118)	857,410
Cash and cash equivalents at the beginning of the period	3,866,516	3,261,425
Cash and cash equivalents at the end of the period (Note 19)	3,600,398	4,118,835

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

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2012

1. General information

Bank of Sharjah P.S.C. (the “Bank”), a public shareholding company, 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 five branches in the United Arab Emirates situated in the cities of Sharjah, Dubai, Abu Dhabi, Al Ain, and Dubai Media City.

2. Basis of preparation

The condensed consolidated financial statements of the Bank and its subsidiaries (together referred to as the “Group”) 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 2011. In addition, results for the period from 1 January 2012 to 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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

3.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments : Disclosure - Transfer of Financial Assets*
- Amendments to IAS 12 *Deferred Tax - Recovery of Underlying Assets*

3.2 New and revised standards and interpretation are in issue but not yet effective

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

<u>New and revised IFRSs & IFRIC</u>	<u>Effective for annual periods beginning on or after</u>
• Amendments to IFRS 7 <i>Financial Instruments : Disclosure - Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities</i>	1 January 2013
• IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
• IFRS 11 <i>Joint Arrangements</i>	1 January 2013
• IFRS 12 <i>Disclosure of interests in other entities</i>	1 January 2013

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2012

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

3.2 New and revised standards and interpretation are in issue but not yet effective (continued)

<u>New and revised IFRSs & IFRIC</u>	<u>Effective for annual periods beginning on or after</u>
• IFRS 13 <i>Fair Value Measurement</i>	1 January 2013
• Amendments to IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
• IAS 19 (as amended in 2011) <i>Employee Benefits</i>	1 January 2013
• IAS 27 (as revised in 2011) <i>Separate Financial Statements</i>	1 January 2013
• IAS 28 (as revised in 2011) <i>Investments in Associates and Joint Ventures</i>	1 January 2013
• Amendments to IAS 32 <i>Financial Instruments : Presentation - Offsetting of Financial Assets and Financial Liabilities</i>	1 January 2014
• Amendments to IAS 1 <i>Presentation of Financial Statements</i> (comparative information); IAS 16 <i>Property, Plant and Equipment</i> (servicing equipment); IAS 32 <i>Financial Instruments – Presentation</i> (tax effect of equity distribution); and IAS 34 <i>Interim Financial Reporting</i> (interim reporting of segment assets) resulting from annual improvements 2009-2011 cycle	1 January 2013
• IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

As of date of issuance of these condensed consolidated financial statements, management are still in the process of evaluating the impact of these new and revised standards and interpretation on the condensed consolidated financial statements.

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 2011.

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 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.

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2012

6. Summary of significant accounting policies (continued)

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:

Name of Subsidiary	Proportion of ownership interest	Year of incorporation	Country of incorporation	Principal activities
Emirates Lebanon Bank S.A.L.	67.33%	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%	2011	U.A.E.	Real estate development activities

During the period, the Bank has increased its shareholding in Emirates Lebanon Bank S.A.L. to 67.33% (31 December 2011: 51%) through subscribing in the issuance of shares and its related capital contribution.

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.

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 2012 and 2011.

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

8. Cash and balances with Central Banks

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

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Cash on hand	64,757	65,646
Statutory deposits	946,136	909,504
Current account	63,866	117,357
Certificates of deposits	775,389	506,638
	<u>1,850,148</u>	<u>1,599,145</u>
	=====	=====

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

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Banks abroad	1,193,185	1,052,214
Banks in the U.A.E.	656,963	546,931
	<u>1,850,148</u>	<u>1,599,145</u>
	=====	=====

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 2012, the statutory deposit with the Central Bank of the U.A.E. amounted to AED 413 million (31 December 2011: AED 356 million).

9. Deposits and balances due from banks

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

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Demand	612,270	567,517
Time	2,720,265	3,081,128
	<u>3,332,535</u>	<u>3,648,645</u>
	=====	=====

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

9. Deposits and balances due from banks

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

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Banks abroad	839,645	775,600
Banks in the U.A.E.	2,492,890	2,873,045
	3,332,535	3,648,645

10. Loans and advances, net

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

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Overdrafts	6,267,148	5,487,494
Commercial loans	5,647,234	6,119,116
Bills receivable	395,916	965,785
Other advances	613,907	256,191
	12,924,205	12,828,586
Less: Allowance for doubtful loans and advances	(759,970)	(683,260)
Less: Interest in suspense	(115,258)	(106,001)
	12,048,977	12,039,325

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

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (Audited)
Loans and advances in the U.A.E.	10,624,425	10,518,154
Loans and advances outside the U.A.E.	2,299,780	2,310,432
	12,924,205	12,828,586

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

10. Loans and advances, net (continued)

(c) Loans and advances are stated net of allowance for doubtful loans and advances. The movement in the allowance during the period/year was as follows:

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Balance at the beginning of the period/year	683,260	467,216
(Reversal)/additions through credit extension premium	(15,125)	9,601
Additions during the period/year	92,195	221,046
Write offs	(331)	(4,792)
Recoveries	(29)	(9,811)
Balance at the end of the period/year	<u>759,970</u>	<u>683,260</u>

11. Other financial assets

Other financial assets of the Group as at 30 June 2012 classified in accordance with IFRS 9 are as follows:

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at FVTPL		
Quoted equity	37,290	57,700
Debt securities	1,043	3,145
	<u>38,333</u>	<u>60,845</u>
(ii) Investments carried at FVTOCI		
Quoted equity	83,185	115,362
Unquoted equity	953,064	935,142
	<u>1,036,249</u>	<u>1,050,504</u>
Total other financial assets measured at fair value	<u>1,074,582</u>	<u>1,111,349</u>
Other financial assets measured at amortized cost		
Debt securities	707,279	736,597
Total other financial assets	<u>1,781,861</u>	<u>1,847,946</u>

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

11. Other financial assets (continued)

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

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
United Arab Emirates	300,897	346,695
G.C.C. countries (other than U.A.E.)	5,152	7,288
Middle East and Africa (other than G.C.C. countries)	1,471,500	1,489,127
Europe	4,312	4,836
	<u>1,781,861</u>	<u>1,847,946</u>

12. Other assets

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Acceptances - contra, reflected in other liabilities	795,663	599,692
Assets acquired in settlement of debt	389,762	303,695
Receivable from sale of investments	89,226	178,452
Clearing receivables	7,515	6,714
Interest receivable	4,004	2,737
Prepayments	10,235	13,208
Positive fair value of derivatives	155	132
Other	88,244	71,755
	<u>1,384,804</u>	<u>1,176,385</u>

13. Customers' deposits

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Current and other accounts	3,254,458	3,066,918
Saving accounts	1,474,574	1,462,118
Time deposits	10,302,380	10,411,107
	<u>15,031,412</u>	<u>14,940,143</u>

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

14. Deposits and balances due to banks

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Demand	260,339	126,659
Time	203,781	338,992
	<hr/> 464,120 <hr/>	<hr/> 465,651 <hr/>
Due to banks represent due to:		
Banks in the U.A.E.	169,994	91,825
Banks outside the U.A.E.	294,126	373,826
	<hr/> 464,120 <hr/>	<hr/> 465,651 <hr/>

15. Syndicated loan

On 26 July 2011, the Bank signed a new USD 135 million (AED 496 million) syndicated term loan facility. The purpose of the facility is to finance general corporate activities. The facility has a tenor of two years 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.

16. Dividend and bonus issue

At the Annual General Meeting of the shareholders held on 24 March 2012, the shareholders approved a cash dividend of AED 0.10 per outstanding share (2011: cash dividend of AED 0.10 per outstanding share).

The shareholders also approved Directors' remuneration of AED 7.5 million (2011: AED 7.5 million) and charity donations of AED 2.5 million (2011: AED 2.5 million). In addition to the above, an amount of AED 3.1 million was paid as Directors' remuneration to Emirates Lebanon Bank S.A.L., a subsidiary of the Bank (2011: 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 at 30 June 2012, the Bank has acquired 165 million shares (31 December 2011: 127 million shares) amounting to AED 328 million (31 December 2011: AED 231 million). As such the number of shares outstanding as at 30 June 2012 is 1.935 billion shares (31 December 2011: 1.973 billion shares). The market value of the treasury shares as at 30 June 2012 is AED 215 million (31 December 2011: AED 248 million).

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

17. 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:

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Basic earnings per share				
Profit attributable to equity holders of the parent for the period (AED'000)	60,597	64,467	117,380	140,680
Weighted average number of shares outstanding during the period (in thousands)	1,935,000	2,059,523	1,938,208	2,078,327
Basic earnings per share (AED)	AED 0.032	AED 0.032	AED 0.061	AED 0.068

As at 30 June 2012 and 30 June 2011, there were no potential dilutive shares outstanding.

18. Commitments and contingent liabilities

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Financial guarantees for loans	1,800,810	1,731,464
Other guarantees	1,408,213	1,477,125
Letters of credit	1,190,130	981,869
Capital commitments	104,333	104,333
	4,503,486	4,294,791
Irrevocable commitments to extend credit	1,306,069	1,500,102
	5,809,555	5,794,893

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

19. Cash and cash equivalents

	30 June 2012 AED'000 (unaudited)	30 June 2011 AED'000 (unaudited)
Cash and balances with Central Banks (Note 8)	1,850,148	2,438,251
Deposits and balances due from banks (Note 9)	3,332,535	2,976,397
Deposits and balances due to banks (Note 14)	(464,120)	(358,500)
	4,718,563	5,056,148
Less: Deposits and balances due from banks - maturity more than three months	(172,029)	(40,844)
Less: Statutory reserves with Central Banks (Note 8)	(946,136)	(896,469)
	3,600,398	4,118,835

20. Fiduciary assets

As at 30 June 2012, the Group holds investments at fair value amounting to AED 1.03 billion (31 December 2011: at fair value AED 1.06 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.

21. 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:

	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Loans and advances	1,800,700	1,764,005
Deposits	312,557	635,728
Letters of credit, guarantee and acceptances	1,319,573	1,281,849

As at 30 June 2012, entities related to one of the directors accounted for 65% (31 December 2011: 67%) of the total aforementioned loans and advances, 9% (31 December 2011: 65%) of the total aforementioned deposits, 90% (31 December 2011: 94%) of the total aforementioned financial guarantees for loans.

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

21. Related party transactions (continued)

	6 months ended 30 June	
	2012	2011
	AED'000	AED'000
	(unaudited)	(unaudited)
Interest income	57,616	72,467
Interest expense	14,995	19,036
Directors fees	10,585	9,700

22. 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 2012 (unaudited) and 31 December 2011 (audited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
<u>30 June 2012 (unaudited):</u>				
Segment assets	18,288,802	2,022,951	707,496	21,019,249
Segment liabilities	16,291,196	495,855	212,866	16,999,917
<u>31 December 2011 (audited):</u>				
Segment assets	18,152,177	2,153,219	628,976	20,934,372
Segment liabilities	16,005,485	495,855	233,711	16,735,051

**Notes to the condensed consolidated financial statements
for the six months period ended 30 June 2012**

22. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the six months period ended 30 June 2012 (unaudited) and 30 June 2011 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
<u>6 months ended 30 June 2012:</u>				
Revenue from external customers				
Net interest income	240,059	18,203	-	258,262
Net fee and commission income	52,043	-	-	52,043
Exchange profit	11,309	-	-	11,309
Investment income	-	1,393	-	1,393
Other income	3,320	-	-	3,320
Operating income	306,731	19,596	-	326,327
Other material non-cash items				
Net impairment charge on financial assets	(91,753)	-	-	(91,753)
Amortisation of intangible assets	(3,892)	-	-	(3,892)
Depreciation of property and equipment	-	-	(5,364)	(5,364)
Profit for the period after taxes	129,900	5,269	(10,112)	125,057
<u>6 months ended 30 June 2011:</u>				
Revenue from external customers				
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
Operating income	311,473	33,689	-	345,162
Other material non-cash items				
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)
Profit for the period after taxes	141,395	20,521	(10,012)	151,904

Notes to the condensed consolidated financial statements for the six months period ended 30 June 2012

22. Segmental information (continued)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (2011: 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 2011.

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:

	Country of domicile AED'000	Foreign AED'000	Total AED'000
2012			
Operating income (from external customers) for the six months period ended 30 June 2012 (unaudited)	254,104	72,223	326,327
Non-current assets as at 30 June 2012(unaudited)	916,483	293,582	1,210,065
2011			
Operating income (from external customers) for the six months period ended 30 June 2011 (unaudited)	277,951	67,211	345,162
Non-current assets as at 31 December 2011 (audited)	904,287	295,333	1,199,620

23. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on 29 July 2012.