

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

**REVIEW REPORT AND  
INTERIM FINANCIAL INFORMATION  
FOR THE THREE MONTHS PERIOD ENDED  
31 MARCH 2011**

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

**Review Report and Interim Financial Information  
for the three months period ended 31 March 2011**

**Table of contents**

---

	<b>Page</b>
<b>Report on Review of Interim Financial Information</b>	<b>1</b>
<b>Condensed Consolidated Statement of Financial Position</b>	<b>2</b>
<b>Condensed Consolidated Statement of Income (un-audited)</b>	<b>3</b>
<b>Condensed Consolidated Statement of Comprehensive Income (un-audited)</b>	<b>4</b>
<b>Condensed Consolidated Statement of Changes in Equity (un-audited)</b>	<b>5</b>
<b>Condensed Consolidated Statement of Cash Flows (un-audited)</b>	<b>6</b>
<b>Notes to the Condensed Consolidated Financial Statements</b>	<b>7 - 20</b>

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

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

### *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 (the “Group”) as at 31 March 2011, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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 April 2011

**Condensed Consolidated Statement of Financial Position  
as at 31 March 2011**

	Notes	31 March 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with Central Banks	8	2,588,666	1,833,550
Deposits and balances due from banks	9	2,088,847	3,272,452
Loans and advances, net	10	12,704,219	12,106,840
Other financial assets measured at fair value	11	966,870	888,104
Other financial assets measured at amortized cost	11	880,710	902,530
Investment properties		149,665	149,665
Goodwill and other intangibles		271,210	273,153
Other assets		738,886	964,104
Property and equipment		276,703	227,282
<b>Total assets</b>		<b>20,665,776</b>	<b>20,617,680</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Customers' deposits	12	14,764,560	14,377,327
Deposits and balances due to banks	13	300,891	423,979
Other liabilities		800,882	870,492
Syndicated loan	14	550,950	550,950
<b>Total liabilities</b>		<b>16,417,283</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	(10,723)	(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		(4,938)	(11,454)
Retained earnings		490,964	640,436
<b>Equity attributable to equity holders of the Parent</b>		<b>4,020,263</b>	<b>4,171,285</b>
Non-controlling interests		228,230	223,647
<b>Total equity</b>		<b>4,248,493</b>	<b>4,394,932</b>
<b>Total liabilities and equity</b>		<b>20,665,776</b>	<b>20,617,680</b>
<b>Commitments and contingent liabilities</b>	17	<b>6,040,382</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 three months period ended 31 March 2011**

	Notes	3 months ended 31 March	
		2011 AED'000	2010 AED'000
Interest income		266,882	256,034
Interest expense		(146,920)	(118,038)
<b>Net interest income</b>		<b>119,962</b>	<b>137,996</b>
Net fee and commission income		27,140	29,491
Exchange profit		5,649	5,410
Investment (loss)/income		(3,775)	4,924
Gain on disposal of an associate		-	7,426
Other income		3,556	4,118
<b>Operating income</b>		<b>152,532</b>	<b>189,365</b>
Net impairment charge on financial assets		(20,628)	(2,584)
<b>Net operating income</b>		<b>131,904</b>	<b>186,781</b>
Amortisation of intangible assets		(1,946)	(1,946)
Other general and administrative expenses		(46,404)	(49,579)
<b>Profit before taxes</b>		<b>83,554</b>	<b>135,256</b>
Income tax expense - overseas		(2,151)	(1,341)
<b>Profit for the period</b>		<b>81,403</b>	<b>133,915</b>
<b>Attributable to:</b>			
Equity holders of the parent		76,213	132,796
Non-controlling interests		5,190	1,119
		<b>81,403</b>	<b>133,915</b>
<b>Basic earnings per share (AED)</b>	<b>16</b>	<b>0.036</b>	<b>0.063</b>

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

**Condensed Consolidated Statement of Comprehensive Income (un-audited)  
for the three months period ended 31 March 2011**

	<b>3 months ended 31 March</b>	
	<b>2011</b>	<b>2010</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Profit for the period</b>	<b>81,403</b>	133,915
<b>Other comprehensive loss</b>		
Changes in fair value of available for sale investments	-	1,278
Changes in fair value of financial assets measured at fair value through other comprehensive income	<b>2,756</b>	-
Loss on sale of financial assets measured at fair value through other comprehensive income	<b>(474)</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>Total other comprehensive loss for the period</b>	<b>(9,918)</b>	(10,917)
<b>Total comprehensive income for the period</b>	<b>71,485</b>	122,998
<b>Attributable to:</b>		
Equity holders of the parent	<b>66,902</b>	121,726
Non-controlling interests	<b>4,583</b>	1,272
	<b>71,485</b>	122,998

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

**Condensed Consolidated Statement of Changes in Equity (un-audited)  
for the three months period ended 31 March 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	-	-	-	-	-	-	132,796	132,796	1,119	133,915
Other comprehensive loss	-	-	-	-	-	708	(11,778)	(11,070)	153	(10,917)
Total comprehensive income for the period	-	-	-	-	-	708	121,018	121,726	1,272	122,998
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 31 March 2010 (unaudited)</b>	<b>2,100,000</b>	-	<b>1,085,357</b>	<b>289,468</b>	<b>30,390</b>	<b>(11,684)</b>	<b>415,525</b>	<b>3,909,056</b>	<b>53,556</b>	<b>3,962,612</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	-	-	-	-	-	-	76,213	76,213	5,190	81,403
Other comprehensive loss	-	-	-	-	-	6,516	(15,827)	(9,311)	(607)	(9,918)
Total comprehensive income for the period	-	-	-	-	-	6,516	60,386	66,902	4,583	71,485
Share held in treasury	-	(8,066)	-	-	-	-	-	(8,066)	-	(8,066)
Dividends (Note 15)	-	-	-	-	-	-	(209,858)	(209,858)	-	(209,858)
	-	(8,066)	-	-	-	-	(209,858)	(217,924)	-	(217,924)
<b>Balance at 31 March 2011 (unaudited)</b>	<b>2,100,000</b>	<b>(10,723)</b>	<b>1,085,357</b>	<b>329,213</b>	<b>30,390</b>	<b>(4,938)</b>	<b>490,964</b>	<b>4,020,263</b>	<b>228,230</b>	<b>4,248,493</b>

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

**Condensed Consolidated Statement of Cash Flows (un-audited)  
for the three months period ended 31 March 2011**

	<b>3 months ended 31 March</b>	
	<b>2011</b>	<b>2010</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	<b>81,403</b>	133,915
<b>Adjustments for:</b>		
Amortisation of intangibles	<b>1,946</b>	1,946
Depreciation of property and equipment	<b>2,738</b>	2,765
(Amortisation)/discount of investments and bonds	<b>(1,954)</b>	2,509
Loss/(gain) on disposal of property and equipment	<b>38</b>	(32)
Gain on disposal of investments	<b>-</b>	(34)
Fair value loss on financial investments carried at FVTPL	<b>6,134</b>	-
Gain on sale of an associate	<b>-</b>	(7,426)
Net impairment charge on financial assets	<b>20,628</b>	2,584
Payment of directors' remuneration and charity donations	<b>(12,200)</b>	(12,195)
<b>Operating profit before changes in working capital</b>	<b>98,733</b>	124,032
Decrease/ (increase) in deposits and due from banks maturing after three months	<b>442,790</b>	(197,486)
Decrease/ (increase) in statutory reserves with Central Banks	<b>1,165</b>	(38,045)
Increase in loans and advances	<b>(618,007)</b>	(405,960)
Decrease in other assets	<b>227,743</b>	128,838
Increase in customers' deposits	<b>387,233</b>	368,961
Decrease in other liabilities	<b>(132,628)</b>	(29,507)
<b>Net cash generated from/(used in) operating activities</b>	<b>407,029</b>	(49,167)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<b>(52,352)</b>	(722)
Proceeds from disposal of property and equipment	<b>155</b>	100
Proceeds from disposal of investments	<b>30,430</b>	24,634
Purchase of investments	<b>(91,326)</b>	(41,681)
Proceeds from disposal of investment in an associate	<b>-</b>	87,500
<b>Net cash (used in)/generated from investing activities</b>	<b>(113,093)</b>	69,831
<b>FINANCING ACTIVITIES</b>		
Treasury shares acquired	<b>(8,066)</b>	-
Dividends paid	<b>(147,316)</b>	(166,469)
<b>Net cash used in financing activities</b>	<b>(155,382)</b>	(166,469)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>138,554</b>	(145,805)
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>3,399,979</b>	1,600,903

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



## Notes to the condensed consolidated financial statements for the three months period ended 31 March 2011

### 1. General information

Bank of Sharjah (P.J.S.C) (the “Bank”), a public joint stock 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 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 31 March 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. New and revised IFRSs 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 <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>	1 July 2010
Amendments to IFRS 1 relating to <i>Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'</i>	1 July 2011
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets.	1 July 2011
Amendments to IAS 12 <i>Income Taxes - Limited scope amendment (recovery of underlying assets)</i>	1 January 2012

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

**3. New and revised IFRSs in issue but not yet effective**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 32 Financial Instruments: Presentation, relating to Classification of Rights Issues	1 February 2010
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
Improvements to IFRSs issued in 2010 covering amendments to IFRS 3 and IAS 27	1 July 2010

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.

**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.

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

**6. Summary of significant accounting policies (continued)**

**Basis of consolidation (continued)**

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.

**7. Seasonality of results**

No income of seasonal nature was recorded in the condensed consolidated statement of income for the three months period ended 31 March 2011 and 2010.

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

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

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

	<b>31 March 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (Audited)
Cash on hand	53,631	52,372
Statutory deposit with Central Banks	873,799	874,964
Current account with Central Banks	97,993	62,549
Certificates of deposit with Central Banks	1,563,243	843,665
	<hr/> <b>2,588,666</b> <hr/>	<hr/> 1,833,550 <hr/>

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

Banks abroad	916,052	917,451
Banks in the U.A.E.	1,672,614	916,099
	<hr/> <b>2,588,666</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 of 31 March 2011, the statutory deposit with the Central Bank of the U.A.E. amounted to AED 324 million (31 December 2010: AED 322 million).

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

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

	<b>31 March 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (Audited)
Demand	574,162	530,792
Time	1,514,685	2,741,660
	<hr/> <b>2,088,847</b> <hr/>	<hr/> 3,272,452 <hr/>

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

Banks abroad	1,452,000	1,961,082
Banks in the U.A.E.	636,847	1,311,370
	<hr/> <b>2,088,847</b> <hr/>	<hr/> 3,272,452 <hr/>

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

**10. Loans and advances, net**

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

	<b>31 March 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (Audited)
Overdrafts	<b>6,146,102</b>	6,019,681
Commercial loans	<b>5,914,668</b>	5,338,981
Bills receivable	<b>721,201</b>	1,093,946
Other advances	<b>512,360</b>	215,535
	<b>13,294,331</b>	12,668,143
Less: Allowance for doubtful loans and advances	<b>(491,957)</b>	(467,216)
Less: Interest in suspense	<b>(98,155)</b>	(94,087)
	<b>12,704,219</b>	12,106,840

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

	<b>31 March 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (Audited)
Loans and advances in the U.A.E.	<b>10,828,377</b>	10,427,669
Loans and advances outside the U.A.E.	<b>2,465,954</b>	2,240,474
	<b>13,294,331</b>	12,668,143

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

**11. Other financial assets**

Other financial assets of the Group as of 31 March 2011 classified in accordance with IFRS 9 are as follows:

	<b>31 March 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	63,423	69,557
Debt securities	7,750	99
	<hr/>	<hr/>
	<b>71,173</b>	69,656
	<hr/>	<hr/>
<b>(ii) Investments carried at FVTOCI</b>		
Quoted equity	150,401	168,077
Unquoted equity	745,296	650,371
	<hr/>	<hr/>
	<b>895,697</b>	818,448
	<hr/>	<hr/>
<b>Total other financial assets measured at fair value</b>	<b>966,870</b>	888,104
	<hr/>	<hr/>
<b>Other financial assets measured at amortized cost</b>		
Debt securities	880,710	902,530
	<hr/>	<hr/>
<b>Total other financial assets</b>	<b>1,847,580</b>	1,790,634
	<hr/> <hr/>	<hr/> <hr/>

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

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

**11. Other financial assets (continued)**

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

	<b>31 March 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
United Arab Emirates	<b>386,983</b>	410,397
G.C.C. countries (other than U.A.E.)	<b>7,642</b>	10,360
Middle East and Africa (other than G.C.C. countries)	<b>1,447,993</b>	1,366,580
Europe	<b>4,962</b>	3,297
	<hr/> <b>1,847,580</b> <hr/>	<hr/> 1,790,634 <hr/>

- (a) In 2008 certain trading securities were reclassified to available for sale investments in accordance with the amendments to IAS 39 issued on 13 October 2008 with respect to reclassification of financial assets. With the early adoption of IFRS 9 these investments are included in the investments measured at fair value through other comprehensive income. The fair value of the trading securities at the date of reclassification was AED 184.5 million and at 31 March 2011 was AED 57.6 million (December 2010 was AED 65.7 million). The fair value loss on these securities for the period ended 31 March 2011 amounted to AED 8.1 million have been recognised under cumulative changes in fair value in the condensed consolidated statement of changes in equity.
- (b) Other financial assets measured at FVTOCI are strategic investments that are not held to benefit from changes in their fair value and are not held for trading. The management believes therefore that designating these investments as at FVTOCI will provide a more meaningful presentation of its medium to long-term interest in its investment than fair valuing through profit or loss.

**12. Customers' deposits**

	<b>31 March 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Current and other accounts	<b>3,071,102</b>	3,376,180
Saving accounts	<b>1,451,596</b>	1,440,798
Time deposits	<b>10,241,862</b>	9,560,349
	<hr/> <b>14,764,560</b> <hr/>	<hr/> 14,377,327 <hr/>

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

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

	<b>31 March 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Demand	224,832	175,319
Time	76,059	248,660
	<hr/>	<hr/>
	<b>300,891</b>	423,979
	<hr/>	<hr/>
Due to banks represent due to:		
Banks in the U.A.E.	<b>351</b>	336
Banks outside the U.A.E.	<b>300,540</b>	423,643
	<hr/>	<hr/>
	<b>300,891</b>	423,979
	<hr/>	<hr/>

**14. Syndicated loan**

On July 29, 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 June 28, 2010, a USD 200 million (AED 735 million) syndicated term loan facility matured and was settled.

**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 31 March 2011, the Bank has acquired 5.78 million shares (31 December 2010: 1.14 million shares) amounted to AED 10.72 million (31 December 2010: AED 2.66 million). As such the number of shares outstanding as of 31 March 2011 is 2.09 billion shares (31 December 2010: 2.09 billion shares).



**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

**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>3 months ended 31 March</b>	
	<b>2011</b> <b>(unaudited)</b>	<b>2010</b> <b>(unaudited)</b>
<b>Basic earnings per share</b>		
Profit attributable to equity holders of the parent for the period (AED'000)	<b>76,213</b>	132,796
Weighted average number of shares outstanding during the period (in thousands)	<b>2,096,404</b>	2,096,404
<b>Basic earnings per share (AED)</b>	<b>0.036</b>	0.063

As of 31 March 2011 and 31 March 2010, there were no potential dilutive shares outstanding.

**17. Commitments and contingent liabilities**

	<b>31 March</b> <b>2011</b> <b>AED'000</b> <b>(unaudited)</b>	31 December 2010 AED'000 (audited)
Financial guarantees for loans	<b>1,540,276</b>	1,586,546
Other guarantees	<b>1,798,840</b>	1,962,350
Letters of credit	<b>935,253</b>	886,979
Capital commitments	<b>104,333</b>	104,333
	<b>4,378,702</b>	4,540,208
Irrevocable commitments to extend credit	<b>1,661,680</b>	1,597,656
	<b>6,040,382</b>	6,137,864

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 2011**

**17. Commitments and contingent liabilities (continued)**

Credit-related commitments include commitments to extend credit, standby letters of credit, and guarantees which are designed to meet the requirements of the Bank's customers.

Commitments to extend credit represent contractual commitments to make loans and advances and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. These contracts would have market risk if issued or extended at a fixed rate of interest. However, these contracts are primarily made at floating rates.

**18. Cash and cash equivalents**

	<b>31 March 2011 AED'000 (unaudited)</b>	31 March 2010 AED'000 (unaudited)
Cash and balances with Central Banks (note 8)	<b>2,588,666</b>	1,259,826
Deposits and balances due from banks (note 9)	<b>2,088,847</b>	2,306,149
Deposits and balances due to banks (note 13)	<b>(300,891)</b>	(564,222)
	<b>4,376,622</b>	3,001,753
Less: Deposits and balances due from banks - maturity more than three months	<b>(102,844)</b>	(559,850)
Less: Statutory reserves with Central Banks (Note 8)	<b>(873,799)</b>	(841,000)
	<b>3,399,979</b>	1,600,903

**19. Fiduciary assets**

As at 31 March 2011, the Group holds investments at fair value amounting to AED 1.24 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 three months period ended 31 March 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>31 March 2011 AED'000 (unaudited)</b>	31 December 2010 AED'000 (audited)
Loans and advances	<b>2,134,871</b>	1,908,688
Deposits	<b>770,203</b>	718,768
Letters of credit, guarantee and acceptances	<b>962,841</b>	1,008,338
	<b>3 months ended 31 March 2011 AED'000 (unaudited)</b>	2010 AED'000 (unaudited)
Interest income	<b>33,576</b>	40,382
Interest expense	<b>8,694</b>	12,198
Directors fees	<b>9,700</b>	9,695

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 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 of 31 March 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>31 March 2011 (unaudited):</u></b>				
<b>Segment assets</b>	<b>18,055,768</b>	<b>1,997,246</b>	<b>612,762</b>	<b>20,665,776</b>
<b>Segment liabilities</b>	<b>15,468,277</b>	<b>550,951</b>	<b>398,055</b>	<b>16,417,283</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 three months period ended 31 March 2011**

**21. Segmental information (continued)**

The following table presents information regarding the Group's operating segments for the 3 months period ended 31 March 2011 (unaudited) and 31 March 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>3 months ended 31 March 2011 (unaudited):</u></b>				
<b>Revenue from external customers</b>				
Net interest income	119,962	-	-	119,962
Net fee and commission income	27,140	-	-	27,140
Exchange profit	5,649	-	-	5,649
Investment loss	-	(3,775)	-	(3,775)
Other income	-	3,556	-	3,556
<b>Operating income</b>	<b>152,751</b>	<b>(219)</b>	<b>-</b>	<b>152,532</b>
<b>Other material non-cash items</b>				
Net impairment charge on financial assets	(20,628)	-	-	(20,628)
Amortisation of intangible assets	(1,946)	-	-	(1,946)
Depreciation of property and equipment			(2,738)	(2,738)
<b>Profit for the period after taxes</b>	<b>93,061</b>	<b>(6,769)</b>	<b>(4,889)</b>	<b>81,403</b>
<b><u>3 months ended 31 March 2010 (unaudited):</u></b>				
<b>Revenue from external customers</b>				
Net interest income	137,996	-	-	137,996
Net fee and commission income	29,491	-	-	29,491
Exchange profit	5,410	-	-	5,410
Investment income	-	12,350	-	12,350
Other income	164	3,954	-	4,118
<b>Operating income</b>	<b>173,061</b>	<b>16,304</b>	<b>-</b>	<b>189,365</b>
<b>Other material non-cash items</b>				
Net impairment charge on financial assets	(2,584)	-	-	(2,584)
Amortisation of intangible assets	(1,946)	-	-	(1,946)
Depreciation of property and equipment	-	-	(2,765)	(2,765)
<b>Profit for the period after taxes</b>	<b>125,828</b>	<b>12,193</b>	<b>(4,106)</b>	<b>133,915</b>

**Notes to the condensed consolidated financial statements (continued)  
for the three months period ended 31 March 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 3 months period ended 31 March 2011	<u>119,578</u>	<u>32,954</u>	<u>152,532</u>
Non-current assets as at 31 March 2011	<u>1,058,837</u>	<u>377,627</u>	<u>1,436,464</u>
<b>2010</b>			
Operating income (from external customers) for the 3 months period ended 31 March 2010	<u>161,405</u>	<u>27,960</u>	<u>189,365</u>
Non-current assets as at 31 December 2010	<u>962,588</u>	<u>381,217</u>	<u>1,343,805</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 April 2011.