

Bank of Sharjah P.S.C.

**Review report and
interim financial information
for the period ended 31 March 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 31 March 2012, 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 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.)

Saba Y. Sindaha
Registration No. 410

29 April 2012

**Condensed Consolidated Statement of Financial Position
as at 31 March 2012**

	Notes	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
ASSETS			
Cash and balances with central banks	8	2,603,673	1,599,145
Deposits and balances due from banks	9	2,972,253	3,648,645
Loans and advances, net	10	12,321,033	12,039,325
Other financial assets measured at fair value	11	1,147,189	1,111,349
Other financial assets measured at amortized cost	11	672,589	736,597
Investment properties		126,821	126,821
Goodwill and other intangibles		263,425	265,370
Other assets	12	1,165,606	1,176,385
Property and equipment		231,698	230,735
Total assets		21,504,287	20,934,372
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	13	15,466,459	14,940,143
Deposits and balances due to banks	14	458,318	465,651
Other liabilities		1,111,003	833,402
Syndicated loan	15	495,855	495,855
Total liabilities		17,531,635	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		12,098	(4,947)
Retained earnings		437,851	618,820
Equity attributable to equity holders of the Parent		3,722,157	3,951,096
Non-controlling interests		250,495	248,225
Total equity		3,972,652	4,199,321
Total liabilities and equity		21,504,287	20,934,372
Commitments and contingent liabilities	18	5,810,589	5,794,893

.....
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 (unaudited)
for the period ended 31 March 2012**

	Notes	3 months ended 31 March	
		2012	2011
		AED'000	AED'000
Interest income		251,939	266,882
Interest expense		(120,538)	(146,920)
Net interest income		131,401	119,962
Net fee and commission income		26,025	27,140
Exchange profit		5,693	5,649
Investment income/(loss)		9,806	(3,775)
Other income		2,066	3,556
Operating income		174,991	152,532
Net impairment charge on financial assets		(60,196)	(20,628)
Net operating income		114,795	131,904
Amortisation of intangible assets		(1,946)	(1,946)
General and administrative expenses		(50,713)	(46,404)
Profit before taxes		62,136	83,554
Income tax expense - overseas		(2,075)	(2,151)
Profit for the period		60,061	81,403
Attributable to:			
Equity holders of the parent		56,783	76,213
Non-controlling interests		3,278	5,190
		60,061	81,403
Basic earnings per share (AED)	17	0.029	0.036

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

**Condensed Consolidated Statement of Comprehensive Income (unaudited)
for the period ended 31 March 2012**

	3 months ended 31 March	
	2012	2011
	AED'000	AED'000
Profit for the period	60,061	81,403
Other comprehensive income/(loss)		
Changes in fair value of financial assets measured at fair value through other comprehensive income	17,045	2,756
Loss on sale of financial assets measured at fair value through other comprehensive income	-	(474)
Charity donations appropriated during the period	(2,500)	(2,500)
Directors' remuneration paid during the period	(10,585)	(9,700)
Total other comprehensive income/(loss) for the period	3,960	(9,918)
Total comprehensive income for the period	64,021	71,485
Attributable to:		
Equity holders of the parent	61,751	66,902
Non-controlling interests	2,270	4,583
	64,021	71,485

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

**Condensed Consolidated Statement of Changes in Equity
for the period ended 31 March 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	-	-	-	-	-	-	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
Treasury shares acquired in period	-	(8,066)	-	-	-	-	-	(8,066)	-	(8,066)
Dividends (Note 16)	-	-	-	-	-	-	(209,858)	(209,858)	-	(209,858)
	-	(8,066)	-	-	-	-	(209,858)	(217,924)	-	(217,924)
Balance at 31 March 2011 (unaudited)	2,100,000	(10,723)	1,085,357	329,213	30,390	(4,938)	490,964	4,020,263	228,230	4,248,493
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	-	-	-	-	-	-	56,783	56,783	3,278	60,061
Other comprehensive income	-	-	-	-	-	17,045	(12,077)	4,968	(1,008)	3,960
Total comprehensive income for the period	-	-	-	-	-	17,045	44,706	61,751	2,270	64,021
Transfer to reserves	-	-	-	-	32,175	-	(32,175)	-	-	-
Treasury shares acquired in period	-	(97,190)	-	-	-	-	-	(97,190)	-	(97,190)
Dividends (Note 16)	-	-	-	-	-	-	(193,500)	(193,500)	-	(193,500)
Balance at 31 March 2012 (unaudited)	2,100,000	(327,792)	1,085,357	352,078	62,565	12,098	437,851	3,722,157	250,495	3,972,652

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

**Condensed Consolidated Statement of Cash Flows (un-audited)
for the period ended 31 March 2012**

	3 months ended 31 March	
	2012	2011
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit before taxes	62,136	83,554
Adjustments for:		
Amortisation of intangibles assets	1,946	1,946
Depreciation of property and equipment	2,645	2,738
Amortisation of investments and bonds	(699)	(1,954)
Gain on disposal of property and equipment	-	38
Fair value (gain)/loss on financial investments carried at FVTPL	(7,426)	6,134
Net impairment charge on financial assets	60,196	20,628
Payment of directors' remuneration and charity donations	(13,085)	(12,200)
Operating profit before changes in working capital	105,713	100,884
(Increase)/decrease in deposits and due from banks maturing after three months	(85,249)	442,790
Decrease in statutory reserves with Central Banks	8,294	1,165
Increase in loans and advances	(341,904)	(618,007)
Decrease in other assets	12,077	227,743
Increase in customers' deposits	526,316	387,233
Increase/(decrease) in other liabilities	82,024	(134,779)
Net cash generated from operating activities	307,271	407,029
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,608)	(52,352)
Proceeds from disposal of property and equipment	-	155
Proceeds from disposal of investments	82,625	30,430
Purchase of investments	(30,586)	(91,326)
Net cash generated from/(used in) investing activities	48,431	(113,093)
FINANCING ACTIVITIES		
Treasury shares acquired	(97,190)	(8,066)
Dividends paid	-	(147,316)
Net cash used in financing activities	(97,190)	(155,382)
Increase in cash and cash equivalents	258,512	138,554
Cash and cash equivalents at the beginning of the period	3,866,518	3,261,425
Cash and cash equivalents at the end of the period (Note 19)	4,125,030	3,399,979
Non-cash transactions:		
Dividend payable	193,500	-

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

Notes to the condensed consolidated financial statements for the period ended 31 March 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 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 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 31 March 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 new and revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these new and 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 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 7 <i>Financial Instruments : Disclosure – Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities</i>	1 January 2013

**Notes to the condensed consolidated financial statements (continued)
for the period ended 31 March 2012**

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

3.2 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 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
• 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 revised 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
• IFIRC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

Management has not yet had an opportunity to consider the potential impact of the adoption of these standards and interpretations.

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 (continued)
for the period ended 31 March 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 three months period ended 31 March 2012 and 2011.

**Notes to the condensed consolidated financial statements (continued)
for the period ended 31 March 2012**

8. Cash and balances with Central Banks

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

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Cash on hand	57,844	65,646
Statutory deposits	901,210	909,504
Current account	90,343	117,357
Certificates of deposits	1,554,276	506,638
	<hr/> 2,603,673 <hr/>	<hr/> 1,599,145 <hr/>

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

Banks abroad	1,152,545	1,052,214
Banks in the U.A.E.	1,451,128	546,931
	<hr/> 2,603,673 <hr/>	<hr/> 1,599,145 <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 31 March 2012, the statutory deposit with the Central Bank of the U.A.E. amounted to AED 361 million (31 December 2011: 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:

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Demand	686,110	567,517
Time	2,286,143	3,081,128
	<hr/> 2,972,253 <hr/>	<hr/> 3,648,645 <hr/>

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

Banks abroad	1,013,862	775,600
Banks in the U.A.E.	1,958,391	2,873,045
	<hr/> 2,972,253 <hr/>	<hr/> 3,648,645 <hr/>

**Notes to the condensed consolidated financial statements (continued)
for the period ended 31 March 2012**

10. Loans and advances, net

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

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Overdrafts	5,967,121	5,487,494
Commercial loans	6,165,014	6,119,116
Bills receivable	604,373	965,785
Other advances	423,413	256,191
	<u>13,159,921</u>	<u>12,828,586</u>
Less: Allowance for doubtful loans and advances	(728,120)	(683,260)
Less: Interest in suspense	(110,768)	(106,001)
	<u><u>12,321,033</u></u>	<u><u>12,039,325</u></u>

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

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (Audited)
Loans and advances in the U.A.E.	10,865,564	10,518,154
Loans and advances outside the U.A.E.	2,294,357	2,310,432
	<u>13,159,921</u>	<u>12,828,586</u>

(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:

	31 March 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	(15,046)	9,601
Additions during the period/year	60,260	221,046
Write offs	(225)	(4,792)
Recoveries	(129)	(9,811)
	<u>728,120</u>	<u>683,260</u>

**Notes to the condensed consolidated financial statements (continued)
for the period ended 31 March 2012**

11. Other financial assets

Other financial assets of the Group as at 31 March 2012 classified in accordance with IFRS 9 are as follows:

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at FVTPL		
Quoted equity	66,829	57,700
Debt securities	965	3,145
	67,794	60,845
(ii) Investments carried at FVTOCI		
Quoted equity	126,459	115,362
Unquoted equity	952,936	935,142
	1,079,395	1,050,504
Total other financial assets measured at fair value	1,147,189	1,111,349
Other financial assets measured at amortized cost		
Debt securities	672,589	736,597
Total other financial assets	1,819,778	1,847,946

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

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
United Arab Emirates	371,017	346,695
G.C.C. countries (other than U.A.E.)	6,116	7,288
Middle East and Africa (other than G.C.C. countries)	1,436,731	1,489,127
Europe	5,914	4,836
	1,819,778	1,847,946

**Notes to the condensed consolidated financial statements (continued)
for the period ended 31 March 2012**

12. Other assets

	31 March 2011 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Acceptances- contra	676,668	599,692
Assets acquired in settlement of debt	303,695	303,695
Receivable from sale of investments	87,927	178,452
Clearing receivables	3,059	6,714
Interest receivable	3,386	2,737
Prepayments	18,811	13,208
Positive fair value of derivatives	134	132
Other	71,926	71,755
	1,165,606	1,176,385
	=====	=====

13. Customers' deposits

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Current and other accounts	3,376,020	3,066,918
Saving accounts	1,488,911	1,462,118
Time deposits	10,601,528	10,411,107
	15,466,459	14,940,143
	=====	=====

14. Deposits and balances due to banks

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Demand	212,390	126,659
Time	245,928	338,992
	458,318	465,651
	=====	=====
Due to banks represent due to:		
Banks in the U.A.E.	96,870	91,825
Banks outside the U.A.E.	361,448	373,826
	458,318	465,651
	=====	=====

**Notes to the condensed consolidated financial statements (continued)
for the period ended 31 March 2012**

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.

On 29 July 2011, a USD 150 million (AED 551 million) syndicated term loan facility matured and was settled.

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 3.08 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 31 March 2012, the Bank has acquired 165 million shares (31 December 2011: 126.5 million shares) amounting to AED 328 million (31 December 2011: AED 231 million). As such the number of shares outstanding as at 31 March 2012 is 1,935 billion shares (31 December 2011: 1,973 billion shares). The market value of the treasury shares as at 31 March 2012 is AED 290 million (31 December 2011: AED 248 million).

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:

	3 months ended 31 March	
	2012 (unaudited)	2011 (unaudited)
Basic earnings per share		
Profit attributable to equity holders of the parent for the period (AED'000)	56,783	76,213
Weighted average number of shares outstanding during the period (in thousands)	1,941,417	2,096,404
Basic earnings per share (AED)	0.029	0.036

As at 31 March 2012 and 31 March 2011, there were no potential dilutive shares outstanding.

**Notes to the condensed consolidated financial statements (continued)
for the period ended 31 March 2012**

18. Commitments and contingent liabilities

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Financial guarantees for loans	1,850,735	1,731,464
Other guarantees	1,436,825	1,477,125
Letters of credit	947,181	981,869
Capital commitments	104,333	104,333
	<hr/>	<hr/>
	4,339,074	4,294,791
Irrevocable commitments to extend credit	1,471,515	1,500,102
	<hr/>	<hr/>
	5,810,589	5,794,893
	<hr/> <hr/>	<hr/> <hr/>

19. Cash and cash equivalents

	31 March 2012 AED'000 (unaudited)	31 March 2011 AED'000 (unaudited)
Cash and balances with Central Banks (Note 8)	2,603,673	2,588,666
Deposits and balances due from banks (Note 9)	2,972,253	2,088,847
Deposits and balances due to banks (Note 14)	(458,318)	(300,891)
	<hr/>	<hr/>
	5,117,608	4,376,622
Less: Deposits and balances due from banks - maturity more than three months	(91,368)	(102,844)
Less: Statutory reserves with Central Banks (Note 8)	(901,210)	(873,799)
	<hr/>	<hr/>
	4,125,030	3,399,979
	<hr/> <hr/>	<hr/> <hr/>

20. Fiduciary assets

As at 31 March 2012, the Group holds investments at fair value amounting to AED 1.07 billion (31 December 2011: 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 period ended 31 March 2012**

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:

	31 March 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
Loans and advances	1,973,702	1,764,005
Deposits	682,695	635,728
Letters of credit, guarantee and acceptances	1,327,555	1,281,849

As at 31 March 2012, entities related to one of the directors accounted for 68% (31 December 2011: 67%) of the total aforementioned loans and advances, 61% (31 December 2011: 65%) of the total aforementioned deposits, 90% (31 December 2011: 94%) of the total aforementioned financial guarantees for loans.

	3 months ended 31 March	
	2012 AED'000 (unaudited)	2011 AED'000 (unaudited)
Interest income	26,628	33,576
Interest expense	9,058	8,694
Directors fees	10,585	9,700

**Notes to the condensed consolidated financial statements (continued)
for the period ended 31 March 2012**

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 31 March 2012 (unaudited) and 31 December 2011 (audited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
<u>31 March 2012 (unaudited):</u>				
Segment assets	18,837,055	2,034,526	632,706	21,504,287
Segment liabilities	16,600,445	495,855	435,335	17,531,635
<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 (continued)
for the period ended 31 March 2012**

21. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the 3 months period ended 31 March 2012 (unaudited) and 31 March 2011 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
<u>3 months ended 31 March 2012 (unaudited):</u>				
Revenue from external customers				
Net interest income	125,754	5,647	-	131,401
Net fee and commission income	26,025	-	-	26,025
Exchange profit	5,693	-	-	5,693
Investment income	-	9,806	-	9,806
Other income	2,066	-	-	2,066
Operating income	159,538	15,453	-	174,991
Other material non-cash items				
Net impairment charge on financial assets	(60,196)	-	-	(60,196)
Amortisation of intangible assets	(1,946)	-	-	(1,946)
Depreciation of property and equipment	-	-	(2,645)	(2,645)
Profit for the period after taxes	56,687	8,094	(4,720)	60,061
<u>3 months ended 31 March 2011 (unaudited):</u>				
Revenue from external customers				
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
Operating income/(loss)	152,751	(219)	-	152,532
Other material non-cash items				
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)
Profit for the period after taxes	93,061	(6,769)	(4,889)	81,403

Notes to the condensed consolidated financial statements (continued) for the period ended 31 March 2012

21. 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 3 months period ended 31 March 2012 (unaudited)	141,507	33,484	174,991
Non-current assets as at 31 March 2012 (unaudited)	814,006	296,877	1,110,883
2011			
Operating income (from external customers) for the 3 months period ended 31 March 2011 (unaudited)	119,578	32,954	152,532
Non-current assets as at 31 December 2011 (audited)	904,287	295,333	1,199,620

22. Approval of condensed consolidated financial statements

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