

BANK OF SHARJAH P.S.C.

**REVIEW REPORT AND
INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2011**

Bank of Sharjah P.S.C.

**Review Report and Interim Financial Information
for the nine months period ended 30 September 2011**

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Bank of Sharjah P.S.C. (the “Bank”) and its subsidiaries (the “Group”) as at 30 September 2011, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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 October 2011

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

	Notes	30 September 2011 (unaudited) AED'000	31 December 2010 (audited) AED'000
ASSETS			
Cash and balances with Central Banks	8	2,004,294	1,833,550
Deposits and balances due from banks	9	3,462,145	3,272,452
Loans and advances, net	10	12,775,159	12,106,840
Other financial assets measured at fair value	11	1,055,939	888,104
Other financial assets measured at amortized cost	11	747,915	902,530
Investment properties		149,665	149,665
Goodwill and other intangibles		267,318	273,153
Other assets		738,905	964,104
Property and equipment		305,388	227,282
Total assets		21,506,728	20,617,680
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	12	15,684,734	14,377,327
Deposits and balances due to banks	13	349,653	423,979
Other liabilities		756,689	870,492
Syndicated loan	14	495,855	550,950
Total liabilities		17,286,931	16,222,748
Equity			
Capital and reserves			
Share capital		2,100,000	2,100,000
Treasury shares	15	(177,786)	(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		508	(11,454)
Retained earnings		612,041	640,436
Equity attributable to equity holders of the Parent		3,979,723	4,171,285
Non-controlling interests		240,074	223,647
Total equity		4,219,797	4,394,932
Total liabilities and equity		21,506,728	20,617,680
Commitments and contingent liabilities	17	5,471,289	6,137,864

.....
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 nine months period ended 30 September 2011**

	3 months ended 30 September		9 months ended 30 September	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Interest income	260,440	270,406	801,358	786,679
Interest expense	(133,201)	(136,977)	(428,056)	(372,244)
Net interest income	127,239	133,429	373,302	414,435
Net fee and commission income	22,160	33,515	70,859	90,379
Exchange profit	5,687	4,445	17,294	15,146
Investment income/(loss)	(9,347)	(5,476)	19,989	6,686
Gain on sale of an associate	-	-	-	7,426
Other income	2,536	8,843	11,993	11,529
Operating income	148,275	174,756	493,437	545,601
Net impairment charge on financial assets	(32,523)	(8,479)	(124,091)	(1,768)
Net operating income	115,752	166,277	369,346	543,833
Amortization of intangible assets	(1,946)	(1,946)	(5,838)	(5,838)
General & administrative expenses	(48,003)	(45,138)	(141,291)	(139,759)
Profit before taxes	65,803	119,193	222,217	398,236
Income tax expense - overseas	(1,704)	(1,904)	(6,214)	(4,859)
Profit for the period	64,099	117,289	216,003	393,377
<i>Attributable to:</i>				
Equity holders of the parent	58,329	115,600	199,009	389,136
Non-controlling interests	5,770	1,689	16,994	4,241
	64,099	117,289	216,003	393,377
Basic earnings per share (AED) (Note 16)	0.029	0.055	0.097	0.185

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

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

	3 months ended 30 September		9 months ended 30 September	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Profit for the period	64,099	117,289	216,003	393,377
Other comprehensive income				
Changes in fair value of available for sale investments	-	29,521	-	(3,129)
Change in fair value of financial assets measured at fair value through other comprehensive income	(16,366)	-	6,713	-
Loss on sale of financial assets measured at fair value through other comprehensive income	-	-	(664)	-
Charity donations appropriated during the period	-	-	(2,500)	(2,500)
Directors' remuneration paid during the period	-	-	(9,700)	(9,695)
Other comprehensive income /(loss) for the period	(16,366)	29,521	(6,151)	(15,324)
Total comprehensive income for the period	47,733	146,810	209,852	378,053
<i>Attributable to:</i>				
Equity holders of the parent	41,923	145,058	193,425	373,377
Non-controlling interests	5,810	1,752	16,427	4,676
	47,733	146,810	209,852	378,053

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

Condensed Consolidated Statement of Changes in Equity for the nine months period ended 30 September 2011

	Share capital	Treasury shares	Statutory reserve	Contingency reserve	Additional reserves	Cumulative changes in fair value	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2010 (audited)	2,000,000	-	1,085,357	289,468	30,390	98,413	537,543	4,041,171	55,528	4,096,699
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	-	-	-	-	-	-	389,136	389,136	4,241	393,377
Other comprehensive income	-	-	-	-	-	(3,981)	(11,778)	(15,759)	435	(15,324)
Total comprehensive income for the period	-	-	-	-	-	(3,981)	377,358	373,377	4,676	378,053
Issue of bonus shares (Note 15)	100,000	-	-	-	-	-	(100,000)	-	-	-
Treasury shares (Note 15)	-	(1,860)	-	-	-	-	-	(1,860)	-	(1,860)
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	(1,860)	-	-	-	-	(341,436)	(243,296)	(334)	(243,630)
Balance at 30 September 2010 (unaudited)	2,100,000	(1,860)	1,085,357	289,468	30,390	(16,373)	671,865	4,158,847	56,960	4,215,807
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	-	-	-	-	-	-	199,009	199,009	16,994	216,003
Other comprehensive loss	-	-	-	-	-	11,962	(17,546)	(5,584)	(567)	(6,151)
Total comprehensive income for the period	-	-	-	-	-	11,962	181,463	193,425	16,427	209,852
Treasury shares (Note 15)	-	(175,129)	-	-	-	-	-	(175,129)	-	(175,129)
Dividends (Note 15)	-	-	-	-	-	-	(209,858)	(209,858)	-	(209,858)
Balance at 30 September 2011 (unaudited)	2,100,000	(177,786)	1,085,357	329,213	30,390	508	612,041	3,979,723	240,074	4,219,797

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

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

	9 months ended 30 September	
	2011 AED'000	2010 AED'000
OPERATING ACTIVITIES		
Profit for the period	216,003	393,377
Adjustments for:		
Depreciation of property and equipment/intangible assets amortization	14,102	13,532
Amortisation of premium on receivables, investments, and bonds	(4,892)	(10,002)
Gain on disposal of property and equipment	(95)	(124)
Loss on disposal of investments	-	189
Fair value loss on trading investments and derivatives	17,862	3,919
Gain on sale of an associate	-	(7,426)
Allowance for doubtful loans and advances	124,091	1,768
Payment of directors' remuneration and charity donation	(12,200)	(9,695)
Operating profit before changes in working capital	354,871	385,538
Movements in working capital:		
Decrease in deposits and due from banks maturity more than three months	523,596	53,832
Increase in statutory reserves with Central Banks	(53,300)	(111,660)
Increase in loans and advances	(792,410)	(658,424)
Decrease/(increase) in other assets	232,775	(40,556)
Increase in customers' deposits	1,307,407	1,595,775
Decrease/(increase) in other liabilities	(113,803)	159,315
Net cash generated from operating activities	1,459,136	1,383,820
INVESTING ACTIVITIES		
Purchases of property and equipment	(90,304)	(29,424)
Proceeds from disposal of property and equipment	4,027	124
Proceeds from disposal of investments	198,445	35,211
Purchase of investments	(226,164)	(147,652)
Proceeds from sale of an investment in associate	-	87,500
Net cash used in investing activities	(113,996)	(54,241)
FINANCING ACTIVITIES		
Dividends paid	(209,858)	(240,000)
Net movement in syndication loans	(55,095)	(183,650)
Treasury shares acquired	(175,129)	(1,860)
Net cash used in financing activities	(440,082)	(425,510)
Increase in cash and cash equivalents	905,058	904,069
Cash and cash equivalents at the beginning of the period	3,261,425	1,746,708
Cash and cash equivalents at the end of the period (Note 18)	4,166,483	2,650,777

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

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

1. General information

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

The Bank’s registered office is located at Al Hosn Avenue, P.O. Box 1394, Sharjah, United Arab Emirates.

The Bank operates through four branches in the United Arab Emirates situated in the Emirates of Sharjah, Dubai, Abu Dhabi and Al Ain.

2. Basis of preparation

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

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

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

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

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

3.1 New and revised IFRSs 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 Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	1 July 2011
▪ Amendments to IFRS 7 Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets	1 July 2011
▪ IFRS 10 Consolidated Financial Statements	1 January 2013

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

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

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

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

Management anticipates that these Standards and Interpretations will be adopted in the Group's consolidated financial statements in the initial period when they become effective. Management have not yet had an opportunity to consider potential impact of the adoption of these amendments.

4. Estimates

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2010.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2010.

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

6. Summary of significant accounting policies

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

Basis of consolidation

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

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

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

Name of Subsidiary	Proportion of ownership interest	Year of incorporation	Country of incorporation	Principal activities
Emirates Lebanon Bank S.A.L (previously known as Banque de la Bekaa S.A.L)	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 period from 1 January 2011 to 30 September 2011 and 2010.

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

8. Cash and balances with Central Banks

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

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Cash on hand	56,793	52,372
Statutory deposit with Central Banks	928,265	874,964
Current account with Central Banks	149,930	62,549
Certificates of deposit with Central Banks	869,306	843,665
	<u>2,004,294</u>	<u>1,833,550</u>

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

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Banks abroad	1,001,961	917,451
Banks in the U.A.E.	1,002,333	916,099
	<u>2,004,294</u>	<u>1,833,550</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 of 30 September 2011, the statutory deposit with the Central Bank of the U.A.E. amounted to AED 362 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:

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Demand	471,251	530,792
Time	2,990,894	2,741,660
	<u>3,462,145</u>	<u>3,272,452</u>

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

9. Deposits and balances due from banks (continued)

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

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Banks abroad	690,849	1,961,082
Banks in the U.A.E.	2,771,296	1,311,370
	<hr/>	<hr/>
	3,462,145	3,272,452
	<hr/> <hr/>	<hr/> <hr/>

10. Loans and advances, net

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

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Overdrafts	6,354,954	6,019,681
Commercial loans	5,931,602	5,338,981
Bills receivable	832,668	1,093,946
Other advances	356,678	215,535
	<hr/>	<hr/>
	13,475,902	12,668,143
Less: Allowance for doubtful loans and advances	(596,518)	(467,216)
Less: Interest in suspense	(104,225)	(94,087)
	<hr/>	<hr/>
	12,775,159	12,106,840
	<hr/> <hr/>	<hr/> <hr/>

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

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Loans and advances in the U.A.E.	10,950,351	10,427,669
Loans and advances outside the U.A.E.	2,525,551	2,240,474
	<hr/>	<hr/>
	13,475,902	12,668,143
	<hr/> <hr/>	<hr/> <hr/>

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

11. Other financial assets

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

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at FVTPL		
Quoted equity	65,104	69,557
Debt securities	9,892	99
	<hr/>	<hr/>
	74,996	69,656
	<hr/>	<hr/>
(ii) Investments carried at FVTOCI		
Quoted equity	139,796	168,077
Unquoted equity	841,147	650,371
	<hr/>	<hr/>
	980,943	818,448
	<hr/>	<hr/>
Total other financial assets measured at fair value	1,055,939	888,104
	<hr/>	<hr/>
Other financial assets measured at amortized cost		
Debt securities	747,915	902,530
	<hr/>	<hr/>
Total other financial assets	1,803,854	1,790,634
	<hr/> <hr/>	<hr/> <hr/>

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

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
United Arab Emirates	379,486	410,397
G.C.C. countries (other than U.A.E.)	7,297	10,360
Middle East and Africa (other than G.C.C. countries)	1,414,686	1,366,580
Europe	2,385	3,297
	<hr/>	<hr/>
	1,803,854	1,790,634
	<hr/> <hr/>	<hr/> <hr/>

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

12. Customers' deposits

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Current and other accounts	3,431,546	3,376,180
Saving accounts	1,446,769	1,440,798
Time deposits	10,806,419	9,560,349
	<hr/> 15,684,734 <hr/>	<hr/> 14,377,327 <hr/>

13. Deposits and balances due to banks

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Demand	175,592	175,319
Time	174,061	248,660
	<hr/> 349,653 <hr/>	<hr/> 423,979 <hr/>
Due to banks represent due to:		
Banks in the U.A.E.	91,825	336
Banks outside the U.A.E.	257,828	423,643
	<hr/> 349,653 <hr/>	<hr/> 423,979 <hr/>

14. 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 was 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.

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

15. Dividend and bonus issue

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

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

On June 5, 2010, the Board approved to buy back 10% of the Bank's outstanding shares. After obtaining the required regulatory approvals, the Bank started acquiring its shares on the open market. As of 30 September 2011, the Bank has acquired 98.606 million shares (31 December 2010: 1.41 million shares) at a cost of AED 177.786 million (31 December 2010: AED 2.66 million). As such the number of shares outstanding as of 30 September 2011 is 1.9 billion shares (31 December 2010: 2.09 billion shares).

16. Earnings per share

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

	<u>9 months ended 30 September</u>	
	2011	2010
	(unaudited)	(unaudited)
<i>Basic earnings per share</i>		
Profit attributable to equity holders of the parent for the period (AED'000)	199,009	389,136
Weighted average number of shares outstanding during the period (in thousands)	2,052,783	2,099,890
Basic earnings per share (AED)	0.097	0.185

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

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

17. Commitments and contingent liabilities

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Financial guarantees for loans	1,458,827	1,586,546
Other guarantees	1,481,191	1,962,350
Letters of credit	891,710	886,979
Capital commitments	104,333	104,333
	<hr/>	<hr/>
	3,936,061	4,540,208
Irrevocable commitments to extend credit	1,535,228	1,597,656
	<hr/>	<hr/>
	5,471,289	6,137,864
	<hr/> <hr/>	<hr/> <hr/>

18. Cash and cash equivalents

	30 September 2011 AED'000 (unaudited)	30 September 2010 AED'000 (unaudited)
Cash and balances with Central Banks (Note 8)	2,004,294	1,364,650
Deposits and balances due from banks (Note 9)	3,462,145	3,335,480
Deposits and balances due to banks (Note 13)	(349,653)	(826,206)
	<hr/>	<hr/>
	5,116,786	3,873,924
Less: Deposits and balances due from banks - maturity more than three months	(22,038)	(308,532)
Less: Statutory reserves with Central Banks (Note 8)	(928,265)	(914,615)
	<hr/>	<hr/>
	4,166,483	2,650,777
	<hr/> <hr/>	<hr/> <hr/>

19. Fiduciary assets

As at 30 September 2011, the Group holds investments at fair value amounting to AED 1.03 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 nine months period ended 30 September 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:

	30 September 2011 AED'000 (unaudited)	31 December 2010 AED'000 (audited)
Loans and advances	2,004,678	1,908,688
Deposits	720,172	718,768
Letters of credit, guarantee and acceptances	925,329	1,008,338
	9 months ended 30 September 2011 AED'000 (unaudited)	2010 AED'000 (unaudited)
Interest income	93,123	97,259
Interest expense	26,596	29,359
Directors fees	9,700	9,695

**Notes to the condensed consolidated financial statements (continued)
for the nine months period ended 30 September 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 30 September 2011 (unaudited) and 31 December 2010 (audited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
<u>30 September 2011 (unaudited):</u>				
Segment assets	18,911,743	1,953,520	641,465	21,506,728
Segment liabilities	16,437,213	495,855	353,863	17,286,931
<u>31 December 2010 (audited):</u>				
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 nine months period ended 30 September 2011**

21. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the 9 months period ended 30 September 2011 (unaudited) and 30 September 2010 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
<u>9 months ended 30 September 2011:</u>				
Revenue from external customers				
Net interest income	373,302	-	-	373,302
Net fee and commission income	70,859	-	-	70,859
Investment income	-	19,989	-	19,989
Exchange profit	17,294	-	-	17,294
Other income	4,828	7,165	-	11,993
Operating income	466,283	27,154	-	493,437
<i>Other material non-cash items</i>				
Net impairment charge on financial assets	(124,091)	-	-	(124,091)
Amortisation of intangible assets	(5,838)	-	-	(5,838)
Depreciation of property and equipment	-	-	(8,264)	(8,264)
Profit for the period after taxes	223,280	7,200	(14,477)	216,003
<u>9 months ended 30 September 2010:</u>				
Revenue from external customers				
Net interest income	414,435	-	-	414,435
Net fee and commission income	90,379	-	-	90,379
Investment income	-	14,112	-	14,112
Exchange profit	15,146	-	-	15,146
Other income	-	11,529	-	11,529
Operating income	519,960	25,641	-	545,601
<i>Other material non-cash items</i>				
Net impairment charge on financial assets	(1,768)	-	-	(1,768)
Amortisation of intangible assets	(5,838)	-	-	(5,838)
Depreciation of property and equipment	-	-	(7,694)	(7,694)
Profit for the period after taxes	400,100	5,830	(12,553)	393,377

**Notes to the condensed consolidated financial statements (continued)
for the nine months period ended 30 September 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:

	Country of domicile AED'000	Foreign AED'000	Total AED'000
2011			
Operating income (from external customers) for the 9 months period ended 30 September 2011 (unaudited)	392,233	101,204	493,437
Non-current assets as at 30 September 2011 (unaudited)	1,049,714	411,562	1,461,276
2010			
Operating income (from external customers) for the 9 months period ended 30 September 2010 (unaudited)	461,451	84,150	545,601
Non-current assets as at 30 September 2010 (unaudited)	1,073,899	473,447	1,547,346

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 October 2011.