
SHARJAH ISLAMIC BANK

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(UN – AUDITED)
30 JUNE 2010

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK ("the Bank") for the six-month period ended 30th June 2010.

Financial Highlights

The Group has reported a net profit of AED 118.5 million for the six-month period ended 30th June 2010 compared to AED 151.7 million for the corresponding prior year period.

Compared to December 2009, total assets increased by AED 407.0 million to reach AED 16.4 billion, an increase of 2.6 %, financing receivables and leased assets decreased by 1.6 % (AED 155.9 million) to reach AED 9.9 billion, and customer deposits experienced a growth of 1.1 % (AED 110.2 million) to reach AED10.0 billion.

Directors:-

| | |
|---|---------------|
| H.H. Shaikh Sultan Bin Mohammed Bin Sultan Al Qassimi | Chairman |
| H.E. Abdul Rahman Mohammed Nasser Al Owais | Vice Chairman |
| Mr. Othman Mohammed Sharif Zaman | Member |
| Mr. Ahmed Ghanim Al Suwaidi | Member |
| Mr. Ali Bin Salim Al Mazrou | Member |
| Mr. Ahmed Mohamed Obaid Al Shamsi | Member |
| Mr. Jassar Dakhil Al Jassar | Member |
| Mr. Mohammad N. Al Fouzan | Member |



Sultan Bin Mohammed Bin Sultan Al Qassimi
Chairman
14th July 2010



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Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders SHARJAH ISLAMIC BANK

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sharjah Islamic Bank ("the Bank") and its subsidiaries (collectively referred as "the Group") as at 30 June 2010 and the related condensed consolidated interim statements of comprehensive income (comprising a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim statement of income), condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity for the six-month period then ended ("the condensed consolidated interim financial information). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standards IAS 34, "*Interim financial reporting*". 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 the 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 condensed consolidated interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34, "*Interim Financial Reporting*".

KPMG

By: Munther Dajani
Registration No.: 268

14 JUL 2010

SHARJAH ISLAMIC BANK

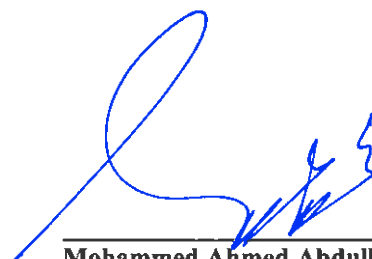
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010 (Un – audited) (Currency: Thousands of U.A.E. Dirhams)

| | 30 June 2010 Un-audited | 31 December 2009 Audited |
|--|-------------------------------|--------------------------------|
| Assets: | | |
| Cash and balances with banks and financial institutions | 1,216,141 | 1,419,663 |
| International Murabaha and Wakalah with financial institutions | 2,416,412 | 1,762,707 |
| Financing receivables | 2,344,260 | 2,619,361 |
| Leased assets | 7,521,546 | 7,402,327 |
| Investments securities | 503,505 | 521,758 |
| Investment properties | 156,636 | 156,636 |
| Properties held for sale | 1,016,675 | 1,008,613 |
| Other assets | 381,417 | 353,899 |
| Property and equipment | 824,943 | 729,584 |
| Total assets | 16,381,535 | 15,974,548 |
| Liabilities | | |
| Customers' deposits | 9,970,507 | 9,860,321 |
| Due to banks | 980,175 | 643,656 |
| Sukuk payable | 825,467 | 825,094 |
| Other liabilities | 257,680 | 257,926 |
| Accrued Zakat | 95,668 | 123,240 |
| Total liabilities | 12,129,497 | 11,710,237 |
| Shareholders' equity | | |
| Share capital | 2,425,500 | 2,310,000 |
| Legal reserve | 1,327,617 | 1,443,117 |
| Statutory reserve | 89,008 | 89,008 |
| Revaluation reserve | (11,642) | 883 |
| Retained earnings | 421,555 | 421,303 |
| Total shareholders' equity: | 4,252,038 | 4,264,311 |
| Total liabilities and shareholders' equity | 16,381,535 | 15,974,548 |
| Contingent Liabilities | | |
| Letters of credit | 91,014 | 70,178 |
| Letters of guarantee | 656,878 | 659,218 |
| | 747,892 | 729,396 |

These condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the Directors on 14th July 2010.



Sultan Bin Mohammed Bin Sultan Al Qassimi
Chairman



Mohammed Ahmed Abdullah
Chief Executive Officer

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

SHARJAH ISLAMIC BANK**CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010 (Un- Audited)
(Currency: Thousands of U.A.E. Dirhams)**

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|--|---|-------------|---|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Continuing operations | | | | |
| Income from murabaha and leasing | 185,249 | 181,620 | 362,152 | 367,651 |
| Profit paid on Sukuk | (2,160) | (3,999) | (4,234) | (9,335) |
| Fees, commission and other income | 28,876 | 26,437 | 51,730 | 55,330 |
| Income from subsidiary companies | 7,220 | 14,766 | 17,264 | 29,915 |
| Total income | 219,185 | 218,824 | 426,912 | 443,561 |
| | | | | |
| General and administrative expenses | (72,043) | (65,557) | (138,554) | (130,524) |
| | | | | |
| Net operating income | 147,142 | 153,267 | 288,358 | 313,037 |
| | | | | |
| Provisions - net of recoveries | (23,718) | (2,967) | (25,595) | (3,758) |
| | | | | |
| Net profit from continuing operations before distribution to depositors | 123,424 | 150,300 | 262,763 | 309,279 |
| | | | | |
| Distribution to depositors | (72,441) | (83,541) | (144,311) | (157,546) |
| | | | | |
| Net profit for the period | 50,983 | 66,759 | 118,452 | 151,733 |
| | | | | |
| Earning per share – continuing operations (U.A.E. Dirhams) | 0.02 | 0.03 | 0.05 | 0.07 |

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

SHARJAH ISLAMIC BANK**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010 (Un- Audited)**

(Currency: Thousands of U.A.E. Dirhams)

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|--|---|---------------|---|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net profit for the period | 50,983 | 66,759 | 118,452 | 151,733 |
| Other comprehensive income / (expense) | | | | |
| Net change in Fair value reserve | (14,930) | 5,487 | (12,525) | 1,323 |
| Total comprehensive income for the period | 36,053 | 72,246 | 105,927 | 153,056 |

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

SHARJAH ISLAMIC BANK

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010 (Un- Audited) (Currency: Thousands of U.A.E. Dirhams)

| | For the six-month period ended 30 June | |
|---|---|------------------|
| | 2010 | 2009 |
| Cash flows from operating activities: | | |
| Net profit for the period | 118,452 | 151,733 |
| Adjustments: | | |
| Depreciation | 13,213 | 8,363 |
| Amortization of sukuk issuance cost | 373 | 374 |
| Provision on customer receivables | (2,064) | (5,615) |
| Impairment losses on available-for-sale investment | 108 | 7,579 |
| Board of Directors' fees paid | (2,700) | (1,800) |
| | 127,382 | 160,634 |
| Changes in operating assets and liabilities: | | |
| Change in reserve with Central Bank | 19,551 | 67,102 |
| Change in international Murabaha and Wakalah with financial institution | (36,809) | - |
| Change in financing receivables | 277,165 | 340,848 |
| Change in leased assets | (119,219) | (112,140) |
| Change in other assets, net | (27,518) | (92,364) |
| Change in customers' deposits | 110,186 | 1,037,119 |
| Change in due to banks | 336,519 | (30,471) |
| Change in other liabilities | (27,818) | (84,178) |
| Net cash provided by operating activities | 659,439 | 1,286,550 |
| Cash flows from investing activities: | | |
| Properties and equipment | (108,572) | (57,486) |
| Redemption of investment | 26,548 | 79,251 |
| Acquisition in properties held for sale – net | (8,062) | (2,908) |
| Investments securities | (20,928) | (7,508) |
| Net cash (used in) / provided by investing activities | (111,014) | 11,349 |
| Cash flows from financing activity: | | |
| Cash dividends | (115,500) | (110,000) |
| Net cash used in financing activity | (115,500) | (110,000) |
| Net increase in cash and cash equivalents | 432,925 | 1,187,899 |
| Cash and cash equivalents, beginning of the period | 2,607,973 | 1,923,122 |
| Cash and cash equivalents, end of period | 3,040,898 | 3,111,021 |
| Cash and cash equivalents comprise of:- | | |
| Cash and balances with banks and financial institutions | 661,295 | 1,608,259 |
| International Murabaha and Wakalah with financial institutions: | | |
| Less than 3 months maturity | 2,379,603 | 1,502,762 |
| | 3,040,898 | 3,111,021 |

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

SHARJAH ISLAMIC BANK

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010 (Un- Audited) (Currency: Thousands of U.A.E. Dirhams)

| | ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK | | | | |
|---|--|----------------------------|--------------------|-------------------|------------------|
| | Share capital | Legal & statutory reserves | Fair value reserve | Retained earnings | Total equity |
| Balance as at 1 January 2009 | 2,200,000 | 1,640,851 | 802 | 320,283 | 4,161,936 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 151,733 | 151,733 |
| Other comprehensive income | | | | | |
| Net change in fair value of available – for – sale investment | - | - | 1,323 | - | 1,323 |
| Total comprehensive income for the period | - | - | 1,323 | 151,733 | 153,056 |
| Transactions with owners recorded directly in equity | | | | | |
| Cash dividends paid | - | - | - | (110,000) | (110,000) |
| Issue of bonus shares | 110,000 | (110,000) | - | - | - |
| Board of directors' fees - paid | - | - | - | (1,800) | (1,800) |
| Total transactions with owners | 110,000 | (110,000) | - | (111,800) | (111,800) |
| As at 30 June 2009 | 2,310,000 | 1,530,851 | 2,125 | 360,216 | 4,203,192 |
| As at 1 January 2010 | 2,310,000 | 1,532,125 | 883 | 421,303 | 4,264,311 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 118,452 | 118,452 |
| Other comprehensive income | | | | | |
| Net change in fair value of available – for – sale investment | - | - | (12,525) | - | (12,525) |
| Total comprehensive income for the period | - | - | (12,525) | 118,452 | 105,927 |
| Transactions with owners recorded directly in equity | | | | | |
| Cash dividends paid | - | - | - | (115,500) | (115,500) |
| Issue of bonus shares | 115,500 | (115,500) | - | - | - |
| Board of directors' fees - paid | - | - | - | (2,700) | (2,700) |
| Total Transactions with owners | 115,500 | (115,500) | - | (118,200) | (118,200) |
| As at 30 June 2010 | 2,425,500 | 1,416,625 | (11,642) | 421,555 | 4,252,038 |

In accordance with the Ministry of Economy & Commerce interpretation of Article 118 of Commercial Companies Law No. 8 of 1984, Directors' remuneration has been treated as an appropriation from equity.

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

SHARJAH ISLAMIC BANK

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency: Thousands of U.A.E. Dirhams)

1. Legal status and activities

SHARJAH ISLAMIC BANK ("the Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates. The Bank is engaged in banking activities, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulation of UAE Central Bank, which are carried out through its branches established in United Arab Emirates.

During the period the Group formed a fully owned subsidiary ("ASAS LLC" or "ASAS") incorporated in United Arab Emirates. The principle objective of the ASAS is to manage the real estate assets of the Bank. The operations of ASAS are yet to commence.

The condensed consolidated interim financial statements of the Bank comprise the Bank and its subsidiaries incorporated in United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS), Contact Marketing and ASAS (all together referred to as "the Group", also refer note 3). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. Contact Marketing provides certain support services to the Bank.

The registered office of the Bank is Post Box No.4, Sharjah, United Arab Emirates.

2. Summary of significant accounting policies:

a) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial reporting Standards ("IFRS") IAS 34, Interim financial reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Bank for the year ended 31st December 2009.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for investments at fair value through profit or loss, available-for-sale investments and investment properties measured at fair value. The accompanying condensed consolidated interim financial statements represent condensed consolidated interim financial statements of the Group after elimination of material inter group transactions.

SHARJAH ISLAMIC BANK

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency: Thousands of U.A.E. Dirhams)

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. In particular these estimates and judgments relate to impairment losses on financing receivables and leased assets, impairment of available-for-sale equity investments, held-to-maturity investments, provisions for doubtful debts, valuation of investment properties and obsolete inventory.

b) Basis of consolidation

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Subsidiaries are consolidated on a line-by-line basis. The effects of intra group transactions are eliminated in preparing the Group condensed consolidated interim financial statements.

c) Key accounting policies adopted by the Group are as below:

i) Investment securities

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payment and fixed maturities that the Bank's management has the positive intent and ability to hold to maturity. Were the bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale.

Investments at fair value through profit or loss

An investment is classified in this category if acquired for the purpose of selling in the short term or if so designated by the management.

Available-for-sale investments

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Available-for-sale investments are carried at fair value.

Recognition of financial instruments

The Bank recognizes held-to-maturity, investments at fair value through profit or loss and available-for-sale financial assets on the trade date on which the Bank commits to purchase the asset. Financing receivables and leased assets ("Ijarah") are recognized when cash is advanced.

Financial liabilities are recognized on the date that the Bank becomes a party to the contractual provisions of the instrument.

Derecognition of financial instruments

Financial assets are de-recognized when the right to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

A financial liability is derecognized when the Bank's contractual rights obligations are discharged or cancelled or expires.

SHARJAH ISLAMIC BANK

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency: Thousands of U.A.E. Dirhams)

2. Summary of significant accounting policies (continued)

i) Investment securities (continued)

Fair value measurement principles

Fair value of investments at fair value through profit or loss and available-for-sale investments is based on quoted market price at the balance sheet date without any deduction for transaction costs. If quoted market price is not available, the fair value of the instrument is estimated using pricing models or appropriate discounted cash flow techniques. Investment in other unlisted investments funds are recorded at the net asset value per share as reported by the managers of such fund.

Unquoted investments whose fair value cannot be reliably measured are carried at cost less any impairment losses.

Measurement of financial instruments

The Bank measures all financial instruments at cost, including transaction costs. Subsequent to the initial recognition, investments at fair value through profit or loss and available-for-sale financial assets are stated at their fair value. All other financial instruments are measured at amortised cost less impairment loss, if appropriate.

Gains and losses on subsequent measurement

Gains and losses arising in the fair value of investments at fair value through profit or loss are recognized in the statement of income.

Gains and losses arising in the fair value of available-for-sale investments are recognized in statement of other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income is recognized in the consolidated statement of income.

Impairment

Financial assets are reviewed at each consolidated statement of position date to determine whether there is objective evidence of impairment for specific assets, or a group of similar assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of specific assets or a group of similar assets is calculated as the present value of the expected future cash flows.

Movement in provisions is recognized in the statement of income. Financial assets are written off only in circumstances where all reasonable restructuring and collecting activities have been exhausted.

Available-for-sale financial assets are re-measured to fair value directly through statement of other comprehensive income.

The recoverable amount of any equity instrument is its fair value. Where an asset measured to fair value directly recognized in other comprehensive income is impaired, and an increase in the fair value of the asset was previously recognized in equity, the increase in fair value of the asset recognized in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in the consolidated statement of income.

ii) Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation. Except for freehold land, property and equipment are depreciated on a straight-line basis over their estimated useful lives, using annual rates of 5% to 33% depending on the type of asset involved

Property that is being constructed or developed for future use as investment property is classified as property and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property

SHARJAH ISLAMIC BANK

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010

(Currency: Thousands of U.A.E. Dirhams)

2. Summary of significant accounting policies (continued)

iii) Inventories

Inventories (included in other assets) have been valued at the lower of cost and net realizable value.

iv) Trade and other receivables

Trade and other receivables are stated at amortized cost net of provision for impairment, if any.

v) Trade and other payables

Trade and other payable as stated at cost. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the hotels. Payables are normally settled within 45 days from the end of the month.

vi) Operating leases

Leases of assets under which the lessor effectively retains all risks and rewards of ownership are classified as operating leases. Payment made under operating leases is recognized in the income statement on a straight-line basis over the term of the lease.

3. Segment reporting

The Bank's activities comprise the following main business segments:

a. Government and Corporate

Within this business segment the Bank provides companies, institutions and government and government departments with a range of Islamic Financial products and services.

b. Retail

The retail segment provides a wide range of Islamic financial services to individuals.

c. Investment and Treasury

This segment mainly includes wakalah deals with other financial institutions, investments of the Bank and other money market activities.

d. Subsidiaries

SNH through its divisions is engaged in operating hotels and resorts, catering and related services and Sharjah Islamic Financial Service is offering Brokerage services for trading in Islamic Sharia'a Compliant shares.

SHARJAH ISLAMIC BANK

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency: Thousands of U.A.E. Dirhams)

| | Corporate and Government | Retail | Investment and treasury | Subsidi- aries | Total |
|---|--------------------------------|----------------|-------------------------------|-------------------|----------------|
| Consolidated Statement of income | | | | | |
| For the six-month period ended 30 June 2010 | | | | | |
| Income from Murabaha and leasing | 175,866 | 156,658 | 29,628 | - | 362,152 |
| Profit paid on Sukuk | | | (4,234) | | (4,234) |
| Fees, commission and other income | 18,173 | 14,890 | 13,083 | - | 46,146 |
| Income from subsidiaries | - | - | - | 17,264 | 17,264 |
| Unallocated income | - | - | - | - | 5,584 |
| Total income | 194,039 | 171,548 | 38,477 | 17,264 | 426,912 |
| General and administrative expenses | - | - | - | (14,245) | (14,245) |
| General and administrative expenses - unallocated | - | - | - | - | (124,309) |
| Net operating income | 194,039 | 171,548 | 38,477 | 3,019 | 288,358 |
| Provisions - net of recoveries | 2,135 | (15,263) | (2,241) | (10,226) | (25,595) |
| Net profit before distribution to depositors | 196,174 | 156,285 | 36,236 | (7,207) | 262,763 |
| Distribution to depositors | (95,978) | (40,554) | (4,012) | - | (140,544) |
| Transfer from profit equalization reserve - unallocated | - | - | - | - | (3,767) |
| Net profit for the period | 100,196 | 115,731 | 32,224 | (7,207) | 118,452 |

Consolidated Statement of financial position As at 30 June 2010

Assets

| | | | | | |
|---------------------|------------------|------------------|------------------|----------------|-------------------|
| Segment assets | 5,287,380 | 4,378,260 | 5,546,896 | 671,848 | 15,884,384 |
| Unallocated assets | - | - | - | - | 497,151 |
| Total assets | 5,287,380 | 4,378,260 | 5,546,896 | 671,848 | 16,381,535 |

Liabilities

| | | | | | |
|--------------------------|------------------|------------------|------------------|---------------|-------------------|
| Segment liabilities | 5,979,664 | 4,033,323 | 1,805,642 | 52,593 | 11,871,222 |
| Unallocated liabilities | - | - | - | - | 258,275 |
| Total liabilities | 5,979,664 | 4,033,323 | 1,805,642 | 52,593 | 12,129,497 |

SHARJAH ISLAMIC BANK

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency: Thousands of U.A.E. Dirhams)

3. Segment reporting (continued):

| | Corporate and Government | Retail | Investment and treasury | Subsidi- -ries | Total |
|---|-----------------------------|------------------|-------------------------------|-------------------|-------------------|
| Consolidated Statement of income | | | | | |
| For the six-month period ended 30 June 2009 | | | | | |
| Income from Murabaha and leasing | 158,899 | 179,612 | 29,140 | - | 367,651 |
| Profit paid on Sukuk | - | - | (9,335) | - | (9,335) |
| Fees, commission and other income | 13,879 | 16,450 | 16,568 | - | 46,897 |
| Income from Subsidiaries | - | - | - | 29,915 | 29,915 |
| | 172,778 | 196,062 | 36,373 | 29,915 | 435,128 |
| Unallocated income | - | - | - | - | 8,433 |
| Total income | 172,778 | 196,062 | 36,373 | 29,915 | 443,561 |
| General and administrative expenses | - | - | - | (20,436) | (20,436) |
| General and administrative expenses – unallocated | - | - | - | - | (110,088) |
| Net operating income | 172,778 | 196,062 | 36,373 | 9,479 | 313,037 |
| Provisions - net of recoveries | (12,966) | (6,463) | (3,330) | 19,001 | (3,758) |
| Net profit before distribution to depositors | 159,812 | 189,599 | 33,043 | 28,480 | 309,279 |
| Distribution to depositors | (107,566) | (44,664) | (5,520) | - | (157,750) |
| Transfer from profit equalization reserve - unallocated | - | - | - | - | 204 |
| Net profit for the period | 52,246 | 144,935 | 27,523 | 28,480 | 151,733 |
| Consolidated Statement of financial position | | | | | |
| As at 31 December 2009 | | | | | |
| Assets | | | | | |
| Segment assets | 5,231,185 | 4,542,571 | 5,147,031 | 556,658 | 15,477,445 |
| Unallocated assets | - | - | - | - | 497,103 |
| Total assets | 5,231,185 | 4,542,571 | 5,147,031 | 556,658 | 15,974,548 |
| Liabilities | | | | | |
| Segment liabilities | 6,324,547 | 3,535,774 | 1,468,750 | 63,897 | 11,392,968 |
| Unallocated liabilities | - | - | - | - | 317,269 |
| Total liabilities | 6,324,547 | 3,535,774 | 1,468,750 | 63,897 | 11,710,237 |

SHARJAH ISLAMIC BANK

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency: Thousands of U.A.E. Dirhams)

4. Related parties

The Bank has transactions in the ordinary course of business with directors, staff of the Bank and entities of which they are principal owners. At the balance sheet date, such significant balances included:

| | 30 June 2010 (Un-audited) | 31 December 2009 (Audited) |
|--|------------------------------|-------------------------------|
| Statement of financial position | | |
| Government of Sharjah receivables | 673,574 | 645,734 |
| Government departments and authorities receivables | 2,499,876 | 2,676,950 |
| Other financing receivables and investing activities | 787,998 | 497,075 |
| Government of Sharjah deposits | 157,437 | 7,776 |
| Government department & authority deposits | 2,093,048 | 2,328,230 |
| Other deposits | 207,906 | 245,028 |
| Contingent liabilities | 85,725 | 70,992 |
| Statement of income | | |
| | 30 June 2010 (Un-audited) | 30 June 2009 (Un-audited) |
| Income from financing and investing activities | 115,330 | 106,159 |
| Depositors' share of profit | 17,761 | 26,061 |

Key management compensation includes salaries and other short term benefits of AED 6.8 million in 2010 (2009: AED 6.2 million) and post employment benefits of AED 0.4 million (2009: AED 0.2 million).

5. Properties held for sale

These are properties which have been acquired for the purpose of sale after re-development and are stated at the lower of cost or net realizable value.

6. Consolidated statement of financial position by geographical distribution:

| | 30 June 2010 (Un-audited) | 31 December 2009 (Audited) |
|---|------------------------------|-------------------------------|
| a) Cash and balances with banks and financial institutions | | |
| Domestic | 1,192,380 | 1,408,834 |
| International | 23,761 | 10,829 |
| Total | 1,216,141 | 1,419,663 |
| b) International Murabaha and Wakalah with financial institutions | | |
| Domestic | 1,907,545 | 1,294,315 |
| International | 508,867 | 468,392 |
| Total | 2,416,412 | 1,762,707 |
| c) Investments securities | | |
| - Available-for-sale | | |
| Domestic | 48,185 | 48,266 |
| International | 366,664 | 372,152 |
| Impairment Provision | (100,240) | (86,089) |
| Total | 314,609 | 334,329 |
| - Held-to-Maturity | | |
| Domestic | 47,121 | - |
| International | 141,118 | 186,772 |
| Total | 188,239 | 186,772 |

SHARJAH ISLAMIC BANK

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency: Thousands of U.A.E. Dirhams)

6. Balance sheet by geographical distribution (continued):

| | 30 June 2010 (Un-audited) | 31 December 2009 (Audited) |
|--|------------------------------|-------------------------------|
| - Investment at fair value through profit and loss | | |
| Domestic | 657 | 657 |
| Total | 657 | 657 |
| Total investment securities | 503,505 | 521,758 |
| d) Investment properties | | |
| Domestic | 148,929 | 148,929 |
| International | 7,707 | 7,707 |
| Total | 156,636 | 156,636 |
| e) Properties held for sale | | |
| Domestic | 1,016,675 | 1,008,613 |
| Total | 1,016,675 | 1,008,613 |
| f) Due to banks | | |
| Domestic | 851,975 | 488,138 |
| International | 128,200 | 155,518 |
| Total | 980,175 | 643,656 |
| g) Sukuk payable | | |
| International | 825,467 | 825,094 |
| Total | 825,467 | 825,094 |

7. Proposed cash dividend and bonus share

In the Annual General Meeting of the Bank held on 8 March 2010 the shareholders amended the proposed dividend of 10% cash dividend for the year ended 31 December 2009. The dividends approved by the shareholders represented a cash dividend of 5% (AED 115.50 million) and a bonus issue 1 ordinary share for every 20 shares (amounting to AED 115.50 million).

8. Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed consolidated financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year.

9. Comparatives

Certain prior year/period comparatives have been reclassified in order to conform to current period's presentation.