
SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(UN – AUDITED)
31 MARCH 2011

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 three-month period ended 31st March 2011.

Financial Highlights

The Group has reported a net profit of AED 70.0 million for the three-month period ended 31st March 2011 compared to AED 67.5 million for the corresponding prior year period, an increase of 3.7%.

Compared to December 2010, total assets increased by AED 470.8 million to reach AED 17.1 billion, an increase of 2.8%, financing receivables and leased assets increased by 6.3 % (AED 611.6 million) to reach AED 10.3 billion, and customer deposits experienced a growth of 7.3 % (AED 757.0 million) to reach AED 11.1 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 April 2011



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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 31 March 2011 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 three-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 31 March 2011 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".



KPMG

By: Vijendranath Malhotra
Registration No.: 48B
14 April 2011

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

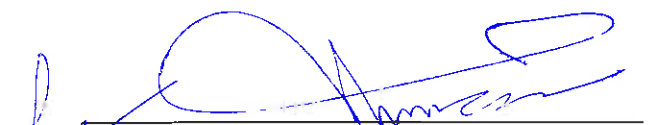
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH 2011

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

	31 March 2011 Un-audited	31 December 2010 Audited
Assets		
Cash and balances with banks and financial institutions	1,566,625	1,921,694
International murabaha and wakalah with financial institutions	2,458,055	2,242,617
Financing receivables	2,330,238	2,118,142
Leased assets	7,935,132	7,535,640
Investments securities	462,302	471,664
Investment properties	179,076	179,076
Properties held-for-sale	1,035,945	1,016,675
Other assets	350,711	360,777
Property and equipment	819,918	820,876
Total assets	17,138,002	16,667,161
Liabilities		
Customers' deposits	11,135,154	10,378,134
Due to banks	322,824	677,089
Sukuk payable	826,033	825,831
Other liabilities	442,856	300,578
Accrued zakat	129,120	137,664
Total liabilities	12,855,987	12,319,296
Shareholders' equity		
Share capital	2,425,500	2,425,500
Legal reserve	1,327,617	1,327,617
Statutory reserve	89,008	89,008
Revaluation reserve	(15,374)	(15,426)
Retained earnings	455,264	521,166
Total shareholders' equity	4,282,015	4,347,865
Total liabilities and shareholders' equity	17,138,002	16,667,161
Contingent Liabilities		
Letters of credit	162,808	136,647
Letters of guarantee	557,222	607,164
	720,030	743,811

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 14th April 2011.


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 AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 31 March	
	2011	2010
Income from Murabaha and leasing	182,374	176,903
Profit paid on Sukuk	(2,168)	(2,074)
Fees, commission and other income	32,419	22,854
Income from subsidiaries	8,133	10,044
Total income	220,758	207,727
General and administrative expenses	(76,190)	(66,511)
Net operating income	144,568	141,216
Provisions - net of recoveries	(9,802)	(1,877)
Net profit before distribution to depositors	134,766	139,339
Distribution to depositors	(64,796)	(71,870)
Net profit for the period	69,970	67,469
Earning per share (U.A.E. Dirhams)	0.03	0.03

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 31 March	
	2011	2010
Net profit for the period	69,970	67,469
Other comprehensive income		
Net changes in fair value reserve	52	2,405
Total comprehensive income for the period (attributable to the equity holders of the Bank)	70,022	69,874

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 31 March	
	2011	2010
Cash flows from operating activities:		
Net profit for the period	69,970	67,469
Adjustments:		
Depreciation	6,137	6,503
Amortisation of sukuk issuance cost	202	179
Provision on customer receivables	8,991	(2,064)
Impairment losses on available-for-sale investment	988	107
Operating profit before changes in operating assets and liabilities	86,288	72,194
Changes in operating assets and liabilities:		
Change in reserve with Central Bank	(7,356)	19,012
Change in international murabaha and wakalah with financial institutions	76,509	-
Change in financing receivables	(221,087)	343,782
Change in leased assets	(399,492)	(12,287)
Change in other assets, net	(4,447)	(71,892)
Change in customers' deposits	757,020	242,102
Change in due to banks	(354,265)	24,413
Change in Zakat	(8,544)	(25,436)
Change in other liabilities	142,278	5,378
Net cash provided by operating activities	66,904	597,266
Cash flows from investing activities:		
Properties and equipment – net	(5,179)	(103,199)
Investment properties	-	18,865
Acquisition in Properties held-for-sale	(4,757)	-
Investments securities	8,427	(10,695)
Net cash used in investing activities	(1,509)	(95,029)
Cash flows from financing activities:		
Board of Directors' fees paid	(2,470)	(2,700)
Cash dividends	(133,403)	(115,500)
Net cash used in financing activities	(135,873)	(118,200)
Net increase in cash and cash equivalents	(70,478)	384,037
Cash and cash equivalents, beginning of the period	3,297,124	2,607,973
Cash and cash equivalents, end of period	3,226,646	2,992,010
Cash and cash equivalents comprise of:-		
Cash and balances with banks and financial institutions (excluding cash reserve with central bank)	979,216	907,175
International murabaha and wakalah with financial institutions: less than 3 months maturity	2,247,430	2,084,835
	3,226,646	2,992,010

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un- audited)

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

	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK					
	Share capital	Legal reserves	Statutory reserves	Revaluation reserve	Retained earnings	Total shareholders' equity
Balance as at 1 January 2010	2,310,000	1,443,117	89,008	883	421,303	4,264,311
Total comprehensive income for the period	-	-	-	-	67,469	67,469
Net profit for the period	-	-	-	-	67,469	67,469
Other comprehensive income						
Net change in fair value of available – for – sale investment	-	-	-	2,405	-	2,405
Total comprehensive income for the period	-	-	-	2,405	67,469	69,874
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 31 March 2010	2,425,500	1,327,617	89,008	3,288	370,572	4,215,985
As at 1 January 2011	2,425,500	1,327,617	89,008	(15,426)	521,166	4,347,865
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	69,970	69,970
Other comprehensive income						
Net change in fair value of available – for – sale investment	-	-	-	52	-	52
Total comprehensive income for the period	-	-	-	52	69,970	70,022
Transactions with owners recorded directly in equity						
Dividends paid	-	-	-	-	(133,402)	(133,402)
Issue of bonus shares	-	-	-	-	-	-
Board of directors' fees - paid	-	-	-	-	(2,470)	(2,470)
Total transactions with owners	-	-	-	-	(135,872)	(135,872)
As at 31 March 2011	2,425,500	1,327,617	89,008	(15,374)	455,264	4,282,015

The accompanying notes 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 AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un-audited)

(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. Basis of preparation

a) Statement of compliance

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 Group for the year ended 31st December 2010.

b) Key accounting estimates & judgment

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.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

3. Summary of significant accounting policies (continued)

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010.

The Group adopted IAS 24 (Revised): Related Party Disclosures. The Group now discloses government related entities in accordance with the amended definition of related party.

The change in accounting policy was recognised retrospectively in accordance with the transitional provisions of the IAS 24 (Revised): Related Party Disclosures. The change in accounting policy does not have a significant impact on these condensed consolidated interim financial statements

4. Segment reporting

The Group'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 SIFS is offering Brokerage services for trading in Islamic Sharia'a Compliant shares. ASAS is yet to commence its operations.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un- audited)

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

4. Segment reporting (continued)

	Corporate and Government	Retail	Investment and treasury	Subsidiaries	Total
Condensed consolidated interim statement of income for the three-month period ended 31 March 2011 (un-audited)					
Income from murabaha and leasing	92,617	75,787	13,970	-	182,374
Profit paid on sukuk	-	-	(2,168)	-	(2,168)
Fees, commission and other income	11,953	8,208	8,127	-	28,288
Income from subsidiaries	-	-	-	8,133	8,133
	104,570	83,995	19,929	8,133	216,627
Unallocated income	-	-	-	-	4,131
Total income	104,570	83,995	19,929	8,133	220,758
General and administrative expenses	-	-	-	(6,269)	(6,269)
General and administrative expenses - unallocated	-	-	-	-	(69,921)
Net operating income	104,570	83,995	19,929	1,864	144,568
Provisions - net of recoveries	(1,335)	(5,511)	(988)	(1,968)	(9,802)
Net profit before distribution to depositors	103,235	78,484	18,941	(104)	134,766
Distribution to depositors	(44,509)	(20,565)	(318)	-	(65,392)
Transfer from profit equalization reserve – unallocated	-	-	-	-	596
Net profit / (loss) for the period	58,726	57,919	18,623	(104)	69,970
Condensed consolidated interim statement of financial position As at 31 March 2011 (un-audited)					
Assets					
Segment assets	6,013,341	4,102,032	5,871,616	656,905	16,643,894
Unallocated assets	-	-	-	-	494,108
Total assets	6,013,341	4,102,032	5,871,616	656,905	17,138,002
Liabilities					
Segment liabilities	6,885,956	4,230,690	1,167,365	51,270	12,335,281
Unallocated liabilities	-	-	-	-	520,706
Total liabilities	6,885,956	4,230,690	1,167,365	51,270	12,855,987

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

4. Segment reporting (continued)

	Corporate and Government	Retail	Investment and treasury	Subsidiaries	Total
Consolidated statement of income					
For the three-month period ended 31 March 2010					
(un-audited)					
Income from Murabaha and leasing	86,325	75,245	15,333	-	176,903
Profit paid on Sukuk	-	-	(2,074)	-	(2,074)
Fees, commission and other income	8,679	7,357	6,657	(469)	22,224
Income from Subsidiaries	-	-	-	10,044	10,044
	95,004	82,602	19,916	9,575	207,097
Unallocated income	-	-	-	-	630
Total income	95,004	82,602	19,916	9,575	207,727
General and administrative expenses	-	-	-	(7,876)	(7,876)
General and administrative expenses - unallocated	-	-	-	-	(59,311)
Net operating income	95,004	82,602	19,916	1,699	141,216
Provisions - net of recoveries	2,044	(2,322)	(155)	(1,444)	(1,877)
Net profit before distribution to depositors	97,048	80,280	19,761	255	139,339
Distribution to depositors	(48,953)	(19,293)	(2,536)	-	(70,782)
Transfer to profit equalization reserve - unallocated	-	-	-	-	(1,088)
Net profit for the period	48,095	60,987	17,225	255	67,469

Consolidated statement of financial position – audited

As at 31 December 2010

Assets

Segment assets	5,358,240	4,144,693	6,000,424	667,485	16,170,842
Unallocated assets	-	-	-	-	496,319
Total assets	5,358,240	4,144,693	6,000,424	667,485	16,667,161

Liabilities

Segment liabilities	6,351,989	4,049,260	1,502,920	47,925	11,952,094
Unallocated liabilities	-	-	-	-	367,202
Total liabilities	6,351,989	4,049,260	1,502,920	47,925	12,319,296

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (Un-audited)

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

5. 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 reporting date, such significant balances include:

	31 March 2011 (Un-audited)	31 December 2010 (Audited)
Condensed consolidated interim statement of financial position		
Government of Sharjah receivables	860,863	865,113
Government departments and authorities receivables	2,728,033	2,288,786
Other financing receivables and investing activities	502,357	611,069
Government of Sharjah deposits	90,720	137,191
Government department & authority deposits	2,169,346	2,213,253
Other deposits	173,831	223,660
Contingent liabilities	105,040	42,845
Statement of income	31 March 2011 (Un-audited)	31 March 2010 (Un-audited)
Income from financing and investing activities	71,746	61,108
Depositors' share of profit	11,034	25,148

Key management compensation includes salaries and other short term benefits of AED 3.3 million for the period ended 31 March 2011 (31 March 2010: AED 3.2 million) and post employment benefits of AED 0.4 million for the period ended 31 March 2011 (31 March 2010: AED 0.1 million).

6. 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.

7. Proposed cash dividend and bonus share

In the Annual General Meeting of the bank held on 14th March 2011 the Shareholders amended the proposed dividend from 7% cash to 5.5% cash (AED 0.055 per share) amounting to AED 133.4 million for the year 2010, accordingly the accrued Zakat will increase by AED 943 thousand to reach AED 48.3 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 interim 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.