

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

**Review report and  
Condensed consolidated interim financial information  
for the three-month period ended 31 March 2015**

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

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## **Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information**

The Shareholders  
Bank of Sharjah P.S.C.

### *Introduction*

We have reviewed the accompanying 31 March 2015 condensed consolidated interim financial information of Bank of Sharjah P.S.C. ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2015;
- the condensed consolidated interim income statement for the three-month period ended 31 March 2015;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2015;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2015;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2015; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated 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 condensed consolidated 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 31 March 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

*Other Matter*

The condensed consolidated interim financial information for the three month period ended 31 March 2014 and the consolidated financial statements for the year ended 31 December 2014 were reviewed and audited respectively by another auditor who expressed an unmodified review conclusion on the condensed consolidated interim financial information for the three month period ended 31 March 2014 on 30 April 2014 and an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2014 on 14 February 2015.

KPMG Lower Gulf Limited  
Austin Alan Henry Rudman  
Registration No: 844  
Date:

**Condensed consolidated interim statement of financial position****As at**

	Note	31 March 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with central banks	7	5,640,982	3,707,816
Deposits and balances due from banks	8	1,130,025	2,783,177
Loans and advances, net	9	14,451,517	14,080,102
Other financial assets measured at fair value	10	1,146,190	1,166,631
Other financial assets measured at amortised cost	10	560,001	597,349
Investment properties		336,177	336,143
Goodwill and other intangibles		240,072	242,018
Other assets	11	2,155,036	1,613,123
Property and equipment		291,574	292,341
Non-current assets classified as held for sale	12	229,515	235,683
<b>Total assets</b>		<b>26,181,089</b>	<b>25,054,383</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Customers' deposits	13	18,745,589	17,800,882
Deposits and balances due to banks	14	375,139	405,603
Other liabilities	15	1,904,000	1,677,471
Syndicated loan	16	734,600	734,600
Liabilities directly associated with non-current assets classified as held for sale	12	17,004	23,168
<b>Total liabilities</b>		<b>21,776,332</b>	<b>20,641,724</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital		2,100,000	2,100,000
Treasury shares	17	-	(196,726)
Statutory reserve		1,050,000	1,050,000
Contingency reserve		480,000	450,000
General reserve		100,000	100,000
Investment fair value reserve		142,447	154,009
Retained earnings		318,469	543,427
<b>Equity attributable to equity holders of the Bank</b>		<b>4,190,916</b>	<b>4,200,710</b>
Non-controlling interests		213,841	211,949
<b>Total equity</b>		<b>4,404,757</b>	<b>4,412,659</b>
<b>Total liabilities and equity</b>		<b>26,181,089</b>	<b>25,054,383</b>

.....  
**Mr. Ahmed Abdalla Al Noman**  
**Chairman**

.....  
**Mr. Varouj Nerguizian**  
**Executive Director & General Manager**

The accompanying notes 1 to 27 form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated interim income statement (unaudited)  
for the three-month period ended**

	Note	31 March 2015 AED'000	31 March 2014 AED'000
Interest income		239,571	231,633
Interest expense		(111,922)	(129,602)
<b>Net interest income</b>		<b>127,649</b>	102,031
Net fee and commission income		33,739	33,787
Exchange profit		7,404	6,131
Loss on investments		(5,933)	(7,196)
Other income		6,421	20,147
<b>Operating income</b>		<b>169,280</b>	154,900
Net impairment loss on financial assets		(23,566)	(21,409)
<b>Net operating income</b>		<b>145,714</b>	133,491
General and administrative expenses		(58,308)	(57,056)
Amortisation of intangible assets		(1,946)	(1,946)
<b>Profit before discontinued operations</b>		<b>85,460</b>	74,489
Discontinued operations		1,636	7,809
<b>Profit before taxes</b>		<b>87,096</b>	82,298
Income tax expense - overseas		(1,936)	(2,904)
<b>Profit for the period</b>		<b>85,160</b>	79,394
<b>Attributable to:</b>			
Equity holders of the Bank		83,268	77,229
Non-controlling interests		1,892	2,165
		<b>85,160</b>	79,394
<b>Basic earnings per share (AED)</b>	18	<b>0.041</b>	0.039

The accompanying notes 1 to 27 form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of comprehensive income (unaudited)  
for the three-month period ended**

	<b>31 March 2015 AED'000</b>	31 March 2014 AED'000
<b>Profit for the period</b>	<b>85,160</b>	79,394
<b>Other comprehensive income items</b>		
<i>Items that will not be reclassified subsequently to condensed consolidated interim income statement:</i>		
Net changes in fair value of financial assets measured at fair value through other comprehensive income	<b>(11,562)</b>	(3,087)
<b>Total other comprehensive loss for the period</b>	<b>(11,562)</b>	(3,087)
<b>Total comprehensive income for the period</b>	<b>73,598</b>	76,307
<b>Attributable to:</b>		
Equity holders of the Bank	<b>71,706</b>	74,142
Non-controlling interests	<b>1,892</b>	2,165
	<b>73,598</b>	76,307

The accompanying notes 1 to 27 form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of changes in equity (unaudited)  
for the three-month period ended**

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Contingency reserve AED'000	General reserve AED'000	Investment fair value reserve AED'000	Retained earnings AED'000	Total equity attributable to equity holders of the Bank AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at 1 January 2014 (audited)	2,100,000	(327,792)	1,085,357	413,126	92,999	199,347	579,129	4,142,166	210,455	4,352,621
Profit for the period	-	-	-	-	-	-	77,229	77,229	2,165	79,394
Other comprehensive loss	-	-	-	-	-	(3,087)	-	(3,087)	-	(3,087)
Total comprehensive income for the period	-	-	-	-	-	(3,087)	77,229	74,142	2,165	76,307
Shares released from treasury (Note 17)	-	119,197	-	-	-	-	(119,197)	-	-	-
Directors' remuneration (Note 17)	-	-	-	-	-	-	(7,500)	(7,500)	-	(7,500)
Charity donations (Note 17)	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Transfer to/ (from) reserves (Note 17)	-	-	(35,357)	36,874	7,001	-	(8,518)	-	-	-
Dividends (Note 17)	-	-	-	-	-	-	(176,395)	(176,395)	-	(176,395)
<b>Balance at 31 March 2014 (unaudited)</b>	<b>2,100,000</b>	<b>(208,595)</b>	<b>1,050,000</b>	<b>450,000</b>	<b>100,000</b>	<b>196,260</b>	<b>342,248</b>	<b>4,029,913</b>	<b>212,620</b>	<b>4,242,533</b>
Balance at 1 January 2015 (audited)	2,100,000	(196,726)	1,050,000	450,000	100,000	154,009	543,427	4,200,710	211,949	4,412,659
Profit for the period	-	-	-	-	-	-	83,268	83,268	1,892	85,160
Other comprehensive loss	-	-	-	-	-	(11,562)	-	(11,562)	-	(11,562)
Total comprehensive income for the period	-	-	-	-	-	(11,562)	83,268	71,706	1,892	73,598
Shares released from treasury (Note 17)	-	196,726	-	-	-	-	(196,726)	-	-	-
Directors' remuneration (Note 17)	-	-	-	-	-	-	(7,500)	(7,500)	-	(7,500)
Charity donations (Note 17)	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Transfer to/ (from) reserves (Note 17)	-	-	-	30,000	-	-	(30,000)	-	-	-
Dividends (Note 17)	-	-	-	-	-	-	(71,500)	(71,500)	-	(71,500)
<b>Balance at 31 March 2015 (unaudited)</b>	<b>2,100,000</b>	<b>-</b>	<b>1,050,000</b>	<b>480,000</b>	<b>100,000</b>	<b>142,447</b>	<b>318,469</b>	<b>4,190,916</b>	<b>213,841</b>	<b>4,404,757</b>

The accompanying notes 1 to 27 form an integral part of these condensed consolidated interim financial statements.



**Condensed consolidated interim statement of cash flows (unaudited)  
for the three-month period ended**

	Note	31 March 2015 AED'000	31 March 2014 AED'000
<b>Cash flows from operating activities</b>			
Profit for the period		85,160	79,394
<b>Adjustments for:</b>			
Depreciation of property and equipment		5,622	4,293
Amortisation of intangible assets		1,946	1,946
Amortisation of premium on debt instruments		(58)	529
Foreign exchange gain on investment properties		(34)	-
Gain on sale of property and equipment		(133)	(577)
Loss from investments measured at FVTPL		5,933	7,196
Net impairment loss on financial assets		23,566	21,409
		<hr/>	<hr/>
<b>Operating profit before changes in operating assets and liabilities</b>		<b>122,002</b>	<b>114,190</b>
Increase in deposits and balances due from banks maturing after three months		(175,031)	(146,189)
Decrease/ (increase) in statutory deposits with central banks		47,596	(63,795)
Increase in loans and advances		(394,981)	(312,963)
Increase in other assets		(541,913)	(139,645)
Increase/ (decrease) in customers' deposits		944,707	(544,235)
Increase in other liabilities		155,029	90,610
		<hr/>	<hr/>
<b>Cash generated from/ (used in) operating activities</b>		<b>157,409</b>	<b>(1,002,027)</b>
Payment of directors' remuneration and charity donations		(10,000)	(7,500)
		<hr/>	<hr/>
<b>Net cash generated from/ (used in) operating activities</b>		<b>147,409</b>	<b>(1,009,527)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(5,405)	(10,231)
Proceeds from sale of property and equipment		683	618
Purchase of investments		(23,562)	(17,115)
Maturity/sale of investments		63,914	-
		<hr/>	<hr/>
<b>Net cash generated from/ (used in) investing activities</b>		<b>35,630</b>	<b>(26,728)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(117,671)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(117,671)</b>
		<hr/>	<hr/>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>183,039</b>	<b>(1,153,926)</b>
Cash and cash equivalents at the beginning of the period		3,938,641	5,589,089
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	20	<b>4,121,680</b>	<b>4,435,163</b>
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes 1 to 27 form an integral part of these condensed consolidated interim financial statements.

## Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2015

### 1. General information

Bank of Sharjah P.S.C. (the “Bank”), is a public shareholding company incorporated by an Amiri Decree issued on 22 December 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 by the 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 Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank operates through five branches in the United Arab Emirates located in the Emirates of Sharjah, Dubai, Abu Dhabi, and City of Al Ain.

The accompanying condensed consolidated interim financial statements combine the activities of the Bank and its subsidiaries (collectively the “Group”).

### 2. Basis of preparation

The condensed consolidated interim financial statements of the Group are prepared in accordance with the International Accounting Standard No. 34 - Interim Financial Reporting (“IAS 34”) 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 interim 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.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014.

These condensed consolidated interim 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 2014. In addition, the results for the period from 1 January 2015 to 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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

#### New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

#### New and revised IFRSs

- Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.

A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.

**Effective for  
annual periods  
beginning on or after**

1 January 2018

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

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

**New and revised IFRSs in issue but not yet effective and not early adopted (continued)**

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• IFRS 15 Revenue from Contracts with Customers: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers</li> </ul>	1 January 2017
<ul style="list-style-type: none"> <li>• IFRS 14 Regulatory Deferral Accounts issued in January 2014 specifies the financial reporting requirements for ‘regulatory deferral account balance’ that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.</li> </ul>	1 January 2016
<ul style="list-style-type: none"> <li>• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.</li> </ul>	1 January 2016
<ul style="list-style-type: none"> <li>• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.</li> </ul>	1 January 2016
<ul style="list-style-type: none"> <li>• Amendments to IFRS 11 to clarify accounting for acquisitions of <i>Interests in Joint Operations</i>.</li> </ul>	1 January 2016
<ul style="list-style-type: none"> <li>• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.</li> </ul>	1 January 2016
<ul style="list-style-type: none"> <li>• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.</li> </ul>	1 January 2016
<ul style="list-style-type: none"> <li>• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity’s separate financial statements.</li> </ul>	1 January 2016
<ul style="list-style-type: none"> <li>• Amendments to IFRS 10 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.</li> </ul>	1 January 2016
<ul style="list-style-type: none"> <li>• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.</li> </ul>	1 January 2016

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group’s consolidated financial statements in respect of Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

## Notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2015 (continued)

### 4. Use of estimates and judgements

The preparation of these condensed consolidated interim 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 interim 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 2014.

### 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 2014.

### 6. Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed consolidated interim 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.

All significant inter-group balances, income and expense items are eliminated on consolidation.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to the equity holders of the Bank.

The Bank's interests, held directly or indirectly, in the subsidiaries are as follows:

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Country of incorporation	Principal activities
	2015	2014			
Emirates Lebanon Bank S.A.L.	80%	80%	1965	Lebanon	Financial institution
BOS Real Estate FZC	100%	100%	2009	U.A.E.	Real estate development activities
BOS Capital FZC	100%	100%	2009	U.A.E.	Investment
Polyco General Trading L.L.C.	100%	100%	2008	U.A.E.	General trading
Borealis Gulf FZC	100%	100%	2011	U.A.E.	Investment & Real estate development activities

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**7. Cash and balances with central banks**

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

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Cash on hand	<b>67,868</b>	73,864
Statutory deposits	<b>1,008,223</b>	1,055,819
Current accounts	<b>244,628</b>	587,966
Certificates of deposits	<b>4,320,263</b>	1,990,167
	<b>5,640,982</b>	3,707,816

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

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Banks abroad	<b>1,536,484</b>	1,541,774
Banks in the U.A.E.	<b>4,104,498</b>	2,166,042
	<b>5,640,982</b>	3,707,816

The Group is required to maintain statutory deposits with various central banks on demand, time and other deposits as per the statutory requirements. 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 USD reserve requirement limit. As at 31 March 2015, the statutory deposits with the Central Bank of the U.A.E. amounted to AED 447 million (31 December 2014: AED 482 million).

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

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

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Demand	<b>576,990</b>	768,792
Time	<b>553,035</b>	2,014,385
	<b>1,130,025</b>	2,783,177

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**8. Deposits and balances due from banks (continued)**

(b) The geographical analysis of deposits and balances due from banks is as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Banks abroad	669,501	653,467
Banks in the U.A.E.	460,524	2,129,710
	<u>1,130,025</u>	<u>2,783,177</u>
	=====	=====

**9. Loans and advances, net**

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

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Overdrafts	9,334,024	8,639,606
Commercial loans	5,405,954	5,480,731
Bills receivable	399,429	714,902
Other advances	818,762	880,244
	<u>15,958,169</u>	<u>15,715,483</u>
Gross amount of loans and advances	15,958,169	15,715,483
Less: Allowance for impairment	(1,188,941)	(1,347,377)
Less: Interest in suspense	(317,711)	(288,004)
	<u>14,451,517</u>	<u>14,080,102</u>
	=====	=====

(b) The geographic analysis of the loans and advances of the Group is as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Loans and advances in the U.A.E.	13,492,839	13,275,107
Loans and advances abroad	2,465,330	2,440,376
	<u>15,958,169</u>	<u>15,715,483</u>
	=====	=====

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**9. Loans and advances, net (continued)**

- (c) Loans and advances are stated net of allowance for impairment. The movement in the allowance during the period/year was as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Balance at the beginning of the period/year	1,347,377	1,011,629
Additions/(reversals) through credit extension premium	(2,125)	96,264
Additions during the period/year	47,549	260,726
Write offs	(186,656)	(6,641)
Recoveries	(17,204)	(14,601)
Balance at the end of the period/year	<u>1,188,941</u>	<u>1,347,377</u>

**10. Other financial assets**

- (a) The analysis of the Group's other financial assets is as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
<b>Other financial assets measured at fair value</b>		
<b>(i) Investments measured at FVTPL</b>		
Quoted equity	17,990	19,979
Unquoted equity	95	-
Unquoted debt securities	58,452	65,422
	<u>76,537</u>	<u>85,401</u>
<b>(ii) Investments measured at FVTOCI</b>		
Quoted equity	95,992	107,569
Unquoted equity	973,661	973,661
	<u>1,069,653</u>	<u>1,081,230</u>
<b>Total other financial assets measured at fair value</b>	<u>1,146,190</u>	<u>1,166,631</u>
<b>Other financial assets measured at amortised cost</b>		
Debt securities	560,001	597,349
<b>Total other financial assets</b>	<u>1,706,191</u>	<u>1,763,980</u>

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

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

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

(b) The composition of the investment portfolio by geography is as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
United Arab Emirates	<b>211,094</b>	231,973
G.C.C. countries (other than U.A.E.)	<b>5,896</b>	5,868
Middle East (other than G.C.C. countries)	<b>1,488,996</b>	1,526,015
Europe	<b>205</b>	124
	<b>1,706,191</b>	1,763,980

**11. Other assets**

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Acceptances – contra	<b>1,477,114</b>	1,455,347
Assets acquired in settlement of debt	<b>518,841</b>	16,390
Receivable from sale of investments	<b>9,183</b>	9,088
Clearing receivables and accrued income	<b>45,769</b>	98,044
Interest receivable	<b>20,623</b>	5,298
Prepayments	<b>18,152</b>	9,608
Positive fair value of derivatives	<b>2,013</b>	44
Other	<b>63,341</b>	19,304
	<b>2,155,036</b>	1,613,123

**12. Non-current assets classified as held for sale**

In 2013, Borealis Gulf FZC a wholly owned subsidiary of the Bank has acquired with a view to reselling an 80% equity interest in two Jebel Ali Free Zone entities. The entities are in the facilities management business and the assets and associated liabilities from this acquisition transaction have been classified as held for sale. The consideration was settled by offsetting credit to the seller's overdraft and loans accounts with the Group.

In December 2014, a potential buyer has irrevocably undertaken to buy the shares of Borealis Gulf FZC in both companies within the period prior to 30 June 2015.



**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**13. Customers' deposits**

The analysis of customers' deposits is as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Current and other accounts	<b>4,396,954</b>	4,242,438
Saving accounts	<b>1,599,108</b>	1,586,748
Time deposits	<b>12,749,527</b>	11,971,696
	<b>18,745,589</b>	17,800,882

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

The analysis of deposits and balances due to banks is as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Demand	<b>11,946</b>	42,584
Time	<b>363,193</b>	363,019
	<b>375,139</b>	405,603

The geographical analysis of deposits and balances due to banks is as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Banks in the U.A.E.	<b>3,817</b>	110,848
Banks abroad	<b>371,322</b>	294,755
	<b>375,139</b>	405,603

**15. Other Liabilities**

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Acceptances – contra	<b>1,477,114</b>	1,455,347
Provision for employees' end of service benefits	<b>50,268</b>	33,025
Interest payable	<b>79,803</b>	75,791
Unearned income	<b>19,870</b>	21,017
Managers' cheques	<b>135,795</b>	17,598
Accrued expenses and others	<b>140,686</b>	74,690
Negative fair value of derivatives	<b>464</b>	3
	<b>1,904,000</b>	1,677,471

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**16. Syndicated loan**

On 8 July 2013, the Bank signed a USD 200 million (AED 735 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 LIBOR plus a margin of 125 basis points which is payable on a quarterly basis. The drawdown on the facility was on 18 August 2013.

**17. Dividends and treasury shares**

**Dividends**

At the Annual General Meeting of the shareholders held on 21 March 2015, the shareholders approved a cash dividend of AED 0.034 per outstanding share amounting to AED 71.5 million (2014: cash dividend of AED 0.09 per outstanding share amounting to AED 176.4 million). They also approved a share dividend of 99.5 million shares out of the treasury shares held by the Bank representing 4.98% of the issued shares with an average total cost of AED 197 million (2014: 60 million shares; 2.86%; AED 119 million, respectively). The shareholders also approved Directors' remuneration of AED 7.5 million (2014: AED 7.5 million) and charitable donations of AED 2.5 million (2014: AED 2.5 million). In addition, the shareholders also approved the appropriation of AED 30 million to contingency reserves.

At the Annual General Meeting held on 22 March 2015 of the shareholders of Emirates Lebanon Bank S.A.L, a subsidiary of the Bank, the shareholders approved a cash dividend for an amount of AED 9.2 million (2014: cash dividend of AED 14.7 million) out of which the non-controlling interest share amounted to AED 1.8 million (2014: AED 2.9 million). In addition to the above, an amount of AED 3.1 million was paid as Directors' remuneration (2014: AED 3.1 million).

**Treasury shares**

As mentioned earlier, during the period, 99.5 million shares were released from the treasury shares as share dividend and as such the number of shares held as treasury shares as at 31 March 2015 is nil (31 December 2014: 99.5 million shares with market value of those shares amounting to AED 194 million).

**18. Earnings per share**

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

	<b>Three-month period ended 31 March</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
<b>Basic earnings per share</b>		
Profit attributable to owners of the Bank for the period (AED'000)	<b>83,268</b>	77,229
Profit available to the owners of the Bank	<b>83,268</b>	77,229
Weighted average number of shares outstanding during the period (in thousands shares)	<b>2,034,755</b>	1,995,000
<b>Basic earnings per share (AED)</b>	<b>0.041</b>	0.039

As at 31 March 2015 and 31 March 2014, there were no potential dilutive shares outstanding.

The weighted average number of ordinary shares in issue throughout the periods ended 31 March 2014 and 2015 has been adjusted to reflect the bonus shares issued during the period ended 31 March 2015.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**19. Commitments and contingent liabilities**

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Financial guarantees for loans	<b>945,840</b>	1,060,534
Other guarantees	<b>1,973,211</b>	1,868,815
Letters of credit	<b>1,208,836</b>	1,211,836
Capital commitments	<b>44,929</b>	44,929
	<b>4,172,816</b>	4,186,114
Irrevocable commitments to extend credit	<b>1,708,546</b>	1,535,327
	<b>5,881,362</b>	5,721,441

**20. Cash and cash equivalents**

	<b>31 March 2015 AED'000 (unaudited)</b>	31 March 2014 AED'000 (unaudited)
Cash and balances with central banks (Note 7)	<b>5,640,982</b>	3,438,294
Deposits and balances due from banks (Note 8)	<b>1,130,025</b>	3,200,791
Deposits and balances due to banks (Note 14)	<b>(375,139)</b>	(168,889)
	<b>6,395,868</b>	6,470,196
Less: Deposits and balances due from banks - original maturity more than three months	<b>(1,265,965)</b>	(950,119)
Less: Statutory deposits with central banks (Note 7)	<b>(1,008,223)</b>	(1,084,914)
	<b>4,121,680</b>	4,435,163

**21. Fiduciary assets**

As at 31 March 2015, the Group holds investments at fair value amounting to AED 2.2 billion (31 December 2014: at fair value AED 2.4 billion) which are held in custody on behalf of customers and therefore are not treated as assets in the condensed consolidated interim statement of financial position.

**22. 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.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**22. Related party transactions (continued)**

The related parties balances included in the condensed consolidated interim statement of financial position and the significant transactions with related parties are as follows:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Loans and advances	<b>2,464,025</b>	2,497,043
Letters of credit, guarantee and acceptances	<b>570,182</b>	648,160
	<b>3,034,207</b>	3,145,203
Collateral deposits	<b>644,125</b>	183,380
Net exposure	<b>2,390,082</b>	2,961,823
Other deposits	<b>204,318</b>	194,400

As at 31 March 2015, entities related to one of the directors accounted for 73% (31 December 2014: 78%) of the total aforementioned net exposure.

	<b>Three-months period ended 31 March</b>	
	<b>2015 AED'000 (unaudited)</b>	2014 AED'000 (unaudited)
Interest income	<b>32,574</b>	37,148
Interest expense	<b>2,189</b>	3,885
Directors fees	<b>7,500</b>	7,500

**23. 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.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**23. Segmental information (continued)**

The following table presents information regarding the Group's operating segments:

	<b>Commercial Banking AED'000</b>	<b>Investment Banking AED'000</b>	<b>Unallocated AED'000</b>	<b>Total AED'000</b>
<b>31 March 2015 (unaudited):</b>				
Segment assets	23,169,226	2,051,551	960,312	26,181,089
Segment liabilities	20,614,842	734,600	426,890	21,776,332
<b>31 December 2014 (audited):</b>				
Segment assets	22,504,143	2,109,211	441,029	25,054,383
Segment liabilities	19,685,001	734,600	222,123	20,641,724

The following table presents information regarding the Group's operating segments for the three-month period ended 31 March 2015 (unaudited):

	<b>Commercial Banking AED'000</b>	<b>Investment Banking AED'000</b>	<b>Unallocated AED'000</b>	<b>Total AED'000</b>
<b>Revenue from external customers</b>				
Net interest income	121,973	5,676	-	127,649
Net fee and commission income	33,739	-	-	33,739
Exchange profit	7,404	-	-	7,404
Investment losses	-	(5,933)	-	(5,933)
Other income	6,421	-	-	6,421
<b>Operating income</b>	<b>169,537</b>	<b>(257)</b>	<b>-</b>	<b>169,280</b>
<b>Expenses</b>				
Net impairment charge on financial assets	(23,566)	-	-	(23,566)
Depreciation of property and equipment	-	-	(5,622)	(5,622)
General and administrative expenses	(44,783)	(7,903)	-	(52,686)
Amortization of other intangible assets	(1,946)	-	-	(1,946)
Income tax	-	-	(1,936)	(1,936)
<b>Profit for the period from continuing operations after taxes</b>	<b>99,242</b>	<b>(8,160)</b>	<b>(7,558)</b>	<b>83,524</b>
Profit for the period from discontinued operations	-	1,636	-	1,636
<b>Profit for the period</b>	<b>99,242</b>	<b>(6,524)</b>	<b>(7,558)</b>	<b>85,160</b>

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**23. Segmental information (continued)**

The following table presents information regarding the Group's operating segments for the three-month period ended 31 March 2014 (unaudited):

	<b>Commercial Banking AED'000</b>	<b>Investment Banking AED'000</b>	<b>Unallocated AED'000</b>	<b>Total AED'000</b>
<b>Revenue from external customers</b>				
Net interest income	97,106	4,925	-	102,031
Net fee and commission income	33,787	-	-	33,787
Exchange profit	6,131	-	-	6,131
Investment income	-	(7,196)	-	(7,196)
Other income	20,147	-	-	20,147
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating income</b>	157,171	(2,271)	-	154,900
<b>Expenses</b>				
Net impairment charge on financial assets	(21,409)	-	-	(21,409)
Depreciation of property and equipment	-	-	(4,293)	(4,293)
General and administrative expenses	(44,848)	(7,915)	-	(52,763)
Amortization of other intangible assets	(1,946)	-	-	(1,946)
Income tax	-	-	(2,904)	(2,904)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit for the period from continuing operations after taxes</b>	88,968	(10,186)	(7,197)	71,585
Profit for the period from discontinued operations	-	7,809	-	7,809
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit for the period</b>	88,968	(2,377)	(7,197)	79,394
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (31 March 2014: Nil). Transactions between segments, inter-segment cost of funds and allocation of expenses are not determined by management for the purpose of resource allocation. 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 2014.

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.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**23. Segmental information (continued)**

**Geographical information**

The Group operates in two principal geographical areas - United Arab Emirates (country of domicile) and Lebanon (referred to as 'foreign').

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	<b>Country of domicile AED'000</b>	<b>Foreign AED'000</b>	<b>Total AED'000</b>
<b>2015</b>			
Operating income (from external customers) for the three months period ended 31 March 2015 (unaudited)	<b>135,842</b>	<b>33,438</b>	<b>169,280</b>
Non-current assets as at 31 March 2015 (unaudited)	<b>1,249,492</b>	<b>296,253</b>	<b>1,545,745</b>
<b>2014</b>			
Operating income (from external customers) for the three months period ended 31 March 2014 (unaudited)	120,951	33,949	154,900
Non-current assets as at 31 March 2014 (unaudited)	950,040	305,837	1,255,877

**24. Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments held at fair value through profit and loss

Investments held at fair value through profit and loss represent investment in securities that present the Group with opportunity for returns through dividend income, trading gains and capital appreciation. Included in these investment listed, equity securities for which the fair values are based on quoted prices at close of business as at 31 March 2015, and unlisted bonds for which the fair values are derived from internal valuation performed based on generally accepted pricing models, all inputs used for the valuation are supported by observable market prices or rates.

Unquoted investments held at fair value through other comprehensive income

Fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and capitalisation of sustainable earnings basis or comparable ratios depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**24. Fair value of financial instruments (continued)**

Fair value of financial assets carried at amortised cost

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated interim financial statements approximate their fair values.

	31 March 2015		31 December 2014	
	Carrying amount AED'000 (unaudited)	Fair Value AED'000 (unaudited)	Carrying amount AED'000 (audited)	Fair value AED'000 (audited)
<b><i>Financial assets</i></b>				
- Other financial assets measured at amortised cost	<b>560,001</b>	<b>563,302</b>	597,349	604,283

The fair value for other financial assets measured at amortized cost is based on market prices.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. They are banked into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices, including over-the-counter quoted prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**24. Fair value of financial instruments (continued)**

Fair value measurements recognised in the consolidated statement of financial position (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>At 31 March 2015 (unaudited)</b>				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
-Quoted equity	17,990	-	-	17,990
-Unquoted equity	-	-	95	95
-Unquoted debt securities	-	58,452	-	58,452
<i>Investments carried at FVTOCI</i>				
Quoted equity	95,992	-	-	95,992
Unquoted equity	-	-	973,661	973,661
<b>Total</b>	<b>113,982</b>	<b>58,452</b>	<b>973,756</b>	<b>1,146,190</b>
<b>Investment properties</b>	<b>-</b>	<b>336,177</b>	<b>-</b>	<b>336,177</b>
<i>Other assets /liabilities</i>				
Positive fair value of derivatives	-	2,013	-	2,013
Negative fair value of derivatives	-	(464)	-	(464)
<b>At 31 December 2014 (audited)</b>				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
-Quoted equity	19,979	-	-	19,979
-Unquoted debt securities	-	65,422	-	65,422
<i>Investments carried at FVTOCI</i>				
Quoted equity	107,569	-	-	107,569
Unquoted equity	-	-	973,661	973,661
<b>Total</b>	<b>127,548</b>	<b>65,422</b>	<b>973,661</b>	<b>1,166,631</b>
<b>Investment properties</b>	<b>-</b>	<b>336,143</b>	<b>-</b>	<b>336,143</b>
<i>Other assets /liabilities</i>				
Positive fair value of derivatives	-	44	-	44
Negative fair value of derivatives	-	(3)	-	(3)

There were no transfers between Level 1 and Level 2 during the current year.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2015 (continued)**

**24. Fair value of financial instruments (continued)**

Reconciliation of Level 3 fair value measurements of other financial assets measured at fair value:

	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
Opening balance	973,661	976,761
Additions	95	-
(Loss)/gain recognised in other comprehensive income	-	(3,100)
Closing balance	<u>973,756</u>	<u>973,661</u>

**25. Capital adequacy**

The capital adequacy ratio is computed based on circulars issued by the U.A.E. Central Bank:

	<b>Basel II</b>	
	<b>31 March 2015 AED'000 (unaudited)</b>	31 December 2014 AED'000 (audited)
<i>Capital base</i>		
Tier 1 capital	4,022,237	4,016,632
Tier 2 capital	300,575	311,763
<b>Total capital base</b>	<u>4,322,812</u>	<u>4,328,395</u>
<i>Risk-weighted assets:</i>		
Credit risk	18,917,906	17,935,851
Market risk	119,002	106,957
Operational risk	1,403,369	1,403,369
<b>Total risk-weighted assets</b>	<u>20,440,277</u>	<u>19,446,177</u>
<b>Capital adequacy ratio</b>	<u>21.15%</u>	<u>22.26%</u>

**26. Comparative figures**

Certain comparative figures have been reclassified where appropriate to conform with the presentation in these condensed consolidated interim financial statements.

**27. Approval of condensed consolidated interim financial statements**

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on 29 April 2015.