

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

**Review report and  
Condensed consolidated interim financial information  
for the three-month period ended 31 March 2016**

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

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

The Shareholders  
Bank of Sharjah P.J.S.C.

### *Introduction*

We have reviewed the accompanying 31 March 2016 condensed consolidated interim financial information of Bank of Sharjah P.J.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 2016;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2016;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2016;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2016;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2016; 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 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited  
Muhammad Tariq  
Registration No: 793  
Date:

## Condensed consolidated interim statement of financial position

As at

	Note	31 March 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
<b>ASSETS</b>			
Cash and balances with central banks	7	4,900,593	6,436,195
Deposits and balances due from banks	8	2,042,055	1,072,415
Loans and advances, net	9	15,402,278	15,036,621
Other financial assets measured at fair value	10	1,206,513	1,214,878
Other financial assets measured at amortised cost	10	697,055	527,330
Investment properties		280,287	270,441
Goodwill and other intangibles		232,290	234,234
Other assets	11	2,616,591	2,519,598
Property and equipment		273,226	275,206
<b>Total assets</b>		<b>27,650,888</b>	<b>27,586,918</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Customers' deposits	12	19,302,665	19,491,815
Deposits and balances due to banks	13	145,339	45,479
Other liabilities	14	1,700,893	1,689,682
Issued Bonds	15	1,807,805	1,737,498
<b>Total liabilities</b>		<b>22,956,702</b>	<b>22,964,474</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital		2,100,000	2,100,000
Statutory reserve		1,050,000	1,050,000
Contingency reserve		480,000	480,000
General reserve		100,000	100,000
Investment fair value reserve		208,845	212,432
Retained earnings		552,688	476,485
<b>Equity attributable to equity holders of the Bank</b>		<b>4,491,533</b>	<b>4,418,917</b>
Non-controlling interests		202,653	203,527
<b>Total equity</b>		<b>4,694,186</b>	<b>4,622,444</b>
<b>Total liabilities and equity</b>		<b>27,650,888</b>	<b>27,586,918</b>

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

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

The accompanying notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

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

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**Condensed consolidated interim statement of profit or loss (unaudited)  
for the three-month period ended**

	Note	31 March 2016 AED'000	31 March 2015 AED'000
Interest income		260,628	239,571
Interest expense		(134,454)	(111,922)
<b>Net interest income</b>		<b>126,174</b>	127,649
Net fee and commission income		30,453	33,739
Exchange profit		5,573	7,404
Income/ (loss) on investments		4,638	(5,933)
Other income		13,130	6,421
<b>Operating income</b>		<b>179,968</b>	169,280
Net impairment loss on financial assets		(22,900)	(23,566)
<b>Net operating income</b>		<b>157,068</b>	145,714
General and administrative expenses		(72,516)	(58,308)
Amortisation of intangible assets		(1,946)	(1,946)
<b>Profit before discontinued operations</b>		<b>82,606</b>	85,460
Discontinued operations		-	1,636
<b>Profit before taxes</b>		<b>82,606</b>	87,096
Income tax expense - overseas		(1,988)	(1,936)
<b>Profit for the period</b>		<b>80,618</b>	85,160
<b>Attributable to:</b>		=====	=====
Equity holders of the Bank		78,671	83,268
Non-controlling interests		1,947	1,892
		<b>80,618</b>	85,160
		=====	=====
<b>Basic earnings per share (AED)</b>	17	<b>0.037</b>	0.041
		=====	=====

The accompanying notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

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

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

	<b>31 March 2016 AED'000</b>	31 March 2015 AED'000
<b>Profit for the period</b>	<b>80,618</b>	85,160
<b>Other comprehensive income items</b>		
<i>Items that will not be reclassified subsequently to condensed consolidated interim statement of profit or loss:</i>		
Net changes in fair value of financial assets measured at fair value through other comprehensive income	<b>1,420</b>	(11,562)
Net changes in fair value of financial liabilities measured at fair value through profit or loss due to credit risk	<b>(5,007)</b>	-
<b>Total other comprehensive loss for the period</b>	<b>(3,587)</b>	(11,562)
<b>Total comprehensive income for the period</b>	<b>77,031</b>	73,598
<b>Attributable to:</b>		
Equity holders of the Bank	<b>75,084</b>	71,706
Non-controlling interests	<b>1,947</b>	1,892
	<b>77,031</b>	73,598

The accompanying notes 1 to 25 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	Changes in 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 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 16)	-	196,726	-	-	-	-	(196,726)	-	-	-
Directors' remuneration (Note 16)	-	-	-	-	-	-	(7,500)	(7,500)	-	(7,500)
Charity donations (Note 16)	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Transfer to/ (from) reserves (Note 16)	-	-	-	30,000	-	-	(30,000)	-	-	-
Dividends (Note 16)	-	-	-	-	-	-	(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>
Balance at 1 January 2016 (audited)	2,100,000	-	1,050,000	480,000	100,000	212,432	476,485	4,418,917	203,527	4,622,444
Profit for the period	-	-	-	-	-	-	78,671	78,671	1,947	80,618
Other comprehensive loss	-	-	-	-	-	(3,587)	-	(3,587)	-	(3,587)
Total comprehensive income for the period	-	-	-	-	-	(3,587)	78,671	75,084	1,947	77,031
Directors' remuneration (Note 16)	-	-	-	-	-	-	(2,468)	(2,468)	(617)	(3,085)
Dividends (Note 16)	-	-	-	-	-	-	-	-	(2,204)	(2,204)
<b>Balance at 31 March 2016 (unaudited)</b>	<b>2,100,000</b>	<b>-</b>	<b>1,050,000</b>	<b>480,000</b>	<b>100,000</b>	<b>208,845</b>	<b>552,688</b>	<b>4,491,533</b>	<b>202,653</b>	<b>4,694,186</b>

The accompanying notes 1 to 25 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 2016 AED'000	31 March 2015 AED'000
<b>Cash flows from operating activities</b>			
Profit for the period		80,618	85,160
<b>Adjustments for:</b>			
Depreciation of property and equipment		6,480	5,622
Amortisation of intangible assets		1,946	1,946
Amortisation of Discount/ (premium) on debt instruments		23	(58)
Foreign exchange gain on investment properties		-	(34)
Gain on sale of property and equipment		(211)	(133)
Profit/ (loss) from investments measured at FVTPL		(4,638)	5,933
Fair value loss on issued bonds		57,327	-
Fair value gain on interest rate swap		(57,327)	-
Amortization of transaction costs on issued bonds		6,498	-
Net impairment loss on financial assets		22,900	23,566
Dividends received		(1,839)	-
		<hr/>	<hr/>
<b>Operating profit before changes in operating assets and liabilities</b>		<b>111,777</b>	<b>122,002</b>
Increase in deposits and balances due from banks maturing after three months		-	(175,031)
Decrease/ (increase) in statutory deposits with central banks		(9,498)	47,596
Increase in loans and advances		(388,557)	(394,981)
Increase in other assets		(38,692)	(541,913)
(Decrease)/ increase in customers' deposits		(189,150)	944,707
Increase in other liabilities		10,237	155,029
		<hr/>	<hr/>
<b>Cash (used in)/ generated from operating activities</b>		<b>(503,883)</b>	<b>157,409</b>
Payment of directors' remuneration and charity donations		-	(10,000)
		<hr/>	<hr/>
<b>Net cash (used in)/ generated from operating activities</b>		<b>(503,883)</b>	<b>147,409</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(4,509)	(5,405)
Proceeds from sale of property and equipment		219	683
Additions to investment properties		(9,846)	-
Purchase of investments		(196,284)	(23,562)
Proceeds from sale of investments		37,145	63,914
Dividends received		1,839	-
		<hr/>	<hr/>
<b>Net cash (used in)/ generated from investing activities</b>		<b>(171,436)</b>	<b>35,630</b>
		<hr/>	<hr/>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(675,319)</b>	<b>183,039</b>
Cash and cash equivalents at the beginning of the period		5,110,335	3,938,641
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	19	<b>4,435,016</b>	<b>4,121,680</b>
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The accompanying notes 1 to 25 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 2016

### 1. General information

Bank of Sharjah P.J.S.C. (the "Bank"), is a public joint stock 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. and U.A.E. Central Bank regulations. UAE Federal Law No 2 of 2015 ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein. The Bank is currently in the process of implementing all changes required by the UAE Companies Law of 2015.

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 2015.

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 2015. In addition, the results for the period from 1 January 2016 to 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

### 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	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> <li>Finalised version of IFRS 9 (IFRS 9 <i>Financial Instruments</i> (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.</li> </ul> <p>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.</p>	1 January 2018

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (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>
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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.

- 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 1 January 2017

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements starting the period beginning 1 January 2017 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.

**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 2015.

**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 2015.

**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.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**6. Basis of consolidation (continued)**

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
	2016	2015			
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
BOS Funding Limited	100%	100%	2015	Cayman Islands	Financing activities

**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 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Cash on hand	<b>63,940</b>	68,370
Statutory deposits	<b>1,096,332</b>	1,086,835
Current accounts	<b>87,089</b>	2,147,281
Certificates of deposits	<b>3,653,232</b>	3,133,709
	<b>4,900,593</b>	6,436,195

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**7. Cash and balances with central banks (continued)**

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Banks abroad	<b>1,595,593</b>	1,760,984
Banks in the U.A.E.	<b>3,305,000</b>	4,675,211
	<b>4,900,593</b>	6,436,195

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 2016, the statutory deposits with the Central Bank of the U.A.E. amounted to AED 486 million (31 December 2015: AED 498 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 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Demand	<b>564,514</b>	705,511
Time	<b>1,477,541</b>	366,904
	<b>2,042,055</b>	1,072,415

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Banks abroad	<b>933,704</b>	723,382
Banks in the U.A.E.	<b>1,108,351</b>	349,033
	<b>2,042,055</b>	1,072,415

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**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 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Overdrafts	<b>9,166,793</b>	8,916,160
Commercial loans	<b>6,381,654</b>	6,131,020
Bills receivable	<b>713,617</b>	789,213
Other advances	<b>991,580</b>	995,513
	<hr/>	<hr/>
Gross amount of loans and advances	<b>17,253,644</b>	16,831,906
Less: Allowance for impairment	<b>(1,567,940)</b>	(1,524,442)
Less: Interest in suspense	<b>(283,426)</b>	(270,843)
	<hr/>	<hr/>
Net loans and advances	<b>15,402,278</b>	15,036,621
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(b) The geographic analysis of the loans and advances of the Group is as follows:

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Loans and advances in the U.A.E.	<b>14,200,638</b>	14,222,200
Loans and advances abroad	<b>3,053,006</b>	2,609,706
	<hr/>	<hr/>
	<b>17,253,644</b>	16,831,906
	<hr/> <hr/>	<hr/> <hr/>

(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 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Balance at the beginning of the period/year	<b>1,524,442</b>	1,347,377
Additions through collective impairment	<b>6,538</b>	1,510
Additions	<b>73,156</b>	386,490
Transfer from interest in suspense	<b>11,000</b>	-
Write-off	<b>(11)</b>	(138,736)
Write-backs	<b>(47,185)</b>	(72,199)
	<hr/>	<hr/>
Balance at the end of the period/year	<b>1,567,940</b>	1,524,442
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**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**10. Other financial assets**

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
<b>Other financial assets measured at fair value</b>		
<b>(i) Investments measured at FVTPL</b>		
Quoted equity	<b>16,900</b>	21,500
Quoted debt securities	<b>63,415</b>	68,604
	<b>80,315</b>	90,104
<b>(ii) Investments measured at FVTOCI</b>		
Quoted equity	<b>104,886</b>	101,800
Unquoted equity	<b>1,021,312</b>	1,022,974
	<b>1,126,198</b>	1,124,774
<b>Total other financial assets measured at fair value</b>	<b>1,206,513</b>	1,214,878
<b>Other financial assets measured at amortised cost</b>		
Debt securities	<b>697,055</b>	527,330
<b>Total other financial assets</b>	<b>1,903,568</b>	1,742,208

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).

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
United Arab Emirates	<b>307,902</b>	223,210
G.C.C. countries (other than U.A.E.)	<b>8,927</b>	5,754
Middle East (other than G.C.C. countries)	<b>1,586,625</b>	1,513,132
Europe	<b>114</b>	112
	<b>1,903,568</b>	1,742,208

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**11. Other assets**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Acceptances – contra	1,392,824	1,441,148
Assets acquired in settlement of debt	787,079	798,212
Receivable from sale of investments	203,330	203,330
Clearing receivables	34,486	-
Interest receivable	42,534	20,504
Prepayments	27,993	9,600
Positive fair value of derivatives	58,583	1,945
Other	69,762	44,859
	<u>2,616,591</u>	<u>2,519,598</u>

**12. Customers' deposits**

The analysis of customers' deposits is as follows:

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Current and other accounts	4,353,268	4,008,397
Saving accounts	1,707,103	1,634,738
Time deposits	13,242,294	13,848,680
	<u>19,302,665</u>	<u>19,491,815</u>

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

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Demand	63,941	839
Time	81,398	44,640
	<u>145,339</u>	<u>45,479</u>

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Banks in the U.A.E.	104,224	-
Banks abroad	41,115	45,479
	<u>145,339</u>	<u>45,479</u>

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**14. Other Liabilities**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Acceptances – contra	<b>1,392,824</b>	1,441,148
Provision for employees' end of service benefits	<b>39,739</b>	39,374
Interest payable	<b>104,704</b>	84,858
Unearned income	<b>23,079</b>	22,362
Managers' cheques	<b>17,479</b>	24,174
Accrued expenses and others	<b>122,274</b>	76,943
Negative fair value of derivatives	<b>794</b>	823
	<b>1,700,893</b>	1,689,682

**15. Issue Bonds**

On 8 June 2015, the Bank raised financing by way of USD 500 million (equivalent to AED 1,836 million) in senior unsecured bonds (the "Bonds") issued by BOS Funding Limited, a wholly owned subsidiary of the Bank, incorporated in the Cayman Islands. The Bonds are fully guaranteed by the Bank, carry a fixed interest rate of 3.374 per cent per annum payable semi-annually and are listed on the Irish Stock Exchange.

**16. Dividends and treasury shares**

**Dividends**

At the Annual General Meeting of the shareholders held on 21 March 2015, the shareholders approved a 3.4% cash dividend amounting to AED 71.5 million and 4.98% treasury shares distribution (99.5 million shares) amounting to AED 197 million (2014: 9% cash dividend amounting to AED 176.4 million and 2.86% treasury shares distribution (60 million shares) amounting to AED 119 million). 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 6 February 2016 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 11.0 million (2014: cash dividend of AED 9.2 million) out of which the non-controlling interest share amounted to AED 2.2 million (2014: AED 1.8 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**

During the three-month period ended 31 March 2015, 99.5 million shares were released from the treasury shares as share distribution and as such the number of shares held as treasury shares is nil.



**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**17. 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>2016 (unaudited)</b>	<b>2015 (unaudited)</b>
<b>Basic earnings per share</b>		
Profit attributable to owners of the Bank for the period (AED'000)	<b>78,671</b>	83,268
Profit available to the owners of the Bank	<b>78,671</b>	83,268
Weighted average number of shares outstanding during the period (in thousands shares)	<b>2,100,000</b>	2,034,755
<b>Basic earnings per share (AED)</b>	<b>0.037</b>	0.041

As at 31 March 2016 and 31 March 2015, there were no potential dilutive shares outstanding.

The weighted average number of ordinary shares in issue throughout the periods ended 31 March 2016 and 2015 has been adjusted to reflect the bonus shares issued during the period ended 31 March 2016.

**18. Commitments and contingent liabilities**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Financial guarantees for loans	<b>533,099</b>	706,794
Other guarantees	<b>2,278,299</b>	2,247,582
Letters of credit	<b>1,317,824</b>	1,307,698
Capital commitments	<b>44,929</b>	44,929
	<b>4,174,151</b>	4,307,003
Irrevocable commitments to extend credit	<b>1,631,808</b>	1,552,812
	<b>5,805,959</b>	5,859,815

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**19. Cash and cash equivalents**

	<b>31 March 2016 AED'000 (unaudited)</b>	31 March 2015 AED'000 (unaudited)
Cash and balances with central banks (Note 7)	<b>4,900,593</b>	5,640,982
Deposits and balances due from banks (Note 8)	<b>2,042,055</b>	1,130,025
Deposits and balances due to banks (Note 13)	<b>(145,339)</b>	(375,139)
	<b>6,797,309</b>	6,395,868
Less: Deposits and balances due from banks - original maturity more than three months	<b>(1,265,961)</b>	(1,265,965)
Less: Statutory deposits with central banks (Note 7)	<b>(1,096,332)</b>	(1,008,223)
	<b>4,435,016</b>	4,121,680

**20. Fiduciary assets**

As at 31 March 2016, the Group holds investments at fair value amounting to AED 0.7 billion (31 December 2015: at fair value AED 0.8 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.

**21. Related party transactions**

The Group enters into transactions with major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

Transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Loans and advances	<b>2,171,160</b>	2,162,402
Letters of credit, guarantee and acceptances	<b>354,967</b>	389,072
	<b>2,526,127</b>	2,551,474
Collateral deposits	<b>184,953</b>	169,941
Net exposure	<b>2,341,174</b>	2,381,533
Other deposits	<b>344,212</b>	120,235

As at 31 March 2016, entities related to one of the directors accounted for 76% (31 December 2015: 74%) of the total aforementioned net exposure taking into consideration that this director's gross exposure was reduced by 20% compared to the same period of last year.

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

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

	<b>Three-months period ended 31 March</b>	
	<b>2016 AED'000 (unaudited)</b>	2015 AED'000 (unaudited)
Interest income	<b>29,634</b>	32,574
Interest expense	<b>1,834</b>	2,189
Directors fees	<b>2,468</b>	7,500

**22. Segmental information**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For operating purposes, the Group is organised into two major business segments:

- (i) Commercial Banking, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and
- (ii) Investment Banking, which involves the management of the Group's investment portfolio.

These segments are the basis on which the Group reports its segment information. Transactions between segments are conducted at rates determined by management, taking into consideration the cost of funds and an equitable allocation of expenses.

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

	<b>Commercial Banking AED'000</b>	<b>Investment Banking AED'000</b>	<b>Unallocated AED'000</b>	<b>Total AED'000</b>
<b><u>31 March 2016 (unaudited):</u></b>				
<b>Segment assets</b>	<b>23,970,040</b>	<b>2,387,186</b>	<b>1,293,662</b>	<b>27,650,888</b>
<b>Segment liabilities</b>	<b>20,840,828</b>	<b>1,807,805</b>	<b>308,069</b>	<b>22,956,702</b>
<b><u>31 December 2015 (audited):</u></b>				
Segment assets	23,211,903	3,224,689	1,150,326	27,586,918
Segment liabilities	20,978,441	1,737,498	248,535	22,964,474

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**22. Segmental information (continued)**

The following table presents information regarding the Group's operating segments for the three-month period ended 31 March 2016 (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	117,879	8,295	-	126,174
-Net fee and commission income	30,453	-	-	30,453
-Exchange profit	5,573	-	-	5,573
-Investment Profit	-	4,638	-	4,638
-Other income	-	-	13,130	13,130
	<u>153,905</u>	<u>12,933</u>	<u>13,130</u>	<u>179,968</u>
<b>Operating income</b>				
<b>Other material non-cash items</b>				
-Net impairment charge on financial assets	(22,900)	-	-	(22,900)
-Depreciation of property and equipment	-	-	(6,480)	(6,480)
-General and administrative expenses	(56,130)	(9,906)	-	(66,036)
-Amortization of other intangible assets	-	-	(1,946)	(1,946)
-Income tax– overseas	-	-	(1,988)	(1,988)
	<u>74,875</u>	<u>3,027</u>	<u>2,716</u>	<u>80,618</u>
<b>Profit for the period</b>	<u>74,875</u>	<u>3,027</u>	<u>2,716</u>	<u>80,618</u>

**Notes to the condensed consolidated interim financial statements  
for the three-month period ended 31 March 2016 (continued)**

**22. Segmental information (continued)**

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 loss	-	(5,933)	-	(5,933)
-Other income	-	-	6,421	6,421
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating income</b>	163,116	(257)	6,421	169,280
<b>Other material non-cash items</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– overseas	-	-	(1,936)	(1,936)
-Discontinued operations	-	1,636	-	1,636
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit for the period</b>	94,767	(6,524)	(3,083)	85,160
	<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 2015: 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 2015.

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 2016 (continued)**

**22. 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>2016</b>			
Operating income (from external customers) for the three months period ended 31 March 2016 (unaudited)	<b>148,304</b>	<b>31,664</b>	<b>179,968</b>
Non-current assets as at 31 March 2016 (unaudited)	<b>1,680,312</b>	<b>329,258</b>	<b>2,009,570</b>
<b>2015</b>			
Operating income (from external customers) for the three months period ended 31 March 2015 (unaudited)	135,842	33,438	169,280
Non-current assets as at 31 March 2015 (unaudited)	1,249,492	296,253	1,545,745

**23. 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 2016, 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 2016 (continued)**

**23. 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 2016		31 December 2015	
	Carrying amount AED'000 (unaudited)	Fair Value AED'000 (unaudited)	Carrying amount AED'000 (audited)	Fair value AED'000 (audited)
<i>Financial assets</i>				
- Other financial assets measured at amortised cost	<b>697,055</b>	<b>693,628</b>	527,330	527,752

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 2016 (continued)**

**23. 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 2016 (unaudited)</b>				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
Quoted equity	16,900	-	-	16,900
Unquoted debt securities	-	63,415	-	63,415
<i>Investments carried at FVTOCI</i>				
Quoted equity	104,886	-	-	104,886
Unquoted equity	-	-	1,021,312	1,021,312
<b>Total</b>	<b>121,786</b>	<b>63,415</b>	<b>1,021,312</b>	<b>1,206,513</b>
<i>Other financial liabilities measured at fair value</i>				
Issued bonds measured at FVTPL				
Quoted debt securities	1,807,805	-	-	1,807,805
<i>Other assets /liabilities</i>				
Positive fair value of derivatives	-	58,583	-	58,583
Negative fair value of derivatives	-	(794)	-	(794)
<b>At 31 December 2015 (audited)</b>				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
Quoted equity	21,500	-	-	21,500
Quoted debt securities	-	68,604	-	68,604
<i>Investments carried at FVTOCI</i>				
Quoted equity	101,800	-	-	101,800
Unquoted equity	-	-	1,022,974	1,022,974
<b>Total</b>	<b>123,300</b>	<b>68,604</b>	<b>1,022,974</b>	<b>1,214,878</b>
<i>Other financial liabilities measured at fair value</i>				
Issued bonds measured at FVTPL				
Quoted debt securities	1,737,498	-	-	1,737,498
<i>Other assets /liabilities</i>				
Positive fair value of derivatives	-	1,945	-	1,945
Negative fair value of derivatives	-	(823)	-	(823)

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 2016 (continued)**

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

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

	<b>31 March 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
Opening balance	<b>1,022,974</b>	973,661
Additions	-	77,133
Losses recognised in other comprehensive income	<b>(1,662)</b>	(27,820)
Closing balance	<b>1,021,312</b>	1,022,974

**24. 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 2016 AED'000 (unaudited)</b>	31 December 2015 AED'000 (audited)
<i>Capital base</i>		
Tier 1 capital	<b>4,253,051</b>	4,175,778
Tier 2 capital	<b>345,906</b>	342,425
<b>Total capital base</b>	<b>4,598,957</b>	4,518,203
<i>Risk-weighted assets:</i>		
Credit risk	<b>20,153,872</b>	19,746,453
Market risk	<b>108,520</b>	131,933
Operational risk	<b>1,502,954</b>	1,502,954
<b>Total risk-weighted assets</b>	<b>21,765,346</b>	21,381,340
<b>Capital adequacy ratio</b>	<b>21.13%</b>	21.13%

**25. 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 30 April 2016.