

Bank of Sharjah P.S.C.

**Review report and
Interim financial information
for the nine months period ended 30 September 2013**

Bank of Sharjah P.S.C.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Bank of Sharjah P.S.C.** (the “Bank”) and its subsidiaries (the “Group”) as at 30 September 2013, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management of the Group is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 - “*Interim Financial Reporting*” (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche (M.E.)

Anis Sadek
Registration No. 521
30 October 2013

**Condensed consolidated statement of financial position
as at 30 September 2013**

	Notes	30 September 2013 (unaudited) AED'000	31 December 2012 (audited) AED'000
ASSETS			
Cash and balances with central banks	8	4,269,243	2,738,642
Deposits and balances due from banks	9	3,099,575	3,726,026
Loans and advances, net	10	12,970,084	12,444,339
Other financial assets measured at fair value	11	1,151,988	1,069,913
Other financial assets measured at amortized cost	11	530,692	746,434
Investment property		237,001	230,821
Goodwill and other intangibles		251,751	257,586
Other assets	12	1,384,404	1,347,998
Property and equipment		257,048	270,929
Non-current assets classified as held for sale	13	263,652	-
Total assets		24,415,438	22,832,688
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	14	17,825,628	16,476,374
Deposits and balances due to banks	15	156,976	445,512
Other liabilities		1,420,098	1,232,898
Syndicated loan	16	734,600	495,855
Liabilities directly associated with non-current assets classified as held for sale	13	74,927	-
Total liabilities		20,212,229	18,650,639
Equity			
Capital and reserves			
Share capital		2,100,000	2,100,000
Treasury shares	17	(327,792)	(327,792)
Statutory reserve		1,085,357	1,085,357
Contingency reserve		378,738	378,738
General reserve		92,999	62,565
Investment fair value reserve		152,374	106,134
Retained earnings		523,841	519,305
Attributable to owners of the Parent		4,005,517	3,924,307
Non-controlling interests		197,692	257,742
Total equity		4,203,209	4,182,049
Total liabilities and equity		24,415,438	22,832,688

.....
Mr. Ahmed Al Noman
Chairman

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

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

**Condensed consolidated income statement (unaudited)
for the nine months period ended 30 September 2013**

	Three months period ended 30 September		Nine months period ended 30 September	
	2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
Interest income	233,627	252,798	734,868	750,782
Interest expense	(139,129)	(119,853)	(378,236)	(359,575)
Net interest income	94,498	132,945	356,632	391,207
Net fee and commission income	30,345	26,469	93,861	78,512
Exchange profit	5,802	5,070	17,592	16,379
Investment income	87,273	6,957	99,942	8,350
Other income	2,412	2,929	19,303	6,249
Net gain on investment property revaluation	-	-	6,180	-
Operating income	220,330	174,370	593,510	500,697
Net impairment charge on financial assets	(32,162)	(28,685)	(140,266)	(120,438)
Net operating income	188,168	145,685	453,244	380,259
Amortization of intangible assets	(1,946)	(1,946)	(5,838)	(5,838)
General and administrative expenses	(61,970)	(47,773)	(173,764)	(148,650)
Profit for the period from continuing operation before taxes	124,252	95,966	273,642	225,771
Income tax expense - overseas	(2,206)	(2,754)	(7,451)	(7,502)
Profit for the period from continuing operations	122,046	93,212	266,191	218,269
Discontinued operations	(3,502)	-	(3,502)	-
Profit for the period	118,544	93,212	262,689	218,269
<i>Attributable to:</i>				
Owners of the parent				
Profit for the period from continuing operations	119,886	88,712	257,004	206,093
Loss for the period from discontinued operations	(2,802)	-	(2,802)	-
Profit for the period attributable to owners of the parent	117,084	88,712	254,202	206,093
Non-controlling interests				
Profit for the period from continuing operations	2,160	4,500	9,187	12,176
Loss for the period from discontinued operations	(700)	-	(700)	-
Profit for the period attributable to non-controlling interests	1,460	4,500	8,487	12,176
	118,544	93,212	262,689	218,269
Basic earnings per share (AED) (Note 18)	0.061	0.046	0.125	0.100

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

**Condensed consolidated statement of comprehensive income (unaudited)
for the nine months period ended 30 September 2013**

	Three months period ended 30 September		Nine months period ended 30 September	
	2013	2012	2013	2012
	AED'000	AED'000	AED'000	AED'000
Profit for the period	118,544	93,212	262,689	218,269
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net change in fair value of financial assets measured at FVTOCI	22,948	9,943	46,239	8,672
Charity donations appropriated during the period	-	-	(2,500)	(2,500)
Directors' remuneration paid during the period	-	-	(10,587)	(10,585)
Other comprehensive income/(loss) for the period	22,948	9,943	33,152	(4,413)
Total comprehensive income for the period	141,492	103,155	295,841	213,856
Attributable to:				
Owners of the parent	140,032	98,639	287,972	202,671
Non-controlling interests	1,460	4,516	7,869	11,185
Total comprehensive income for the period	141,492	103,155	295,841	213,856

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

**Condensed consolidated statement of changes in equity
for the nine months period ended 30 September 2013**

	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	Attributable to owners of the parent AED'000	Non- controlling interests AED'000	Total equity AED'000
Balance at 1 January 2012 (audited)	2,100,000	(230,602)	1,085,357	352,078	30,390	(4,947)	618,820	3,951,096	248,225	4,199,321
Profit for the period	-	-	-	-	-	-	206,093	206,093	12,176	218,269
Other comprehensive income /(loss)	-	-	-	-	-	8,655	(12,077)	(3,422)	(991)	(4,413)
Reclassification of realized loss on disposal of financial assets measured at FVTOCI	-	-	-	-	-	95,586	(95,586)	-	-	-
Total comprehensive income for the period	-	-	-	-	-	104,241	98,430	202,671	11,185	213,856
Transfer to reserves	-	-	-	-	32,175	-	(32,175)	-	-	-
Treasury shares acquired during the period	-	(97,190)	-	-	-	-	-	(97,190)	-	(97,190)
Dividends paid (Note 17)	-	-	-	-	-	-	(193,500)	(193,500)	-	(193,500)
Balance at 30 September 2012 (unaudited)	2,100,000	(327,792)	1,085,357	352,078	62,565	99,294	491,575	3,863,077	259,410	4,122,487
Balance at 1 January 2013 (audited)	2,100,000	(327,792)	1,085,357	378,738	62,565	106,134	519,305	3,924,307	257,742	4,182,049
Profit for the period	-	-	-	-	-	-	254,202	254,202	8,487	262,689
Other comprehensive income/(loss)	-	-	-	-	-	46,240	(12,470)	33,770	(618)	33,152
Total comprehensive income for the period	-	-	-	-	-	46,240	241,732	287,972	7,869	295,841
Transfer to reserves	-	-	-	-	30,434	-	(30,434)	-	-	-
Dividends (Note 17)	-	-	-	-	-	-	(193,500)	(193,500)	(7,713)	(201,213)
Allocation to non-controlling interest [Note 6(a)]	-	-	-	-	-	-	(11,147)	(11,147)	11,147	-
Acquisition subsidiaries [Note 6(a) & 13]	-	-	-	-	-	-	(2,115)	(2,115)	(71,353)	(73,468)
Balance at 30 September 2013 (unaudited)	2,100,000	(327,792)	1,085,357	378,738	92,999	152,374	523,841	4,005,517	197,692	4,203,209

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

**Condensed consolidated statement of cash flows (unaudited)
for the nine months period ended 30 September 2013**

	Nine months period ended 30 September	
	2013 AED'000	2012 AED'000
OPERATING ACTIVITIES		
Profit for the period	262,689	218,269
Adjustments for:		
Depreciation of property and equipment/intangible assets amortization	21,950	14,217
Amortisation of premium and discount on receivables, investments, and bonds	1,833	(573)
Loss/(gain) on disposal of property and equipment	28	(500)
Fair value adjustment on trading investments and derivatives	(29,131)	2,377
Fair value gain on investment property	(6,180)	-
Allowance for doubtful loans and advances	140,266	120,438
Payment of directors' remuneration and charity donation	(13,087)	(13,085)
Dividends income	(67,767)	-
Operating profit before changes in working capital	310,601	341,143
Increase in deposits and due from banks maturity more than three months	(593,254)	(452,230)
Increase in statutory reserves with Central Banks	(51,932)	(6,792)
Increase in loans and advances	(866,011)	(433,583)
Increase in other assets	(24,904)	(406,027)
Increase in customers' deposits	1,349,254	599,350
Increase in other liabilities	187,200	428,622
Net cash generated from operating activities	310,954	70,483
INVESTING ACTIVITIES		
Purchases of property and equipment	(2,286)	(51,673)
Proceeds from disposal of property and equipment	26	971
Proceeds from disposal of investments	235,267	180,253
Purchase of investments	(28,063)	(124,844)
Acquisition of non-controlling interest of a subsidiary [Note 6(a)]	(73,696)	-
Dividends received	67,767	-
Net cash generated from investing activities	199,015	4,707
FINANCING ACTIVITIES		
Dividends paid	(201,213)	(193,500)
Net movement in syndicated loan	238,745	-
Treasury shares acquired	-	(97,190)
Net cash generated from /(used in) financing activities	37,532	(290,690)
Increase/(decrease) in cash and cash equivalents	547,501	(215,500)
Cash and cash equivalents at the beginning of the period	4,373,539	3,866,516
Cash and cash equivalents at the end of the period (Note 20)	4,921,040	3,651,016
Non-cash transaction		
Subsidiaries acquired exclusively with a view to resale (Note 13)	200,000	-

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

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013****1. General information**

Bank of Sharjah P.S.C. (the “Bank”), a public shareholding company, was incorporated by an Emiri 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 from 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 Hosn Avenue, 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 the City of Al Ain.

2. Basis of preparation

The condensed consolidated financial statements of the Bank and its subsidiaries (together referred to as the “Group”) are prepared in accordance with the International Accounting Standard No. 34 - Interim Financial Reporting issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the U.A.E.

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

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 2012.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2012. In addition, results for the period from 1 January 2013 to 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

3. Application of new and revised International Financial Reporting Standards (“IFRSs”)**3.1 New and revised IFRSs applied with no material effect on the condensed financial statements**

The following revised IFRSs have been adopted in these condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 1 Government Loans provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance to government loans outstanding at the date of transition to IFRSs.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.
- IFRS 10 *Consolidated Financial Statements* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* have been amended for the issuance of IFRS 10.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

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

**3.1 New and revised IFRSs applied with no material effect on the condensed financial statements
(continued)**

- IFRS 11 *Joint Arrangements* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.
- IFRS 12 *Disclosure of Interests in Other Entities* combines the disclosure requirements for an entity’s interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.
- IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.
- Amendments to IAS 1 - *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.
- Amendments to IAS 19 *Employee Benefits* eliminate the “corridor approach” and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.
- Amendments to IFRS 7: *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.
- Annual Improvements to *IFRSs 2009 - 2011 Cycle*:

The annual improvements include the amendments to five IFRSs which have been summarized below:

- IFRS 1 *First Time Adoption of International Financial Reporting Standards* - Repeated application of IFRS 1
- IFRS 1 *First Time Adoption of International Financial Reporting Standards* - Borrowing costs
- IAS 1 *Presentation of Financial Statements* - Clarification of the requirements for comparative information
- IAS 16 *Property, Plant and Equipment* - Classification of serving equipment
- IAS 32 *Financial Instruments: Presentation* - Tax effect of the distribution to the holders of equity instruments.
- IAS 34 *Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*

3.2 Amendments to IFRSs affecting presentation and disclosure only

The following revised IFRSs have been adopted in these condensed financial statements. The application of these revised IFRSs has affected the presentation and disclosure only and did not result in any impact on the reported amounts.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2013 (continued)

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

3.2 Amendments to IFRSs affecting presentation and disclosure only (continued)

- Amendments to IAS 1 *Presentation of Financial Statements*

The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- Amendments to IAS 34 *Interim Financial Reporting*

The amendments require additional disclosures for the fair value of the financial instruments as required by IFRS 13 *Fair Value Measurement* and IFRS 7 *Financial Instruments*.

3.3 New and revised standards and interpretations are in issue but not yet effective

The Group has not applied the following new and revised standards and interpretation that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
• Amendments to IAS 32 <i>Financial Instruments: Presentation</i> relating to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 - Guidance on Investment Entities	1 January 2014
• Amendments to IAS 36 <i>Impairment of Assets</i> – Amendments arising from Recoverable Amount Disclosures for Non-Financial Asset	1 January 2014
• Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement</i> – Amendments for novation of derivatives	1 January 2014
• IFRIC 21 <i>Levies</i>	1 January 2014

Management anticipates that the adoption of the above standards in future years will have no material impact on the condensed financial statements of the Group in the period of initial application.

4. Judgments and estimates

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2012.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2013 (continued)

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 2012.

6. Summary of significant accounting policies

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

a) Basis of consolidation

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

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

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 owners of the Parent.

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
	2013	2012			
Emirates Lebanon Bank S.A.L.	80%*	67.33%	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 (Note 13)	100%	100%	2011	U.A.E.	Investment & Real estate development activities

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)****6. Summary of significant accounting policies (continued)****a) Basis of consolidation (continued)**

*During the period, the Bank increased its shareholding in Emirates Lebanon Bank S.A.L. through acquiring the shares of a non-controlling interest. This transaction increased the Bank's equity in Emirates Lebanon Bank S.A.L. to 80% and the difference between the fair value and the carrying amount of non-controlling interest acquired is recognised in retained earnings. The consideration paid to acquire the non-controlling interest is AED 73.7 million and carrying amount of the acquired share is AED 71.6 million, the difference between the consideration paid and the carrying amount of the acquired shares amounting to AED 2.1 million was recognised directly in retained earnings. Additionally, as a result of this transaction, a further AED 11.1 million was reallocated from retained earnings of the group to non-controlling interests.

b) Investment property

Investment properties are held to earn rental income and/or capital appreciation. Investment property includes cost of initial purchase, developments transferred from property under development, subsequent cost of development and fair value adjustments. Investment property is reflected at fair value at the condensed consolidated statement of financial position date. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the condensed consolidated income statement in the period in which these gains or losses arise.

c) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

7. Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated income statement for the nine months period ended 30 September 2013 and 2012.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

8. Cash and balances with central banks

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Cash on hand	64,108	69,723
Statutory reserve	989,124	937,192
Current account	119,734	166,760
Certificates of deposits	3,096,277	1,564,967
	4,269,243	2,738,642
	=====	=====

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Banks abroad	1,292,199	1,362,013
Banks in the U.A.E.	2,977,044	1,376,629
	4,269,243	2,738,642
	=====	=====

The statutory reserve with the central banks are not available to finance the day-to-day operations of the Group. However, as per notice 4310/2008, the Central Bank of the U.A.E. has allowed banks to borrow up to 100% of their AED and US\$ reserve requirement limit. As at 30 September 2013, the statutory deposit with the Central Bank of the U.A.E. amounted to AED 441 million (31 December 2012: AED 378 million).

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

9. Deposits and balances due from banks

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Demand	874,188	716,841
Time	2,225,387	3,009,185
	<u>3,099,575</u>	<u>3,726,026</u>
	=====	=====

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Banks abroad	923,695	841,688
Banks in the U.A.E.	2,175,880	2,884,338
	<u>3,099,575</u>	<u>3,726,026</u>
	=====	=====

10. Loans and advances, net

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Overdrafts	7,134,388	6,408,389
Commercial loans	5,797,344	5,838,064
Bills receivable	564,580	427,880
Other advances	638,181	740,683
	<u>14,134,493</u>	<u>13,415,016</u>
Less: Allowance for doubtful loans and advances	(978,550)	(844,053)
Less: Interest in suspense	(185,859)	(126,624)
	<u>12,970,084</u>	<u>12,444,339</u>
	=====	=====

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

10. Loans and advances, net (continued)

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Loans and advances in the U.A.E.	11,691,115	11,186,335
Loans and advances outside the U.A.E.	2,443,378	2,228,681
	14,134,493	13,415,016
	=====	=====

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Balance at the beginning of the period/year	844,053	683,260
Reversal through credit extension premium	(3,332)	(18,497)
Additions during the period/year	143,820	182,223
Write offs	(3,151)	(332)
Recoveries	(2,840)	(2,601)
Balance at the end of the period/year	978,550	844,053
	=====	=====

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

11. Other financial assets

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at FVTPL		
Quoted equities	72,386	43,528
Debt securities	-	930
	<u>72,386</u>	<u>44,458</u>
(ii) Investments carried at FVTOCI		
Quoted equities	116,330	72,902
Unquoted equities	963,272	952,553
	<u>1,079,602</u>	<u>1,025,455</u>
Total other financial assets measured at fair value	<u>1,151,988</u>	<u>1,069,913</u>
Other financial assets measured at amortized cost		
Debt securities	530,692	746,434
Total other financial assets	<u>1,682,680</u>	<u>1,816,347</u>

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
United Arab Emirates	214,028	300,592
G.C.C. countries (other than U.A.E.)	4,797	4,774
Middle East (other than G.C.C. countries)	1,449,712	1,505,674
Europe	14,143	5,307
	<u>1,682,680</u>	<u>1,816,347</u>

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

12. Other assets

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Acceptances - contra	1,118,825	987,308
Assets acquired in settlement of debt	186,192	185,956
Receivable from sale of investments	-	91,825
Clearing receivables	16,715	29,372
Interest receivable	4,563	6,878
Prepayments	10,533	8,918
Positive fair value of derivatives	219	363
Other	47,357	37,378
	1,384,404	1,347,998
	=====	=====

13. Non-current assets classified as held for sale

During the period, Borealis Gulf FZC a wholly owned subsidiary of the Bank, acquired with the view of reselling an 80% equity interest in Pragma Lounge Limited and Red Zone Limited, 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 and the results are disclosed separately in the condensed consolidated income statement as from discontinued operations. Management has the intention and expects to complete the sale of the business within twelve months. The consideration was settled by offset credit to the seller's overdraft and loans accounts with the Group.

14. Customers' deposits

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Current and other accounts	4,188,391	3,461,747
Saving accounts	1,560,133	1,511,482
Time deposits	12,077,104	11,503,145
	17,825,628	16,476,374
	=====	=====

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

15. Deposits and balances due to banks

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Demand	29,792	218,514
Time	127,184	226,998
	<u>156,976</u>	<u>445,512</u>
Due to banks represent due to:		
Banks in the U.A.E.	65,151	157,000
Banks outside the U.A.E.	91,825	288,512
	<u>156,976</u>	<u>445,512</u>

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 18 August 2013.

On 8 August 2013, a USD 135 million (AED 496 million) syndicated term loan facility matured and was settled.

17. Dividend and treasury shares

Dividends

At the Annual General Meeting of the shareholders held on 16 March 2013, the shareholders approved a cash dividend of AED 0.10 per outstanding share (2012: cash dividend of AED 0.10 per outstanding share). In addition to the above, an amount of AED 29.4 million cash dividend was approved by the shareholders of Emirates Lebanon Bank S.A.L., at the Annual General Meeting of the shareholders held on 8 February 2013, a subsidiary of the Bank (2012: Nil) out of which the non-controlling interest share amounted to AED 7.7 million (2012: Nil).

The shareholders also approved Directors' remuneration of AED 7.5 million (2012: AED 7.5 million) and charity donations of AED 2.5 million (2012: AED 2.5 million). In addition to the above, an amount of AED 3.1 million was paid as Directors' remuneration to Emirates Lebanon Bank S.A.L., a subsidiary of the Bank (2012: AED 3.1 million). Further, the shareholders approved to transfer AED 23.3 million to the general reserve (2012: AED 32.1 million), and additional AED 7.1 million were allocated to the general reserve at the subsidiary level "Emirates Lebanon Bank S.A.L.".

Treasury shares

As at 30 September 2013, the market value of the treasury shares is AED 266 million (31 December 2012: AED 211 million).

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

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:

	Three months period ended 30 September		Nine months period ended 30 September	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Basic earnings per share				
Profit attributable to owners of the parent for the period (AED'000)	117,084	88,712	254,202	206,093
Charity donations (AED'000)	-	-	(2,500)	(2,500)
Directors remunerations (AED'000)	-	-	(9,970)	(9,577)
	117,084	88,712	241,732	194,016
	=====	=====	=====	=====
Weighted average number of shares outstanding during the period (in thousands)	1,935,000	1,935,000	1,935,000	1,937,139
	=====	=====	=====	=====
Basic earnings per share (AED)	AED 0.061	AED 0.046	AED 0.125	AED 0.100
	=====	=====	=====	=====

As at 30 September 2013 and 30 September 2012, there were no potential dilutive shares outstanding.

19. Commitments and contingent liabilities

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Financial guarantees for loans	1,585,977	1,618,864
Other guarantees	1,664,635	1,393,331
Letters of credit	1,226,449	1,055,267
Capital commitments	104,333	104,333
	4,581,394	4,171,795
Irrevocable commitments to extend credit	1,247,147	1,542,500
	5,828,541	5,714,295
	=====	=====

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

20. Cash and cash equivalents

	30 September 2013 AED'000 (unaudited)	30 September 2012 AED'000 (unaudited)
Cash and balances with Central Banks (Note 8)	4,269,243	1,606,504
Deposits and balances due from banks (Note 9)	3,099,575	3,887,270
Deposits and balances due to banks (Note 15)	(156,976)	(468,113)
	7,211,842	5,025,661
Less: Deposits and balances due from banks & central banks - maturity more than three months	(1,301,678)	(458,349)
Less: Statutory reserves with central banks (Note 8)	(989,124)	(916,296)
	4,921,040	3,651,016

21. Fiduciary assets

As at 30 September 2013, the Group holds investments at fair value amounting to AED 857 million (31 December 2012: at fair value AED 1.1 billion) which are held in custody on behalf of customers and therefore are not treated as assets in the condensed consolidated 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.

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

	30 September 2013 AED'000 (unaudited)	31 December 2012 AED'000 (audited)
Loans and advances	2,398,485	2,098,878
Deposits	310,725	332,259
Letters of credit, guarantees and acceptances	1,192,828	1,171,841

As at 30 September 2013, entities related to one of the directors accounted for 74% (31 December 2012: 56%) of the total aforementioned loans and advances, 23% (31 December 2012: 33%) of the total aforementioned deposits, 94% (31 December 2012: 95%) of the total aforementioned guarantees, and these guarantees are financial guarantees for loans.

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

22. Related party transactions (continued)

	Nine months period ended 30 September	
	2013 AED'000 (unaudited)	2012 AED'000 (unaudited)
Interest income	131,391 =====	89,053 =====
Interest expense	5,818 =====	14,244 =====
Directors fees	10,587 =====	10,585 =====

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 financial statements
for the nine months period ended 30 September 2013 (continued)**

23. Segmental information (continued)

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

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
<u>30 September 2013 (unaudited):</u>				
Segment assets	21,709,477	1,919,681	786,280	24,415,438
Segment liabilities	19,101,429	734,600	376,200	20,212,229
<u>31 December 2012 (audited):</u>				
Segment assets	20,153,900	2,138,994	539,794	22,832,688
Segment liabilities	17,880,194	495,855	274,590	18,650,639

The following table presents information regarding the Group's operating segments for the nine months period ended 30 September 2013 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Revenue from external customers				
Net interest income	336,022	20,610	-	356,632
Net fee and commission income	93,861	-	-	93,861
Exchange profit	17,592	-	-	17,592
Investment income	-	99,942	-	99,942
Other income	19,303	-	-	19,303
Gain on investment property revaluation	-	6,180	-	6,180
Operating income	466,778	126,732	-	593,510
Expenses				
Net impairment charge on financial assets	(140,266)	-	-	(140,266)
Depreciation of property and equipment	-	-	(16,112)	(16,112)
Administration and general expenses	(134,004)	(23,648)	-	(157,652)
Amortization of other intangible assets	(5,838)	-	-	(5,838)
Profit for the period from continuing operations before taxes	186,670	103,084	(16,112)	273,642

**Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2013 (continued)**

23. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the period ended 30 September 2012 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Revenue from external customers				
Net interest income	372,955	18,252	-	391,207
Net fee and commission income	78,512	-	-	78,512
Exchange profit	16,379	-	-	16,379
Investment income	-	8,350	-	8,350
Other income	6,249	-	-	6,249
	<u>474,095</u>	<u>26,602</u>	<u>-</u>	<u>500,697</u>
Operating income				
Expenses				
Net impairment charge on financial assets	(120,438)	-	-	(120,438)
Depreciation of property and equipment	-	-	(8,379)	(8,379)
Administration and general expenses	(118,841)	(21,430)	-	(140,271)
Amortization of other intangible assets	(5,838)	-	-	(5,838)
	<u>(245,117)</u>	<u>(21,430)</u>	<u>(8,379)</u>	<u>(274,926)</u>
Profit for the period from continuing operations before taxes	<u>228,978</u>	<u>5,172</u>	<u>(8,379)</u>	<u>225,771</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (2012: 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 2012.

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 financial statements
for the nine months period ended 30 September 2013 (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:

	Country of domicile AED'000	Foreign AED'000	Total AED'000
2013			
Operating income (from external customers) for the nine months period ended 30 September 2013 (unaudited)	482,435	111,075	593,510
Non-current assets as at 30 September 2013 (unaudited)	917,205	294,174	1,211,379
2012			
Operating income (from external customers) for the nine months period ended 30 September 2012 (unaudited)	397,624	103,073	500,697
Non-current assets as at 30 September 2012 (unaudited)	939,175	293,909	1,233,084

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. Differences can therefore arise between book value under historical cost method and fair value estimates.

25. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on 30 October 2013.