

Bank of Sharjah P.J.S.C.

**Review report and
Condensed consolidated interim financial information
for the nine-month period ended 30 September 2015**

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 30 September 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 30 September 2015;
- the condensed consolidated interim income statement for the nine-month period ended 30 September 2015;
- the condensed consolidated interim statement of comprehensive income for the nine-month period ended 30 September 2015;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2015;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 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 30 September 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 nine month period ended 30 September 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 nine month period ended 30 September 2014 on 26 October 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**

	Notes	30 September 2015 (unaudited) AED'000	31 December 2014 (audited) AED'000
ASSETS			
Cash and balances with central banks	7	4,150,031	3,707,816
Deposits and balances due from banks	8	1,518,395	2,783,177
Loans and advances, net	9	15,760,396	14,080,102
Other financial assets measured at fair value	10	1,225,708	1,166,631
Other financial assets measured at amortised cost	10	559,334	597,349
Investment properties		320,989	336,143
Goodwill and other intangibles		236,183	242,018
Other assets	11	2,500,030	1,613,123
Property and equipment		288,529	292,341
Non-current assets classified as held for sale	12	-	235,683
Total assets		26,559,595	25,054,383
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	13	18,151,012	17,800,882
Deposits and balances due to banks	14	184,184	405,603
Other liabilities	15	1,845,271	1,677,471
Syndicated loan	16	-	734,600
Issued bonds	17	1,787,681	-
Liabilities directly associated with non-current assets classified as held for sale	12	-	23,168
Total liabilities		21,968,148	20,641,724
Equity			
Capital and reserves			
Share capital		2,100,000	2,100,000
Treasury shares	18	-	(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		134,073	154,009
Retained earnings		523,404	543,427
Equity attributable to equity holders of the Bank		4,387,477	4,200,710
Non-controlling interests		203,970	211,949
Total equity		4,591,447	4,412,659
Total liabilities and equity		26,559,595	25,054,383

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

.....
Mr. Mario Tohme
Deputy General Manager

The accompanying notes 1 to 28 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 income statement (unaudited)
for the nine-month period ended**

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2015	2014	2015	2014
		AED'000	AED'000	AED'000	AED'000
Interest income		266,965	265,901	751,504	736,248
Interest expense		(122,517)	(127,802)	(348,520)	(386,488)
Net interest income		144,448	138,099	402,984	349,760
Net fee and commission income		34,193	31,193	99,036	95,915
Exchange profit		5,615	5,783	16,776	18,041
Income/ (loss) on investments		11,867	811	11,519	(9,173)
Other income		90,419	10,322	120,729	36,822
Net gain on investment properties revaluation		-	7,905	-	7,905
Operating income		286,542	194,113	651,044	499,270
Net impairment loss on financial assets		(82,627)	(12,584)	(131,926)	(48,768)
Net operating income		203,915	181,529	519,118	450,502
General and administrative expenses		(73,951)	(60,056)	(201,837)	(177,026)
Amortisation of intangible assets		(1,946)	(1,946)	(5,838)	(5,838)
Profit before discontinued operations		128,018	119,527	311,443	267,638
Discontinued operations	12	(3,258)	2,709	(6,696)	12,102
Profit before taxes		124,760	122,236	304,747	279,740
Income tax expense – overseas		(2,723)	(2,263)	(7,084)	(7,466)
Net Profit		122,037	119,973	297,663	272,274
Attributable to:					
Equity holders of the Bank		119,309	117,618	290,673	265,492
Non-controlling interests		2,728	2,355	6,990	6,782
Profit for the period		122,037	119,973	297,663	272,274
Basic earnings per share (AED)	19	0.057	0.059	0.140	0.133

The accompanying notes 1 to 28 form an integral part of these condensed consolidated interim financial statements.

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

	Three-month period ended 30		Nine-month period ended 30	
	September		September	
	2015	2014	2015	2014
	AED'000	AED'000	AED'000	AED'000
Profit for the period	122,037	119,973	297,663	272,274
Other comprehensive loss items				
<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	7,110	21,955	(19,932)	(12,690)
Other comprehensive income/(loss) for the period	7,110	21,955	(19,932)	(12,690)
Total comprehensive income for the period	129,147	141,928	277,731	259,584
Attributable to:				
Equity holders of the Bank	126,419	139,573	270,737	252,802
Non-controlling interests	2,728	2,355	6,994	6,782
Total comprehensive income for the period	129,147	141,928	277,731	259,584

The accompanying notes 1 to 28 form an integral part of these condensed consolidated interim financial statements.

**Condensed consolidated interim statement of changes in equity (unaudited)
for the nine-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 owners of the parent 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	-	-	-	-	-	-	265,492	265,492	6,782	272,274
Other comprehensive loss	-	-	-	-	-	(12,690)	-	(12,690)	-	(12,690)
Total comprehensive income for the period	-	-	-	-	-	(12,690)	265,492	252,802	6,782	259,584
Shares released from treasury (Note 18)	-	119,197	-	-	-	-	(119,197)	-	-	-
Directors' remuneration (Note 18)	-	-	-	-	-	-	(9,968)	(9,968)	(617)	(10,585)
Charity donations (Note 18)	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Transfer to/ (from) reserves (Note 18)	-	-	(35,357)	36,874	7,001	-	(8,518)	-	-	-
Dividends (Note 18)	-	-	-	-	-	-	(176,395)	(176,395)	(2,938)	(179,333)
Balance at 30 September 2014 (unaudited)	2,100,000	(208,595)	1,050,000	450,000	100,000	186,657	528,043	4,206,105	213,682	4,419,787
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	-	-	-	-	-	-	290,673	290,673	6,990	297,663
Other comprehensive income	-	-	-	-	-	(19,936)	-	(19,936)	4	(19,932)
Total comprehensive income for the period	-	-	-	-	-	(19,936)	290,673	270,737	6,994	277,731
Shares released from treasury (Note 18)	-	196,726	-	-	-	-	(196,726)	-	-	-
Directors' remuneration (Note 18)	-	-	-	-	-	-	(9,970)	(9,970)	(617)	(10,587)
Charity donations (Note 18)	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Transfer to reserves (Note 18)	-	-	-	30,000	-	-	(30,000)	-	-	-
Dividends (Note 18)	-	-	-	-	-	-	(71,500)	(71,500)	(1,841)	(73,341)
Resale of investments (Note 12)	-	-	-	-	-	-	-	-	(12,515)	(12,515)
Balance at 30 September 2015 (unaudited)	2,100,000	-	1,050,000	480,000	100,000	134,073	523,404	4,387,477	203,970	4,591,447

The accompanying notes 1 to 28 form an integral part of these condensed consolidated interim financial statements.

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

	Note	30 September 2015 AED'000	30 September 2014 AED'000
Cash flows from operating activities			
Profit for the period		297,663	272,274
Adjustments for:			
Depreciation of property and equipment		22,987	13,105
Amortisation of other intangible assets		5,838	5,838
Amortisation of premium on debt instruments		128	494
Gain on sale of property and equipment		(27)	(595)
Gain on other income		(84,911)	-
Gain on sale of investment properties		(8,000)	(7,905)
Fair value (profit)/loss on investments measured at FVTPL		(4,538)	22,070
Net impairment loss on financial assets		131,926	48,768
Dividend income		-	(8,849)
		<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities		361,066	345,200
Increase in deposits and balances due from banks maturing after three months		(128,049)	(331,112)
Increase in statutory deposits with central banks		(30,879)	(20,779)
Increase in loans and advances		(1,812,220)	(733,875)
(Increase) / decrease in other assets		(686,907)	23,859
Increase/ (decrease) in customers' deposits		350,130	(1,345,155)
Increase in other liabilities		206,987	253,112
		<hr/>	<hr/>
Cash used in operating activities		(1,739,872)	(1,808,750)
Payment of directors' remuneration and charity donations		(13,087)	(13,085)
		<hr/>	<hr/>
Net cash used in operating activities		(1,752,959)	(1,821,835)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property and equipment		(19,349)	(18,373)
Proceeds from sale of property and equipment		199	651
Purchase of investments		(165,107)	(142,024)
Maturity/sale of investments		128,524	-
Proceeds from sale of investment properties		23,154	88,173
Dividend received		-	8,849
		<hr/>	<hr/>
Net cash used in investing activities		(32,579)	(62,724)
		<hr/>	<hr/>
Cash flows from financing activities			
Dividends paid		(69,399)	(179,333)
Issued bonds		1,829,461	-
Syndicated loan		(734,600)	-
		<hr/>	<hr/>
Net cash generated from/ (used in) financing activities		1,025,462	(179,333)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(760,076)	(2,063,892)
Cash and cash equivalents at the beginning of the period		3,938,641	5,589,090
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	21	3,178,565	3,525,198
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes 1 to 28 form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2015

1. General information

Bank of Sharjah P.J.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 30 September 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 financial statements
for the nine-month period ended 30 September 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)

New and revised IFRSs	Effective for annual periods beginning on or after
• 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
• 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.	1 January 2016
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of <i>Interests in Joint Operations</i> .	1 January 2016
• 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.	1 January 2016
• 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.	1 January 2016
• 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.	1 January 2016
• Amendments to IFRS 10 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	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 financial statements for the nine-month period ended 30 September 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
BOS Funding Limited	100%	-	2015	Cayman Islands	Financing activities

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 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:

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Cash on hand	72,297	73,864
Statutory deposits	1,086,698	1,055,819
Current accounts	88,132	587,966
Certificates of deposits	2,902,904	1,990,167
	<u>4,150,031</u>	<u>3,707,816</u>
	=====	=====

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

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Banks abroad	1,596,315	1,541,774
Banks in the U.A.E.	2,553,716	2,166,042
	<u>4,150,031</u>	<u>3,707,816</u>
	=====	=====

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 30 September 2015, the statutory deposits with the Central Bank of the U.A.E. amounted to AED 503 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:

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Demand	455,097	768,792
Time	1,063,298	2,014,385
	<u>1,518,395</u>	<u>2,783,177</u>
	=====	=====

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 2015 (continued)**

8. Deposits and balances due from banks (continued)

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

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Banks abroad	335,032	653,467
Banks in the U.A.E.	1,183,363	2,129,710
	<u>1,518,395</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:

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Overdrafts	8,311,472	8,639,606
Commercial loans	7,450,955	5,480,731
Bills receivable	663,713	714,902
Other advances	1,014,035	880,244
	<u>17,440,175</u>	<u>15,715,483</u>
Gross amount of loans and advances	17,440,175	15,715,483
Less: Allowance for impairment	(1,338,690)	(1,347,377)
Less: Interest in suspense	(341,089)	(288,004)
	<u>15,760,396</u>	<u>14,080,102</u>
	=====	=====

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

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Loans and advances in the U.A.E.	14,720,568	13,275,107
Loans and advances abroad	2,719,607	2,440,376
	<u>17,440,175</u>	<u>15,715,483</u>
	=====	=====

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 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:

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Balance at the beginning of the period/year (Write-back)/additions through credit extension premium	1,347,377 (1,532)	1,011,629 96,264
Additions during the period/year	204,825	260,726
Write offs	(154,615)	(6,641)
Recoveries	(57,365)	(14,601)
Balance at the end of the period/year	1,338,690	1,347,377

10. Other financial assets

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

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at FVTPL		
Quoted equity	23,100	19,979
Quoted debt securities	64,185	65,422
	87,285	85,401
(ii) Investments measured at FVTOCI		
Quoted equity	113,287	107,569
Unquoted equity	1,025,136	973,661
	1,138,423	1,081,230
Total other financial assets measured at fair value	1,225,708	1,166,631
Other financial assets measured at amortised cost		
Debt securities	559,334	597,349
Total other financial assets	1,785,042	1,763,980

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 financial statements
for the nine-month period ended 30 September 2015 (continued)**

10. Other financial assets (continued)

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

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
United Arab Emirates	239,681	231,973
G.C.C. countries (other than U.A.E.)	5,777	5,868
Middle East (other than G.C.C. countries)	1,539,469	1,526,015
Europe	115	124
	<u>1,785,042</u>	<u>1,763,980</u>

11. Other assets

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Acceptances – contra	1,627,101	1,455,347
Assets acquired in settlement of debt	518,853	16,390
Receivable from sale of investments (Note 12)	206,468	9,088
Clearing receivables and accrued income	-	98,044
Interest receivable	24,927	5,298
Prepayments	36,598	9,608
Positive fair value of derivatives	44,682	44
Other	41,401	19,304
	<u>2,500,030</u>	<u>1,613,123</u>

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 January 2015, 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. Accordingly, the resale of the 80% equity interest in both companies was completed in June 2015.

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 2015 (continued)**

13. Customers' deposits

The analysis of customers' deposits is as follows:

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Current and other accounts	4,033,201	4,242,438
Saving accounts	1,625,136	1,586,748
Time deposits	12,492,675	11,971,696
	<u>18,151,012</u>	<u>17,800,882</u>

14. Deposits and balances due to banks

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

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Demand	102,838	42,584
Time	81,346	363,019
	<u>184,184</u>	<u>405,603</u>

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

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Banks in the U.A.E.	140,219	110,848
Banks abroad	43,965	294,755
	<u>184,184</u>	<u>405,603</u>

15. Other Liabilities

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Acceptances – contra	1,627,101	1,455,347
Provision for employees' end of service benefits	35,936	33,025
Interest payable	96,852	75,791
Unearned income	21,924	21,017
Managers' cheques	20,610	17,598
Negative fair value of derivatives	-	3
Accrued expenses and others	42,848	74,690
	<u>1,845,271</u>	<u>1,677,471</u>

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 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. The syndicated loan was fully settled on 22 June 2015 prior to maturity date.

17. Issued 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. The Bank has hedged the interest rate exposure on these Bonds.

18. 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 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 distribution and as such the number of shares held as treasury shares as at 30 September 2015 is nil (31 December 2014: 99.5 million shares with market value of those shares amounting to AED 194 million).

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 2015 (continued)**

19. 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-month period ended 30 September		Nine-month period ended 30 September	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Basic earnings per share				
Profit attributable to owners of the Bank for the period (AED'000)	119,309	117,618	290,673	265,492
Profit available to the owners of the Bank	119,309	117,618	290,673	265,492
Weighted average number of shares outstanding during the period (in thousands shares)	2,078,491	1,995,000	2,078,491	1,995,000
Basic earnings per share (AED)	AED 0.057	AED 0.059	AED 0.140	AED 0.133

As at 30 September 2015 and 30 September 2014, there were no potential dilutive shares outstanding.

The weighted average number of ordinary shares in issue throughout the periods ended 30 September 2014 and 2015 has been adjusted to reflect the distribution of treasury shares during the period ended 30 September 2015.

20. Commitments and contingent liabilities

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Financial guarantees for loans	748,458	1,060,534
Other guarantees	2,188,138	1,868,815
Letters of credit	1,409,546	1,211,836
Capital commitments	44,929	44,929
	4,391,071	4,186,114
Irrevocable commitments to extend credit	1,678,888	1,535,327
	6,069,959	5,721,441

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 2015 (continued)**

21. Cash and cash equivalents

	30 September 2015 AED'000 (unaudited)	30 September 2014 AED'000 (unaudited)
Cash and balances with central banks (Note 7)	4,150,031	3,429,484
Deposits and balances due from banks (Note 8)	1,518,395	2,707,033
Deposits and balances due to banks (Note 14)	(184,184)	(434,379)
	5,484,242	5,702,138
Less: Deposits and balances due from banks - original maturity more than three months	(1,218,979)	(1,135,042)
Less: Statutory deposits with central banks (Note 7)	(1,086,698)	(1,041,898)
	3,178,565	3,525,198

22. Fiduciary assets

As at 30 September 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.

23. 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:

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Loans and advances	2,655,549	2,497,043
Letters of credit, guarantee and acceptances	411,907	648,160
	3,067,456	3,145,203
Collateral deposits	621,657	183,380
Net exposure	2,445,799	2,961,823
Other deposits	220,393	194,400

As at 30 September 2015, entities related to one of the directors accounted for 71% (31 December 2014: 78%) of the total aforementioned net exposure.

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 2015 (continued)**

23. Related party transactions (continued)

	Nine-month period ended 30 September	
	2015	2014
	AED'000	AED'000
	(unaudited)	(unaudited)
Interest income	97,879	117,648
Interest expense	6,841	6,383
Directors fees	10,587	10,585

24. 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:

	Commercial Banking	Investment Banking	Unallocated	Total
	AED'000	AED'000	AED'000	AED'000
<u>30 September 2015 (unaudited):</u>				
Segment assets	23,292,106	2,312,499	954,990	26,559,595
Segment liabilities	19,962,299	1,787,681	218,168	21,968,148
<u>31 December 2014 (audited):</u>				
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

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 2015 (continued)**

24. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the nine-month period ended 30 September 2015 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Revenue from external customers				
Net interest income	382,918	20,066	-	402,984
Net fee and commission income	99,036	-	-	99,036
Exchange profit	16,776	-	-	16,776
Gain on investments	-	11,519	-	11,519
Other income	123,890	(3,161)	-	120,729
	<u>622,620</u>	<u>28,424</u>	<u>-</u>	<u>651,044</u>
Operating income				
Expenses				
Net impairment charge on financial assets	(131,926)	-	-	(131,926)
Depreciation of property and equipment	-	-	(22,987)	(22,987)
General and administrative expenses	(152,023)	(26,827)	-	(178,850)
Amortization of other intangible assets	(5,838)	-	-	(5,838)
Income tax	-	-	(7,084)	(7,084)
	<u>332,833</u>	<u>1,597</u>	<u>(30,071)</u>	<u>304,359</u>
Profit for the period from continuing operations after taxes				
Loss for the period from discontinued operations	-	(6,696)	-	(6,696)
	<u>332,833</u>	<u>(5,099)</u>	<u>(30,071)</u>	<u>297,663</u>
Profit for the period	<u>332,833</u>	<u>(5,099)</u>	<u>(30,071)</u>	<u>297,663</u>

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 2015 (continued)**

24. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the nine-month period ended 30 September 2014 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Revenue from external customers	326,857	22,903	-	349,760
Net interest income	95,915	-	-	95,915
Net fee and commission income	18,041	-	-	18,041
Exchange profit	-	(9,173)	-	(9,173)
Loss on investments	36,822	-	-	36,822
Other income	-	7,905	-	7,905
Operating income	477,635	21,635	-	499,270
Expenses				
Net impairment charge on financial assets	(48,768)	-	-	(48,768)
Depreciation of property and equipment	-	-	(13,105)	(13,105)
General and administrative expenses	(139,333)	(24,588)	-	(163,921)
Amortization of other intangible assets	(5,838)	-	-	(5,838)
Income tax	-	-	(7,466)	(7,466)
Profit for the period from continuing operations after taxes	283,696	(2,953)	(20,571)	260,172
Profit for the period from discontinued operations	-	12,102	-	12,102
Profit for the period	283,696	9,149	(20,571)	272,274

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (30 September 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 financial statements
for the nine-month period ended 30 September 2015 (continued)**

24. 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
2015			
Operating income (from external customers) for the nine months period ended 30 September 2015 (unaudited)	549,016	102,028	651,044
Non-current assets as at 30 September 2015 (unaudited)	572,101	273,600	845,701
2014			
Operating income (from external customers) for the nine months period ended 30 September 2014 (unaudited)	398,127	101,143	499,270
Non-current assets as at 30 September 2014 (unaudited)	673,496	305,353	978,849

25. 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 30 September 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 financial statements
for the nine-month period ended 30 September 2015 (continued)**

25. 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.

	30 September 2015		31 December 2014	
	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	559,334	561,414	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 financial statements
for the nine-month period ended 30 September 2015 (continued)**

25. 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
At 30 September 2015 (unaudited)				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
-Quoted equity	23,100	-	-	23,100
-Quoted debt securities	64,185	-	-	64,185
<i>Investments carried at FVTOCI</i>				
-Quoted equity	113,287	-	-	113,287
-Unquoted equity	-	-	1,025,136	1,025,136
Total	200,572	-	1,025,136	1,225,708
Investment properties	-	320,989	-	320,989
<i>Other assets /liabilities</i>				
Positive fair value of derivatives	-	44,682	-	44,682
Negative fair value of derivatives	-	-	-	-
At 31 December 2014 (audited)				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
-Quoted equity	19,979	-	-	19,979
-Quoted debt securities	65,422	-	-	65,422
<i>Investments carried at FVTOCI</i>				
-Quoted equity	107,569	-	-	107,569
-Unquoted equity	-	-	973,661	973,661
Total	192,970	-	973,661	1,166,631
Investment properties	-	336,143	-	336,143
<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 period.

**Notes to the condensed consolidated financial statements
for the nine-month period ended 30 September 2015 (continued)**

25. Fair value of financial instruments (continued)

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

	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
Opening balance	973,661	976,761
Additions	77,133	-
Unrealized loss recognised in other comprehensive income	(25,658)	(3,100)
Closing balance	<u><u>1,025,136</u></u>	<u><u>973,661</u></u>

26. Capital adequacy

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

	Basel II	
	30 September 2015 AED'000 (unaudited)	31 December 2014 AED'000 (audited)
<i>Capital base</i>		
Tier 1 capital	4,221,191	4,016,632
Tier 2 capital	312,066	311,763
Total capital base	<u><u>4,533,257</u></u>	<u><u>4,328,395</u></u>
<i>Risk-weighted assets:</i>		
Credit risk	20,138,643	17,935,851
Market risk	135,293	106,957
Operational risk	1,403,369	1,403,369
Total risk-weighted assets	<u><u>21,677,305</u></u>	<u><u>19,446,177</u></u>
Capital adequacy ratio	<u><u>20.91%</u></u>	<u><u>22.26%</u></u>

27. Comparative figures

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

28. 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 28 October 2015.