

Bank of Sharjah P.J.S.C.

**Review report and
Condensed consolidated interim financial information
for the nine-month period ended 30 September 2016**

Bank of Sharjah P.J.S.C.

Table of contents	Pages
Report on review of condensed consolidated interim financial information	1-2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of profit or loss (unaudited)	4
Condensed consolidated interim statement of profit or loss and other comprehensive income (unaudited)	5
Condensed consolidated interim statement of changes in equity (unaudited)	6
Condensed consolidated interim statement of cash flows (unaudited)	7
Notes to the condensed consolidated interim financial statements	8 - 24



KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

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 2016 condensed interim consolidated financial information of Bank of Sharjah P.J.S.C. ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2016;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated interim statement of profit and loss and other comprehensive income for the three-month and nine-month period ended 30 September 2016;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2016;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2016; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.



Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

KPMG Lower Gulf Limited
Vijendra Nath Malhotra
Registration No: 48

23 OCT 2016

Condensed consolidated interim statement of financial position

As at

	Notes	30 September 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
ASSETS			
Cash and balances with central banks	7	3,480,748	6,436,195
Deposits and balances due from banks	8	2,083,355	1,072,415
Loans and advances, net	9	16,015,800	15,036,621
Other financial assets measured at fair value	10	1,209,250	1,214,878
Other financial assets measured at amortised cost	10	647,843	527,330
Investment properties		280,315	270,441
Goodwill and other intangibles		228,399	234,234
Other assets	11	1,915,946	2,519,598
Property and equipment		266,454	275,206
Total assets		26,128,110	27,586,918
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	12	18,491,048	19,491,815
Deposits and balances due to banks	13	130,140	45,479
Other liabilities	14	1,049,910	1,689,682
Issued Bonds	15	1,835,600	1,737,498
Total liabilities		21,506,698	22,964,474
Equity			
Capital and reserves			
Share capital		2,100,000	2,100,000
Statutory reserve		1,050,000	1,050,000
Contingency reserve		510,000	480,000
General reserve		100,000	100,000
Investment fair value reserve		178,488	212,432
Retained earnings		474,498	476,485
Equity attributable to equity holders of the Bank		4,412,986	4,418,917
Non-controlling interests		208,426	203,527
Total equity		4,621,412	4,622,444
Total liabilities and equity		26,128,110	27,586,918



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

23 OCT 2016



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

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

**Condensed consolidated interim statement of profit or loss (unaudited)
for the nine-month period ended 30 September**

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2016	2015	2016	2015
		AED'000	AED'000	AED'000	AED'000
Interest income		261,930	266,965	798,900	751,504
Interest expense		(126,401)	(122,517)	(399,944)	(348,520)
Net interest income		135,529	144,448	398,956	402,984
Net fee and commission income		25,370	34,193	83,141	99,036
Exchange profit		5,163	5,615	16,292	16,776
Income on investments		569	11,867	10,624	11,519
Other income		8,427	90,419	29,361	120,729
Operating income		175,058	286,542	538,374	651,044
Net impairment loss on loans and advances		(11,506)	(82,627)	(48,005)	(131,926)
Net operating income		163,552	203,915	490,369	519,118
General and administrative expenses		(66,722)	(73,951)	(208,598)	(201,837)
Amortisation of intangible assets		(1,946)	(1,946)	(5,838)	(5,838)
Profit from continuing operations		94,884	128,018	275,933	311,443
Discontinued operations		-	(3,258)	-	(6,696)
Profit before taxes		94,884	124,760	275,933	304,747
Income tax expense – overseas		(2,353)	(2,723)	(7,732)	(7,084)
Net Profit		92,531	122,037	268,201	297,663
Attributable to:					
Equity holders of the Bank		90,242	119,309	260,481	290,673
Non-controlling interests		2,289	2,728	7,720	6,990
Profit for the period		92,531	122,037	268,201	297,663
Basic earnings per share (AED)	17	0.043	0.057	0.124	0.140

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

**Condensed consolidated interim statement of profit or loss and other comprehensive income
(unaudited)
for the nine-month period ended 30 September**

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016	2015	2016	2015
	AED'000	AED'000	AED'000	AED'000
Profit for the period	92,531	122,037	268,201	297,663
Other comprehensive income				
<i>Items that will not be reclassified subsequently to condensed consolidated interim statement of profit or loss:</i>				
Net changes in fair value of other financial assets measured at fair value through other comprehensive income	(2,050)	7,110	5,641	(19,932)
Net changes in fair value of financial liabilities measured at fair value through profit or loss due to credit risk	(30,172)	-	(39,585)	-
Total other comprehensive income/ (loss) for the period	(32,222)	7,110	(33,944)	(19,932)
Total comprehensive income for the period	60,309	129,147	234,257	277,731
Attributable to:				
Equity holders of the Bank	58,020	126,419	226,537	270,737
Non-controlling interests	2,289	2,728	7,720	6,994
	60,309	129,147	234,257	277,731

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

**Condensed consolidated interim statement of changes in equity (unaudited)
for the nine-months period ended 30 September**

	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 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 loss	-	-	-	-	-	(19,936)	-	(19,936)	4	(19,932)
Total comprehensive income for the period	-	-	-	-	-	(19,936)	290,673	270,737	6,994	277,731
Resale of investments	-	-	-	-	-	-	-	-	(12,515)	(12,515)
Transactions with owners of the Group										
Shares released from treasury (Note 16)	-	196,726	-	-	-	-	(196,726)	-	-	-
Directors' remuneration (Note 16)	-	-	-	-	-	-	(9,970)	(9,970)	(617)	(10,587)
Charity donations (Note 16)	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Transfer to reserves (Note 16)	-	-	-	30,000	-	-	(30,000)	-	-	-
Cash Dividends (Note 16)	-	-	-	-	-	-	(71,500)	(71,500)	(1,841)	(73,341)
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
Balance at 1 January 2016 (audited)	2,100,000	-	1,050,000	480,000	100,000	212,432	476,485	4,418,917	203,527	4,622,444
Profit for the period	-	-	-	-	-	-	260,481	260,481	7,720	268,201
Other comprehensive income	-	-	-	-	-	(33,944)	-	(33,944)	-	(33,944)
Total comprehensive income for the period	-	-	-	-	-	(33,944)	260,481	226,537	7,720	234,257
Transactions with owners of the Group										
Directors' remuneration (Note 16)	-	-	-	-	-	-	(9,968)	(9,968)	(617)	(10,585)
Charity donations (Note 16)	-	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Transfer to reserves (Note 16)	-	-	-	30,000	-	-	(30,000)	-	-	-
Treasury shares (Note 16)	-	-	-	-	-	-	(220,000)	(220,000)	-	(220,000)
Cash Dividends (Note 16)	-	-	-	-	-	-	-	-	(2,204)	(2,204)
Balance at 30 September 2016 (unaudited)	2,100,000	-	1,050,000	510,000	100,000	178,488	474,498	4,412,986	208,426	4,621,412

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

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

	Note	30 September 2016 AED'000	30 September 2015 AED'000
Cash flows from operating activities			
Profit for the period		268,201	297,663
Adjustments for:			
Depreciation of property and equipment		19,454	22,987
Amortisation of other intangible assets		5,838	5,838
Amortisation of premium on debt instruments		149	128
Loss/ (gain) on sale of property and equipment		515	(27)
Gain on other income		-	(84,911)
Gain on sale of investment properties		-	(8,000)
Fair value (profit)/loss on investments measured at FVTPL		(10,624)	(4,538)
Fair value loss on bonds, net		51,125	-
Fair value gain on interest rate swap, net		(51,125)	-
Amortization of transaction costs on issued bonds		6,489	-
Net impairment loss on financial assets		48,005	131,926
Dividend income		(2,741)	-
Operating profit before changes in operating assets and liabilities		335,286	361,066
Increase in deposits and balances due from banks maturing after three months		(134,064)	(128,049)
Increase in statutory deposits with central banks		(64,198)	(30,879)
Increase in loans and advances		(1,222,132)	(1,812,220)
(Increase)/ decrease in other assets		620,751	(686,907)
Increase/ (decrease) in customers' deposits		(1,000,767)	350,130
Increase in other liabilities		(640,674)	206,987
Cash used in operating activities		(2,105,798)	(1,739,872)
Payment of directors' remuneration and charity donations		(13,085)	(13,087)
Net cash used in operating activities		(2,118,883)	(1,752,959)
Cash flows from investing activities			
Purchase of property and equipment		(11,496)	(19,349)
Proceeds from sale of property and equipment		278	199
Purchase of investments		(365,227)	(165,107)
Maturity/sale of investments		267,361	128,524
Proceeds from sale of investment properties		-	23,154
Dividend received		2,741	-
Net cash used in investing activities		(106,343)	(32,579)
Cash flows from financing activities			
Dividends paid		(2,204)	(69,399)
Issued bonds		-	1,829,461
Syndicated loan		-	(734,600)
Net cash generated (used in)/ from financing activities		(2,204)	1,025,462
Net decrease in cash and cash equivalents		(2,227,430)	(760,076)
Cash and cash equivalents at the beginning of the period		5,110,335	3,938,641
Cash and cash equivalents at the end of the period	19	2,882,905	3,178,565

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

**Notes to the condensed consolidated interim financial statements
for the nine-months period ended 30 September 2016****1. General information**

Bank of Sharjah P.J.S.C. (the "Bank"), is a public joint stock company incorporated by an Amiri Decree issued on 22 December 1973 by His Highness The Ruler of Sharjah and was registered in February 1993 under the Commercial Companies Law Number 8 of 1984 (as amended). The Bank commenced its operations under a banking license issued by the United Arab Emirates Central Bank dated 26 January 1974. The Bank is engaged in commercial and investment banking activities.

The Bank's registered office is located at Al Khan Road, P.O. Box 1394, Sharjah, United Arab Emirates. The Bank operates through five branches in the United Arab Emirates located in the Emirates of Sharjah, Dubai, Abu Dhabi, and City of Al Ain.

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

2. Basis of preparation

The condensed consolidated interim financial statements of the Group are prepared in accordance with the International Accounting Standard No. 34 - Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the U.A.E. and U.A.E. Central Bank regulations. UAE Federal Law No 2 of 2015 ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the UAE Companies Law of 2015 by 30 June 2017 as per the transitional provisions contained therein. The Bank is currently in the process of implementing all changes required by the UAE Companies Law of 2015.

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

These condensed consolidated interim financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015. In addition, the results for the period from 1 January 2016 to 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

3. Application of new and revised International Financial Reporting Standards (IFRSs)**New and revised IFRSs in issue but not yet effective and not early adopted**

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

New and revised IFRSs

- 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.

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

1 January 2018

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

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

New and revised IFRSs	Effective for annual periods beginning on or after
------------------------------	---

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

- IFRS 15 Revenue from Contracts with Customers: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers 1 January 2017

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements starting the period beginning 1 January 2017 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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

4. Use of estimates and judgements

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2015.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2015.

6. Basis of consolidation

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

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

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

6. Basis of consolidation (continued)

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

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

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Country of incorporation	Principal activities
	2016	2015			
Emirates Lebanon Bank S.A.L.	80%	80%	1965	Lebanon	Financial institution
BOS Real Estate FZC	100%	100%	2009	U.A.E.	Real estate development activities
BOS Capital FZC	100%	100%	2009	U.A.E.	Investment
Polyco General Trading L.L.C.	100%	100%	2008	U.A.E.	General trading
Borealis Gulf FZC	100%	100%	2011	U.A.E.	Investment & Real estate development activities
BOS Funding Limited	100%	100%	2015	Cayman Islands	Financing activities

7. Cash and balances with central banks

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Cash on hand	53,754	68,370
Statutory deposits	1,151,033	1,086,835
Current accounts	177,668	2,147,281
Certificates of deposits	2,098,293	3,133,709
	3,480,748	6,436,195

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

7. Cash and balances with central banks (continued)

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Banks abroad	1,649,645	1,760,984
Banks in the U.A.E.	1,831,103	4,675,211
	<u>3,480,748</u>	<u>6,436,195</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 2016, the statutory deposits with the Central Bank of the U.A.E. amounted to AED 541 million (31 December 2015: AED 498 million).

8. Deposits and balances due from banks

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Demand	513,752	705,511
Time	599,818	366,904
Reverse-repo placements	969,785	-
	<u>2,083,355</u>	<u>1,072,415</u>

The Bank entered into reverse-repo agreements under which bonds with fair value of AED 971 million (December 31, 2015 -AED Nil) were received as collateral against cash placements. The risks and rewards relating to these bonds remain with the counter parties.

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Banks abroad	1,044,148	723,382
Banks in the U.A.E.	1,039,207	349,033
	<u>2,083,355</u>	<u>1,072,415</u>

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

9. Loans and advances, net

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Overdrafts	10,277,854	8,916,160
Commercial loans	6,268,394	6,131,020
Bills receivable	609,162	789,213
Other advances	714,794	995,513
	<hr/>	<hr/>
Gross amount of loans and advances	17,870,204	16,831,906
Less: Allowance for impairment	(1,542,373)	(1,524,442)
Less: Interest in suspense	(312,031)	(270,843)
	<hr/>	<hr/>
Net loans and advances	16,015,800	15,036,621
	<hr/> <hr/>	<hr/> <hr/>

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Loans and advances in the U.A.E.	14,933,831	14,222,200
Loans and advances abroad	2,936,373	2,609,706
	<hr/>	<hr/>
	17,870,204	16,831,906
	<hr/> <hr/>	<hr/> <hr/>

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Balance at the beginning of the period/year	1,524,442	1,347,377
Additions through collective impairment, net	572	1,510
Additions	119,536	386,490
Transfer from interest in suspense	11,000	-
Write-offs	(40,643)	(138,736)
Write-backs	(72,534)	(72,199)
	<hr/>	<hr/>
Balance at the end of the period/year	1,542,373	1,524,442
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

10. Other financial assets

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at FVTPL		
Quoted equity	78,832	21,500
Quoted debt securities	-	68,604
	<u>78,832</u>	<u>90,104</u>
(ii) Investments measured at FVTOCI		
Quoted equity	109,105	101,800
Unquoted equity	1,021,313	1,022,974
	<u>1,130,418</u>	<u>1,124,774</u>
Total other financial assets measured at fair value	<u>1,209,250</u>	<u>1,214,878</u>
Other financial assets measured at amortised cost		
Debt securities	647,843	527,330
Total other financial assets	<u>1,857,093</u>	<u>1,742,208</u>

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

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
United Arab Emirates	310,959	223,210
G.C.C. countries (other than U.A.E.)	8,807	5,754
Middle East (other than G.C.C. countries)	1,537,212	1,513,132
Europe	115	112
	<u>1,857,093</u>	<u>1,742,208</u>

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

11. Other assets

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Acceptances – contra	743,627	1,441,148
Assets acquired in settlement of debt	799,102	798,212
Receivable from sale of investments	203,330	203,330
Clearing receivables	32,763	-
Interest receivable	26,296	20,504
Prepayments	13,681	9,600
Positive fair value of derivatives	51,749	1,945
Other	45,398	44,859
	<u>1,915,946</u>	<u>2,519,598</u>

12. Customers' deposits

The analysis of customers' deposits is as follows:

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Current and other accounts	4,753,417	4,008,397
Saving accounts	1,751,202	1,634,738
Time deposits	11,986,429	13,848,680
	<u>18,491,048</u>	<u>19,491,815</u>

13. Deposits and balances due to banks

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Demand	55,997	839
Time	74,143	44,640
	<u>130,140</u>	<u>45,479</u>

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Banks in the U.A.E.	77,892	-
Banks abroad	52,248	45,479
	<u>130,140</u>	<u>45,479</u>

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

14. Other Liabilities

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Acceptances – contra	743,627	1,441,148
Provision for employees' end of service benefits	39,312	39,374
Interest payable	107,082	84,858
Unearned income	41,535	22,362
Managers' cheques	34,341	24,174
Accrued expenses and others	83,110	76,943
Negative fair value of derivatives	903	823
	1,049,910	1,689,682

15. Issued Bonds

On 8 June 2015, the Bank raised financing by way of USD 500 million (equivalent to AED 1,836 million) in 5-year senior unsecured bonds (the "Bonds") issued by BOS Funding Limited, a wholly owned subsidiary of the Bank, incorporated in the Cayman Islands. The Bonds are fully guaranteed by the Bank, carry a fixed interest rate of 3.374 per cent per annum payable semi-annually and are listed on the Irish Stock Exchange.

16. Transactions with owners and directors of the Group

Treasury shares

At the Annual General Meeting of the shareholders held on 30 April 2016, the shareholders approved a 5.24% treasury shares distribution (110 million shares) amounting to AED 220 million which were acquired against settlement of loans (2015: 4.98% treasury share distribution (99.5 million shares) amounting to AED 197 million). These shares were distributed to the existing shareholders as per their existing proportionate shareholding.

Directors' remuneration

At the Annual General Meeting of the shareholders held on 30 April 2016, the shareholders of the Bank also approved Directors' remuneration of AED 7.5 million (2014: AED 7.5 million)

Charity donations

At the Annual General Meeting of the shareholders held on 30 April 2016, the shareholders also approved charitable donations of AED 2.5 million (2014: AED 2.5 million).

Transfer to reserves

At the Annual General Meeting of the shareholders held on 30 April 2016, the shareholders also approved the appropriation of AED 30 million (2014: AED 30 million) to contingency reserves.

Cash dividend

Nil dividend was distributed to the shareholders for 2015 (2014: 3.4% cash dividend amounting to AED 71.5 million).

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

16. Transactions with owners and directors of the Group (continued)

Emirates Lebanon Bank

Cash dividend

At the Annual General Meeting held on 6 February 2016 of the shareholders of Emirates Lebanon Bank S.A.L, a subsidiary of the Bank, the shareholders approved a cash dividend for an amount of AED 11.0 million (2014: cash dividend of AED 9.2 million) out of which the non-controlling interest share amounted to AED 2.2 million (2014: AED 1.8 million).

Directors' remuneration

At the Annual General Meeting held on 6 February 2016 of the shareholders of Emirates Lebanon Bank S.A.L, a subsidiary of the Bank, approved Directors' remuneration of AED 3.1 million (2014: AED 3.1 million) out of which the non-controlling interest share amounted to AED 0.6 million (2014: AED 0.6 million).

17. Earnings per share

Earnings per share are computed by dividing the net 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	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Basic earnings per share				
Profit attributable to owners of the Bank for the period (AED'000)	90,242	119,309	260,481	290,673
Profit available to the owners of the Bank	90,242	119,309	260,481	290,673
Weighted average number of shares outstanding during the period (in thousands shares)	2,100,000	2,078,491	2,100,000	2,078,491
Basic earnings per share (AED)	AED 0.043	AED 0.057	AED 0.124	AED 0.140

As at 30 September 2016 and 30 September 2015, there were no potential dilutive shares outstanding.

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

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

18. Commitments and contingent liabilities

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Financial guarantees for loans	470,591	706,794
Other guarantees	2,087,187	2,247,582
Letters of credit	1,081,115	1,307,698
Capital commitments	44,929	44,929
	<hr/> 3,683,822	<hr/> 4,307,003
Irrevocable commitments to extend credit	1,501,865	1,552,812
	<hr/> 5,185,687 <hr/>	<hr/> 5,859,815 <hr/>

19. Cash and cash equivalents

	30 September 2016 AED'000 (unaudited)	30 September 2015 AED'000 (unaudited)
Cash and balances with central banks (Note 7)	3,480,748	4,150,031
Deposits and balances due from banks (Note 8)	2,083,355	1,518,395
Deposits and balances due to banks (Note 13)	(130,140)	(184,184)
	<hr/> 5,433,963	<hr/> 5,484,242
Less: Deposits and balances due from banks - original maturity more than three months	(1,400,025)	(1,218,979)
Less: Statutory deposits with central banks (Note 7)	(1,151,033)	(1,086,698)
	<hr/> 2,882,905 <hr/>	<hr/> 3,178,565 <hr/>

20. Fiduciary assets

As at 30 September 2016, the Group holds investments at fair value amounting to AED 0.7 billion (31 December 2015: at fair value AED 0.8 billion) which are held in custody on behalf of customers and therefore are not treated as assets in the condensed consolidated interim statement of financial position.

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

21. Related party transactions

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

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

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Loans and advances	2,164,032	2,162,402
Letters of credit, guarantee and acceptances	310,556	389,072
	<u>2,474,588</u>	<u>2,551,474</u>
Collateral deposits	198,272	169,941
Net exposure	<u>2,276,316</u>	<u>2,381,533</u>
Other deposits	<u>111,946</u>	<u>120,235</u>

As at 30 September 2016, entities related to one of the directors accounted for 66% (31 December 2015: 74%) of the total aforementioned net exposure taking into consideration that this director's gross exposure was reduced by 27% compared to the same period of last year.

	Nine-month period ended 30 September	
	2016 AED'000 (unaudited)	2015 AED'000 (unaudited)
Interest income	90,212	97,879
Interest expense	7,724	6,841
Directors fees	10,585	10,587

At the Annual General Meeting of the shareholders held on 30 April 2016, the shareholders approved a 5.24% treasury shares distribution (110 million shares) amounting to AED 220 million, acquired from a related party against settlement of debt.

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

22. Segmental information

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

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

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

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

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

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
<u>30 September 2016 (unaudited):</u>				
Segment assets	22,551,929	2,340,738	1,235,443	26,128,110
Segment liabilities	19,364,815	1,835,600	306,283	21,506,698
<u>31 December 2015 (audited):</u>				
Segment assets	23,211,903	3,224,689	1,150,326	27,586,918
Segment liabilities	20,978,441	1,737,498	248,535	22,964,474

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

22. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the nine-month period ended 30 September 2016 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Revenue from external customers				
-Net interest income	373,663	25,293	-	398,956
-Net fee and commission income	83,141	-	-	83,141
-Exchange profit	16,292	-	-	16,292
-Investment Profit	-	10,624	-	10,624
-Other income	-	-	29,361	29,361
Operating income	473,096	35,917	29,361	538,374
Expenses				
-Net impairment charge on loans and advances	(48,005)	-	-	(48,005)
-Depreciation of property and equipment	-	-	(19,454)	(19,454)
-General and administrative expenses	(160,772)	(28,372)	-	(189,144)
-Amortization of other intangible assets	(5,838)	-	-	(5,838)
-Income tax– overseas	-	-	(7,732)	(7,732)
Profit for the period	258,481	7,545	2,175	268,201

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
-Investment Profit	-	11,519	-	11,519
-Other income	123,890	(3,161)	-	120,729
Operating income	622,620	28,424	-	651,044
Expenses				
-Net impairment charge on loans and advances	(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– overseas	-	-	(7,084)	(7,084)
-Discontinued operations	-	(6,696)	-	(6,696)
Profit for the period	332,833	(5,099)	(30,071)	297,663

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

22. Segmental information (continued)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (30 September 2015: Nil). Transactions between segments, inter-segment cost of funds and allocation of expenses are not determined by management for the purpose of resource allocation. The accounting policies of the reportable segments are the same as the Group's accounting policies as disclosed in the consolidated financial statements for the year ended 31 December 2015.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments except for property and equipment, and certain amounts included in other assets; and
- All liabilities are allocated to reportable segments except for certain amounts included in other liabilities.

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
2016			
Operating income (from external customers) for the nine months period ended 30 September 2016 (unaudited)	431,126	107,248	538,374
Non-current assets as at 30 September 2016 (unaudited)	1,621,863	325,623	1,947,486
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

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

23. Fair value of financial instruments

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

Other financial assets 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 investments listed, debt and equity securities for which the fair values are based on quoted prices at close of business as at 30 September 2016.

Other financial assets held at fair value through other comprehensive income (unquoted)

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.

Fair value of other 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 2016		31 December 2015	
	Carrying amount AED'000 (unaudited)	Fair Value AED'000 (unaudited)	Carrying amount AED'000 (audited)	Fair value AED'000 (audited)
Financial assets				
- Other financial assets measured at amortised cost	647,843	642,118	527,330	527,752

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016

23. Fair value of financial instruments (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 September 2016 (unaudited)				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
Quoted equity	78,832	-	-	78,832
<i>Investments carried at FVTOCI</i>				
Quoted equity	109,105	-	-	109,105
Unquoted equity	-	-	1,021,313	1,021,313
Total	187,937	-	1,021,313	1,209,250
<i>Other financial liabilities measured at fair value</i>				
Issued bonds measured at FVTPL				
Quoted debt securities	1,835,600	-	-	1,835,600
<i>Other assets /liabilities</i>				
Positive fair value of derivatives	-	51,749	-	51,749
Negative fair value of derivatives	-	(903)	-	(903)
At 31 December 2015 (audited)				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
Quoted equity	21,500	-	-	21,500
Quoted debt securities	-	68,604	-	68,604
<i>Investments carried at FVTOCI</i>				
Quoted equity	101,800	-	-	101,800
Unquoted equity	-	-	1,022,974	1,022,974
Total	123,300	68,604	1,022,974	1,214,878
<i>Other financial liabilities measured at fair value</i>				
Issued bonds measured at FVTPL				
Quoted debt securities	1,737,498	-	-	1,737,498
<i>Other assets /liabilities</i>				
Positive fair value of derivatives	-	1,945	-	1,945
Negative fair value of derivatives	-	(823)	-	(823)

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

**Notes to the condensed consolidated interim financial statements (continued)
for the nine-months period ended 30 September 2016**

23. Fair value of financial instruments (continued)

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

	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
Opening balance	1,022,974	973,661
Additions	-	77,133
Losses recognised in other comprehensive income	(1,661)	(27,820)
Closing balance	1,021,313	1,022,974

24. Capital adequacy

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

	Basel II	
	30 September 2016 AED'000 (unaudited)	31 December 2015 AED'000 (audited)
<i>Capital base</i>		
Tier 1 capital	4,214,526	4,175,778
Tier 2 capital	313,652	342,425
Total capital base	4,528,178	4,518,203
<i>Risk-weighted assets:</i>		
Credit risk	18,666,588	19,746,453
Market risk	158,406	131,933
Operational risk	1,502,954	1,502,954
Total risk-weighted assets	20,327,948	21,381,340
Capital adequacy ratio	22.28%	21.13%

25. Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on 23 October 2016.