

Bank of Sharjah P.J.S.C.

**Review report and
Condensed consolidated interim financial information
for the nine-month period ended 30 September 2019**

Bank of Sharjah P.J.S.C.

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

To the Shareholders of Bank of Sharjah P.J.S.C

Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial information of Bank of Sharjah P.J.S.C. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2019;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2019; 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 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Emilio Pera
Registration Number: 1146
Dubai, United Arab Emirates
Date: **24 OCT 2019**

Bank of Sharjah P.J.S.C.

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

	Note	30 September 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
ASSETS			
Cash and balances with central banks	6	4,237,182	4,636,343
Deposits and balances due from banks	7	540,380	507,785
Reverse-repo placements	8	1,223,775	849,188
Loans and advances, net	9	18,301,308	16,214,334
Other financial assets measured at fair value	10	724,293	817,319
Other financial assets measured at amortised cost	10	543,214	671,554
Investment properties		673,516	608,473
Goodwill and other intangibles		411,622	416,056
Other assets	11	4,221,641	3,984,954
Property and equipment		355,501	304,577
Total assets		31,232,432	29,010,583
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	12	20,760,078	20,119,169
Deposits and balances due to banks	13	33,969	304,931
Other liabilities	14	1,342,600	1,217,596
Issued bonds	15	5,233,508	3,589,972
Total liabilities		27,370,155	25,231,668
Equity			
Capital and reserves			
Share capital		2,100,000	2,100,000
Statutory reserve		1,050,000	1,050,000
Contingency reserve		640,000	600,000
General and other reserves		357,411	250,257
Investment fair value reserve		(601,842)	(535,375)
Retained earnings		303,490	300,324
Equity attributable to equity holders of the Bank		3,849,059	3,765,206
Non-controlling interests		13,218	13,709
Total equity		3,862,277	3,778,915
Total liabilities and equity		31,232,432	29,010,583



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Sheikh Mohammed Bin Saud Al Qasimi
 Chairman

24 OCT 2019



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Mr. Fadi Ghosn
 Deputy General Manager

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

Bank of Sharjah P.J.S.C.

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

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2019	2018	2019	2018
		AED'000	AED'000	AED'000	AED'000
Interest income		356,593	300,648	1,022,542	936,359
Interest expense		(248,444)	(186,998)	(691,200)	(588,470)
Net interest income		108,149	113,650	331,342	347,889
Net fee and commission income		23,756	33,803	73,687	90,825
Exchange profit		2,810	3,250	9,242	11,303
Income on investments		2,107	17,096	17,718	58,654
Other income		1,845	3,684	14,126	11,088
Operating income		138,667	171,483	446,115	519,759
Net impairment loss on financial assets		(20,389)	11,500	(19,395)	18,418
Net operating income		118,278	182,983	426,720	538,177
General and administrative expenses		(91,584)	(77,914)	(231,870)	(220,922)
Amortisation of intangible assets		(1,478)	(1,478)	(4,433)	(4,433)
Profit before taxes		25,216	103,591	190,417	312,822
Income tax expense – overseas		(5,055)	(2,769)	(18,406)	(11,936)
Net Profit		20,161	100,822	172,011	300,886
Attributable to:					
Equity holders of the Bank		20,338	100,955	172,502	301,290
Non-controlling interests		(177)	(133)	(491)	(404)
Profit for the period		20,161	100,822	172,011	300,886
Basic earnings per share (AED)	17	0.010	0.048	0.082	0.143

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

Condensed consolidated interim statement of profit and 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	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Profit for the period	20,161	100,882	172,011	300,886
Other comprehensive (loss)/ income items <i>Items that will not be reclassified subsequently to condensed consolidated interim statement of profit or loss:</i>				
Net changes in fair value of financial assets measured at fair value through other comprehensive income	(27,181)	(54,293)	(24,715)	(31,473)
Net changes in fair value of financial liabilities measured at fair value through profit or loss due to credit risk	15,415	(20,005)	(48,671)	36,578
Total other comprehensive (loss)/ income for the period	(11,766)	(74,298)	(73,386)	5,105
Total comprehensive income for the period	8,395	26,584	98,625	305,991
Attributable to:				
Equity holders of the Bank	8,572	26,717	99,116	306,395
Non-controlling interests	(177)	(133)	(491)	(404)
Total comprehensive income for the period	8,395	26,584	98,625	305,991

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-month period ended 30 September**

	Share capital	Statutory reserve	Contingency reserve	General and other reserves	Changes in fair value reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non- controlling interests	Total equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2018 (audited)	2,100,000	1,050,000	560,000	100,000	(400,782)	647,251	4,056,469	11,462	4,067,931
Profit for the period	-	-	-	-	-	301,290	301,290	(404)	300,886
Other comprehensive income	-	-	-	-	5,105	-	5,105	-	5,105
Total comprehensive income for the period	-	-	-	-	5,105	301,290	306,395	(404)	305,991
Effect of adopting IFRS9 (Note 3.5)	-	-	-	-	-	(265,158)	(265,158)	-	(265,158)
Transfer to contingency reserve (Note 16)	-	-	40,000	-	-	(40,000)	-	-	-
Directors' remuneration (Note 16)	-	-	-	-	-	(11,467)	(11,467)	-	(11,467)
Charity donations (Note 16)	-	-	-	-	-	(7,500)	(7,500)	-	(7,500)
Balance at 30 September 2018 (unaudited)	2,100,000	1,050,000	600,000	100,000	(395,677)	624,416	4,078,739	11,058	4,089,797
Balance at 1 January 2019 (audited)	2,100,000	1,050,000	600,000	250,257	(535,375)	300,324	3,765,206	13,709	3,778,915
Profit for the period	-	-	-	-	-	172,502	172,502	(491)	172,011
Reclassification on disposal of FVOCI investment	-	-	-	-	6,919	-	6,919	-	6,919
Other comprehensive loss	-	-	-	-	(73,386)	-	(73,386)	-	(73,386)
Total comprehensive income for the period	-	-	-	-	(66,467)	172,502	106,035	(491)	105,544
Transfer to IFRS 9 reserves	-	-	-	107,154	-	(107,154)	-	-	-
Transfer to contingency reserve (Note 16)	-	-	40,000	-	-	(40,000)	-	-	-
Directors' remuneration (Note 16)	-	-	-	-	-	(10,806)	(10,806)	-	(10,806)
Charity donations (Note 16)	-	-	-	-	-	(7,500)	(7,500)	-	(7,500)
Effect of adopting IFRS 16	-	-	-	-	-	(3,876)	(3,876)	-	(3,876)
Balance at 30 September 2019 (unaudited)	2,100,000	1,050,000	640,000	357,411	(601,842)	303,490	3,849,059	13,218	3,862,277

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-month period ended 30 September**

	Note	30 September 2019 AED'000	30 September 2018 AED'000
Cash flows from operating activities			
Profit for the period		172,011	300,886
Adjustments for:			
Depreciation of property and equipment		24,367	22,043
Amortisation of other intangible assets		4,433	4,433
Amortisation of discount on debt instruments		462	347
(Gain)/ loss on sale of property and equipment		(629)	82
Net fair value gain on issued debt securities		(64,935)	(91,141)
Net fair value loss on interest rate swaps		67,411	91,141
Net fair value loss/(gain) on other financial assets		43	(44,366)
Net loss on sale of investment property		1,000	-
Net impairment loss on financial assets		19,395	(18,418)
Dividend income		(16,638)	(14,964)
		<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities		206,920	250,043
Changes in			
Deposits and balances due from banks maturing after nine months		(14,509)	(97,230)
Statutory deposits with central banks		73,050	228,541
Loans and advances		(2,106,370)	1,179,112
Other assets		(148,180)	(1,887,516)
Customers' deposits		640,909	(1,936,406)
Other liabilities		114,301	286,037
		<hr/>	<hr/>
Cash used in operating activities		(1,235,879)	(1,977,419)
Payment of directors' remuneration and charity donations		(18,306)	(18,967)
		<hr/>	<hr/>
Net cash used in operating activities		(1,252,185)	(1,996,386)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property and equipment		(80,026)	(14,630)
Proceeds from sale of property and equipment		5,363	298
Addition of investment properties		(66,044)	(26,670)
Purchase of other financial assets		(6,656)	(113,701)
Proceeds from sale of other financial assets		202,803	70,848
Dividend received		16,638	14,964
		<hr/>	<hr/>
Net cash generated from/ (used in) investing activities		72,078	(68,891)
		<hr/>	<hr/>
Cash flows from financing activities			
Issued bonds		2,644,561	-
Issued bonds repurchased		(1,126,931)	-
		<hr/>	<hr/>
Net cash generated from financing activities		1,517,630	-
		<hr/>	<hr/>
Net increase/ (decrease) in cash and cash equivalents		337,523	(2,065,277)
Cash and cash equivalents at the beginning of the period		3,203,322	5,113,748
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	19	3,540,845	3,048,471
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The accompanying notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019****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 eight 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 have been prepared in accordance with the International Accounting Standard No. 34 - Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board and the applicable provisions of UAE Federal Law No 2 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 2018, except for the adoption of IFRS 16 lease for the first time.

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 2018. In addition, the results for the period from 1 January 2019 to 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3. Changes in accounting policies, estimates and judgments

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'Operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Financial Impact of adopting the standard is not material.

There were no leases previously classified as finance lease by the Bank.

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)****3. Changes in accounting policies, estimates and judgments (continued)****Adjustments recognised on adoption of IFRS 16 (continued)****Group's leasing activities and how they are accounted for:**

Until the 2018 financial year, leases of office premises were classified as operating lease. Payments made under the operating leases (net of any incentives received from the lessor) were charged to profit and loss account on a straight line basis over the period of lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Right-of-use assets are measured at cost comprising the following:

- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

3. Changes in accounting policies, estimates and judgments (continued)

Adjustments recognised on adoption of IFRS 16 (continued)

Residual value guarantees

The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

4. 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 2018.

5. Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved when the Bank has:

- power over the investee,
- exposure, or has rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The condensed consolidated interim financial statements comprise the financial information of the Bank and of the following subsidiaries. The reporting period for these subsidiaries is consistent as the Bank's reporting period, using consistent accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

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

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

5. Basis of consolidation (continued)

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

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Year of acquisition	Country of incorporation	Principal activities
	2019	2018				
Emirates Lebanon Bank S.A.L.	100%	100%	1965	2008	Lebanon	Financial institution
El Capital FZC	100%	100%	2007	2017	U.A.E.	Investment in a financial institution
BOS Real Estate FZC	100%	100%	2007	2007	U.A.E.	Real estate development activities
BOS Capital FZC	100%	100%	2007	2007	U.A.E.	Investment
Polyco General Trading L.L.C.	100%	100%	2008	2008	U.A.E.	General trading
Borealis Gulf FZC	100%	100%	2010	2010	U.A.E.	Investment & Real estate development activities
BOS Funding Limited	100%	100%	2015	2015	Cayman Islands	Financing activities
Muwaileh Capital FZC	90%	90%	2010	2017	U.A.E.	Developing of real estate & related activities
BOS Repos Limited	100%	100%	2018	2018	Cayman Islands	Financing activities
BOS Derivatives Limited	100%	100%	2018	2018	Cayman Islands	Financing activities

6. Cash and balances with central banks

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Cash on hand	65,561	57,144
Statutory deposits (note 6.1)	996,037	1,069,087
Current accounts	896,863	858,287
Certificates of deposits	2,286,772	2,660,207
	4,245,233	4,644,725
Expected credit losses	(8,051)	(8,382)
	4,237,182	4,636,343

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

6. Cash and balances with central banks (continued)

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Banks abroad	1,611,635	1,725,320
Banks in the U.A.E.	2,633,598	2,919,405
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	4,245,233	4,644,725
Expected credit losses	(8,051)	(8,382)
	<hr/>	<hr/>
	4,237,182	4,636,343
	<hr/> <hr/>	<hr/> <hr/>

6.1 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 2019, the statutory deposits with the Central Bank of the U.A.E. amounted to AED 441 million (31 December 2018: AED 488 million).

7. Deposits and balances due from banks

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Demand	416,895	276,592
Time	126,254	232,074
	<hr/>	<hr/>
	543,149	508,666
Expected credit losses	(2,769)	(881)
	<hr/>	<hr/>
	540,380	507,785
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**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

7. Deposits and balances due from banks (continued)

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Banks abroad	483,945	426,731
Banks in the U.A.E.	59,204	81,935
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	543,149	508,666
Expected credit losses	(2,769)	(881)
	<hr/>	<hr/>
	540,380	507,785
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8. Reverse-repo placements

The analysis of the Group's repurchase agreements is as follows:

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Banks in the U.A.E.	1,223,919	849,534
	<hr/>	<hr/>
	1,223,919	849,534
Expected credit losses	(144)	(346)
	<hr/>	<hr/>
	1,223,775	849,188
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The Group entered into reverse-repo agreements under which bonds with fair value of AED 1,223 million (31 December 2018 - AED 850 million) were received as collateral against cash placements. The risks and rewards relating to these bonds remain with the counter parties.

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

9. Loans and advances, net

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Overdrafts	8,216,531	7,192,041
Commercial loans	9,843,405	9,355,962
Bills receivable	1,128,184	1,072,325
Other advances	1,013,477	707,229
	<hr/>	<hr/>
Gross amount of loans and advances net of interest in suspense	20,201,597	18,327,557
Less: Allowance for impairment	(1,900,289)	(2,113,223)
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Net loans and advances	18,301,308	16,214,334
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(b) The geographic analysis of the gross loans and advances of the Group is as follows:

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Loans and advances in the U.A.E.	16,709,037	15,617,879
Loans and advances abroad	3,492,560	2,709,678
	<hr/>	<hr/>
	20,201,597	18,327,557
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(c) **IFRS 9 reserve**

In accordance with CBUAE circular, in case where provision under CBUAE guidance exceeds provision under IFRS 9, the excess is required to be transferred to IFRS 9 reserve. The details of the same are below:

	Bank 30 September 2019 AED'000	Bank 31 December 2018 AED'000
<i>Impairment reserve – Specific</i>		
Specific provisions under Circular 28/2010 of CBUAE	1,255,529	1,389,130
Stage 3 provisions under IFRS 9	1,006,493	1,252,614
	<hr/>	<hr/>
Specific provision held and transferred to the impairment reserve	249,036	136,516
	<hr/>	<hr/>
	Bank 30 September 2019 AED'000	Bank 31 December 2018 AED'000
<i>Impairment reserve – Collective</i>		
Collective provisions under Circular 28/2010 of CBUAE	754,704	719,927
Stage 1 and Stage 2 provisions under IFRS 9	746,329	706,186
	<hr/>	<hr/>
Collective provision held and transferred to the impairment reserve	8,375	13,741
	<hr/>	<hr/>

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

10. Other financial assets

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at FVTPL		
Quoted equity	146,374	143,446
	146,374	143,446
(ii) Investments measured at FVTOCI		
Quoted equity	126,942	160,069
Unquoted equity	300,211	323,239
Debt securities	150,766	190,565
	577,919	673,873
Total other financial assets measured at fair value	724,293	817,319
Other financial assets measured at amortised cost		
Debt securities	546,491	675,585
Expected credit losses	(3,277)	(4,031)
	543,214	671,554
Total other financial assets	1,267,507	1,488,873

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 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
United Arab Emirates	582,048	693,747
Middle East (other than G.C.C. countries)	658,624	769,040
Europe	30,112	30,117
	1,270,784	1,492,904
Expected credit losses on financial assets at amortised cost	(3,277)	(4,031)
	1,267,507	1,488,873

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

11. Other assets

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Acceptances – contra	777,310	732,922
Assets acquired in settlement of debt	2,532,016	2,113,117
Cheques in the course of collection	733,550	973,857
Clearing receivables and accrued income	24,240	65,990
Interest receivable	40,925	64,954
Prepayments	14,464	15,587
Positive fair value of derivatives	12,370	3,590
Other	86,766	14,937
	<u>4,221,641</u>	<u>3,984,954</u>

12. Customers' deposits

The analysis of customers' deposits is as follows:

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Current and other accounts	2,814,650	2,952,570
Saving accounts	1,489,937	1,595,786
Time deposits	16,455,491	15,570,813
	<u>20,760,078</u>	<u>20,119,169</u>

13. Deposits and balances due to banks

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Demand	21,974	46,853
Time	11,995	258,078
	<u>33,969</u>	<u>304,931</u>

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

13. Deposits and balances due to banks (continued)

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Banks in the U.A.E.	17,036	209,121
Banks abroad	16,933	95,810
	33,969	304,931
	=====	=====

14. Other Liabilities

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Acceptances – contra	777,310	732,922
Interest payable	200,446	172,668
Lease liability	85,849	-
Unearned income	66,340	97,080
Provision for employees' end of service benefits	44,465	44,808
Negative fair value of derivatives	10,367	62,808
Managers' cheques	38,859	15,191
Accrued expenses and others	118,964	92,119
	1,342,600	1,217,596
	=====	=====

15. 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 annum payable semi-annually and are listed on the Irish Stock Exchange. On 18 September 2019, the Bank repurchased by way of a Public Tender Offer USD 306.81 million of these bonds at a price of 101.

On 28 February 2017, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 500 million (equivalent to AED 1,836 million) for a five year maturity at mid swaps plus 225 basis point, to yield 4.23%. The Notes were issued under the Bank's recently established Euro Medium Term Note (EMTN) Programme which is listed on the Irish Stock Exchange.

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)****15. Issued Bonds (continued)**

On 08 August 2019, the Bank issued Senior Unsecured Floating Rate Notes, totalling USD 120 million (equivalent to AED 440.76 million) for a three year maturity at three month Libor plus 190 basis points, classified at amortized cost. The Notes were issued under the Bank's Euro Medium Term Note (EMTN) Programme.

On 18 September 2019, the Bank issued Senior Unsecured Fixed Rate Notes, totalling USD 600 million (equivalent to AED 2,204 million) for a five year maturity at mid swaps plus 250 basis point, to yield 4.015%, classified at amortized cost. The Notes were issued under the Bank's Euro Medium Term Note (EMTN) Programme which is listed on the Irish Stock Exchange.

16. Transactions with owners and directors of the Group**Bank of Sharjah***Dividends*

At the Annual General Meeting of the shareholders held on 6 July 2019, the shareholders approved no cash dividends distribution (2017: no cash dividend distribution).

Directors' remuneration

At the Annual General Meeting of the shareholders held on 6 July 2019, the shareholders of the Bank approved Directors' remuneration of AED 7.5 million (2017: AED 7.5 million).

Charity donations

At the Annual General Meeting of the shareholders held on on 6 July 2019, the shareholders approved charitable donations of AED 7.5 million (2017: AED 7.5 million).

Transfer to reserves

At the Annual General Meeting of the shareholders held on on 6 July 2019, the shareholders approved an appropriation of AED 40 million (2017: AED 40 million) to contingency reserves.

Emirates Lebanon Bank*Cash dividend*

At the Annual General Meeting held on 23 February 2019 of the shareholders of Emirates Lebanon Bank S.A.L, a subsidiary of the Bank, the shareholders approved no cash dividend distribution (2017: no cash dividend distribution).

Directors' remuneration

At the Annual General Meeting held on 23 February 2019 of the shareholders of Emirates Lebanon Bank S.A.L, a subsidiary of the Bank, approved Directors' remuneration of AED 3.3 million (2017: AED 3.9 million).

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

17. Earnings per share

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Basic earnings per share				
Profit attributable to owners of the Bank for the period (AED'000)	20,338	100,955	172,502	301,290
Profit available to the owners of the Bank	20,338	100,955	172,502	301,290
Weighted average number of shares outstanding during the period (in thousands shares)	2,100,000	2,100,000	2,100,000	2,100,000
Basic earnings per share (AED)	0.010	0.048	0.082	0.143

As at 30 September 2019 and 30 September 2018, there were no potential dilutive shares outstanding.

18. Commitments and contingent liabilities

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Financial guarantees for loans	301,751	338,716
Other guarantees	2,477,984	2,405,593
Letters of credit	845,521	1,092,173
	3,625,256	3,836,482
Irrevocable commitments to extend credit	1,634,568	1,577,285
	5,259,824	5,413,767

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

19. Cash and cash equivalents

	30 September 2019 AED'000 (unaudited)	30 September 2018 AED'000 (unaudited)
Cash and balances with central banks (Note 6)	4,237,182	3,594,936
Deposits and balances due from banks (Note 7)	540,380	743,237
Reverse-repo placements (Note 8)	1,223,775	1,763,836
Deposits and balances due to banks (Note 13)	(33,969)	(417,811)
	5,967,368	5,684,198
Less: Deposits with central banks and balances due from banks - original maturity more than three months	(1,430,486)	(1,540,406)
Less: Statutory deposits with central banks (Note 6)	(996,037)	(1,095,321)
	3,540,845	3,048,471

20. Fiduciary assets

As at 30 September 2019, the Group holds investments at fair value amounting to AED 0.6 billion (31 December 2018: at fair value AED 0.6 billion) which are held in custody on behalf of customers and therefore are not treated as assets in the condensed consolidated interim statement of financial position.

21. Related party transactions

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

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

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

21. Related party transactions (continued)

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Loans and advances	618,383	492,785
Letters of credit, guarantee and acceptances	119,719	120,140
	738,102	612,925
Collateral deposits	118,563	7,281
Net exposure	619,539	605,644
Other deposits	141,238	131,559
	Nine-month period ended 30 September 2019 AED'000 (unaudited)	2018 AED'000 (unaudited)
Interest income	37,573	38,223
Interest expense	6,725	7,705
Directors fees	10,806	11,467

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.

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

22. Segmental information (continued)

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

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
30 September 2019 (unaudited):				
Segment assets	24,504,805	2,927,795	3,799,832	31,232,432
Segment liabilities	21,571,357	5,233,508	565,290	27,370,155
31 December 2018 (audited):				
Segment assets	22,296,421	3,157,551	3,556,611	29,010,583
Segment liabilities	21,157,023	3,589,972	484,673	25,231,668

The following table presents information regarding the Group's operating segments for the nine-month period ended 30 September 2019 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Revenue from external customers				
-Net interest income	307,598	23,744	-	331,342
-Net fee and commission income	73,687	-	-	73,687
-Exchange profit	9,242	-	-	9,242
-Investment income	-	17,718	-	17,718
-Other income	15,126	(1,000)	-	14,126
Operating income	405,653	40,462	-	446,115
Other material non-cash items				
-Net impairment charge on financial assets	(19,395)	-	-	(19,395)
-Depreciation of property and equipment	-	-	(24,367)	(24,367)
-General and administrative expenses	(176,378)	(31,125)	-	(207,503)
-Amortization of other intangible assets	-	-	(4,433)	(4,433)
-Income tax– overseas	-	-	(18,406)	(18,406)
Profit for the period	209,880	9,337	(47,206)	172,011

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

22. Segmental information (continued)

The following table presents information regarding the Group's operating segments for the nine-month period ended 30 September 2018 (unaudited):

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Revenue from external customers				
-Net interest income	318,712	29,177	-	347,889
-Net fee and commission income	90,825	-	-	90,825
-Exchange profit	11,303	-	-	11,303
-Investment income	-	58,654	-	58,654
-Other income	11,088	-	-	11,088
	<hr/>	<hr/>	<hr/>	<hr/>
Operating income	431,928	87,831	-	519,759
Other material non-cash items				
-Net impairment charge on financial assets	18,418	-	-	18,418
-Depreciation of property and equipment	-	-	(22,043)	(22,043)
-General and administrative expenses	(169,047)	(29,832)	-	(198,879)
-Amortization of other intangible assets	-	-	(4,433)	(4,433)
-Income tax– overseas	-	-	(11,936)	(11,936)
	<hr/>	<hr/>	<hr/>	<hr/>
Profit for the period	281,299	57,999	(38,412)	300,886
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (30 September 2019: 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 2018.

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.

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:

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

22. Segmental information (continued)

2019	Country of domicile AED'000	Foreign AED'000	Total AED'000
Operating income (from external customers) for the nine month period ended 30 September 2019 (unaudited)	331,551	114,564	446,115
Non-current assets as at 30 September 2019 (unaudited)	4,571,911	313,061	4,884,972
2018			
Operating income (from external customers) for the nine month period ended 30 September 2018 (unaudited)	414,749	105,010	519,759
Non-current assets as at 30 September 2018 (unaudited)	4,204,538	337,400	4,541,938

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, equity securities for which the fair values are based on quoted prices at close of business as at 30 September 2019.

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 net asset value approach, income approach, asset approach or comparable ratios depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

23. Fair value of financial instruments (continued)

Fair value of financial assets carried at amortised cost

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

	30 September 2019		31 December 2018	
	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	543,214	477,939	671,554	663,231

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

23. Fair value of financial instruments (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 September 2019 (unaudited)				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
Quoted equity	146,374	-	-	146,374
<i>Investments carried at FVTOCI</i>				
Quoted equity	126,942	-	-	126,942
Unquoted equity	-	-	300,211	300,211
Unquoted debt securities	-	150,766	-	150,766
Total	273,316	150,766	300,211	724,293
<i>Other financial liabilities measured at fair value</i>				
Issued bonds measured at FVTPL				
Quoted debt securities	2,588,948	-	-	2,588,948
<i>Other assets / liabilities</i>				
Positive fair value of derivatives	-	12,370	-	12,370
Negative fair value of derivatives	-	(10,367)	-	(10,367)
At 31 December 2018 (audited)				
<i>Other financial assets measured at fair value</i>				
<i>Investment measured at FVTPL</i>				
Quoted equity	143,446	-	-	143,446
<i>Investments carried at FVTOCI</i>				
Quoted equity	160,069	-	-	160,069
Unquoted equity	-	-	323,239	323,239
Unquoted debt securities	-	190,565	-	190,565
Total	303,515	190,565	323,239	817,319
<i>Other financial liabilities measured at fair value</i>				
Issued bonds measured at FVTPL				
Quoted debt securities	3,589,972	-	-	3,589,972
<i>Other assets / liabilities</i>				
Positive fair value of derivatives	-	3,590	-	3,590
Negative fair value of derivatives	-	(62,808)	-	(62,808)

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

**Notes to the condensed consolidated interim financial statements
for the nine-month period ended 30 September 2019 (continued)**

23. Fair value of financial instruments (continued)

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

	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
Opening balance	323,239	564,417
Losses recognised in other comprehensive income	(23,028)	(241,178)
Closing balance	<u>300,211</u>	<u>323,239</u>

24. Capital adequacy

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

	Basel III	
	30 September 2019 AED'000 (unaudited)	31 December 2018 AED'000 (audited)
<i>Capital base</i>		
Common Equity Tier 1	2,761,339	3,312,548
Additional Tier 1 capital	-	-
Tier 1 capital	2,761,339	3,312,548
Tier 2 capital	320,647	294,292
Total capital base	<u>3,081,986</u>	<u>3,606,840</u>
<i>Risk-weighted assets:</i>		
Credit risk	25,651,757	23,543,342
Market risk	305,786	288,487
Operational risk	1,414,857	1,414,857
Total risk-weighted assets	<u>27,372,400</u>	<u>25,246,686</u>
Capital ratios		
Common equity Tier 1 capital ratio	10.09%	13.12%
Tier 1 capital ratio	10.09%	13.12%
Total capital ratio	<u>11.26%</u>	<u>14.29%</u>

25. Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 24 October 2019.