Bank of Sharjah P.S.C.

Review report and
interim financial information
for the nine months period ended 30 September 2014

Bank of Sharjah P.S.C.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Bank of Sharjah P.S.C.** (the "Bank") **and its subsidiaries** (together the "Group") as at 30 September 2014, and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management of the Group is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 - *"Interim Financial Reporting"* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Anis Sadek
Registration No. 521
26 October 2014

Condensed consolidated statement of financial position as at 30 September 2014

	Notes	30 September 2014 (unaudited) AED'000	31 December 2013 (audited) AED'000
ASSETS			
Cash and balances with central banks	8	**3,429,484**	3,400,245
Deposits and balances due from banks	9	**2,707,033**	4,111,230
Loans and advances, net	10	**13,819,856**	13,134,749
Other financial assets measured at fair value	11	**1,197,242**	1,217,330
Other financial assets measured at amortised cost	11	**578,330**	539,645
Investment properties		**311,583**	303,678
Goodwill and other intangibles		**243,966**	249,802
Other assets	12	**1,480,746**	1,504,605
Property and equipment		**284,904**	279,694
Non-current assets classified as held for sale	13	**232,070**	231,530
Total assets		**24,285,214**	24,972,508
LIABILITIES AND EQUITY			
Liabilities			
Customers' deposits	14	**17,028,911**	18,374,066
Deposits and balances due to banks	15	**434,379**	97,336
Other liabilities		**1,647,982**	1,394,870
Syndicated loan	16	**734,600**	734,600
Liabilities directly associated with non-current assets classified as held for sale	13	**19,555**	19,015
Total liabilities		**19,865,427**	20,619,887
Equity			
Capital and reserves			
Share capital		**2,100,000**	2,100,000
Treasury shares	17	**(208,595)**	(327,792)
Statutory reserve		**1,050,000**	1,085,357
Contingency reserve		**450,000**	413,126
General reserve		**100,000**	92,999
Investment fair value reserve		**186,657**	199,347
Retained earnings		**528,043**	579,129
Attributable to owners of the Parent		**4,206,105**	4,142,166
Non-controlling interests		**213,682**	210,455
Total equity		**4,419,787**	4,352,621
Total liabilities and equity		**24,285,214**	24,972,508

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Mr. Ahmed Al Noman
Chairman

Mr. Mario Tohme
Deputy General Manager

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

Condensed consolidated income statement (unaudited)
for the nine months period ended 30 September 2014

	Three months period ended 30 September		Nine months period ended 30 September	
	2014	2013	**2014**	2013
	AED'000	AED'000	**AED'000**	AED'000
Interest income	**265,901**	233,627	**736,248**	734,868
Interest expense	**(127,802)**	(139,129)	**(386,488)**	(378,236)
Net interest income	**138,099**	94,498	**349,760**	356,632
Net fee and commission income	**31,193**	30,345	**95,915**	93,861
Exchange profit	**5,783**	5,802	**18,041**	17,592
Investment income/(loss)	**811**	87,273	**(9,173)**	99,942
Other income	**10,322**	2,412	**36,822**	19,303
Net gain on investment property revaluation	**7,905**	-	**7,905**	6,180
Operating income	**194,113**	220,330	**499,270**	593,510
Net impairment charge on financial assets	**(12,584)**	(32,162)	**(48,768)**	(140,266)
Net operating income	**181,529**	188,168	**450,502**	453,244
Amortization of intangible assets	**(1,946)**	(1,946)	**(5,838)**	(5,838)
General and administrative expenses	**(60,056)**	(61,970)	**(177,026)**	(173,764)
Profit before taxes	**119,527**	124,252	**267,638**	273,642
Income tax expense - overseas	**(2,263)**	(2,206)	**(7,466)**	(7,451)
Profit for the period from continuing operations	**117,264**	122,046	**260,172**	266,191
Discontinued operations				
Profit/ (loss) for the period from discontinued operations	**2,709**	(3,502)	**12,102**	(3,502)
Net Profit	**119,973**	118,544	**272,274**	262,689
Attributed to:				
Owners of the parent	117,618	117,084	265,492	254,202
Non-controlling interests	2,355	1,460	6,782	8,487
	119,973	118,544	272,274	262,689
Basic earnings per share (AED) (Note 18)	**0.059**	0.059	**0.127**	0.121

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

Bank of Sharjah P.S.C.

Condensed consolidated statement of comprehensive income (unaudited)
for the nine months period ended 30 September 2014

	Three months period ended 30 September		Nine months period ended 30 September	
	2014	2013	**2014**	2013
	AED'000	AED'000	**AED'000**	AED'000
Profit for the period	**119,973**	118,544	**272,274**	262,689
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss				
Net change in fair value of financial assets measured at FVTOCI	**21,955**	22,948	**(12,690)**	46,239
Charity donations appropriated during the period	**-**	-	**(2,500)**	(2,500)
Directors' remuneration paid during the period	**-**	-	**(10,585)**	(10,587)
Other comprehensive income/(loss) for the period	**21,955**	22,948	**(25,775)**	33,152
Total comprehensive income for the period	**141,928**	141,492	**246,499**	295,841
Attributable to:				
Owners of the parent	**139,573**	140,032	**240,334**	287,972
Non-controlling interests	**2,355**	1,460	**6,165**	7,869
Total comprehensive income for the period	**141,928**	141,492	**246,499**	295,841

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

Bank of Sharjah P.S.C.

Condensed consolidated statement of changes in equity for the nine months period ended 30 September 2014

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Contingency reserve AED'000	General reserve AED'000	Investment fair value reserve AED'000	Retained earnings AED'000	Attributable to owners of the parent AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2013 (audited)	2,100,000	(327,792)	1,085,357	378,738	62,565	106,134	519,305	3,924,307	257,742	4,182,049
Profit for the period	-	-	-	-	-	-	254,202	254,202	8,487	262,689
Other comprehensive income/(loss)	-	-	-	-	-	46,240	(12,470)	33,770	(618)	33,152
Total comprehensive income for the period	-	-	-	-	-	46,240	241,732	287,972	7,869	295,841
Transfer to reserves	-	-	-	-	30,434	-	(30,434)	-	-	-
Dividends (Note 17)	-	-	-	-	-	-	(193,500)	(193,500)	(7,713)	(201,213)
Allocation to non-controlling interest [Note 6(a)]	-	-	-	-	-	-	(11,147)	(11,147)	11,147	-
Acquisition subsidiaries [Note 6(a) & 13]	-	-	-	-	-	-	(2,115)	(2,115)	(71,353)	(73,468)
Balance at 30 September 2013 (unaudited)	**2,100,000**	**(327,792)**	**1,085,357**	**378,738**	**92,999**	**152,374**	**523,841**	**4,005,517**	**197,692**	**4,203,209**
Balance at 1 January 2014 (audited)	2,100,000	(327,792)	1,085,357	413,126	92,999	199,347	579,129	4,142,166	210,455	4,352,621
Profit for the period	-	-	-	-	-	-	265,492	265,492	6,782	272,274
Other comprehensive loss	-	-	-	-	-	(12,690)	(12,468)	(25,158)	(617)	(25,775)
Total comprehensive income for the period	-	-	-	-	-	(12,690)	253,024	240,334	6,165	246,499
Shares released from treasury (Note 17)	-	119,197	-	-	-	-	(119,197)	-	-	-
Transfer to/ (from) reserves (Note 17)	-	-	(35,357)	36,874	7,001	-	(8,518)	-	-	-
Dividends (Note 17)	-	-	-	-	-	-	(176,395)	(176,395)	(2,938)	(179,333)
Balance at 30 September 2014 (unaudited)	**2,100,000**	**(208,595)**	**1,050,000**	**450,000**	**100,000**	**186,657**	**528,043**	**4,206,105**	**213,682**	**4,419,787**

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

Condensed consolidated statement of cash flows (unaudited)
for the nine months period ended 30 September 2014

	Nine months period ended 30 September	
	2014	2013
	AED'000	AED'000
OPERATING ACTIVITIES		
Profit for the period	**272,274**	262,689
Adjustments for:		
Depreciation of property and equipment	**13,105**	16,112
Amortisation of other intangibles	**5,838**	5,838
Amortisation of premium and discount on receivables, investments	**494**	1,833
(Gain)/loss on disposal of property and equipment	**(595)**	28
Fair value loss/(gain) on trading investments and derivatives	**22,070**	(29,131)
Fair value gain on investment property	**(7,905)**	(6,180)
Allowance for doubtful loans and advances	**48,768**	140,266
Payment of directors' remuneration and charity donation	**(13,085)**	(13,087)
Dividends income	**(8,849)**	(67,767)
Operating profit before changes in working capital	**332,115**	310,601
Increase in deposits and due from banks maturity more than three months	**(331,112)**	(593,254)
Increase in statutory reserves with Central Banks	**(20,779)**	(51,932)
Increase in loans and advances	**(733,875)**	(866,011)
Decrease/(increase) in other assets	**23,859**	(24,904)
(Decrease)/ increase in customers' deposits	**(1,345,155)**	1,349,254
Increase in other liabilities	**253,112**	187,200
Net cash (used in)/generated from operating activities	**(1,821,835)**	310,954
INVESTING ACTIVITIES		
Purchases of property and equipment and other intangibles	**(18,373)**	(2,286)
Proceeds from disposal of property and equipment	**651**	26
Proceeds from disposal of investments	**88,173**	235,267
Purchase of investments	**(142,024)**	(28,063)
Acquisition of non-controlling interest of a subsidiary [Note 6(a)]	**-**	(73,696)
Dividends received	**8,849**	67,767
Net cash (used in)/ generated from investing activities	**(62,724)**	199,015
FINANCING ACTIVITIES		
Dividends paid	**(179,333)**	(201,213)
Net movement in syndicated loan	**-**	238,745
Net cash (used in)/ generated from financing activities	**(179,333)**	37,532
(Decrease)/ increase in cash and cash equivalents	**(2,063,892)**	547,501
Cash and cash equivalents at the beginning of the period	**5,589,090**	4,373,539
Cash and cash equivalents at the end of the period (Note 20)	**3,525,198**	4,921,040
Non-cash transaction		
Subsidiaries acquired exclusively with a view to resale (Note 13)	**-**	200,000

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014

1. General information

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

The Bank's registered office is located at Al 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 the City of Al Ain.

2. Basis of preparation

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

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013. In addition, results for the period from 1 January 2014 to 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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

3.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

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

- IFRIC 21 *Levies.* The Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that gives rise to the payment of the levy occurs.

- Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.

- Amendments to IAS 36 - *Recoverable amount disclosures*
  The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

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

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

- Amendments to IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* - Guidance on Investment Entities

  On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead of requiring the use of the fair value to measure those investments.

  The application of amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

3.2 New and revised IFRSs is in issue but not yet effective

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
• Amendments to IFRS 2 *Share based Payment* relating to definition of 'vesting condition'. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IFRS 3 *Business Combination* relating to contingent consideration and scope exception for joint ventures. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: changes in methods of disposal	1 January 2016
• Amendments to IFRS 8 *Operating Segments* relating to aggregation of segments, reconciliation of segment assets. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• IFRS 7 *Financial Instruments*: Amended by Improvements to IFRSs 2014 (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements)	1 January 2016
• IFRS 10 *Consolidated Financial Statements*: Amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016

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

3.2 New and revised IFRSs is in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 13 *Fair Value Measurement* relating to scope of the portfolio exception in paragraph 52. The amendment was part of Annual Improvements Cycle 2011-2013.	1 July 2014
• IFRS 15 - *Revenue from Contracts with Customers*	1 January 2017
• Amendments to IAS 16 *Property, Plant and Equipment* relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IAS 19 *Employee Benefits* - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014
• Amendments to IAS 24 *Related Party Disclosures* relating to management entities. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• IAS 28 *Investments in Associates and Joint Ventures (2011):* Amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation	1 January 2016
• IAS 34 *Interim Financial Reporting*: Amended by Improvements to IFRSs 2014 (disclosure of information 'elsewhere in the interim financial report')	1 January 2016

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

3.2 New and revised IFRSs is in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 38 *Intangible Assets* relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IAS 40 *Investment Property* relating to interrelationship between IFRS 3 and IAS 40. The amendment was part of Annual Improvements Cycle 2011-2013.	1 July 2014

Management is reviewing the impact of these new standards, interpretations and amendments that will be adopted in the Groups condensed consolidated financial statements for the period of initial application.

4. Judgments and estimates

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

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2013.

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 2013.

6. Summary of significant accounting policies

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

a) Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank. Control is achieved where the Bank has the power 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 interim condensed consolidated financial statements comprise the financial statements of the Bank and of the following subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

6. Summary of significant accounting policies (continued)

a) 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 owners of the Parent.

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

Name of Subsidiary	Proportion of ownership interest		Year of incorporation	Country of incorporation	Principal activities
	2014	2013			
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 (Note 13)	**100%**	100%	2011	U.A.E.	Investment & Real estate development activities

During 2013, the Bank increased its shareholding in Emirates Lebanon Bank S.A.L. by acquiring the shares of a non-controlling interest. This transaction increased the Bank's equity in Emirates Lebanon Bank S.A.L. to 80% and the difference between the fair value and the carrying amount of non-controlling interest acquired was recognised in retained earnings. The consideration paid to acquire the non-controlling interest was AED 73.7 million and carrying amount of the acquired shares is AED 71.6 million, the difference between the consideration paid and the carrying amount of the acquired shares amounting to AED 2.1 million was recognised directly in retained earnings. Additionally, as a result of this transaction, a further AED 11.1 million was reallocated from retained earnings of the Group to non-controlling interests.

b) Investment property

Investment properties are held to earn rental income and/or capital appreciation. Investment property includes cost of initial purchase, developments transferred from property under development, subsequent cost of development and fair value adjustments. Investment property is reflected at fair value at the condensed consolidated statement of financial position date. The fair 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, regardless of whether the price is directly observable or estimated using another valuation technique. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the condensed consolidated income statement in the period in which these gains or losses arise.

6. Summary of significant accounting policies (continued)

c) Non-current assets held for sale

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

7. Seasonality of results

No income of a seasonal nature was recorded in the condensed consolidated income statement for the nine months period ended 30 September 2014 and 2013.

8. Cash and balances with central banks

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Cash on hand	**74,236**	71,619
Statutory reserves	**1,041,898**	1,021,119
Current accounts	**153,164**	636,428
Certificates of deposits	**2,160,186**	1,671,079
	3,429,484	3,400,245

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Banks abroad	**1,485,031**	1,278,978
Banks in the U.A.E.	**1,944,453**	2,121,267
	3,429,484	3,400,245

The statutory reserves with the central banks are not available to finance the day-to-day operations of the Group. However, as per notice 4310/2008, the Central Bank of the U.A.E. has allowed banks to borrow up to 100% of their AED and US$ reserve requirement limit. As at 30 September 2014, the statutory deposit with the Central Bank of the U.A.E. amounted to AED 468 million (31 December 2013: AED 468 million).

9. Deposits and balances due from banks

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Demand	**809,343**	1,007,809
Time	**1,897,690**	3,103,421
	2,707,033	4,111,230

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Banks abroad	**867,469**	1,283,272
Banks in the U.A.E.	**1,839,564**	2,827,958
	2,707,033	4,111,230

10. Loans and advances, net

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Overdrafts	**8,558,261**	7,308,166
Commercial loans	**5,217,607**	5,789,356
Bills receivable	**470,507**	538,530
Other advances	**887,298**	720,364
	15,133,673	14,356,416
Less: Allowance for doubtful loans and advances	**(1,058,543)**	(1,011,629)
Less: Interest in suspense	**(255,274)**	(210,038)
	13,819,856	13,134,749

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014 (continued)

10. Loans and advances, net (continued)

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Loans and advances in the U.A.E.	**12,637,675**	11,930,557
Loans and advances outside the U.A.E.	**2,495,998**	2,425,859
	15,133,673	14,356,416

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Balance at the beginning of the period/year	**1,011,629**	844,053
Additions/(reversal) through credit extension premium	**33,691**	(10,328)
Net movement during the period/year	**13,223**	177,904
Balance at the end of the period/year	**1,058,543**	1,011,629

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014 (continued)

11. Other financial assets

Other financial assets of the Group are as follows:

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Other financial assets measured at fair value		
(i) Investments measured at FVTPL		
Quoted equities	**13,800**	3,115
Unquoted debt securities	**69,564**	87,636
	83,364	90,751
(ii) Investments carried at FVTOCI		
Quoted equities	**137,128**	149,818
Unquoted equities	**976,750**	976,761
	1,113,878	1,126,579
Total other financial assets measured at fair value	**1,197,242**	1,217,330
Other financial assets measured at amortized cost		
Debt securities	**578,330**	539,645
Total other financial assets	**1,775,572**	1,756,975

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
United Arab Emirates	**259,656**	276,692
G.C.C. countries (other than U.A.E.)	**5,874**	5,800
Middle East (other than G.C.C. countries)	**1,509,912**	1,474,342
Europe	**130**	141
	1,775,572	1,756,975

12. Other assets

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Acceptances - contra	**1,342,350**	1,147,850
Assets acquired in settlement of debt *	**16,390**	277,324
Interest receivable	**10,564**	4,904
Prepayments	**10,944**	31,112
Other	**100,498**	43,415
	1,480,746	1,504,605

* During the year, Bank of Sharjah sold assets acquired in settlement of debt with the net book value of AED 261 million; the proceeds of the transaction were AED 266 million.

13. Non-current assets classified as held for sale

During 2013, Borealis Gulf FZC a wholly owned subsidiary of the Bank, acquired with the view of reselling an 80% equity interest in Pragma Lounge Limited and Red Zone Limited, Jebel Ali Free Zone entities. The entities are in the facilities management business and the assets and associated liabilities from this acquisition transaction have been classified as held for sale and the profit or loss are disclosed separately in the condensed consolidated income statement as from discontinued operations. Management has the intention and expects to complete the sale of the business within twelve months from the classification date. The consideration was settled by an offset to the seller's financing facilities with the Group.

14. Customers' deposits

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Current and other accounts	**3,945,447**	4,707,501
Saving accounts	**1,593,462**	1,577,749
Time deposits	**11,490,002**	12,088,816
	17,028,911	18,374,066

15. Deposits and balances due to banks

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Demand	**47,591**	25,289
Time	**386,788**	72,047
	434,379	97,336
Due to banks represent due to:		
Banks in the U.A.E.	**166,069**	624
Banks outside the U.A.E.	**268,310**	96,712
	434,379	97,336

16. Syndicated loan

On 8 July 2013, the Bank signed a USD 200 million (AED 735 million) syndicated term loan facility. The purpose of the facility is to finance general corporate activities. The facility has a tenor of two years and is payable at maturity. The facility carries an interest rate of LIBOR plus a margin of 125 basis points which is payable on a quarterly basis. The drawdown on the facility was 18 August 2013.

17. Dividends and treasury shares

Dividends

At the Annual General Meeting of the shareholders held on 15 March 2014, the shareholders approved a cash dividend of AED 0.09 per outstanding share (2013: cash dividend of AED 0.10 per outstanding share). They also approved a share dividend of 60 million shares out of the treasury shares held by the bank representing 2.86% of the issued shares with an average total cost of AED 119 million (2013: nil). The shareholders also approved Directors' remuneration of AED 7.5 million (2013: AED 7.5 million) and charitable donations of AED 2.5 million (2013: AED 2.5 million). In addition, the shareholders also approved the transfer of AED 35.3 million (2013: nil) being the excess in statutory reserve to the contingency reserve as well as the appropriation of AED 1.5 million to contingency reserves (2013: nil) and a further AED 7 million into general reserves from retained earnings (2013: AED 23.3 million. An additional AED 7.1 million was allocated to the general reserve at the subsidiary level "Emirates Lebanon Bank S.A.L.").

At the Annual General Meeting held on 11 April 2014 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 14.7 million (2013: cash dividend of AED 29.4 million) out of which the non-controlling interest share amounted to AED 2.9 million (2013: AED 7.7 million). In addition to the above, an amount of AED 3.1 million was paid as Directors' remuneration (2013: AED 3.1 million).

Treasury shares

As mentioned above, during the period, 60 million shares were released from the treasury shares as share dividend and as such the number of shares held as treasury shares as at 30 September 2014 is 105 million shares (31 December 2013: 165 million shares) and the market value of those shares is AED 189 million (31 December 2013: AED 295 million).

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014 (continued)

18. Earnings per share

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

	Three months period ended 30 September		**Nine months period ended 30 September**	
	2014 (unaudited)	2013 (unaudited)	**2014 (unaudited)**	2013 (unaudited)
Basic earnings per share				
Profit attributable to owners of the parent for the period (AED'000)	**117,618**	117,084	**265,492**	254,202
Charity donations (AED'000)	-	-	**(2,500)**	(2,500)
Directors remunerations (AED'000)	-	-	**(9,968)**	(9,970)
	117,618	117,084	**253,024**	241,732
Weighted average number of shares outstanding during the period (in thousands)	**1,995,000**	1,995,000	**1,995,000**	1,995,000
Basic earnings per share (AED)	**AED 0.059**	AED 0.059	**AED 0.127**	AED 0.121

As at 30 September 2014 and 30 September 2013, there were no potential dilutive shares outstanding.

The weighted average number of ordinary shares in issue throughout the periods ended 30 September 2013 and 2014 has been adjusted to reflect the bonus shares issued during the period ended 30 September 2014.

19. Commitments and contingent liabilities

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Financial guarantees for loans	**950,522**	1,536,694
Other guarantees	**2,035,102**	1,610,725
Letters of credit	**1,241,235**	1,385,260
Capital commitments	**45,311**	69,311
	4,272,170	4,601,990
Irrevocable commitments to extend credit	**1,118,995**	1,241,853
	5,391,165	5,843,843

20. Cash and cash equivalents

	30 September 2014 AED'000 (unaudited)	30 September 2013 AED'000 (unaudited)
Cash and balances with Central Banks (Note 8)	**3,429,484**	4,269,243
Deposits and balances due from banks (Note 9)	**2,707,033**	3,099,575
Deposits and balances due to banks (Note 15)	**(434,379)**	(156,976)
	5,702,138	7,211,842
Less: Deposits and balances due from banks - maturity more than three months	**(1,135,042)**	(1,301,678)
Less: Statutory reserves with central banks (Note 8)	**(1,041,898)**	(989,124)
	3,525,198	4,921,040

21. Fiduciary assets

As at 30 September 2014, the Group holds investments at fair value amounting to AED 0.84 billion (31 December 2013: at fair value AED 0.80 billion) which are held in custody on behalf of customers and therefore are not treated as assets in the condensed consolidated statement of financial position.

22. Related party transactions

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

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

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

	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Loans and advances	**2,471,812**	2,470,411
Deposits	**310,657**	313,977
Letters of credit, guarantees and acceptances	**680,665**	1,041,446

As at 30 September 2014, entities related to one of the directors accounted for 77% (31 December 2013: 56%) of the total aforementioned loans and advances, 16% (31 December 2013: 33%) of the total aforementioned deposits, 82% (31 December 2013: 95%) of the total aforementioned letters of credit, guarantees and acceptances.

22. Related party transactions (continued)

	Nine months period ended 30 September	
	2014	2013
	AED'000	AED'000
	(unaudited)	(unaudited)
Interest income	**117,648**	131,391
Interest expense	**6,383**	5,818
Directors fees	**10,585**	10,587

23. Segmental information

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

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

(i) Commercial Banking, which principally provides loans and other credit facilities, deposits and current accounts for corporate, government, institutional and individual customers; and

(ii) Investment Banking, which involves the management of the Group's investment portfolio.

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

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 2014 (unaudited):				
Segment assets	**21,774,760**	**2,106,757**	**403,697**	**24,285,214**
Segment liabilities	**18,825,196**	**734,600**	**305,631**	**19,865,427**
31 December 2013 (audited):				
Segment assets	22,275,406	2,060,653	636,449	24,972,508
Segment liabilities	19,638,267	734,600	247,020	20,619,887

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014 (continued)

23. Segmental information (continued)

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

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

23. Segmental information (continued)

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

	Commercial Banking AED'000	Investment Banking AED'000	Unallocated AED'000	Total AED'000
Revenue from external customers				
Net interest income	336,022	20,610	-	356,632
Net fee and commission income	93,861	-	-	93,861
Exchange profit	17,592	-	-	17,592
Investment income	-	99,942	-	99,942
Other income	19,303	-	-	19,303
Gain on investment property revaluation	-	6,180	-	6,180
Operating income	466,778	126,732	-	593,510
Expenses				
Net impairment charge on financial assets	(140,266)	-	-	(140,266)
Depreciation of property and equipment	-	-	(16,112)	(16,112)
General and administrative expenses	(134,004)	(23,648)	-	(157,652)
Amortization of other intangible assets	(5,838)	-	-	(5,838)
Income tax	-	-	(7,451)	(7,451)
Profit for the period from continuing operations after taxes	**186,670**	**103,084**	**(23,563)**	**266,191**
Loss for the period from discontinued operations	-	(3,502)	-	(3,502)
Profit for the period	186,670	99,582	(23,563)	262,689

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (30 September 2013: 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 2013.

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

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

- All liabilities are allocated to reportable segments except for certain amounts included in other liabilities.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014 (continued)

23. Segmental information (continued)

Geographical information

The Group operates in two principal geographical areas - United Arab Emirates (country of domicile) and Lebanon (referred to as 'foreign').

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

2014	**Country of domicile AED'000**	**Foreign AED'000**	**Total AED'000**
Operating income (from external customers) for the nine months period ended 30 September 2014 (unaudited)	**398,127**	**101,143**	**499,270**
Non-current assets as at 30 September 2014 (unaudited)	**673,496**	**305,353**	**978,849**
2013			
Operating income (from external customers) for the nine months period ended 30 September 2013 (unaudited)	482,435	111,075	593,510
Non-current assets as at 30 September 2013 (unaudited)	917,205	294,174	1,211,379

24. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments held at fair value through profit and loss

Investments held at fair value through profit and loss represent investment in securities that present the Group with opportunity for returns through dividend income, trading gains and capital appreciation. Included in these investments, listed equity securities for which the fair values are based on quoted prices at close of business as at 30 September 2014, and unlisted bonds for which the fair values are derived from internal valuation performed based on generally accepted pricing models, all inputs used for the valuation are supposed by observable market prices or rates.

Unquoted investments held at fair value through other comprehensive income

The condensed consolidated financial statements include holdings in unquoted securities amounting to AED 977 million (2013: AED 977 million) which are measured at fair value. Fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and capitalisation of sustainable earnings basis or comparable ratios depending on the investment and industry. The valuation model includes some assumptions that are not supported by observable market prices or rates.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014 (continued)

24. Fair value of financial instruments (continued)

Unquoted investments held at fair value through other comprehensive income (continued)

For determining the fair value of those investments that are valued using the discounted cash flow analysis, a long term earnings growth factor of 2% and risk adjusted discount or capitalisation rates in the range of 14% to 20% were used. If the long term earnings growth factor was 100 basis points higher/lower while all other variables were held constant, then the carrying amount of the shares would increase/decrease by AED 2.4 million (30 September 2013: AED 2.9 million). Similarly, if the risk adjusted discount or capitalisation rates were 100 basis points higher/lower while all other variables were held constant, then the fair value of the securities would decrease/increase by AED 5.2 million (30 September 2013: AED 6.2 million).

For investments valued using comparable ratios, share prices of comparable companies represent significant inputs to the valuation model. If the share prices of the comparable companies were 5% higher/lower while all other variables were held constant, then the fair value of the securities would increase/decrease by AED 38 million (30 September 2013: AED 54 million).

Fair value of financial assets carried at amortised cost

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

	30 September 2014		31 December 2013	
	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	**578,330**	**566,551**	539,645	547,583
	========	========	========	========

The fair value for other financial assets measured at amortised cost is based on market prices (level 2).

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2014 (continued)

24. Fair value of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 September 2014 (unaudited)				
Other financial assets measured at fair value				
Investment measured at FVTPL				
-Quoted equities	**13,800**	**-**	**-**	**13,800**
-Unquoted debt securities	**-**	**69,564**	**-**	**69,564**
Investments carried at FVTOCI				
Quoted equities	**137,128**	**-**	**-**	**137,128**
Unquoted equities	**-**	**-**	**976,750**	**976,750**
Total	**150,928**	**69,564**	**976,750**	**1,197,242**
Other assets /liabilities				
Positive fair value of derivatives	**-**	**35**	**-**	**35**
At 31 December 2013 (audited)				
Other financial assets measured at fair value				
Investment measured at FVTPL				
-Quoted equities	3,115	-	-	3,115
-Unquoted debt securities	-	87,636	-	87,636
Investments carried at FVTOCI				
Quoted equities	149,818	-	-	149,818
Unquoted equities	-	-	976,761	976,761
Total	152,933	87,636	976,761	1,217,330
Other assets /liabilities				
Negative fair value of derivatives	-	(93)	-	(93)

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

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

	2014 AED'000 (unaudited)	2013 AED'000 (audited)
Opening balance	**976,761**	952,553
Additions	**-**	7,910
Gain recognised in other comprehensive income	**-**	16,298
Revaluation loss	**(11)**	-
Closing balance	**976,750**	976,761

25. Capital adequacy

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

	Basel II	
	30 September 2014 AED'000 (unaudited)	31 December 2013 AED'000 (audited)
Capital base		
Tier 1 capital	**3,989,163**	3,903,472
Tier 2 capital	**317,543**	326,596
Total capital base	**4,306,706**	4,230,068
Risk-weighted assets:		
Credit risk	**17,799,182**	18,058,801
Market risk	**133,755**	5,448
Operational risk	**1,330,993**	886,973
Total risk-weighted assets	**19,263,930**	18,951,222
Capital adequacy ratio	**22.36%**	22.32%

26. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on 26 October 2014.