SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
31 MARCH 2021

SHARJAH ISLAMIC BANK PJSC

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK PJSC ("the Bank") and its subsidiaries (together referred as the "Group") for the three month period ended 31 March 2021.

Financial highlights

The Group has reported a profit of AED 164.2 million for the three-month period ended 31 March 2021 compared to AED 153.7 million for the corresponding prior period, an increase of 6.8%.

Compared to 31 December 2020, total assets increased by AED 1.3 billion to reach AED 54.9 billion, an increase of 2.5%. Investments in Islamic financing increased slightly by 0.2% (AED 58.2 million) to reach AED 29.3 billion, however, customer deposits experienced a growth of 5.6% (AED 1.9 billion) to reach AED 35.5 billion. Shareholders' equity decreased by 2%, to reach AED 7.5 billion after 8% of cash dividend payment for the year ended 31 December 2020.

Abdul Rahman Mohammed Nasser Al Owais
Chairman
15 April 2021

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021
(Currency: Thousands of U.A.E Dirhams)

	Notes	**31 March 2021 Un-audited**	**31 December 2020 Audited**
Assets			
Cash and balances with banks and financial institutions	*6*	**3,302,660**	3,391,498
Murabaha and wakalah with financial institutions	*7*	**9,509,142**	7,831,780
Investment securities	*8*	**7,288,935**	7,747,406
Investment in Islamic financing	*9*	**29,326,735**	29,268,559
Investment properties		**2,961,129**	2,886,044
Properties held-for-sale		**686,258**	653,083
Other assets		**922,253**	897,361
Property and equipment	*10*	**921,891**	925,022
Total assets		**54,919,003**	**53,600,753**
Liabilities and shareholders' equity			
Liabilities			
Customer deposits	*11*	**35,475,628**	33,608,308
Due to banks		**5,474,544**	5,973,063
Sukuk payable	*12*	**5,501,733**	5,500,746
Other liabilities	*13*	**921,469**	806,856
Zakat payable		**53,391**	66,422
Total liabilities		**47,426,765**	**45,955,395**
Shareholders' equity			
Share capital	*14*	**3,081,598**	3,081,598
Tier 1 sukuk		**1,836,500**	1,836,500
Legal reserve		**1,508,508**	1,508,508
Statutory reserve		**89,008**	89,008
General impairment reserve		**113,021**	112,371
Fair value reserve		**25,410**	44,380
Retained earnings		**838,193**	972,993
Total shareholders' equity		**7,492,238**	**7,645,358**
Total liabilities and shareholders' equity		**54,919,003**	**53,600,753**

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 15 April 2021.

Abdul Rahman Mohammed Nasser Al Owais
Chairman

Mohammed Ahmed Abdullah
Chief Executive Officer

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021
(Currency: Thousands of U.A.E. Dirhams)

	Three month period ended 31 March	
	2021 Un-audited	**2020 Un-audited**
Income from investment in Islamic financing and sukuks	**418,720**	423,877
Distribution to depositors and Sukuk holders	**(155,564)**	(200,125)
Net income from financing and investment products	**263,156**	**223,752**
Investment, fees, commission and other income	**80,453**	78,428
Total operating income	**343,609**	**302,180**
General and administration expenses	**(131,408)**	(134,976)
Net operating income before impairment provisions	**212,201**	**167,204**
Impairment on financial assets – net of recoveries	**(48,024)**	(13,544)
Profit for the period	**164,177**	**153,660**
(Attributable to the shareholders of the Bank)		
Basic and diluted earnings per share (U.A.E. Dirhams)	**0.05**	**0.05**

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021
(Currency: Thousands of U.A.E. Dirhams)

	Three month period ended 31 March	
	2021 Un-audited	**2020 Un-audited**
Profit for the period	**164,177**	**153,660**
Other comprehensive income		
Items that will be reclassified to profit or loss		
Net change in fair value reserve on sukuk investments classified at FVTOCI	**(12,893)**	**(51,146)**
Items that will not be reclassified to profit or loss		
Net change in fair value reserve on equity investments classified at FVTOCI	**(6,554)**	**(17,691)**
Total comprehensive income for the period	**144,253**	**84,823**
(Attributable to the shareholders of the Bank)		

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021
(Currency: Thousands of U.A.E. Dirhams)

		Three month period ended 31 March 2021 Un-audited	Three month period ended 31 March 2020 Un-audited
Cash flows from operating activities			
Profit for the period		**164,177**	153,660
Adjustments for:			
- Depreciation		**11,915**	10,895
- Gain / (loss) on sale of property and equipment		**(31)**	-
- Amortisation of sukuk issuance costs		**987**	840
- Provision charge on investment in Islamic financing		**50,111**	13,021
- Provision charge on investment securities		**(2,080)**	162
- Provision charge on subsidiaries		**(7)**	361
- Revaluation on investment securities		**6,199**	(997)
- Gain on sale of properties held for sale		**(1,313)**	(1,253)
- Gain on sale of investment properties		**(1,446)**	-
- Gain on disposal of investment securities		**(202)**	(1,791)
Operating profit before changes in operating assets and liabilities		**228,310**	**174,898**
Changes in:			
- Reserve with UAE Central Bank		**(121,680)**	58,625
- Murabaha and wakalah with financial institutions		**(256,480)**	873,739
- Investments in Islamic financing		**(108,280)**	(3,086,412)
- Other assets		**(24,892)**	91,152
- Customer deposits		**1,867,320**	4,178,875
- Due to banks		**(535,884)**	1,489,118
- Zakat payable		**(13,031)**	(57,123)
- Other liabilities		**109,203**	7,185
Net cash generated from operating activities		**1,144,586**	**3,730,057**
Cash flows from investing activities			
Acquisition of properties and equipment		**-**	(17,065)
Disposal of properties and equipment		**(8,753)**	-
Acquisition of investment properties		**(27,880)**	(48,596)
Disposal of investment properties		**23,657**	-
Acquisition of properties held-for-sale		**(129,334)**	(14,797)
Disposal of properties held-for-sale		**28,057**	9,230
Acquisition of investment securities		**(146)**	(731,089)
Disposal / redemption of investment securities		**435,254**	189,589
Net cash generated from / (used in) investing activities		**320,855**	**(612,728)**
Cash flows from financing activities			
Repayment of sukuk		**-**	(1,836,500)
Profit paid on tier 1 sukuk		**(45,913)**	(45,913)
Cash dividend		**(246,528)**	(146,743)
Net cash used in from financing activities		**(292,441)**	**(2,029,156)**
Net increase in cash and cash equivalents		**1,173,000**	1,088,173
Cash and cash equivalents at the beginning of the period		**6,426,493**	4,781,727
Cash and cash equivalents at the end of the period	**(*Note 21*)**	**7,599,493**	**5,869,900**

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

(Currency: Thousands of U.A.E. Dirhams)

							ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK	
	Share capital	**Tier 1 sukuk**	**Legal reserve**	**Statutory reserve**	**General impairment reserve**	**Fair value reserve**	**Retained earnings**	**Total shareholders' equity**
As at 1 January 2020 (Audited)	**2,934,855**	**1,836,500**	**1,467,428**	**89,008**	**132,745**	**23,390**	**1,045,261**	**7,529,187**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	153,660	**153,660**
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	(68,577)	-	**(68,577)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(68,577)**	**153,660**	**85,083**
Transactions recorded directly in equity								
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	260	(260)	-
Transfer to general impairment reserve	-	-	-	-	55,469	-	(55,469)	-
Bonus issue	146,743	-	-	-	-	-	(146,743)	-
Dividends declared	-	-	-	-	-	-	(146,743)	**(146,743)**
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,913)	**(45,913)**
Board of directors' fees	-	-	-	-	-	-	(5,411)	**(5,411)**
Total	**146,743**	**-**	**-**	**-**	**55,469**	**260**	**(400,539)**	**198,067**
As at 31 March 2020 (Un-audited)	**3,081,598**	**1,836,500**	**1,467,428**	**89,008**	**188,214**	**(44,927)**	**798,382**	**7,416,203**
As at 1 January 2021 (Audited)	**3,081,598**	**1,836,500**	**1,508,508**	**89,008**	**112,371**	**44,380**	**972,993**	**7,645,358**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	**164,177**	**164,177**
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	**(19,447)**	-	**(19,447)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(19,447)**	**164,177**	**144,730**
Transactions recorded directly in equity								
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	**477**	**(477)**	-
Cash dividends	-	-	-	-	-	-	**(246,528)**	**(246,528)**
Transfer to general impairment reserve	-	-	-	-	**650**	-	**(650)**	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	**(45,912)**	**(45,912)**
Board of directors' fees	-	-	-	-	-	-	**(5,410)**	**(5,410)**
Total	**-**	**-**	**-**	**-**	**650**	**477**	**(298,977)**	**(297,850)**
As at 31 March 2021 (Un-audited)	**3,081,598**	**1,836,500**	**1,508,508**	**89,008**	**113,021**	**25,410**	**838,193**	**7,492,238**

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the "Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulations of the UAE Central Bank, which are carried out through its 34 branches (2020: 34 branches) established in the United Arab Emirates.

At an extraordinary shareholder's meeting held on 18 March 2001, a resolution was passed to transform the Bank's activities to be in full compliance with Islamic Shari'a rules and principles. The entire process was completed on 31 March 2002 ("the transformation date"). As a result the Bank transformed its conventional banking products into Islamic banking products during the Three month period ended 31 March 2002 after negotiation and agreement with its customers.

The condensed consolidated interim financial statements of the Group comprise the Bank and its fully owned subsidiaries incorporated in the United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS) and ASAS Real Estate as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited, (all together referred to as "the Group"). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank's Sukuk program.

The registered office of the Bank is Post Box No.4, Sharjah, United Arab Emirates.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Selected explanatory notes, particularly in relation to the adoption of IFRS 16, are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2020. These condensed consolidated interim financial statements do not include all of the information required for a full set of annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended 31 December 2020.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the following material items in the condensed consolidated interim statement of financial position:

- financial assets at fair value through profit or loss (FVTPL);
- financial assets at fair value through other comprehensive income (FVTOCI); and
- investment properties at fair value.

2. Basis of preparation (continued)

c) Functional and reporting currency

These condensed consolidated interim financial statements have been prepared in UAE Dirhams (AED), which is the Group’s functional and presentation currency. All information presented in AED has been rounded to the nearest thousands, except when otherwise stated.

3. Summary of significant accounting policies

The accounting policies applied by the Group in preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2020.

4. Key accounting estimates and judgments

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

In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2020, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below:

Impact of COVID-19

On 11 March 2020, the World Health Organisation ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. This note describes the impact of the outbreak on the Bank's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2021.

i) Credit risk management

In response to the COVID-19 outbreak, the Bank's Risk management division identified the vulnerable sectors that are significantly impacted by this stressed situation, and reviews are being conducted on a more frequent basis. The existing corporate credit lines are being reviewed and the utilization is being closely monitored. The Bank enjoys a well-diversified financing portfolio where Government and Government related entities (GRE) represent more than 34% (31 December 2020: 34%).

The Bank has been extra vigilant in underwriting to companies in the vulnerable sectors, especially for any New-to-Bank customers. Extra measures, such as requiring additional approvals for disbursals of facilities have been implemented to ensure a high level of scrutiny over the credit management process. The Bank is conducting frequent reviews of the Loan to Value ("LTV") ratios on the securities held against facilities, specifically securities which are illiquid in nature. Moreover, the management has reviewed all of its credit lending policies to address the current increasing economic risk for different sectors.

In addition to the above and as explained in note 4 (ii) liquidity risk management, as required by the Joint Guidance issued in April 2021 for clients benefitting from payment deferrals, the Bank has considered the following principles for the classification of the customers into Group 1 and Group 2":

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

i) Credit risk management (continued)

Group 1: clients that are temporality and mildly impacted by the Covid-19 crisis:

For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These clients are expected to face liquidity constraints without substantial changes in their creditworthiness.

For these clients, the Bank holds the view that, despite being subject to payment deferrals, there is insufficient deterioration in credit quality to trigger a stage migration. These clients will remain in their current stage, at least for the duration of the crisis, or their distress, whichever is the shorter. For instance, this would apply to industries that are expected to rapidly return to normal business conditions as confinement policy decisions are over.

Group 2: clients that are expected to be significantly impacted by Covid-19 in the long term:

These are the clients whose businesses are directly impacted by COVID-19. These clients are expected to face changes in their creditworthiness beyond liquidity issues leading to deterioration in credit risk. Consequently, exposure from these clients is reported as stage 2.

Due to the possibility of later economic rebound, these clients are not expected to migrate to IFRS 9 stage 3 based on their financial performance during the period of the crisis. In exceptional circumstances, such stage 3 migration can be triggered by liquidation/ bankruptcy caused by non-financial events (such as fraud) or significant disruptions threatening the long-term sustainability of the clients' business model. Consequently, the Bank continues to monitor the creditworthiness of these clients, particularly indications of potential inability to pay any of their obligations as and when they become due.

As at 31 March 2021, the Bank has classified its clients awarded deferment into Group 1 and Group 2 (refer note 9.3).

ii) Use of estimates and judgements

The Group is constantly monitoring the current pandemic situation as it unfolds, noting that there is uncertain economic data available to accurately evaluate the impact of the outbreak on the UAE economy, and on the Bank's financial position as at 31 March 2021.

The Bank exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. Given the uncertainty and limited forward looking information, the Bank has taken the approach of implementing a judgmental overlay to the ECL model by changing its macroeconomic weightages. Going forward, the Bank will continue to monitor and evaluate the impact of the outbreak, and will consider adjusting its ECL model in subsequent reporting periods, if required**.**

Governance around IFRS 9 ECL models and calculations

Given the significant impact that the macro economic scenarios and weightages will have on the Bank's Expected Credit losses, the Bank has further strengthened its processes, controls and governance frameworks around macro economic forecasting and the computation of Expected Credit losses. The Bank's IFRS 9 Committee, which reports to the Executive Management, has primary responsibility for overseeing the Bank's ECL models. To ensure the ongoing integrity of ECL calculations during times of extreme uncertainty and volatility, the Bank's IFRS 9 Committee will be exercising oversight by conducting regular reviews of the portfolio. The committee will closely monitor the macro economic inputs applied to the IFRS 9 model at the bank and recommend changes required over the period in the light of relevant information received. The committee will continually assess the performance of the Bank's portfolio, ensuring that credit risk behaviors align with the significant increase in credit risk policy and that the staging criteria remain relevant.

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

ii) Use of estimates and judgements (continued)

Governance around IFRS 9 ECL models and calculations (continued)

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. While it is challenging to estimate the impact of COVID-19 on our ECL estimates as the situation is still evolving, it is expected to have a deep impact on the macro-economic environment. The Bank has assessed the impact of the crisis and used 0% weightage to the upward scenario as of 31 March 2021. Had adverse scenario been increased by another 10%, impairment loss allowance would increase by AED 29.3 million.

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The volatility caused by the current situation has been reflected through adjustment in the methods of forward looking scenario construction. These adjustments reflect the macroeconomic overlays as suggested in the Joint Guidance Note on IFRS 9 by CBUAE. The most significant period-end assumptions used for ECL estimate includes next 5-year average oil price ranging between US$ 26.6/barrel to US$ 70.6/barrel, equity price index growth volatility ranging between -27% to 20%, non-oil UAE GDP range falling 4% to rising 9% and UAE CPI index ranging 1% to 5%.

Judgement is also required in estimating EAD, particularly for Islamic financing commitments, including letters of credit and guarantee, and revolving credit facilities such as credit cards, where deterioration in the macro economic environment is generally accompanied by an increase in the volumes and duration of the drawdowns. Credit conversion factor used by the Bank for unutilized limits has been set at 20%, thus stressing EAD to current situation.

The COVID 19 related impact on LGD, the Bank has computed ECL using stressed BASEL LGD of 60% for real estate, construction and contracting and consumer home financing. Islamic financing to individuals' accounts for 10% of the total gross portfolio; ECL on which has been computed based on stressed LGD of as high as 91.9%.
Management will continually monitor how the economic conditions change over the next reporting period and will re- evaluate the adequacy of downside weight, and adverse effect, if any, will be accounted for.

iii) Liquidity risk management

The UAE Central Bank has announced AED 256 billion stimulus package in an attempt to combat the above effects of COVID-19 and ease the liquidity constraints in the UAE Banking Sector, by providing relief to the local economy.

The stimulus package includes the following:

- Launch of the Targeted Economic Support Scheme ('TESS'), which allows banks to grant temporary relief to certain customers in the way of deferring payments for up to 6 months, and allowing banks to apply for zero-cost funding from the Central Bank. The Zero cost facility ("ZCF") consists of collateralized CBUAE liquidity facilities provided to eligible counter parties under the TESS program. Funds borrowed by the Bank under the ZCF are priced at zero profit rate and the Bank is expected to pass on this zero-cost benefit, at a minimum, to its clients who have been identified to be eligible as per TESS guidelines;
- Granted an extension of the capital buffer relief to 31 December 2021 for banks participating in the TESS Program:
- Reduction of the reserve requirements by half for demand deposits for all banks, from 14% to 7%; and
- Planned implementation of certain Basel III capital requirements will be postponed to 30 June 2021.

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

iii) Liquidity risk management (continued)

The Group's management of liquidity risk is disclosed in note 4 (ii) (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2020. In response to the COVID 19 outbreak, the Bank is evaluating its liquidity and funding position and has taken into consideration all the reliefs provided by the Central Bank. Further, the Bank has taken the following actions to manage liquidity risks:

1) Monitoring the movements and composition of its deposits on a daily basis;
2) Monitoring the adherence to regulatory ratios, including eligible liquid assets ratio (ELAR) and lending to stable resources ratio (LSRR) on a daily basis. As of reporting date ELAR stands at 18.01%, well above the minimum requirement of 10% (without incentive from CBUAE) and 7% (after reduction in the requirement from CBUAE), whereas LSRR stands at 72.10% as against the maximum allowed of 100% by CBUAE.
3) Developing contingency plans and opening up new funding lines in the treasury and inter-bank markets of other GCC countries;
4) Developing stress testing scenarios to assess the impact on the Bank in extreme stress; and
5) Bank as of the reporting date holds sovereign marketable securities amounting AED 2.5 billion which can be utilised in case of extreme liquidity shortage, if required.

As at 31 March 2021, out of CBUAE's total funding program of AED 50 billion under ZCF, an amount of AED 825.8 million has been earmarked for the Bank, maturing on 31 December 2021. The Bank has pledged Islamic certificate of deposits of equivalent amount to CBUAE against ZCF. The benefit has been passed onto customers in the form of payment reliefs (installment deferrals). The Bank continues to accrue profit on payment deferrals provided to the ijara financing receivable customers and there will be no significant change to the present value of future cash flows due to these deferrals. Currently, the Bank is closely monitoring its liquidity position and risks arising due to the COVID-19 crisis.

iv) Fair value measurement of financial instruments

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 3 (b) (v) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2020.
Given the significant impact of the COVID-19 pandemic on the global financial markets, the bank is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

v) Investment properties

Based on management's assessment, the Bank has not identified any significant impact to the fair values of investment properties during the three month period ended 31 March 2021. As the situation continues to unfold, the Bank will consistently monitor the market and ensure that the prices used by the Bank are an accurate representation of fair value in accordance with the requirements of IFRS 13.

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

vi) Capital adequacy initiatives

The outreaching impact of COVID 19 is expected to impact the Bank's Risk Weightage Assets via higher charges arising from increased volatility and higher counter party risks. The implementation of the requirements of IFRS 9 Expected Credit Losses in a less favorable economic outlook is expected to increase the credit risk weights of financing and also increase provision allowances and hence impacts the Bank's strong capital adequacy, which currently stands at 20.74% (31 December 2020: 21.46%). The Bank expects CAR in an extreme stressed scenario to remain well above the UAE banking sector average and the baseline CBUAE BASEL III requirement of 13% including capital conservation buffer of 2.5%, 11.5%.

In order to relieve the pressure on financial institutions, the CBUAE, vide its official paper issued on 22 April 2020, has allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the expected volatility due to the COVID 19 crisis. The filter will allow Banks to partially add incremental ECL provisions back to their Tier 1 capital for the purpose of calculating capital adequacy ratios. Banks are however required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024). The CBUAE has also granted extension of the capital buffer relief to 31 December 2021 for banks enrolled in the TESS program.

The Bank's Risk Committee, in liaison with the Risk Management department is constantly monitoring the developments in relation to the outbreak and is continually monitoring the Bank's ability to maintain adequate capital levels at all times, in both existing and stressed scenarios.

vii) Business continuity plan

In light of current scenarios caused by COVID 19, the Bank has activated its business continuity policy (BCP). In light of the BCP, the Bank has established a system of a secured remote access management system with dual authentication access and functioning of its operations, IT systems and client's digital channels. For this purpose the Bank has designed standard operating procedures which are duly followed. The Bank also has appropriate cyber security architecture to support its commercial assets and customers without any interruption to business activities through its comprehensive digital channels. Moreover, the bank has engaged with a third party to review the security of the current working environment.

viii) Concentration analysis

Please refer to note 9 to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 31 March 2021.

5. Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2021, other than those disclosed in note 4 to these condensed consolidated interim financial statements.

a) Maximum exposure to credit risk

The table below is the maximum exposure to credit risk for the Group and is shown gross, before any mitigation of collateral.

	31 March 2021 (Un-audited)			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	**616,771**	**-**	**-**	**616,771**
Loss allowance	**(1)**	**-**	**-**	**(1)**
Carrying amount	**616,770**	**-**	**-**	**616,770**
Murabaha and wakalah with financial institutions	**4,585,397**	**-**	**-**	**4,585,397**
Loss allowance	**(1,256)**	**-**	**-**	**(1,256)**
Carrying amount	**4,584,141**	**-**	**-**	**4,584,141**
Investment securities measured at amortised cost	**5,351,035**	**-**	**62,337**	**5,413,372**
Loss allowance	**(3,571)**	**-**	**(53,065)**	**(56,636)**
Carrying amount	**5,347,464**	**-**	**9,272**	**5,356,736**
Investment securities measured at FVTOCI	**1,178,216**	**-**	**-**	**1,178,216**
Loss allowance	**(608)**	**-**	**-**	**(608)**
Carrying amount	**1,177,608**	**-**	**-**	**1,177,608**
Investments in Islamic financing	**26,853,580**	**2,249,601**	**1,556,924**	**30,660,105**
Loss allowance	**(242,241)**	**(164,295)**	**(926,834)**	**(1,333,370)**
Carrying amount	**26,611,339**	**2,085,306**	**630,090**	**29,326,735**
Other assets (excluding non-financial assets)	**761,111**	**-**	**30,972**	**792,083**
Loss allowance	**(8,414)**	**-**	**(30,972)**	**(39,386)**
Carrying amount	**752,697**	**-**	**-**	**752,697**
Net credit risk exposures relating to on-balance sheet assets	**39,090,019**	**2,085,306**	**639,362**	**41,814,687**
Letter of credit and guarantee	**672,059**	**20,989**	**-**	**693,048**
Loss allowance	**(1,993)**	**(515)**	**-**	**(2,508)**
Net credit risk exposures relating to off-balance sheet assets	**670,066**	**20,474**	**-**	**690,540**
	39,760,085	**2,105,780**	**639,362**	**42,505,225**
Gross credit risk exposure	**40,018,169**	**2,270,590**	**1,650,233**	**43,938,992**
Total loss allowance	**(258,084)**	**(164,810)**	**(1,010,871)**	**(1,433,765)**
	39,760,085	**2,105,780**	**639,362**	**42,505,227**

5. Financial risk management (continued)

a) Maximum exposure to credit risk (continued)

	31 December 2020 ECL Staging			
	Stage 1 12 month	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
Cash and balances with banks and financial institutions	789,083	-	-	789,083
Loss allowance	-	-	-	-
Carrying amount	**789,083**	**-**	**-**	**789,083**
Murabaha and wakalah with financial institutions	2,883,120	-	-	2,883,120
Loss allowance	(1,340)	-	-	(1,340)
Carrying amount	**2,881,780**	**-**	**-**	**2,881,780**
Financial assets measured at FVTOCI (excluding equity investments)	1,192,418	-	-	1,192,418
Loss allowance	(734)	-	-	(734)
Carrying amount	**1,191,684**	**-**	**-**	**1,191,684**
Financial assets measured at amortised cost	5,417,332	-	62,337	5,479,669
Loss allowance	(5,526)	-	(53,065)	(58,591)
Carrying amount	**5,411,806**	**-**	**9,272**	**5,421,078**
Investments in Islamic financing	26,825,490	2,237,139	1,493,752	30,556,381
Loss allowance	(264,019)	(135,049)	(888,754)	(1,287,822)
Carrying amount	**26,561,471**	**2,102,090**	**604,998**	**29,268,559**
Other assets (excluding non-financial assets)	800,118	-	30,974	831,092
Loss allowance	(8,461)	-	(30,974)	(39,435)
Carrying amount	791,657	-	-	791,657
Net credit risk exposures relating to on-balance sheet assets	**37,627,481**	**2,102,090**	**614,270**	**40,343,841**
Letter of credit and guarantee	701,237	24,210	31	725,478
Loss allowance	(2,389)	(53)	-	(2,442)
Net credit risk exposures relating to off-balance sheet assets	**698,848**	**24,157**	**31**	**723,036**
	38,326,329	**2,126,247**	**614,301**	**41,066,877**
Gross credit risk exposure	**38,608,798**	**2,261,349**	**1,587,094**	**42,457,241**
Total ECL	**(282,469)**	**(135,102)**	**(972,793)**	**(1,390,364)**
	38,326,329	**2,126,247**	**614,301**	**41,066,877**

5. Financial risk management (continued)

b) Capital adequacy

The capital adequacy ratio is based on Basel III and the Central Bank of the UAE (CBUAE) rules and guidelines:

	31 March 2021 Un-audited	31 December 2020 Audited
Capital base		
Common Equity tier 1	**5,626,437**	**5,528,835**
Additional tier 1 capital	**1,836,500**	**1,836,500**
Total tier 1 capital base	**7,462,937**	**7,365,335**
Total tier 2 capital base	**446,670**	**441,619**
Total capital base	**7,909,607**	**7,806,954**
Risk weighted assets		
Credit risk	**35,733,582**	**35,329,510**
Market risk	**190,906**	**111,831**
Operational risk	**2,262,468**	**2,262,468**
Total risk weighted assets	**38,186,956**	**37,703,808**
Capital Ratios		
Common equity tier 1 ratio	**14.73%**	**14.66%**
Tier 1 capital ratio	**19.54%**	**19.53%**
Capital adequacy ratio	**20.71%**	**20.71%**

6. Cash and balances with banks and financial institutions

Cash	**631,274**	669,478
Statutory deposit with CBUAE	**2,054,617**	1,932,937
Due from banks	**616,769**	789,083
	3,302,660	**3,391,498**

Statutory deposit with CBUAE is non-profit bearing and not available to fund day to day operations of the Bank.

7. Murabaha and wakalah with financial institutions

Murabaha	**1,551,367**	**422,208**
Wakala arrangements	**7,957,775**	**7,409,572**
	9,509,142	**7,831,780**

Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting AED 4.9 billion *(31 December 2020: AED 4.9 billion).*

8. Investment securities

	31 March 2021 Un-audited	31 December 2020 Audited
Financial assets at fair value through profit or loss		
- Equity and funds	**33,196**	41,148
- Sukuk	**65,596**	63,844
	98,792	**104,992**
Financial assets at fair value through other comprehensive income		
- Equity and funds	**655,799**	1,029,652
- Sukuk	**1,178,216**	1,192,418
	1,834,015	**2,222,070**
Less: Loss allowance on financial assets measured at FVTOCI	**(608)**	(734)
	1,833,407	**2,221,336**
Financial assets measured at amortised cost		
- Sukuk	**5,413,372**	5,479,669
Less: Loss allowance on financial assets measured at amortised cost	**(56,636)**	(58,591)
	5,356,736	**5,421,078**
	7,288,935	**7,747,406**

Sukuk held at amortised cost include AED 2,649 million *(31 December 2020: AED 3,076 million)* pledged against a collateralized commodity murabaha arrangement.

9. Investment in Islamic financing

9.1 Investments in Islamic financing are secured by acceptable forms of collateral to mitigate the related credit risk. Investments in Islamic financing comprise the following:

a) By product

	31 March 2021 Un-audited	31 December 2020 Audited
Vehicle murabaha	**209,050**	218,076
Goods murabaha	**8,696,639**	8,626,467
Real estate murabaha	**16,454**	32,358
Other murabaha receivable	**608,036**	560,861
Syndicate murabaha	**1,421,240**	1,352,097
Gross murabaha financing	**10,951,419**	**10,789,859**
Deferred profit	**(1,091,446)**	(1,007,659)
Net murabaha financing	**9,859,973**	**9,782,200**
Ijarah	**17,422,611**	17,296,420
Qard hasan	**531,874**	548,921
Credit card receivables	**78,598**	79,513
Istisna	**2,767,049**	2,849,327
Total investment in Islamic financing	**30,660,105**	**30,556,381**
Provision for impaired financing receivables	**(1,333,370)**	(1,287,822)
Net investment in Islamic financing	**29,326,735**	**29,268,559**

9. Investments in Islamic financing (continued)

9.1 Investments in Islamic financing are secured by acceptable forms of collateral to mitigate the related credit risk. Investments in Islamic financing comprise the following: (continued)

b) By sector	**31 March 2021 Un-audited**	**31 December 2020 Audited**
Government departments and authorities	**11,005,955**	10,926,792
Construction and contracting	**768,846**	823,149
Manufacturing	**603,635**	745,265
Transportation	**1,479,511**	1,523,434
Real estate	**6,817,611**	6,614,683
Retail businesses	**577,035**	600,189
Trade	**1,663,527**	1,655,858
Financial institutions	**254,105**	248,515
Services and others	**1,505,157**	1,254,170
Individual	**3,133,712**	3,053,764
Consumer home finance	**1,304,036**	1,456,580
HNWI	**2,638,421**	2,661,641
Deferred profit	**(1,091,446)**	(1,007,659)
Provision for impaired financing receivables	**(1,333,370)**	(1,287,822)
Net investment in Islamic financing	**29,326,735**	**29,268,559**

9.2 Reconciliations from the opening to the closing balance of the gross exposure at default (EAD) and loss allowance (ECL) for retail and corporate banking segment can be seen below.

31 March 2021 (Un-audited)

	Stage 1		**Stage 2**		**Stage 3**		**Total**	
	Exposure	**ECL**	**Exposure**	**ECL**	**Exposure**	**ECL**	**Exposure**	**ECL**
Balance at the beginning of year	**26,825,490**	**264,019**	**2,237,139**	**135,049**	**1,493,752**	**888,754**	**30,556,381**	**1,287,822**
Retail banking								
Transfer to Stage 1	**17,460**	**1,333**	**(17,460)**	**(1,333)**	**-**	**-**	**-**	**-**
Transfer to Stage 2	**(20,565)**	**(647)**	**20,565**	**647**	**-**	**-**	**-**	**-**
Transfer to Stage 3	**(15,327)**	**(587)**	**(26,461)**	**(1,837)**	**41,788**	**2,424**	**-**	**-**
Net addition / (repayments)	**79,529**	**-**	**(3,368)**	**-**	**(359)**	**-**	**75,802**	**-**
Net re-measurement of loss allowance	**-**	**(3,576)**	**-**	**113**	**-**	**25,297**	**-**	**21,834**
Recovery	**-**	**-**	**-**	**-**	**(12,248)**	**(6,932)**	**(12,248)**	**(6,932)**
Write-offs	**-**	**-**	**-**	**-**	**(846)**	**(846)**	**(846)**	**(846)**
Corporate banking								
Transfer to Stage 1	**19,387**	**360**	**(15,652)**	**(360)**	**(3,735)**	**-**	**-**	**-**
Transfer to Stage 2	**(131,115)**	**(3,693)**	**131,115**	**3,693**	**-**	**-**	**-**	**-**
Transfer to Stage 3	**-**	**-**	**(10,750)**	**(327)**	**10,750**	**327**	**-**	**-**
Net addition / (repayments)	**78,721**	**-**	**(65,527)**	**-**	**32,367**	**-**	**45,561**	**-**
Net re-measurement of loss allowance	**-**	**(14,968)**	**-**	**28,650**	**-**	**22,262**	**-**	**35,944**
Recovery	**-**	**-**	**-**	**-**	**(1,123)**	**(1,030)**	**(1,123)**	**(1,030)**
Write-offs	**-**	**-**	**-**	**-**	**(3,422)**	**(3,422)**	**(3,422)**	**(3,422)**
Balance at the end of period	**26,853,580**	**242,241**	**2,249,601**	**164,295**	**1,556,924**	**926,834**	**30,660,105**	**1,333,370**

9. Investments in Islamic financing (continued)

9.2 Reconciliations from the opening to the closing balance of the gross exposure at default (EAD) and loss allowance (ECL) for retail and corporate banking segment can be seen below. (continued)

	31 December 2020 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Balance at the beginning of year	**23,555,984**	**194,801**	**1,354,745**	**113,428**	**1,350,541**	**810,149**	**26,261,270**	**1,118,378**
Retail banking								
Transfer to Stage 1	14,125	809	(10,710)	(809)	(3,415)	-	**-**	**-**
Transfer to Stage 2	(50,007)	(1,375)	50,007	1,375	-	-	**-**	**-**
Transfer to Stage 3	(110,130)	(2,917)	(23,717)	(1,135)	133,847	4,052	**-**	**-**
Net addition / (repayments)	(120,327)	-	(28,777)	-	745	-	**(148,359)**	**-**
Net re-measurement of loss allowance	-	55,934	-	754	-	66,418	**-**	**123,106**
Recovery	-	-	-	-	(27,456)	(13,283)	**(27,456)**	**(13,283)**
Write-offs	-	-	-	-	(59,873)	(59,873	**(59,873)**	**(59,873)**
Corporate banking								
Transfer to Stage 1	82,045	6,592	(82,045)	(6,592)	-	-	**-**	**-**
Transfer to Stage 2	(889,086)	(8,447)	889,217	8,447	(131)	-	**-**	**-**
Transfer to Stage 3	(97,491)	(1,627)	(216,003)	(21,541)	313,494	23,168	**-**	**-**
Net addition / (repayments)	4,440,377	-	304,422	-	(187,589)	-	**4,557,210**	**-**
Net re-measurement of loss allowance	-	20,249	-	41,122	-	80,124	**-**	**141,495**
Recovery	-	-	-	-	(8,814)	(5,649)	**(8,814)**	**(5,649)**
Write-offs	-	-	-	-	(17,597)	(16,352)	**(17,597)**	**(16,352)**
Balance at the end of year	**26,825,490**	**264,019**	**2,237,139**	**135,049**	**1,493,752**	**888,754**	**30,556,381**	**1,287,822**

9.3 Analysis of customers benefiting from payment deferrals

The table below is an analysis of EAD and related ECL for customers that are benefiting from payment deferrals as of 31 March 2021:

TESS and Non-TESS program deferrals	**Corporate banking**	**Retail banking**	**Total**
Group 1:			
Investments in Islamic financing	**5,711,161**	**1,527,479**	**7,238,640**
ECL	**(55,454)**	**(47,101)**	**(102,555)**
Deferral amount	**880,246**	**118,681**	**998,927**
Number of customers	**174**	**6,762**	**6,936**
Group 2:			
Investments in Islamic financing	**1,127,852**	**72,165**	**1,200,017**
ECL	**(86,069)**	**(21,857)**	**(107,926)**
Deferral amount	**117,654**	**6,228**	**123,882**
Number of customers	**64**	**254**	**318**

9. Investments in Islamic financing (continued)

9.4 Portfolio wise analysis of ECL during the year

	31 March 2021 (Un-audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance 1 January	**264,019**	**135,049**	**888,754**	**1,287,822**
Retail banking				
Credit Cards	**71**	**75**	**383**	**529**
Housing Loans	**(745)**	**(2,224)**	**1,574**	**(1,395)**
Personal Loans	**(2,339)**	**(189)**	**17,582**	**15,054**
Auto Loans	**(464)**	**(72)**	**404**	**(132)**
Corporate banking				
Government and related exposures	**(7,493)**	**3,219**	**-**	**(4,274)**
Other Corporates	**(5,605)**	**13,375**	**8,713**	**16,483**
High Net Worth Individuals	**(3,282)**	**10,475**	**5,975**	**13,168**
SMEs	**(1,921)**	**4,587**	**3,449**	**6,115**
ECL allowance as of 31 March 2021	**242,241**	**164,295**	**926,834**	**1,333,370**

	31 December 2020 (Audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance 1 January	194,801	113,428	810,149	**1,118,378**
Retail banking				
Credit Cards	(7)	(29)	(1,068)	**(1,104)**
Housing Loans	10,152	200	14,090	**24,442**
Personal Loans	43,088	22	(13,197)	**29,913**
Auto Loans	856	45	(2,137)	**(1,236)**
Corporate banking				
Government and related exposures	8,122	-	-	**8,122**
Other Corporates	7,260	17,571	40,674	**65,505**
High Net Worth Individuals	3,958	(12,864)	22,222	**13,316**
SMEs	(4,211)	16,676	18,021	**30,486**
ECL allowance as of 31 December 2020	**264,019**	**135,049**	**888,754**	**1,287,822**

10. Property and equipment

	31 March 2021 Un-audited	31 December 2020 Audited
Freehold land and buildings	**783,589**	786,540
Equipment, furniture and fittings	**14,307**	15,232
Computer equipment	**49,005**	48,984
Motor vehicles	**868**	502
Right of use assets	**37,888**	42,146
Capital - work in progress	**36,234**	31,618
	921,891	**925,022**

11. Customers' deposits

	31 March 2021 Un-audited	31 December 2020 Audited
Current accounts	**9,185,380**	8,801,886
Saving accounts	**2,689,844**	2,660,073
Watany / call accounts	**937,835**	729,395
Time deposits	**22,058,921**	20,736,776
Margins	**603,648**	680,178
	35,475,628	**33,608,308**

12. Sukuk payable

Name of instrument	Maturity date	31 March 2021 Un-audited		31 December 2020 Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk 2021	8 September 2021	**1,835,870**	3.084%	1,835,499	3.084%
SIB Sukuk 2023	17 April 2023	**1,834,039**	2.850%	1,833,722	2.850%
SIB Sukuk 2025	23 June 2025	**1,831,824**	3.084%	1,831,525	3.084%
Total		**5,501,733**		**5,500,746**	

13. Other liabilities

	31 March 2021 Un-audited	31 December 2020 Audited
Profit payable	**184,882**	200,077
Accrual and provision	**56,239**	39,202
Accounts payable	**158,262**	64,474
Provision for staff end of service benefits	**77,326**	75,739
Managers' cheques	**48,423**	62,041
Obligations under acceptances	**177,483**	155,130
Sundry creditors	**203,973**	192,401
Lease obligation	**14,881**	17,792
	921,469	**806,856**

14. Share capital

The Bank's issued and fully paid up share capital comprises 3,081,598,000 shares of AED 1 each.

	31 March 2021 Un-audited		31 December 2020 Audited	
	No. of shares	Value	No. of shares	Value
Share capital	**3,081,598,000**	**3,081,598**	3,081,597,750	3,081,598

15. Segment reporting

The Group's activities comprise the following main business segments:

a) Government and corporate

Within this business segment the Bank provides companies, institutions and government and government departments with a range of Islamic financial products and services. This includes exposure to high net worth individuals.

b) Retail

The retail segment provides a wide range of Islamic financial services to individuals.

c) Investment and treasury

This segment mainly includes wakalah deals with other financial institutions, investments securities, investment properties and other money market activities.

d) Hospitality, brokerage and real estate

The Bank on its own and through its subsidiary ASAS provides real estate services, whereas SNH and SIFS provides hospitality and brokerage services respectively.

15. Segment reporting (continued)

For the period ended 31 March 2021:	**Corporate and government**	**Retail**	**Investment and treasury**	**Hospitality, brokerage and real estate**	**Total**
Consolidated statement of profit or loss:					
Income from investments in Islamic financing and sukuks	**235,160**	**81,560**	**102,000**	**-**	**418,720**
Less: distribution to depositors and sukuk holders	**(80,031)**	**(8,953)**	**(66,580)**	**-**	**(155,564)**
Net income from financing and investment products	**155,129**	**72,607**	**35,420**	**-**	**263,156**
Investments, fees, commission and other income	**26,573**	**17,653**	**8,317**	**27,910**	**80,453**
Total operating income	**181,702**	**90,260**	**43,737**	**27,910**	**343,609**
General and administrative expenses	**-**	**-**	**-**	**(10,500)**	**(10,500)**
General and administrative expenses – unallocated	**-**	**-**	**-**	**-**	**(120,908)**
Net operating income before impairment and revaluation	**181,702**	**90,260**	**43,737**	**17,410**	**212,201**
Less: impairment on financial assets - net of recoveries	**(9,165)**	**(31,312)**	**(7,616)**	**69**	**(48,024)**
Profit for the period	**172,537**	**58,948**	**36,121**	**17,479**	**164,177**
As at 31 March 2021:					
Consolidated statement of financial position:					
Assets					
Segment assets	**23,508,829**	**4,838,733**	**24,838,578**	**1,223,274**	**54,409,414**
Unallocated assets	**-**	**-**	**-**	**-**	**509,589**
Total assets	**23,508,829**	**4,838,733**	**24,838,578**	**1,223,274**	**54,919,003**
Liabilities					
Segment liabilities	**27,487,661**	**5,868,970**	**13,585,684**	**56,340**	**46,998,655**
Unallocated liabilities	**-**	**-**	**-**	**-**	**428,110**
Total liabilities	**27,487,661**	**5,868,970**	**13,585,684**	**56,340**	**47,426,765**

15. Segment reporting (continued)

For the period ended 31 March 2020:	**Corporate and government**	**Retail**	**Investment and treasury**	**Hospitality, brokerage and real estate**	**Total**
Consolidated statement of profit or loss:					
Income from investments in Islamic financing and sukuks	225,491	86,312	112,074	-	**423,877**
Less: distribution to depositors and sukuk holders	(112,738)	(10,736)	(76,651)	-	**(200,125)**
Net income from financing and investment products	112,753	75,576	35,423	-	**223,752**
Investments, fees, commission and other income	28,863	17,797	10,590	21,178	**78,428**
Total operating income	141,616	93,373	46,013	21,178	**302,180**
General and administrative expenses	-	-	-	(15,149)	**(15,149)**
General and administrative expenses - unallocated	-	-	-	-	**(119,827)**
Net operating income before impairment and revaluation	141,616	93,373	46,013	6,029	**167,204**
Less: impairment on financial assets - net of recoveries	(816)	(13,308)	940	(360)	**(13,544)**
Profit for the period	**140,800**	**80,065**	**46,953**	**5,669**	**153,660**
As at 31 December 2020:					
Consolidated statement of financial position:					
Assets					
Segment assets	**23,530,963**	**4,756,938**	**23,400,229**	**1,452,369**	**53,140,499**
Unallocated assets	**-**	**-**	**-**	**-**	**460,254**
Total assets	**23,530,963**	**4,756,938**	**23,400,229**	**1,452,369**	**53,600,753**
Liabilities					
Segment liabilities	**26,383,978**	**5,589,668**	**13,582,122**	**53,191**	**45,608,959**
Unallocated liabilities	**-**	**-**	**-**	**-**	**346,436**
Total liabilities	**26,383,978**	**5,589,668**	**13,582,122**	**53,191**	**45,955,395**

16. Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. The related party transactions are executed at the terms agreed between the parties, which in the opinion of management, are not significantly different from those that could have been obtained from third parties.

At the reporting date, such significant balances include:

	31 March 2021 (Un-audited)			
Condensed consolidated interim statement of financial position	**Key management personnel**	**Major shareholders**	**Other related parties**	**Total**
Investment in Islamic financing	**620,982**	**2,166,327**	**6,049,336**	**8,836,645**
Customer deposits	**(148,333)**	**(571,094)**	**(6,113,518)**	**(6,832,945)**
Contingent liabilities – off balance sheet	**70,106**	**5,209**	**12,297**	**87,612**
Condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2021 (Un-audited)				
Income from Islamic financing	**6,020**	**17,102**	**51,419**	**74,541**
Depositors' share of profit	**(260)**	**(1,198)**	**(23,198)**	**(24,656)**

	31 December 2020 (Audited)			
Condensed consolidated interim statement of financial position	**Key management personnel**	**Major shareholders**	**Other related parties**	**Total**
Investment in Islamic financing	679,870	2,243,450	6,001,766	**8,925,086**
Customer deposits	(152,012)	(662,205)	(5,018,937)	**(5,833,154)**
Contingent liabilities – off balance sheet	58,489	6,825	20,945	**86,259**
Condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2020 (Un-audited)				
Income from Islamic financing	7,143	27,036	16,812	**50,991**
Depositors' share of profit	(246)	(1,066)	(16,944)	**(18,256)**

Key management compensation includes salaries and other short term benefits of AED 5.7 million for the three months period ended 31 March 2021 *(Three month period ended 31 March 2020: AED 6.3 million)* and post-employment benefits of AED 0.3 million for the three months period ended 31 March 2021 *(Three month period ended 31 March 2020: AED 0.3 million).*

17. Fair value measurement

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
At 31 March 2021 (Un-audited)				
Financial assets				
FVTPL – investment securities	**67,228**	**-**	**31,564**	**98,792**
FVTOCI – investment securities	**1,549,143**	**-**	**284,872**	**1,834,015**
	1,616,371	**-**	**316,436**	**1,932,807**
Non-financial assets				
Investment properties at fair value	**-**	**-**	**2,961,129**	**2,961,129**

	Level 1	Level 2	Level 3	Total
At 31 December 2020 (Audited)				
Financial assets				
FVTPL – investment securities	73,428	-	31,564	104,992
FVTOCI – investment securities	1,934,860	-	287,210	2,222,070
	2,008,288	**-**	**318,774**	**2,327,062**
Non-financial assets				
Investment properties at fair value	**-**	**-**	**2,886,044**	**2,886,044**

Management considers that the carrying amounts of financial assets and financial liabilities, measured at amortised cost, recognised in the condensed consolidated interim financial statements approximate their fair values, other than sukuks measured at amortised cost for which the fair value is calculated using Level 1inputs. The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for investment securities and investment properties:

	31 March 2021 Un-audited		31 December 2020 Audited	
Financial assets	**FVTPL**	**FVTOCI**	**FVTPL**	**FVTOCI**
Balance as at the beginning of the period	**31,564**	**287,210**	31,273	224,347
Fair value movement	**-**	**(2,338)**	291	(15,334)
Addition	**-**	**-**	-	78,197
Balance at the end of the period	**31,564**	**284,872**	**31,564**	**287,210**

17. Fair value measurement (continued)

Non-financial assets	**31 March 2021 Un-audited**	**31 December 2020 Audited**
Balance at the beginning of the period	**2,886,044**	2,699,959
Additions	**27,880**	178,922
Transfer from held-for-sale	**69,416**	42,192
Disposals	**(22,211)**	-
Revaluation loss	-	(35,029)
Balance at the end of the period	**2,961,129**	**2,886,044**

The valuation techniques and the inputs used in determining the fair values of level 3 assets is consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2020. There were no transfers between levels during the period.

18. Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon the accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.

19. Dividends

During the annual general meeting of the shareholders held on 20 February 2021, a cash dividend of 8% of the paid up capital, amounting to AED 246.5 million was approved for the year ended 31 December 2020 (2020: 5% cash dividend and 5% stock dividend, each amounting to AED 146.7 million for the year ended 31 December 2019).

20. Contingencies and commitments

	31 March 2021 Un-audited	**31 December 2020 Audited**
Letters of credit	**169,448**	186,004
Letters of guarantee	**1,951,287**	1,931,246
Capital commitments	**276,967**	115,502

21. Cash and cash equivalents

	31 March 2021 Un-audited	31 March 2020 Un-Audited
Cash and balances with banks and financial institutions	**1,248,043**	766,510
Murabaha and wakalah with financial institutions	**6,402,667**	5,883,605
Due to banks	**(51,217)**	(780,215)
	7,599,493	**5,869,900**

22. Comparative information

Certain comparative amounts in condensed consolidated interim statement of cash flows and notes to the condensed consolidated interim financial information have been adjusted to conform to the presentation adopted in the condensed consolidated interim financial statements for the Three month period ended 31 March 2021.

23. Subsequent events

There have been no events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts reported in the condensed interim financial statements as at and for the Three month period ended 31 March 2021.