
SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(UN-AUDITED)
30 SEPTEMBER 2019

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 nine month period ended 30 September 2019.

Financial highlights

The Group has reported a profit of AED 415.4 million for the nine-month period ended 30 September 2019 compared to AED 397.7 million for the corresponding prior period, an increase of 4.5%.

Compared to December 2018, total assets increased by AED 890.2 million to reach AED 45.6 billion, an increase of 2.0%. Investments in Islamic financing increased by 5.3% (AED 1.3 billion) to reach AED 25.4 billion and customer deposits experienced a growth of 1.6% (AED 412.5 million) to reach AED 26.9 billion. Net shareholders' equity increased by 39%, to reach AED 7,489.2 million, owing to issuance of AED 1,836.5 million tier 1 sukuk during quarter ended 30 September 2019.

Abdul Rahman Mohammed Nasser Al Owais
Chairman
16 October 2019

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

AS AT 30 SEPTEMBER 2019

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

	<i>Notes</i>	30 September 2019 Un-audited	31 December 2018 Audited
Assets			
Cash and balances with banks and financial institutions	5	2,395,225	2,440,868
Murabaha and wakalah with financial institutions	6	6,951,891	7,217,226
Investment in Islamic financing	7	25,393,169	24,123,760
Investment securities	8	6,018,399	6,220,452
Investment properties		2,652,326	2,318,129
Properties held-for-sale		601,267	658,460
Other assets		726,821	907,905
Property and equipment	9	896,546	858,687
Total assets		45,635,644	44,745,487
Liabilities			
Customers deposits	10	26,850,756	26,438,275
Due to banks		4,980,580	6,548,781
Sukuk payable	11	5,502,259	5,499,603
Other liabilities	12	812,790	809,607
Zakat payable		42	61,589
Total liabilities		38,146,427	39,357,855
Shareholders' equity			
Share capital	13	2,934,855	2,934,855
Tier 1 sukuk	14	1,836,500	-
Legal reserve		1,429,264	1,429,264
Statutory reserve		89,008	89,008
General impairment reserve		66,717	66,717
Fair value reserve		31,016	(87,537)
Retained earnings		1,101,857	955,325
Total shareholders' equity		7,489,217	5,387,632
Total liabilities and shareholders' equity		45,635,644	44,745,487

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 16 October 2019.

Abdul Rahman Mohammed Nasser Al Owais
Chairman

Mohammed Ahmed Abdullah
Chief Executive Officer

The accompanying notes 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2019	2018	2019	2018
Income from Islamic financing and sukuk	445,157	408,688	1,325,983	1,140,366
Profit expense on sukuk	(47,625)	(47,797)	(142,893)	(135,911)
Investment, fees, commission and other income	67,124	77,280	211,775	232,253
Income from subsidiaries	2,537	3,571	17,189	19,248
Total income	467,193	441,742	1,412,054	1,255,956
General and administrative expenses	(147,409)	(150,545)	(431,600)	(440,590)
Net operating income before provisions and distribution to depositors	319,784	291,197	980,454	815,366
Provisions - net of recoveries	(34,955)	(25,305)	(50,281)	(50,351)
Profit before distribution to depositors	284,829	265,892	930,173	765,015
Distribution to depositors	(159,963)	(151,180)	(514,764)	(367,313)
Profit for the period	124,866	114,712	415,409	397,702
(Attributable to the shareholders of the Bank)				
Basic and diluted earnings per share (U.A.E. Dirhams)	0.04	0.04	0.14	0.14

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

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2019	2018	2019	2018
Profit for the period	124,866	114,712	415,409	397,702
Other comprehensive income				
Items that will be reclassified to profit or loss				
Net change in fair value reserve on sukuk investments classified at FVTOCI	34,004	1,509	87,393	(27,249)
Items that will not be reclassified to profit or loss				
Net change in fair value reserve on equity investments classified at FVTOCI	2,623	3,839	12,508	(16,115)
Total comprehensive income for the period	161,493	120,060	515,310	354,338

(Attributable to the shareholders of the Bank)

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

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

	Nine month period ended 30 September 2019	Nine month period ended 30 September 2018
Cash flows from operating activities		
Profit for the period	415,409	397,702
Adjustments for:		
- Depreciation	38,965	31,153
- Amortisation of sukuk issuance costs	2,656	(2,952)
- Provision charge for the period	50,281	50,351
- Gain on sale of properties held-for-sale	(6,037)	(4,153)
- Gain on sale of investment properties	-	(21,552)
Operating profit before changes in operating assets and liabilities	501,274	450,549
Changes in:		
- Reserve with UAE Central Bank	(13,035)	(10,136)
- Murabaha and wakalah with financial institutions	189,307	(2,769,102)
- Investments in Islamic financing	(1,319,690)	(1,562,050)
- Other assets	181,084	(26,193)
- Customers' deposits	412,481	4,722,640
- Due to banks	(1,784,521)	2,051,791
- Zakat payable	(61,547)	(57,593)
- Other liabilities	(2,204)	(52,589)
Net cash (used in) / from operating activities	(1,896,851)	2,747,317
Cash flows from investing activities		
Properties and equipment – net	(76,825)	(24,140)
Acquisition of investment properties	(279,643)	(115,869)
Disposal of investment properties	8,744	114,730
Acquisition of properties held-for-sale	(45,788)	(125,482)
Disposal of properties held-for-sale	45,721	14,304
Investment securities, net	301,954	(1,419,298)
Net cash used in investing activities	(45,837)	(1,555,755)
Cash flows from financing activities		
Repayment of sukuk	-	(1,865,000)
Issuance of tier 1 sukuk	1,826,450	1,865,000
Cash dividend	(234,788)	(234,789)
Net cash from / (used in) financing activities	1,591,662	(234,789)
Net (decrease) / increase in cash and cash equivalents	(351,026)	956,773
Cash and cash equivalents at the beginning of the period	3,093,288	2,171,297
Cash and cash equivalents at the end of the period	2,742,262	3,128,070
Cash and cash equivalents comprise of:		
Cash and balances with banks and financial institutions	692,493	768,968
Murabaha and wakalah with financial institutions	4,299,190	4,089,529
Due to banks	(2,249,421)	(1,730,427)
	2,742,262	3,128,070

The accompanying notes 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (un-audited)

(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 2018 (Audited)	2,934,855	-	1,377,902	89,008	-	(39,488)	1,157,003	5,519,280
Changes on initial application of IFRS 9	-	-	-	-	-	-	(295,211)	(295,211)
Restated balance at 1 January 2018	2,934,855	-	1,377,902	89,008	-	(39,488)	861,792	5,224,069
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	397,702	397,702
Other comprehensive loss (OCI)								
Net change in fair value reserve	-	-	-	-	-	(43,364)	-	(43,364)
Total comprehensive income for the period	-	-	-	-	-	(43,364)	397,702	354,338
Transactions recorded directly in equity								
Transfer to legal reserve	-	-	285	-	-	-	(285)	-
Dividends declared	-	-	-	-	-	-	(234,789)	(234,789)
Board of directors' fees	-	-	-	-	-	-	(5,250)	(5,250)
Total	-	-	285	-	-	-	(240,324)	(240,039)
As at 30 September 2018 (Un-audited)	2,934,855	-	1,378,187	89,008	-	(82,852)	1,019,170	5,338,368
As at 1 January 2019 (Audited)	2,934,855	-	1,429,264	89,008	66,717	(87,537)	955,325	5,387,632
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	415,409	415,409
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	99,901	-	99,901
Total comprehensive income for the period	-	-	-	-	-	99,901	415,409	515,310
Transactions recorded directly in equity								
Tier 1 sukuk issued	-	1,836,500	-	-	-	-	-	1,836,500
Tier 1 sukuk issuance cost	-	-	-	-	-	-	(10,050)	(10,050)
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	18,652	(18,652)	-
Dividends declared	-	-	-	-	-	-	(234,788)	(234,788)
Board of directors' fees	-	-	-	-	-	-	(5,387)	(5,387)
Total	-	1,836,500	-	-	-	18,652	(268,877)	1,586,275
As at 30 September 2019 (Un-audited)	2,934,855	1,836,500	1,429,264	89,008	66,717	31,016	1,101,857	7,489,217

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

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

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 36 branches (2018: 32 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 30 September 2002 (“the transformation date”). As a result the Bank transformed its conventional banking products into Islamic banking products during the nine month period ended 30 September 2002 after negotiation and agreement with its customers.

The condensed consolidated interim financial statements of the Bank 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 2018. 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 2018, other than the change in accounting policy arising from the adoption of IFRS 16.

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.

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

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 thousand, except when otherwise stated.

d) Key accounting estimates & 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 areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the condensed consolidated interim financial statements are described as follows:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL ("expected credit loss"), such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.

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 2018 except for the adoption of new IFRSs which became effective for the period beginning 1 January 2019.

a) New and amended standards adopted by the Group

The Group has adopted 'IFRS 16 – Leases' with a date of transition of 1 January 2019, which resulted in changes in accounting policies. The Group did not early adopt any of the provisions of IFRS 16 in previous periods.

The impact of the adoption of IFRS 16 and the new accounting policies are disclosed in notes below.

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

3. Summary of significant accounting policies (continued)

b) Changes in accounting policies

This note explains the impact of the adoption of 'IFRS 16 – Leases' on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 from 1 January 2019 on a modified retrospective basis, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of 'IAS 17 – Leases'. These liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

The associated right-of-use assets for property leases were measured on a modified retrospective basis by recognizing the right of Use equivalent to the present value of minimum lease payment on the date of initial recognition. Right-of use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to the properties.

As at 31 December 2018, the Group had operating lease commitments of AED 56.2 million including short term leases. The Group calculated present value of minimum lease obligation amounting to AED 37.6 million as on 1 January 2019. These minimum lease obligations were adjusted by prepayments amounted to AED 15.8 million as on 1 January 2019 and correspondingly, the Group recognised right of use assets of AED 53.4 on the same date. Short term leases to be recognised on a straight-line basis as an expense amounted to AED 1.9 million on 1 January 2019.

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Property and equipment – increased by AED 53.4 million.
- Other liabilities – increased by AED 37.6 million.
- Other assets – decreased by AED 15.8 million.

There was no impact on retained earnings as on 1 January 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and 'IFRIC 4 – Determining whether an Arrangement contains a Lease'.

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

3. Summary of significant accounting policies (continued)

b) Changes in accounting policies (continued)

The Group's leasing activities and how these are accounted for

The Group leases various offices and properties for the purpose of its operations of branches. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

4. 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 2018.

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.

	30 September 2019			Total
	Stage 1 12 month	ECL Staging Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	203,299	49	-	203,348
Loss allowance	(14)	-	-	(14)
Carrying amount	203,285	49	-	203,334
<i>Murabaha and wakalah with financial institutions</i>	3,902,212	-	-	3,902,212
Loss allowance	(322)	-	-	(322)
Carrying amount	3,901,890	-	-	3,901,890
<i>Investments in Islamic financing</i>	23,920,926	1,451,673	1,509,591	26,882,190
Loss allowance	(176,813)	(154,966)	(1,157,242)	(1,489,021)
Carrying amount	23,744,113	1,296,707	352,349	25,393,169
<i>Investment securities measured at amortised cost</i>	3,626,887	-	62,337	3,689,224
Loss allowance	(2,590)	-	(42,692)	(45,282)
Carrying amount	3,624,297	-	19,645	3,643,942
<i>Investment securities measured at FVTOCI</i>	1,268,129	-	-	1,268,129
Loss allowance	(748)	-	-	(748)
Carrying amount	1,267,381	-	-	1,267,381
<i>Other assets (excluding non-financial assets)</i>	536,151	-	33,455	569,606
Loss allowance	(7,050)	-	(33,455)	(40,505)
Carrying amount	529,101	-	-	529,101
Net credit risk exposures relating to on-balance sheet assets	33,270,067	1,296,756	371,994	34,938,817
<i>Letter of credit and guarantee</i>	757,947	3,821	31	761,799
Loss allowance	(1,732)	(115)	-	(1,847)
Net credit risk exposures relating to off-balance sheet assets	756,215	3,706	31	759,952
	34,026,282	1,300,462	372,025	35,698,769
Gross credit risk exposure	34,215,551	1,455,543	1,605,414	37,276,508
Total ECL	(189,269)	(155,081)	(1,233,389)	(1,577,739)
	34,026,282	1,300,462	372,025	35,698,769

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

4. Financial risk management (continued)
a) Maximum exposure to credit risk (continued)

	31 December 2018			Total
	Stage 1 12 month	ECL Staging Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	285,812	11	-	285,823
Loss allowance	(24)	-	-	(24)
Carrying amount	285,788	11	-	285,799
<i>Murabaha and wakalah with financial institutions</i>	5,268,935	-	-	5,268,935
Loss allowance	(1,707)	-	-	(1,707)
Carrying amount	5,267,228	-	-	5,267,228
<i>Investments in Islamic financing</i>	22,639,112	1,540,472	1,400,927	25,580,511
Loss allowance	(168,261)	(191,279)	(1,097,211)	(1,456,751)
Carrying amount	22,470,851	1,349,193	303,716	24,123,760
<i>Investment securities measured at amortised cost</i>	3,828,663	-	25,607	3,854,270
Loss allowance	(6,244)	-	(24,327)	(30,571)
Carrying amount	3,822,419	-	1,280	3,823,699
<i>Investment securities measured at FVTOCI</i>	1,191,463	-	-	1,191,463
Loss allowance	(958)	-	-	(958)
Carrying amount	1,190,505	-	-	1,190,505
<i>Other assets (excluding non-financial assets)</i>	712,351	1,274	35,152	748,777
Loss allowance	(6,948)	(7)	(35,152)	(42,107)
Carrying amount	705,403	1,267	-	706,670
Net credit risk exposures relating to on-balance sheet assets	33,742,194	1,350,471	304,996	35,397,661
<i>Letter of credit and guarantee</i>	740,207	7,674	231	748,112
Loss allowance	(2,892)	(393)	-	(3,285)
Net credit risk exposures relating to off-balance sheet assets	737,315	7,281	231	744,827
	34,479,509	1,357,752	305,227	36,142,488
Gross credit risk exposure	34,666,543	1,549,431	1,461,917	37,677,891
Total ECL	(187,034)	(191,679)	(1,156,690)	(1,535,403)
	34,479,509	1,357,752	305,227	36,142,488

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

4. Financial risk management (continued)

b) Capital adequacy ratio

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

	Basel III	
	30 September 2019 Un-audited	31 December 2018 Audited
Capital base		
Common Equity tier 1	5,564,910	5,063,594
Additional tier 1 capital	1,836,500	-
	-----	-----
Total tier 1 capital base	7,401,410	5,063,594
Total tier 2 capital base	411,067	371,192
	-----	-----
Total capital base	7,812,477	5,434,786
	=====	=====
Risk weighted assets:		
Credit risk	33,184,872	29,695,340
Market risk	81,491	145,334
Operational risk	2,199,100	2,202,861
	-----	-----
Risk weighted assets	35,465,463	32,043,535
	=====	=====
Capital Ratios		
Common equity tier 1 ratio	15.69%	15.80%
Tier 1 capital ratio	20.87%	15.80%
Capital adequacy ratio	22.03%	16.96%

5. Cash and balances with banks and financial institutions

Cash		484,313	463,460
Statutory deposit with CBUAE		1,702,746	1,689,711
Due from banks	<i>5.1</i>	208,166	287,697
		-----	-----
		2,395,225	2,440,868
		=====	=====

5.1 Due from banks includes current account balance with the CBUAE amounting to AED 4.8 million (31 December 2018: AED 1.9 million).

6. Murabaha and wakalah with financial institutions

Murabaha		447,457	610,908
Wakala arrangements	<i>6.1</i>	6,504,434	6,606,318
		-----	-----
		6,951,891	7,217,226
		=====	=====

6.1 Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting AED 3,050 million (31 December 2018: AED 1,950 million).

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

7. Investments in Islamic financing

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

	30 September 2019 Un-audited	31 December 2018 Audited
Vehicle murabaha	253,615	286,136
Goods murabaha	7,143,799	6,483,636
Real estate murabaha	60,718	112,270
Other murabaha receivable	451,334	528,738
Syndicate murabaha	1,392,623	1,230,249
Gross murabaha financing	9,302,089	8,641,029
Less: deferred profit	(764,346)	(667,904)
Net murabaha financing	8,537,743	7,973,125
Ijara financing	15,250,616	15,337,400
Qard hasan	638,075	512,621
Credit card receivables	82,581	72,196
Istisna	2,373,175	1,685,169
Total investments in Islamic financing	26,882,190	25,580,511
Less: Loss allowance for investments in Islamic financing	(1,489,021)	(1,456,751)
	25,393,169	24,123,760
8. Investment securities		
<i>Financial assets at fair value through profit or loss</i>		
- Equity and funds	38,566	42,377
- Sukuk	91,748	-
	130,314	42,377
<i>Financial assets at fair value through other comprehensive income</i>		
- Equity and funds	253,809	252,668
- Tier 1 sukuk	722,953	911,203
- Sukuk	1,268,129	1,191,463
	2,244,891	2,355,334
Less: Loss allowance on financial assets measured at FVTOCI	(748)	(958)
	2,244,143	2,354,376
<i>Financial assets measured at amortised cost</i>		
- Sukuk	3,689,224	3,854,270
Less: Loss allowance on financial assets measured at amortised cost	(45,282)	(30,571)
	3,643,942	3,823,699
	6,018,399	6,220,452

8.1 Sukuk held at amortised cost include AED 3,271 million (31 December 2018: AED 3,231 million) pledged against a collateralized commodity murabaha arrangement.

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

9. Property and equipment

	30 September 2019	31 December 2018
	Un-audited	Audited
Freehold land and buildings	736,539	741,743
Equipment, furniture and fittings	17,440	19,377
Computer equipment	50,920	58,808
Motor vehicles	961	1,695
Right of use assets	41,387	-
Capital - work in progress	49,299	37,064
	896,546	858,687

10. Customers' deposits

Current accounts	7,605,908	7,815,320
Saving accounts	2,285,944	2,223,791
Watany / call accounts	387,661	437,870
Time deposits	15,948,911	15,435,348
Margins	622,332	525,946
	26,850,756	26,438,275

11. Sukuk payable

Name of instrument	Maturity date	30 September 2019		31 December 2018	
		Un-audited		Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk 2020	17 March 2020	1,836,032	2.843%	1,835,272	2.843%
SIB Sukuk 2021	8 September 2021	1,833,882	3.084%	1,832,861	3.084%
SIB Sukuk 2023	17 April 2023	1,832,345	4.231%	1,831,470	4.231%
		-----		-----	
Total		5,502,259		5,499,603	
		=====		=====	

12. Other liabilities

	30 September 2019	31 December 2018
	Un-audited	Audited
Profit payable	224,809	255,129
Accrual and provision	62,399	28,538
Lease obligations	28,829	-
Accounts payable	70,883	77,501
Provision for staff end of service benefits	66,721	67,760
Managers' cheques	43,489	48,697
Obligations under acceptances	109,399	97,926
Sundry creditors	206,261	234,056
	812,790	809,607

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

13. Share capital

The Bank's issued and fully paid up share capital comprises 2,934,855,000 shares of AED 1 each.

	30 September 2019		31 December 2018	
	Un-audited		Audited	
	No. of shares	Value	No. of shares	Value
Share capital	<u>2,934,855,000</u>	<u>2,934,855</u>	<u>2,934,855,000</u>	<u>2,934,855</u>

14. Tier 1 sukuk

In July 2019, the Bank issued Shari'ah compliant Tier 1 sukuk through an SPV, SIB Tier 1 Sukuk Company Limited, ("the issuer") amounting to USD 500 million (AED 1,836.5 million) at par.

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudarabah Agreement. These sukuk are expected to pay profit semi-annually of 5% each year, commencing from 02 July 2019. The expected profit rate will be reset to a new fixed rate on the basis of the then prevailing reoffer spread of 321.30 bps on 02 July 2025 ("the first reset date") and every 6 years thereafter. These sukuk are listed on Euronext Dublin and Nasdaq Dubai and are callable by the Bank on 02 July 2025 ("the first call date") or any profit payment date thereafter subject to certain redemption conditions. The net proceeds of Tier 1 are invested by the Bank in its general business activities on a co-mingling basis.

At the Issuer's sole discretion, it may elect not to make any Mudarabah profit distributions expected and the event is not considered an event of default. In such an event, the Mudarabah profit will not be accumulated but forfeited to the issuer. If the issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

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) Real Estate, hospitality, and brokerage

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

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

15. Segment reporting (continued)

Condensed consolidated interim statement of profit or loss: For the nine-month period ended 30 September 2019 (Un-audited)

	Government and corporate	Retail	Investment and treasury	Real estate, hospitality, and brokerage	Un-allocated	Total
Income from Islamic financing and sukuk	683,858	269,429	372,696	-	-	1,325,983
Profit expense on sukuk	-	-	(142,893)	-	-	(142,893)
Investment, fees and commission income	82,104	49,066	44,169	-	-	175,339
Income from subsidiaries and other income	-	-	-	53,625	-	53,625
Total income	765,962	318,495	273,972	53,625	-	1,412,054
General and administrative expenses	-	-	-	(38,277)	(393,323)	(431,600)
Net operating income	765,962	318,495	273,972	15,348	(393,323)	980,454
Provisions - net of recoveries	46,248	(87,585)	(9,187)	243	-	(50,281)
Profit before distribution to depositors	812,210	230,910	264,785	15,591	(393,323)	930,173
Distribution to depositors	(369,499)	(38,280)	(106,985)	-	-	(514,764)
Profit for the period	442,711	192,630	157,800	15,591	(393,323)	415,409

Consolidated statement of financial position:

As at 30 September 2019 (Un-audited)

Assets						
Segment assets	20,504,129	5,366,076	15,705,364	3,590,636	-	45,166,205
Unallocated assets	-	-	-	-	469,439	469,439
Total assets	20,504,129	5,366,076	15,705,364	3,590,636	469,439	45,635,644
Liabilities						
Segment liabilities	21,651,925	4,922,853	11,194,676	53,563	-	37,823,017
Unallocated liabilities	-	-	-	-	323,410	323,410
Total liabilities	21,651,925	4,922,853	11,194,676	53,563	323,410	38,146,427

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

15. Segment reporting (continued)

Condensed consolidated interim statement of profit or loss: For the nine-month period ended 30 September 2018 (Un-audited)	Government and corporate	Retail	Investment and treasury	Real estate, hospitality, and brokerage	Un-allocated	Total
Income from Islamic financing and sukuk	603,978	205,039	331,349	-	-	1,140,366
Profit expense on sukuk	-	-	(135,911)	-	-	(135,911)
Investment, fees and commission income	73,822	46,949	56,750	-	-	177,521
Income from subsidiaries and other income	-	-	-	73,980	-	73,980
Total income	677,800	251,988	252,188	73,980	-	1,255,956
General and administrative expenses	-	-	-	(41,434)	(399,156)	(440,590)
Net operating income	677,800	251,988	252,188	32,546	(399,156)	815,366
Provisions - net of recoveries	(3,902)	(46,058)	(392)	1	-	(50,351)
Profit before distribution to depositors	673,898	205,930	251,796	32,547	(399,156)	765,015
Distribution to depositors	(255,507)	(32,066)	(79,740)	-	-	(367,313)
Profit for the period	418,391	173,864	172,056	32,547	(399,156)	397,702

Consolidated statement of financial position:
As at 31 December 2018 (Audited)
Assets

Segment assets	20,268,758	4,415,718	16,869,284	2,686,086	-	44,239,846
Unallocated assets	-	-	-	-	505,641	505,641
Total assets	20,268,758	4,415,718	16,869,284	2,686,086	505,641	44,745,487

Liabilities

Segment liabilities	21,398,300	4,751,121	12,851,609	31,263	-	39,009,793
Unallocated liabilities	-	-	-	-	348,062	348,062
Total liabilities	21,398,300	4,751,121	12,851,609	31,263	348,062	39,357,855

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.

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

16. Related parties (continued)

At the reporting date, such significant balances include:

Condensed consolidated interim statement of financial position	30 September 2019 (Un-audited)			
	Key management personnel	Major shareholders	Other related parties	Total
Investment in Islamic financing	635,076	2,657,680	2,337,655	5,630,411
Customers deposits	(166,965)	(720,202)	(2,979,827)	(3,866,994)
Contingent liabilities – off balance sheet	102,953	13,463	8,778	125,194
Condensed consolidated interim statement of profit or loss				
For the nine month period ended 30 September 2019 (Un-audited)				
Income from Islamic financing	22,643	105,587	78,842	207,072
Depositors' share of profit	(852)	(3,349)	(40,804)	(45,005)
Condensed consolidated interim statement of financial position	31 December 2018 (Audited)			
	Key management personnel	Major shareholders	Other related parties	Total
Investment in Islamic financing	775,502	3,336,088	3,539,686	7,651,276
Customers deposits	(174,716)	(665,593)	(2,918,134)	(3,758,443)
Contingent liabilities – off balance sheet	114,650	29,541	-	144,191
Condensed consolidated interim statement of profit or loss				
For the nine month period 30 September 2018 (Un-audited)				
Income from Islamic financing	21,506	93,119	114,129	228,754
Depositors' share of profit	(359)	(4,317)	(18,612)	(23,288)

Key management compensation includes salaries and other short term benefits of AED 17.7 million for the nine month period ended 30 September 2019 (*nine month period ended 30 September 2018: AED 18.9 million*) and post-employment benefits of AED 1.1 million for the nine month period ended 30 September 2019 (*nine month period ended 30 September 2018: AED 2.5 million*).

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

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 30 September 2019 (Un-audited)				
Financial assets				
FVTPL – investment securities	99,310	-	31,004	130,314
FVTOCI – investment securities	2,012,485	-	231,658	2,244,143
	<u>2,111,795</u>	<u>-</u>	<u>262,662</u>	<u>2,374,457</u>
Non-financial assets				
Investment properties at fair value	-	-	2,652,326	2,652,326
At 31 December 2018 (Audited)				
Financial assets				
FVTPL – investment securities	5,563	-	36,814	42,377
FVTOCI – investment securities	2,122,718	-	231,658	2,354,376
	<u>2,128,281</u>	<u>-</u>	<u>268,472</u>	<u>2,396,753</u>
Non-financial assets				
Investment properties at fair value	-	-	2,318,129	2,318,129

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. 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:

	30 September 2019 (Un-audited)		31 December 2018 (Audited)	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Financial assets				
Balance as at 1 January	36,814	231,658	36,730	157,112
Fair value movement	(5,810)	-	84	1,086
Addition	-	-	-	73,460
Closing balance	<u>31,004</u>	<u>231,658</u>	<u>36,814</u>	<u>231,658</u>
Non-financial assets				
Balance at the beginning of the period			2,318,129	2,167,763
Additions			279,643	248,046
Transfer from held-for-sale			63,298	-
Disposal			(8,744)	(87,484)
Revaluation loss			-	(10,196)
Balance at the end of the period			<u>2,652,326</u>	<u>2,318,129</u>

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019 (Un-audited)

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

17. Fair value measurement (continued)

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 2018.

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 23 February 2019, a cash dividend of 8% of the paid up capital amounting to AED 234.8 was approved for the year ended 31 December 2018 (2018: 8% dividend, amounting to AED 234.9 million for the year ended 31 December 2017).

20. Contingencies and commitments

	30 September 2019 Un-audited	31 December 2018 Audited
Letters of credit	<u>169,045</u>	<u>146,840</u>
Letters of guarantee	<u>2,220,724</u>	<u>2,257,800</u>
Capital commitments	<u>238,072</u>	<u>313,344</u>

All commitments to extend credits are revocable by the Bank without any recourse.

21. Comparatives

Certain prior period / year comparatives have been reclassified to conform to the current period's presentation.