
SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
30 June 2022

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 six month period ended 30 June 2022.


Financial highlights

As at 30 June 2022, total assets of the Bank stands at AED 56.1 billion, an increase of AED 1.1 billion or 2%. Investments in Islamic financing modestly slightly decreased by 0.6%, amounting to AED 178.6 million to reach the total outstanding of AED 28.8 billion. Investment securities measured at fair value increased during the period by 71.1%, standing at AED 3.2 billion compared to AED 1.9 billion as at 31 December 2021. Customer deposits decreased by 2.9%. Shareholders' equity stood at AED 7.6 billion as at 30 June 2022.

Net operating income before impairment charges for the Group increased by 19.1%, to reach AED 497.2 million for the six month period ended 30 June 2022 as compared to AED 417.3 million for the six month period ended 30 June 2021.

Impairment charges - net of recoveries made in the six month period ended 30 June 2022 amounts to AED 135.3 million, an increase of 5.9% compared to the six month period ended 30 June 2021.

Net profits of AED 361.9 million is recorded for six month period ended 30 June 2022 as compared to AED 289.5 million for the six month period ended 30 June 2021, an increase of 25%.



Abdul Rahman Mohammed Naseer Al Owais
Chairman
20 July 2022



Review report on condensed consolidated interim financial statements to the board of directors of Sharjah Islamic Bank PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (the "Group") as at 30 June 2022 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three month and six month periods then ended, and condensed consolidated interim statements of cash flows and changes in equity for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of our review

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

Conclusion

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

PricewaterhouseCoopers
20 July 2022

Rami Sarhan
Registered Auditor Number 1152
Place: Dubai, United Arab Emirates

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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

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


AS AT 30 June 2022

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

		30 June 2022	31 December 2021
	Notes	Un-audited	Audited
Assets			
Cash and balances with banks and financial institutions	6	4,128,361	3,383,531
Murabaha and wakalah with financial institutions	7	10,318,367	10,959,900
Investment securities measured at fair value	8	3,199,479	1,869,404
Investment securities measured at amortised cost	9	4,076,561	4,466,865
Investments in Islamic financing	10	28,830,420	29,009,018
Investment properties	22	2,792,593	2,825,021
Properties held-for-sale		666,294	685,014
Other assets	11	1,098,567	808,480
Property and equipment	12	956,890	949,562
		<u>56,067,532</u>	<u>54,956,795</u>
Liabilities and shareholders' equity			
Liabilities			
Customers' deposits	13	37,364,264	38,493,720
Due to banks		6,166,991	4,223,897
Sukuk payable	14	3,668,707	3,667,414
Other liabilities	15	1,235,721	805,889
Zakat payable		13,119	71,098
Total liabilities		<u>48,448,802</u>	<u>47,262,018</u>
Shareholders' equity			
Share capital	16	3,081,598	3,081,598
Tier 1 sukuk		1,836,500	1,836,500
Legal reserve		1,540,799	1,540,799
Statutory reserve		89,008	89,008
General impairment reserve		124,466	64,577
Fair value reserve		(150,363)	(12,097)
Retained earnings		1,096,722	1,094,392
Total shareholders' equity		<u>7,618,730</u>	<u>7,694,777</u>
Total liabilities and shareholders' equity		<u>56,067,532</u>	<u>54,956,795</u>

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 20 July 2022.


Abdul Rahman Mohammed Nasser Al Owais
Chairman


Mohamed Ahmed Abdalla
Chief Executive Officer

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTH PERIOD ENDED 30 June 2022
(Currency: Thousands of U.A.E Dirhams)

	Notes	Three month period ended 30 June		Six month period ended 30 June	
		2022	2021	2022	2021
		Un-audited	Un-audited	Un-audited	Un-audited
Income from investments in Islamic financing and sukuk		443,925	417,237	879,232	835,957
Distribution to depositors' and sukuk holders		(150,372)	(142,375)	(291,928)	(297,939)
Net income from financing and investment products		293,553	274,862	587,304	538,018
Fee and commission income	18	79,237	67,372	153,528	137,684
Fee and commission expense	18	(13,503)	(9,655)	(29,186)	(19,620)
Net fee and commission income		65,734	57,717	124,342	118,064
Investment income / (loss)		17,461	(7,666)	25,284	(7,085)
Foreign exchange income		(3,653)	8,882	(799)	15,094
Other income	19	14,049	9,653	35,303	22,966
Total operating income		387,144	343,448	771,434	687,057
General and administrative expenses		(138,476)	(138,364)	(274,276)	(269,772)
Net operating income before impairment		248,668	205,084	497,158	417,285
Impairment on financial assets - net of recoveries		(73,812)	(79,771)	(135,286)	(127,795)
Profit for the period		174,856	125,313	361,872	289,490
(Attributable to the shareholders of the Bank)					
Basic and diluted earnings per share (U.A.E. Dirhams)		0.06	0.04	0.12	0.09

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022

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

	Three month period ended 30 June		Six month period ended 30 June	
	2022 Un-audited	2021 Un-audited	2022 Un-audited	2021 Un-audited
Profit for the year (Attributable to the shareholders of the Bank)	174,856	125,313	361,872	289,490
Other comprehensive income				
Items that will be reclassified to profit or loss				
Change in fair value reserve on FVTOCI sukuk investments	(90,304)	8,998	(159,527)	(3,895)
Items that will not be reclassified to profit or loss				
Change in fair value reserve on FVTOCI equity investments	21,165	(11,381)	21,261	(17,935)
Total comprehensive income for the year (Attributable to the shareholders of the Bank)	<u>105,717</u>	<u>122,930</u>	<u>223,606</u>	<u>267,660</u>

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.



SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 June 2022
(Currency: Thousands of U.A.E Dirhams)

	Six month period ended 30 June 2022 Un-audited	Six month period ended 30 June 2021 Un-audited
Cash flows from operating activities		
Profit for the period	361,872	289,490
Adjustments for:		
- Depreciation on property and equipment	24,475	22,762
- Gain on sale of property and equipment	(40)	581
- Amortisation of sukuk issuance costs	1,293	1,978
- Provision charge on investments in Islamic financing	115,741	104,092
- Provision charge on investment securities measured at fair value	789	(27)
- Provision charge on investment securities measured at amortised cost	14,677	23,331
- Provision charge / (reversal) on other assets	3,317	387
- (Reversal) / provision charge on subsidiaries	762	(15)
- Revaluation on investment securities measured at fair value through profit and loss	(2,272)	16,419
- Gain on sale of properties held for sale	(813)	(1,560)
- Foreign exchange loss on properties held for sale	16,307	(2,335)
- Gain on sale of investment properties	(5,655)	(2,325)
- Gain on disposal of investment securities	(4,052)	(238)
Operating profit before changes in operating assets and liabilities	526,401	452,540
Changes in:		
- Balances with financial institutions	(699,760)	571,997
- Murabaha and wakalah with financial institutions	1,418,980	(54,823)
- Investments in Islamic financing	62,095	(127,422)
- Other assets	(293,404)	32,452
- Customers' deposits	(1,129,456)	1,383,912
- Due to banks	2,082,524	(668,306)
- Zakat payable	(57,979)	(46,665)
- Other liabilities	413,315	105,443
Net cash generated from operating activities	2,322,716	1,649,128
Cash flows from investing activities		
Acquisition of properties and equipment	(22,578)	(24,398)
Disposal of properties and equipment	119	(581)
Acquisition of investment properties	(8,778)	(36,702)
Disposal of investment properties	46,861	28,523
Acquisition of properties held-for-sale	(5,775)	(139,417)
Disposal of properties held-for-sale	9,001	33,886
Acquisition of investment securities measured at fair value	(1,549,958)	(67,972)
Disposal / redemption of investment securities measured at fair value	87,152	628,155
Acquisition of investment securities measured at amortised cost	(31,503)	(11,046)
Redemption of investment securities measured at amortised cost	407,130	477,924
Net cash (used in) / from investing activities	(1,068,329)	888,372

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)
FOR THE SIX MONTH PERIOD ENDED 30 June 2022
(Currency: Thousands of U.A.E Dirhams)

	Six month period ended 30 June 2022 <u>Un-audited</u>	Six month period ended 30 June 2021 <u>Un-audited</u>
Cash flows from financing activities		
Profit paid on tier 1 sukuk	(45,912)	(45,913)
Cash dividend	<u>(246,528)</u>	<u>(246,528)</u>
Net cash used in financing activities	<u>(292,440)</u>	<u>(292,441)</u>
Net increase in cash and cash equivalents	961,947	2,245,059
Cash and cash equivalents at the beginning of the period	<u>10,399,620</u>	<u>6,426,493</u>
Cash and cash equivalents at the end of the period	<u><u>11,361,567</u></u>	<u><u>8,671,552</u></u>
Cash and cash equivalents		
Cash and balances with banks and financial institutions	1,652,864	1,198,895
Murabaha and wakalah with financial institutions	9,715,345	7,485,349
Due to banks	<u>(6,642)</u>	<u>(12,692)</u>
	<u><u>11,361,567</u></u>	<u><u>8,671,552</u></u>

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.



SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 June 2022
(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 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	-	-	-	-	-	-	289,490	289,490
Profit for the period	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	(21,830)	-	(21,830)
Net change in fair value reserve	-	-	-	-	-	(21,830)	-	(21,830)
Total comprehensive income for the period	-	-	-	-	-	(21,830)	289,490	267,660
Transactions recorded directly in equity	-	-	-	-	-	-	-	-
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	(5,978)	5,978	-
Cash dividend (note 24)	-	-	-	-	-	-	(246,528)	(246,528)
Transfer to general impairment reserve	-	-	-	-	2,812	-	(2,812)	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,913)	(45,913)
Board of directors' fees (note 17)	-	-	-	-	-	-	(5,410)	(5,410)
Total	-	-	-	-	2,812	(5,978)	(294,685)	(297,851)
As at 30 June 2021 (Un-audited)	3,081,598	1,836,500	1,508,508	89,008	115,183	16,572	967,798	7,615,167

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE SIX MONTH PERIOD ENDED 30 June 2022
(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 2022 (Audited)	3,081,598	1,836,500	1,540,799	89,008	64,577	(12,097)	1,094,392	7,694,777
Total comprehensive income for the period	-	-	-	-	-	-	361,872	361,872
Profit for the period	-	-	-	-	-	-	361,872	361,872
Other comprehensive income	-	-	-	-	-	(138,266)	-	(138,266)
Net change in fair value reserve	-	-	-	-	-	(138,266)	-	(138,266)
Total comprehensive income for the period	-	-	-	-	-	(138,266)	361,872	223,606
Transactions recorded directly in equity	-	-	-	-	-	-	-	-
Cash dividend (note 24)	-	-	-	-	-	-	(246,528)	(246,528)
Transfer to general impairment reserve	-	-	-	-	59,889	-	(59,889)	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,912)	(45,912)
Board of directors' fees (note 17)	-	-	-	-	-	-	(7,213)	(7,213)
Total	-	-	-	-	59,889	-	(359,542)	(299,653)
As at 30 June 2022 (Un-audited)	3,081,598	1,836,500	1,540,799	89,008	124,466	(150,363)	1,096,722	7,618,730

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (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 ("UAE") 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 Central Bank of the UAE ("CBUAE"), which are carried out through its 35 branches (2021: 35 branches) established in the UAE.

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 June 2002 ("the transformation date"). As a result the Bank transformed its conventional banking products into Islamic banking products during the six month period ended 30 June 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 UAE, 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, UAE.

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, 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 2021. 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 2021.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for, provision for employees' end of service benefits which is measured using the projected credit unit method under IAS 19, and the following material items in the condensed consolidated interim statement of financial position which are measured at fair value:

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

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (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 thousands, except when otherwise stated.

3. 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 2021.

New and revised IFRS adopted in the condensed consolidated interim financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these condensed consolidated interim financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

New standards and significant amendments to standards applicable to the Group	Effective date
Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 9 and IFRS 16	

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	1 January 2022
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Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 9, 'Financial instruments', and the Illustrative Example accompanying IFRS 16, 'Leases'.

There is no impact on the Group's condensed consolidated interim financial statements for the six month period ended 30 June 2022 due to the adoption of the above amendments.

There are no other IFRSs, IFRIC interpretations or amendments to standards that were effective for the first time for the financial year beginning 1 January 2022 that have had a material impact on the Group's condensed consolidated interim financial statements for the six month period ended 30 June 2022.



SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)
(Currency: Thousands of U.A.E Dirhams)

3. Significant accounting policies (continued)**New and revised IFRS in issue but not yet effective and not early adopted**

New standards and significant amendments to standards applicable to the Group	Effective date
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Amendments to IAS 1, Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

1 January
2024

The application of these amendments have been deferred until accounting periods starting not earlier than 1 January 2024.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in

1 January
2023

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

1 January
2023

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Definition of Accounting Estimates – Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

1 January
2023

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.



SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)**

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

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 2021.

i) Credit risk management

Reviews are being conducted on a more frequent basis on the Bank's vulnerable sectors that are significantly impacted by COVID-19. 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 37% (31 December 2021: 36.5%).

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 disbursements 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 (iii) liquidity risk management, as required by the Joint Guidance issued in April 2020 for clients benefitting from payment deferrals, the Bank has considered the principles, as defined in note 4 (ii) (a) (x) of the annual financial statements for the year ended 31 December 2021, for the classification of the customers into Group 1 and Group 2":

ii) Use of estimates and judgements**Governance around IFRS 9 ECL models and calculations**

Given the significant impact that the 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.



SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)
(Currency: Thousands of U.A.E Dirhams)

4. Key accounting estimates and judgments (continued)**Impact of COVID-19 (continued)****ii) Use of estimates and judgements**

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Although the macro-economic environment is recovering from the impact of COVID-19, the Bank, being prudent, has assessed the impact of the crisis and used 20% weightage to the upward scenario as of 30 June 2022. Had adverse scenario been increased from 40% by another 10% and upward scenario been decreased from 20% to 10%, impairment loss allowance would increase by AED 2.3 million.

Governance around IFRS 9 ECL models and calculations (continued)

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\$ 53/barrel to US\$ 116/barrel, equity price index growth volatility ranging between -16% to 8%, non-oil UAE GDP range falling -4% to rising 6% and UAE CPI index ranging 1% to 2.6%.

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 CBUAE has kept on supporting the banking sector by expanding the Targeted Economic Support Scheme (TESS), allowing UAE Banks to access zero cost funding from the CBUAE and give the advantage to the effected clients. The benefit from this funding 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 post COVID-19 crisis.



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4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

iii) Liquidity risk management (continued)

LIBOR transition progress

In line with the disclosures in the financial statements for the year ended 31 December 2021, the Group's transition program has commenced and the Group is preparing for the transition to Alternative Reference Rate (ARR). For this, the management has formed a cross functional working committee and the program has been running under the supervision of the committee, which includes representatives from Risk management, Financial control, Information technology and other related business units. The transition program will be completed until the final publication date of LIBOR on 30 June 2023.

The Bank has Libor based repo borrowings amounting to AED 234.9 million as of 30 June 2022 (31 December 2022 234.9 million).

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

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) Capital adequacy initiatives

The Bank expects CAR in the current economic 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%

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).

vi) Concentration analysis

Please refer to note 10 (i) (b) to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 30 June 2022.

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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.

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 June 2022 (Un-audited)			
	ECL Staging			Total
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	977,119	-	-	977,119
Loss allowance	-	-	-	-
Carrying amount	977,119	-	-	977,119
<i>Murabaha and wakalah with financial institutions</i>	7,321,389	-	-	7,321,389
Loss allowance	(3,022)	-	-	(3,022)
Carrying amount	7,318,367	-	-	7,318,367
<i>Investment securities measured at FVTOCI (excluding equity investments)</i>	2,384,284	-	-	2,384,284
Loss allowance	(1,718)	-	-	(1,718)
Carrying amount	2,382,566	-	-	2,382,566
<i>Investment securities measured at amortised cost</i>	4,041,495	101,913	62,337	4,205,745
Loss allowance	(2,539)	(64,308)	(62,337)	(129,184)
Carrying amount	4,038,956	37,605	-	4,076,561
<i>Investments in Islamic financing</i>	26,069,105	2,489,479	1,685,941	30,244,525
Loss allowance	(117,118)	(241,332)	(1,055,655)	(1,414,105)
Carrying amount	25,951,987	2,248,147	630,286	28,830,420
<i>Other assets (excluding non-financial assets)</i>	893,491	-	73,252	966,743
Loss allowance	(6,182)	-	(53,891)	(60,073)
Carrying amount	887,309	-	19,361	906,670
Net credit risk exposures relating to on-balance sheet assets	41,556,304	2,285,752	649,647	44,491,703
<i>Letter of credit and guarantee</i>	469,369	6,878	91	476,338
Loss allowance	(1,775)	(197)	-	(1,972)
	467,594	6,681	91	474,366
Net credit risk exposures relating to off-balance sheet assets	42,023,898	2,292,433	649,738	44,966,069
Gross credit risk exposure	42,156,252	2,598,270	1,821,621	46,576,143
Total ECL	(132,354)	(305,837)	(1,171,883)	(1,610,074)
	42,023,898	2,292,433	649,738	44,966,069

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

	31 December 2021 (Audited)			
	ECL Staging			Total
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	823,724	-	-	823,724
Loss allowance	(1)	-	-	(1)
Carrying amount	823,723	-	-	823,723
<i>Murabaha and wakalah with financial institutions</i>	4,158,230	-	-	4,158,230
Loss allowance	(3,331)	-	-	(3,331)
Carrying amount	4,154,899	-	-	4,154,899
<i>Investment securities measured at FVTOCI (excluding equity investments)</i>	1,237,662	-	-	1,237,662
Loss allowance	(929)	-	-	(929)
Carrying amount	1,236,733	-	-	1,236,733
<i>Investment securities measured at amortised cost</i>	4,417,137	101,898	62,337	4,581,372
Loss allowance	(5,741)	(46,429)	(62,337)	(114,507)
Carrying amount	4,411,396	55,469	-	4,466,865
<i>Investments in Islamic financing</i>	26,664,233	2,217,705	1,458,322	30,340,260
Loss allowance	(221,366)	(180,437)	(929,439)	(1,331,242)
Carrying amount	26,442,867	2,037,268	528,883	29,009,018
<i>Other assets (excluding non-financial assets)</i>	704,949	5,015	71,225	781,189
Loss allowance	(6,913)	(3)	(47,987)	(54,903)
Carrying amount	698,036	5,012	23,238	726,286
Net credit risk exposures relating to on-balance sheet assets	37,767,654	2,097,749	552,121	40,417,524
<i>Letter of credit and guarantee</i>	441,435	25,159	31	466,625
Loss allowance	(2,367)	(166)	-	(2,533)
	439,068	24,993	31	464,092
Net credit risk exposures relating to off-balance sheet assets	38,206,722	2,122,742	552,152	40,881,616
Gross credit risk exposure	38,447,370	2,349,777	1,591,915	42,389,062
Total ECL	(240,648)	(227,035)	(1,039,763)	(1,507,446)
	38,206,722	2,122,742	552,152	40,881,616



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5. Financial risk management (continued)**b) Capital adequacy**

The capital adequacy ratio is based on Basel III and the CBUAE rules and guidelines:

	30 June 2022 Un-audited	31 December 2021 Audited
<i>Capital base</i>		
Common equity tier 1	5,768,210	5,651,211
Additional tier 1 capital	1,836,500	1,836,500
Total tier 1 capital base	7,604,710	7,487,711
Total tier 2 capital base	468,093	443,550
Total capital base	8,072,803	7,931,261
<i>Risk weighted assets</i>		
Credit risk	37,447,475	35,483,976
Market risk	322,260	215,569
Operational risk	2,366,383	2,366,383
Total risk weighted assets	40,136,118	38,065,929
<i>Capital ratios</i>		
Common equity tier 1 ratio	14.37%	14.85%
Tier 1 capital ratio	18.95%	19.67%
Capital adequacy ratio	20.11%	20.84%
6. Cash and balances with banks and financial institutions		
Cash	707,109	784,071
Statutory deposit with CBUAE	2,442,463	1,775,737
Due from banks	978,789	823,723
	4,128,361	3,383,531

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

Due from banks include cash margin amounting to AED 33 million (31 December 2021: AED: Nil) against collateralised murabaha.

7. Murabaha and wakalah with financial institutions

Murabaha	2,849,586	1,762,371
Wakala arrangements	7,468,781	9,197,529
	10,318,367	10,959,900

Wakala arrangements with financial institutions includes Islamic certificates of deposit with CBUAE amounting to AED 3.0 billion (31 December 2021: AED 6.8 billion).



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8. Investment securities measured at fair value

The Group has designated certain investments in equity instruments, funds and sukuk as FVTOCI as these are investments that the Group plans to hold in the long term for strategic reasons. The Group classified certain equity instruments, funds and sukuk at FVTPL as the Group plan to achieve its objective by trading these investments.

By category	30 June	31 December
	2022	2021
	Un-audited	Audited
<i>Financial assets at fair value through profit or loss</i>		
- Equity and funds	304,271	208,325
- Sukuk	9,913	10,825
	<u>314,184</u>	<u>219,150</u>
<i>Financial assets at fair value through other comprehensive income</i>		
- Equity and funds	502,729	413,521
- Sukuk	2,384,284	1,237,662
	<u>2,887,013</u>	<u>1,651,183</u>
Less: loss allowance on financial assets measured at FVTOCI	(1,718)	(929)
	<u>2,885,295</u>	<u>1,650,254</u>
	<u>3,199,479</u>	<u>1,869,404</u>
By quoted / unquoted		
<i>Financial assets at fair value through profit or loss</i>		
- Quoted	16,265	12,236
- Unquoted	297,919	206,914
	<u>314,184</u>	<u>219,150</u>
<i>Financial assets at fair value through other comprehensive income</i>		
- Quoted	2,590,602	1,391,575
- Unquoted	296,411	259,608
Less: Loss allowance on financial assets measured at FVTOCI	(1,718)	(929)
	<u>2,885,295</u>	<u>1,650,254</u>
	<u>3,199,479</u>	<u>1,869,404</u>

8.1 During the six month period ended 30 June 2022, the Group has purchased equity securities amounting AED 96.8 million (2021: AED 206.1 million).

8.2 The maximum credit risk exposure on financial assets at fair value through profit or loss is equivalent to their fair value.

8.3 During the six month period ended 30 June 2022, dividends received from financial assets measured at fair value through other comprehensive income amounting to AED 9.3 million (six month period ended 30 June 2021: AED 7.8 million) were recognised as investment income in the condensed consolidated interim statement of profit or loss.



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9. Investment securities measured at amortised cost

	30 June	31 December
	2022	2021
	Un-audited	Audited
By category		
- Sukuks	4,205,745	4,581,372
Less: Loss allowance on financial assets measured at amortised cost	<u>(129,184)</u>	<u>(114,507)</u>
	<u>4,076,561</u>	<u>4,466,865</u>
By quoted / unquoted		
- Quoted	2,622,466	2,991,843
- Unquoted	1,583,279	1,589,529
Less: loss allowance on financial assets measured at amortised cost	<u>(129,184)</u>	<u>(114,507)</u>
	<u>4,076,561</u>	<u>4,466,865</u>

- 9.1 During the six month period ended 30 June 2022, no investment in sukuk measured at amortised cost is downgraded to stage 3 under the ECL model (31 December 2021: Nil).
- 9.2 Sukuk held at amortised cost include AED 578.2 million (31 December 2021: AED 2,116 million) pledged against a collateralized commodity murabaha arrangement.
- 9.3 During the six month period ended 30 June 2022, the Group has not sold any financial assets measured at amortised cost.

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10. Investments in Islamic financing

10.1 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	30 June	31 December
	2022	2021
	Un-audited	Audited
Vehicle murabaha	199,321	202,004
Goods murabaha	9,486,388	8,982,194
Real estate murabaha	14,180	16,846
Other murabaha receivable	893,002	751,301
Syndicate murabaha	1,561,946	1,372,221
Gross murabaha financing	12,154,837	11,324,566
Deferred profit	(1,102,817)	(1,082,085)
Net murabaha financing	11,052,020	10,242,481
Ijarah	16,541,153	16,798,775
Qard hasan	645,902	740,690
Credit card receivables	90,947	86,858
Istisna	1,914,503	2,471,456
Total investments in Islamic financing	30,244,525	30,340,260
Less: loss allowance for investments in Islamic financing	(1,414,105)	(1,331,242)
Net investments in Islamic financing	28,830,420	29,009,018
b) By sector		
Government departments and authorities	11,189,643	11,080,269
Construction and contracting	719,130	719,001
Manufacturing	611,507	651,482
Transportation	1,192,492	1,326,281
Real estate	6,611,497	6,816,136
Retail businesses	486,031	542,378
Trade	1,526,986	1,400,444
Financial institutions	416,908	368,597
Services and others	1,359,519	1,460,583
Individuals	3,179,191	3,070,873
Consumer home finance	1,480,637	1,522,105
High net worth individuals	2,573,801	2,464,196
Deferred profit	(1,102,817)	(1,082,085)
Less: loss allowance for investments in Islamic financing	(1,414,105)	(1,331,242)
Net investments in Islamic financing	28,830,420	29,009,018

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10. Investments in Islamic financing (continued)

10.2 Reconciliations from the opening to the closing balance of the gross carrying value (GCV) and loss allowance (ECL) for retail and corporate banking segment can be seen below:

	30 June 2022 (Un-audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2022	26,664,233	221,366	2,217,705	180,437	1,458,322	929,439	30,340,260	1,331,242
Retail banking								
Transfer to stage 1	3,772	130	(3,769)	(127)	(3)	(3)	-	-
Transfer to stage 2	(25,045)	(532)	25,055	534	(10)	(2)	-	-
Transfer to stage 3	(28,010)	(489)	(6,013)	(202)	34,023	691	-	-
Net movement in GCV	152,051	-	(4,190)	-	(3,521)	-	144,340	-
Net re-measurement of loss allowance	-	(23,109)	-	472	-	16,319	-	(6,318)
Recoveries	-	-	-	-	(2,109)	(2,925)	(2,109)	(2,925)
Write-offs	-	-	-	-	(19,800)	(19,800)	(19,800)	(19,800)
Corporate banking								
Transfer to stage 1	154,756	6,203	(154,756)	(6,203)	-	-	-	-
Transfer to stage 2	(876,020)	(17,126)	877,700	17,157	(1,680)	(31)	-	-
Transfer to stage 3	(86,403)	(24,441)	(248,145)	(25,645)	334,548	50,086	-	-
Net movement in GCV	109,771	-	(214,108)	-	(101,389)	-	(205,726)	-
Net re-measurement of loss allowance	-	(44,884)	-	74,909	-	91,239	-	121,264
Recoveries	-	-	-	-	(5,933)	(2,851)	(5,933)	(2,851)
Write-offs	-	-	-	-	(6,507)	(6,507)	(6,507)	(6,507)
Balance at 30 June 2022	26,069,105	117,118	2,489,479	241,332	1,685,941	1,055,655	30,244,525	1,414,105

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10. Investments in Islamic financing (continued)

10.2 Reconciliations from the opening to the closing balance of the gross carrying value (GCV) and loss allowance (ECL) for retail and corporate banking segment can be seen below (continued):

	31 December 2021 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2021	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	20,470	3,995	(15,514)	(678)	(4,956)	(3,317)	-	-
Transfer to stage 2	(25,447)	(931)	25,447	931	-	-	-	-
Transfer to stage 3	(49,478)	(1,646)	(34,510)	(1,740)	83,988	3,386	-	-
Net movement in GCV	668,224	-	(8,610)	-	(35,359)	-	624,255	-
Net re-measurement of loss allowance	-	(36,417)	-	(556)	(4,282)	56,969	(4,282)	19,996
Recoveries	-	-	-	-	(14,300)	(3,381)	(14,300)	(3,381)
Write-offs	-	-	-	-	(14,300)	(14,300)	(14,300)	(14,300)
Corporate banking								
Transfer to stage 1	260,601	13,403	(260,601)	(13,403)	-	-	-	-
Transfer to stage 2	(478,038)	(3,481)	478,038	3,481	-	-	-	-
Transfer to stage 3	(42,674)	(1,187)	(94,693)	(11,458)	137,367	12,645	-	-
Net movement in GCV	(514,915)	-	(108,991)	-	(62,493)	-	(686,399)	-
Net re-measurement of loss allowance	-	(16,389)	-	68,811	(19,822)	111,989	(19,822)	164,411
Recoveries	-	-	-	-	(115,573)	(7,733)	(115,573)	(7,733)
Write-offs	-	-	-	-	(115,573)	(115,573)	(115,573)	(115,573)
Balance at 31 December 2021	26,664,233	221,366	2,217,705	180,437	1,458,322	929,439	30,340,260	1,331,242

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10. Investments in Islamic financing (continued)

10.3 Portfolio wise analysis of ECL during the period

	30 June 2022 (Un-audited)			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2022 (Audited)	221,366	180,437	929,439	1,331,242
<i>Retail banking</i>				
Credit cards	315	28	(292)	51
Housing loans	(6,786)	138	36	(6,612)
Personal loans	(15,423)	534	(5,390)	(20,279)
Auto loans	(2,106)	(23)	(74)	(2,203)
<i>Corporate banking</i>				
Government and related exposures	(3,589)	949	-	(2,640)
Other corporates	(16,444)	48,729	(1,153)	31,132
High net worth individuals	(50,631)	3,869	102,551	55,789
Small and medium enterprises ("SMEs")	(9,584)	6,671	30,538	27,625
ECL allowance as of 30 June 2022 (Un-audited)	117,118	241,332	1,055,655	1,414,105
	31 December 2021 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2021 (Audited)	264,019	135,049	888,754	1,287,822
<i>Retail banking</i>				
Credit cards	(348)	11	548	211
Housing loans	(18,586)	(1,917)	2,647	(17,856)
Personal loans	(14,975)	(104)	37,239	22,160
Auto loans	(1,090)	(33)	(1,077)	(2,200)
<i>Corporate banking</i>				
Government and related exposures	1,473	(2,919)	-	(1,446)
Other corporates	(7,206)	911	30,917	24,622
High net worth individuals	(4,385)	29,879	(26,545)	(1,051)
Small and medium enterprises ("SMEs")	2,464	19,560	(3,044)	18,980
ECL allowance as of 31 December 2021 (Audited)	221,366	180,437	929,439	1,331,242



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10. Investments in Islamic financing (continued)

10.4 Analysis of customers benefiting from payment deferrals

	Corporate banking	Retail banking	Total
Investments in Islamic financing	581,708	30,213	611,921
ECL	1,457	619	2,076
Deferral amount	93,536	1,567	95,103
Number of customers	8	12	20

11. Other assets

	30 June 2022 Un-audited	31 December 2021 Audited
Prepaid expenses and other advances	43,701	34,280
Profit receivable	327,657	335,922
Sundry debtors	340,851	152,261
Advances against Investments in Islamic financing	205,293	47,914
Others	42,755	138,658
Reimbursements under acceptances	200,355	156,881
Less: loss allowance under IFRS 9 on other assets	(62,045)	(57,436)
	1,098,567	808,480

12. Property and equipment

Freehold land and buildings	770,115	774,795
Equipment, furniture and fittings	12,565	16,981
Computer equipment	67,823	55,403
Motor vehicles	1,834	2,311
Right of use assets	30,580	27,577
Capital - work in progress	73,973	72,495
	956,890	949,562

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13. Customers' deposits	30 June	31 December
	2022	2021
	Un-audited	Audited
Current accounts	10,359,725	10,096,621
Saving accounts	3,199,842	3,040,095
Watany / call accounts	1,165,183	947,627
Time deposits	22,278,104	23,949,613
Margins	361,410	459,764
	<u>37,364,264</u>	<u>38,493,720</u>

14. Sukuk payable

Name of instrument	Maturity date	Profit rate		
SIB Sukuk 2023	17 April 2023	4.23%	1,835,511	1,834,795
SIB Sukuk 2025	23 June 2025	2.85%	1,833,196	1,832,619
Total			<u>3,668,707</u>	<u>3,667,414</u>

15. Other liabilities

Profit payable		143,939	133,030
Accrual and provision		55,824	51,521
Accounts payable		132,719	77,086
Provision for staff end of service benefits		86,637	84,522
Managers' cheques		239,728	46,299
Obligations under acceptances		200,355	156,881
Sundry creditors		365,089	249,235
Lease obligation	15.1	11,430	7,315
		<u>1,235,721</u>	<u>805,889</u>

15.1 Lease obligation

Balance at the beginning of the period / year	7,315	17,792
Recognition	9,304	1,414
Amortisation	(5,189)	(11,891)
Balance at the end of the period / year	<u>11,430</u>	<u>7,315</u>

16. Share capital

The Bank's issued and fully paid up share capital comprises 3,081,597,750 shares of AED 1 each.

	30 June 2022		31 December 2021	
	No. of shares	Value	No. of shares	Value
Share capital	<u>3,081,597,750</u>	<u>3,081,598</u>	<u>3,081,597,750</u>	<u>3,081,598</u>



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17. Proposed directors' remuneration

In accordance with the Article 169 of Commercial Companies Law No. 2 of 2015, the proposed directors' remuneration is AED 7.2 million (2021: AED 5.4 million).

18. Net fees and commission income

	Six month period ended	
	30 June 2022	30 June 2021
	Un-audited	Un-audited
Fees and commission income		
Commission income	76,901	73,440
Fees and charges on banking services	39,467	30,715
Card related fees	25,413	20,124
Takaful commission	11,747	13,405
	<u>153,528</u>	<u>137,684</u>
Fees and commission expense		
Card related expense	16,126	11,502
Takaful expense	8,689	4,516
Commission expense	4,371	3,602
	<u>29,186</u>	<u>19,620</u>

19. Other income

Income from subsidiaries	9,233	6,183
Rental income	19,539	12,289
Income from sale of properties	6,468	3,886
Gain on sale of property and equipment	40	581
Other income	23	27
	<u>35,303</u>	<u>22,966</u>

20. 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

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



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20. Segment reporting (continued)

Condensed consolidated interim statement of profit or loss:

For the six month period ended 30 June 2022 (Un-audited)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and realstate	Total
Income from investments in Islamic financing and sukuk less: distribution to depositors and sukuk holders	503,326 (181,807)	159,502 (21,087)	216,404 (89,034)	-	879,232 (291,928)
Net income from financing and investment products	321,519	138,415	127,370	-	587,304
Fee and commission income	71,732	40,449	16,109	25,238	153,528
Fee and commission expense	(13,300)	(10,734)	(5,152)	-	(29,186)
Net fee and commission income	58,432	29,715	10,957	25,238	124,342
Investment income	-	-	25,284	-	25,284
Foreign exchange income	10,800	1,876	2,831	(16,306)	(799)
Other income	-	-	-	35,303	35,303
Total operating income	390,751	170,006	166,442	44,235	771,434
General and administrative expenses	-	-	-	(22,236)	(22,236)
General and administrative expenses - unallocated	-	-	-	-	(252,040)
Net operating income before impairment	390,751	170,006	166,442	21,999	497,158
less: impairment on financial assets - net of recoveries	(124,193)	9,674	(18,740)	(2,027)	(135,286)
Profit for the period	266,558	179,680	147,702	19,972	361,872

Condensed consolidated interim statement of financial position:

As at 30 June 2022 (Un-audited)

Assets					
Segment assets	23,372,213	4,799,981	26,013,205	1,140,187	55,325,586
Unallocated assets	-	-	-	-	741,946
Total assets	23,372,213	4,799,981	26,013,205	1,140,187	56,067,532
Liabilities					
Segment liabilities	31,012,179	6,367,196	10,518,538	92,328	47,990,241
Unallocated liabilities	-	-	-	-	458,561
Total liabilities	31,012,179	6,367,196	10,518,538	92,328	48,448,802

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20. Segment reporting (continued)	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and realstate	Total
Condensed consolidated statement of profit or loss:					
For the six month period ended 30 June 2021 (Un-audited):					
Income from investments in Islamic financing and sukuk	473,636	161,359	200,962	-	835,957
less: distribution to depositors and sukuk holders	(149,729)	(18,237)	(129,973)	-	(297,939)
Net income from financing and investment products	323,907	143,122	70,989	-	538,018
Fee and commission income	65,825	40,618	9,118	22,123	137,684
Fee and commission expense	(9,635)	(7,764)	(2,221)	-	(19,620)
Net fee and commission income	56,190	32,854	6,897	22,123	118,064
Investment income	-	-	(7,085)	-	(7,085)
Foreign exchange income	6,811	1,881	6,402	-	15,094
Other income	276	338	5,618	16,734	22,966
Total operating income	387,184	178,195	82,821	38,857	687,057
General and administrative expenses	-	-	-	(20,754)	(20,754)
General and administrative expenses - unallocated	-	-	-	-	(249,018)
Net operating income before impairment	387,184	178,195	82,821	18,103	417,285
less: impairment on financial assets - net of recoveries	(81,680)	(497)	(45,280)	(338)	(127,795)
Profit for the period	305,504	177,698	37,541	17,765	289,490
Consolidated statement of financial position:					
As at 31 December 2021 (Audited)					
Assets					
Segment assets	23,727,846	4,744,831	24,835,020	1,174,203	54,481,900
Unallocated assets	-	-	-	-	474,895
Total assets	23,727,846	4,744,831	24,835,020	1,174,203	54,956,795
Liabilities					
Segment liabilities	31,295,514	6,221,429	9,276,623	96,206	46,889,772
Unallocated liabilities	-	-	-	-	372,246
Total liabilities	31,295,514	6,221,429	9,276,623	96,206	47,262,018

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

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21. 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. Other related parties includes balances due to / from entities under common control of either major shareholders or key management personnel. 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:

	30 June 2022 (Un-audited)			
	Key management personnel	Major shareholders	Other related parties	Total
Investments in Islamic financing	429,796	2,587,038	4,615,595	7,632,429
Investment securities measured at fair value	-	618,488	-	618,488
Investment securities measured at amortized cost	-	780,329	-	780,329
Customers' deposits	(123,082)	(2,901,118)	(3,520,222)	(6,544,422)
Contingent liabilities	-	82	104,152	104,234

**Condensed consolidated interim statement
of profit or loss for the six month period
ended 30 June 2022 (Un-audited)**

Income from Islamic financing and investment securities	5,465	97,187	120,276	222,928
Depositors' share of profit	(59)	(39,993)	(26,514)	(66,566)

	31 December 2021 (Audited)			
	Key management personnel	Major shareholders	Other related parties	Total
Investments in Islamic financing	300,301	2,288,557	4,855,695	7,444,553
Investment securities measured at fair value	-	512,516	-	512,516
Investment securities measured at amortized cost	-	780,329	-	780,329
Customers' deposits	(130,999)	(2,766,996)	(3,641,564)	(6,539,559)
Contingent liabilities	-	1,108	146,752	147,860

**Condensed consolidated interim statement
of profit or loss for the six month period
ended 30 June 2021 (Un-audited)**

Income from Islamic financing and investment securities	4,569	62,599	108,535	131,333
Depositors' share of profit	(11)	(23,079)	(21,279)	(44,370)

Key management compensation includes salaries and other short term benefits of AED 12.1 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021: AED 11.7 million) and post-employment benefits of AED 0.7 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021: AED 1.8 million).

As at 30 June 2022, the Group does not have any related party balances classified as stage 3.

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22. Fair value measurement

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation function, which is independent of front office management and reports to the Investment Committee, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving valuation function;
- calibration and back-testing of models against observed market transactions at regular intervals;
- analysis and investigation of significant valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by Investment Committee.

Significant valuation issues are reported to the Investment Committee.



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22. Fair value measurement (continued)

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 June 2022 (Un-audited)				
Financial assets				
FVTPL – investment securities	16,265	-	297,919	314,184
FVTOCI – investment securities	2,588,884	-	296,411	2,885,295
	<u>2,605,149</u>	<u>-</u>	<u>594,330</u>	<u>3,199,479</u>
Non-financial assets				
Investment properties at fair value	-	-	2,792,593	2,792,593
	<u>-</u>	<u>-</u>	<u>2,792,593</u>	<u>2,792,593</u>
At 31 December 2021 (Audited)				
Financial assets				
FVTPL – investment securities	12,236	-	206,914	219,150
FVTOCI – investment securities	1,390,646	-	259,608	1,650,254
	<u>1,402,882</u>	<u>-</u>	<u>466,522</u>	<u>1,869,404</u>
Non-financial assets				
Investment properties at fair value	-	-	2,825,021	2,825,021
	<u>-</u>	<u>-</u>	<u>2,825,021</u>	<u>2,825,021</u>

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 sukuk measured at amortised cost for which the fair value is calculated using Level 1 inputs.

There were no transfers of any financial assets in between any of the levels in fair value hierarchy during the six month period ended 30 June 2022.

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:

	For the six month period ended 30 June 2022 (Un-audited)		For the year ended 31 December 2021 (Audited)	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Financial assets				
Balance as at the beginning of the period / year	206,914	259,608	31,564	287,210
Fair value movement during the period / year	1,324	73	(550)	(27,602)
Additions during the period / year	89,681	36,730	175,900	-
Balance at the end of the period/year	<u>297,919</u>	<u>296,411</u>	<u>206,914</u>	<u>259,608</u>

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22. Fair value measurement (continued)

Non-financial assets	Six month period ended 30 June 2022 Un-audited	Year ended 31 December 2021 Audited
Balance at the beginning of the period / year	2,825,021	2,886,044
Additions during the period / year	8,778	209,300
Transfer from held-for-sale during the period / year	-	69,415
Disposals during the period / year	(41,206)	(247,698)
Revaluation loss during the period / year	-	(92,040)
Balance at the end of the period / year	2,792,593	2,825,021

During the six month period ended 30 June 2022, the Group transferred a property of AED Nil (year ended 31 December 2021: AED 69.4 million) from properties held for sale to investment properties. This has no impact on condensed consolidated interim statement of cash flows.

Unobservable inputs used in measuring fair value

The investment department constantly monitors the progress of its investments by conducting its own valuation assessment along with information provided by the fund manager. Depending on the nature of the underlying asset, quantitative methods are used such as residual value, DCF / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed.

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions by 10% would have the following effects:

	Effect on profit or loss		Effect on OCI	
	Favorable	Unfavorable	Favorable	Unfavorable
For the six month period ended 30 June 2022 (Un-audited)	<u>309,051</u>	<u>(309,051)</u>	<u>29,641</u>	<u>(29,641)</u>
For the year ended 31 December 2021 (Audited)	<u>303,194</u>	<u>(303,194)</u>	<u>25,961</u>	<u>(25,961)</u>



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23. 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.

24. Dividend

During the annual general meeting of the shareholders held on 27 February 2022, a cash dividend of 8% of the paid up capital, amounting to AED 246.5 million was approved for the year ended 31 December 2021 (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).

25. Contingencies and commitments

	30 June	31 December
	2022	2021
	Un-audited	Audited
Letters of credit	<u>246,423</u>	<u>224,288</u>
Letters of guarantee	<u>2,032,696</u>	<u>1,929,695</u>
Capital commitments	<u>120,846</u>	<u>102,525</u>

Forward foreign exchange contracts comprise commitments to purchase foreign and domestic currencies on behalf of customers and in respect of the bank's undelivered spot transactions. As at 30 June 2022 the Bank had forward foreign exchange contracts amounting to AED 83.1 million (31 December 2021: AED 944.6 million)

Total net asset value of the Funds under management as at 30 June 2022 amounts to AED 1,000 million (31 December 2021: AED 87.2 million)

26. Subsequent events

There have been no events subsequent to the condensed consolidated interim statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial statements as at and for the six month period ended 30 June 2022.

