SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN – AUDITED) 31 MARCH 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 three-month period ended 31 March 2019.

Financial highlights

The Group has reported a profit of AED 151.7 million for the three-month period ended 31 March 2019 compared to AED 143.1 million for the corresponding prior year period, an increase of 6%.

Compared to December 2018, total assets remained unchanged and stood at AED 44.7 billion. Investments in Islamic financing increased by 1.5% (AED 357.1 million) to reach AED 24.5 billion and no change was witnessed in the customer deposits and these were maintained at AED 26.4 billion.

Abdul Rahman Mohammed Nasser Al Owais
Chairman
15 April 2019

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

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (together "the Group") as at 31 March 2019 and the related condensed consolidated interim statements of profit or loss, other comprehensive income, cash flows and changes in equity for the three-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 condensed consolidated interim financial statements 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
16 April 2019

Jacques Fakhoury
Registered Auditor Number 379
Dubai, United Arab Emirates

PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019
(Currency: Thousands of U.A.E Dirhams)

	Notes	**31 March 2019 Un-audited**	**31 December 2018 Audited**
Assets			
Cash and balances with banks and financial institutions	*5*	**2,422,707**	2,440,868
Murabaha and wakalah with financial institutions	*6*	**6,964,128**	7,217,226
Investment in Islamic financing	*7*	**24,480,839**	24,123,760
Investment securities	*8*	**6,127,120**	6,220,452
Investment properties	*16*	**2,447,310**	2,318,129
Properties held-for-sale		**601,259**	658,460
Other assets		**775,582**	907,905
Property and equipment	*9*	**905,888**	858,687
Total assets		**44,724,833**	**44,745,487**
Liabilities			
Customers deposits	*10*	**26,441,692**	26,438,275
Due to banks		**6,544,026**	6,548,781
Sukuk payable	*11*	**5,500,486**	5,499,603
Other liabilities	*12*	**883,830**	809,607
Zakat payable		**16,087**	61,589
Total liabilities		**39,386,121**	**39,357,855**
Shareholders' equity			
Share capital	*13*	**2,934,855**	2,934,855
Legal reserve		**1,429,264**	1,429,264
Statutory reserve		**89,008**	89,008
General impairment reserve		**66,717**	66,717
Fair value reserve		**(48,028)**	(87,537)
Retained earnings		**866,896**	955,325
Total shareholders' equity		5,338,712	**5,387,632**
Total liabilities and shareholders' equity		**44,724,833**	**44,745,487**

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 15 April 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 THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	Three month period ended 31 March 2019 Un-audited	**Three month period ended 31 March 2018 Un-audited**
Income from Islamic financing	**367,571**	291,484
Profit expense on sukuk	**(47,613)**	(41,866)
Investment, fees, commission and other income	**143,408**	140,717
Income from subsidiaries	**8,692**	10,235
Total income	**472,058**	**400,570**
General and administrative expenses	**(142,860)**	(145,797)
Net operating income	**329,198**	**254,773**
Provisions - net of recoveries	**(664)**	(14,368)
Profit before distribution to depositors	**328,534**	**240,405**
Distribution to depositors	**(176,788)**	(97,284)
Profit for the period	**151,746**	**143,121**
(Attributable to the shareholders of the Bank)		
Earnings per share (U.A.E. Dirhams)	**0.05**	**0.05**

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

SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	Three month period ended 31 March 2019 Un-audited	**Three month period ended 31 March 2018 Un-audited**
Profit for the year		
(Attributable to the equity holders of the Bank)	**151,746**	143,121
Other comprehensive income / (loss)		
Items that will be reclassified to profit or loss		
Net change in fair value reserve on sukuk investments classified at FVTOCI	**36,503**	(6,809)
Items that will not be reclassified to profit or loss		
Net change in fair value reserve on equity investments classified at FVTOCI	**3,006**	(10,089)
Total comprehensive income for the year		
(Attributable to the equity holders of the Bank)	**191,255**	126,223

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 THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	Three month period ended 31 March 2019 Un-audited	Three month period ended 31 March 2018 Un-audited
Cash flows from operating activities		
Profit for the period	**151,746**	**143,121**
Adjustments for:		
- Depreciation	**12,230**	10,300
- Amortisation of sukuk issuance costs	**883**	1,004
- Loss allowance on investments in Islamic financing	**664**	14,368
- Gain on sale of properties held for sale	**(1,056)**	-
Operating profit before changes in operating assets and liabilities	**164,467**	168,793
Changes in:		
- Reserve with UAE Central Bank	**23,330**	(7,574)
- Murabaha and wakalah with financial institutions	**(188,030)**	(20)
- Investments in Islamic financing	**(357,743)**	(541,837)
- Other assets	**132,323**	(38,390)
- Customers' deposits	**3,417**	3,153,218
- Due to banks	**(116,766)**	551,466
- Zakat payable	**(45,502)**	(32,566)
- Other liabilities	**68,836**	46,822
Net cash (used in) / generated from from operating activities	**(315,668)**	**3,299,912**
Cash flows from investing activities		
Properties and equipment, net	**(59,431)**	6,928
Acquisition of investment properties	**(74,627)**	(11,061)
Disposal of investment properties	**8,744**	88,086
Acquisition of properties held-for-sale	**(11,144)**	(14,619)
Investment securities, net	**132,841**	(978,553)
Disposal of properties held-for-sale	**6,103**	-
Net cash generated from / (used in) investing activities	**2,486**	**(909,219)**
Cash flows from financing activities		
Cash dividend	**(234,788)**	(234,789)
Net cash used in financing activities	**(234,788)**	**(234,789)**
Net (decrease) / increase in cash and cash equivalents	**(547,970)**	**2,155,904**
Cash and cash equivalents at the beginning of the period	**3,093,288**	**2,181,761**
Cash and cash equivalents at the end of the period	**2,545,318**	**4,337,665**
Cash and cash equivalents comprise of:		
Cash and balances with banks and financial institutions	**756,326**	1,138,799
Murabaha and wakalah with financial institutions	**3,934,104**	6,465,184
Due to banks maturing less than three months	**(2,145,112)**	(3,266,318)
	2,545,318	**4,337,665**

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 THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un- audited)

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

	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK						
	Share capital	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2018	**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 year							
Profit for the year	-	-	-	-	-	143,121	**143,121**
Other comprehensive loss (OCI)							
Net change in fair value reserve	-	-	-	-	(16,898)	-	**(16,898)**
Total comprehensive income for the year	-	-	-	-	**(16,898)**	**143,121**	**126,223**
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 transactions with owners	-	**285**	-	-	-	**(240,324)**	**(240,039)**
As at 31 March 2018	**2,934,855**	**1,378,187**	**89,008**	-	**(56,386)**	**764,589**	**5,110,253**
As at 1 January 2019	**2,934,855**	1,429,264	**89,008**	66,717	(87,537)	**955,325**	5,387,632
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	**151,746**	**151,746**
Other comprehensive income							
Net change in fair value reserve	-	-	-	-	**39,509**	-	**39,509**
Total comprehensive income for the year	-	-	-	-	**39,509**	**151,746**	**191,255**
Transactions recorded directly in equity							
Dividend	-	-	-	-	-	**(234,788)**	**(234,788)**
Board of directors' fees	-	-	-	-	-	**(5,387)**	**(5,387)**
Total transactions with owners	-	-	-	-	-	**(240,175)**	**(240,175)**
As at 31 March 2019	**2,934,855**	**1,429,264**	**89,008**	**66,717**	**(48,028)**	**866,896**	**5,338,712**

The accompanying notes form an integral part of this condensed consolidated interim financial statement

1. Legal status and activities

SHARJAH ISLAMIC BANK ("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 33 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 three-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 (all together referred to as "the Group"). The Bank also operates a special purpose vehicle established in Cayman Islands for management of SIB Sukuks, namely; SIB Sukuk Company III Limited.

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 and ASAS is involved in the business of real estate.

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 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 basis except for the following material items in the consolidated statement of financial position:

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

2. Basis of preparation *(continued)*

c) Functional and reporting currency

These condensed consolidated interim financial statements have been prepared in UAE Dirhams (AED), which is the Group's functional and presentation currency. All information presented in AED has been rounded to the nearest 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 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 FVOCI 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). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL "expected credit loss" is the same as explained in the annual consolidated financial statements for the year ended 31 December 2018.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, 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.

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 balance sheet 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 is 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.

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.

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 collaterals.

	31 March 2019			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	**256,144**	**-**	**-**	**256,144**
Loss allowance	-	-	-	-
Carrying amount	**256,144**	**-**	**-**	**256,144**
Murabaha and wakalah with financial institutions	**4,665,623**	**-**	**-**	**4,665,623**
Loss allowance	**(1,495)**	**-**	**-**	**(1,495)**
Carrying amount	**4,664,128**	**-**	**-**	**4,664,128**
Investments in Islamic financing	**23,171,395**	**1,333,736**	**1,432,495**	**25,937,626**
Loss allowance	**(188,771)**	**(180,507)**	**(1,087,509)**	**(1,456,787)**
Carrying amount	**22,982,624**	**1,153,229**	**344,986**	**24,480,839**
Investment securities measured at amortised cost	**3,836,712**	**-**	**25,607**	**3,862,319**
Loss allowance	**(6,608)**	**-**	**(24,327)**	**(30,935)**
Carrying amount	**3,830,104**	**-**	**1,280**	**3,831,384**
Investment securities measured at FVOCI	**1,193,852**	**-**	**-**	**1,193,852**
Loss allowance	**(885)**	**-**	**-**	**(885)**
Carrying amount	**1,192,967**	**-**	**-**	**1,192,967**
Other assets (excluding non-financial assets)	**438,318**	**-**	**34,542**	**472,860**
Loss allowance	**(6,985)**	**-**	**(34,542)**	**(41,527)**
Carrying amount	**431,333**	**-**	**-**	**431,333**
Total credit risk exposures relating to on-balance sheet assets	**33,357,300**	**1,153,229**	**346,266**	**34,856,795**
Letter of credit and guarantee	**826,712**	**7,591**	**-**	**834,303**
Loss allowance	**(3,014)**	**(392)**	**-**	**(3,406)**
Credit risk exposures relating to off-balance sheet assets	**823,698**	**7,199**	**-**	**830,897**
	34,180,998	**1,160,428**	**346,266**	**35,687,692**

4. Financial risk management (continued)

a) Maximum exposure to credit risk (continued)

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

	31 December 2018			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	285,812	11	-	285,823
Loss allowance	(24)	-	-	(24)
Carrying amount	**285,788**	**11**	-	**285,799**
Murabaha and wakalah with financial institutions	5,268,935	-	-	5,268,935
Loss allowance	(1,707)	-	-	(1,707)
Carrying amount	**5,267,228**	-	-	**5,267,228**
Investments in Islamic financing	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**
Investment securities measured at amortised cost	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**
Investment securities measured at FVTOCI	1,191,463	-	-	1,191,463
Loss allowance	(958)	-	-	(958)
Carrying amount	**1,190,505**	-	-	**1,190,505**
Other assets (excluding non-financial assets)	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**
Total credit risk exposures relating to on-balance sheet assets	**33,742,194**	**1,350,471**	**304,996**	**35,397,661**
Letter of credit and guarantee	740,207	7,674	231	748,112
Loss allowance	(2,892)	(393)	-	(3,285)
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**

4. Financial risk management (continued)

b) Capital adequacy ratio

The capital adequacy ratio is based on Basel III and UAE central Bank rules and guidelines:

	Basel III	
	31 March 2019 Un-audited	**31 December 2018 Audited**
Total tier 1 capital base	**5,247,092**	5,063,594
Total tier 2 capital base	**395,732**	371,192
Risk weighted assets:		
Credit risk	**31,658,528**	29,695,340
Market risk	**96,065**	145,334
Operational risk	2,199,100	2,202,861
Risk weighted assets	**33,953,693**	32,043,535
Tier 1 ratio	**15.45%**	15.80%
Capital adequacy **ratio**	16.62%	16.96%

5. Cash and balances with banks and financial institutions

Cash		**496,084**	463,460
Statutory deposit with CBUAE		**1,666,381**	1,689,711
Due from banks	*5.1*	**260,242**	287,697
		2,422,707	**2,440,868**

5.1 Due from banks includes the current account balance with the CBUAE amounting to AED 4.0 million *(31 December 2018: AED 1.9 million).*

6. Murabaha and wakalah with financial institutions

Murabaha		**691,554**	610,908
Wakala arrangements	*6.1*	**6,272,574**	6,606,318
		6,964,128	**7,217,226**

6.1 Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting AED 2.3 billion *(31 December 2018: AED 1.95 billion).*

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:

	31 March 2019 Un-audited	31 December 2018 Audited
Vehicle murabaha	**282,499**	286,136
Goods murabaha	**6,630,490**	6,483,636
Real estate murabaha	**80,943**	112,270
Other murabaha receivable	**485,914**	528,738
Syndicate murabaha	**1,217,973**	1,230,249
Gross murabaha financing	**8,697,819**	**8,641,029**
Less: deferred profit	**(683,640)**	(667,904)
Net murabaha financing	**8,014,179**	**7,973,125**
Ijara financing	**15,352,025**	15,337,400
Qard hasan	**547,727**	512,621
Credit card receivables	**74,558**	72,196
Istisna	**1,949,137**	1,685,169
Total investments in Islamic financing	**25,937,626**	**25,580,511**
Less: Loss allowance for investments in Islamic financing	**(1,456,787)**	(1,456,751)
	24,480,839	24,123,760

8. Investment securities

Financial assets at fair value through profit or loss		
- Equity and Funds	**43,189**	42,377
Financial assets at fair value through other comprehensive income		
- Equity and Funds	**1,059,580**	1,163,871
- Sukuks	**1,193,852**	1,191,463
	2,253,432	2,355,334
Less: Loss allowance on financial assets measured at FVTOCI	**(885)**	(958)
	2,252,547	2,354,376
Financial assets measured at amortised cost		
- Sukuks	**3,862,319**	3,854,270
Less: Loss allowance on financial assets measured at amortised cost	**(30,935)**	(30,571)
	3,831,384	3,823,699
	6,127,120	**6,220,452**

8.1 Sukuk held at amortised cost include AED 3,183 million *(2018: AED 3,231 million)* pledged against a collateralized commodity murabaha arrangement.

9. Property and equipment

Freehold land & buildings	**739,096**	741,743
Equipment, furniture & fittings	**17,709**	19,377
Computer equipment	**55,687**	58,808
Motor vehicles	**1,469**	1,695
Right of use assets	**50,265**	-
Capital - work in progress	**41,662**	37,064
	905,888	**858,687**

10. Customers' deposits

	31 March 2019 Un-audited	31 December 2018 Audited
Current accounts	**7,880,763**	7,815,320
Saving accounts	**2,255,143**	2,223,791
Watany / call accounts	**430,848**	437,870
Time deposits	**15,347,857**	15,435,348
Margins	**527,081**	525,946
	26,441,692	**26,438,275**

11. Sukuk payable

Name of issuer	Maturity date	31 March 2019 Un-audited		31 December 2018 Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk 2020	17 March 2020	**1,835,523**	2.843%	1,835,272	2.843%
SIB Sukuk 2021	8 September 2021	**1,833,202**	3.084%	1,832,861	3.084%
SIB Sukuk 2023	17 April 2023	**1,831,761**	3.084%	1,831,470	4.231%
Total		**5,500,486**		**5,499,603**	

12. Other liabilities

	31 March 2019 Un-audited	31 December 2018 Audited
Profit payable	**262,022**	255,129
Accrual and provision	**37,703**	28,538
Lease obligations	**34,684**	-
Accounts payable	**59,602**	77,501
Provision for staff end of service benefits	**65,966**	67,760
Managers' cheques	**45,565**	48,697
Obligations under acceptances	**102,115**	97,926
Sundry creditors	**276,173**	234,056
	883,830	**809,607**

13. Share capital

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

	31 March 2019 Un-audited		31 December 2018 Audited	
	No. of shares	Value	No. of shares	Value
Share capital	**2,934,855,000**	**2,934,855**	**2,934,855,000**	**2,934,855**

14. Segment reporting

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

a) Government and corporate

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

b) Retail

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

c) Investment and treasury

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

d) Hospitality and brokerage

The Bank through its subsidiaries SNH and SIFS provides hospitality and brokerage services respectively.

Consolidated statement of profit or loss: For the three-month period ended 31 March 2019 (Un-audited)	**Corporate and Government**	**Retail**	**Investment and treasury**	**Hospitality and brokerage**	**Un-allocated**	**Total**
Income from Islamic financing	224,782	85,652	57,137	-	-	367,571
Profit expense on sukuk	-	-	(47,613)	-	-	(47,613)
Investment, fees, commission and other income	26,910	19,418	97,080	-	-	143,408
Income from subsidiaries	-	-	-	8,692	-	8,692
Total income	251,692	105,070	103,712	8,692	-	472,058
General and administrative expenses	-	-	-	-	(142,860)	(142,860)
Net operating income	251,692	105,070	103, 712	8,692	(142,674)	329,198
Provisions - net of recoveries	(4,912)	5,618	(1,370)	-	-	(664)
Profit before distribution to depositors	246,780	110,688	102,342	8,692	(142,674)	328,534
Distribution to depositors	(119,777)	(12,546)	(44,465)	-	-	(176,788)
Profit for the period	127,003	98,142	57,877	8,692	(142,674)	151,746

Consolidated statement of financial position: As at 31 March 2019 (Un-audited)						
Assets						
Segment assets	19,791,291	5,289,232	19,197,661	27,717	418,932	44,724,833
Total assets	19,791,291	5,289,232	19,197,661	27,717	418,932	44,724,833
Liabilities						
Segment liabilities	21,216,713	4,886,933	12,941,329	6,085	335,061	39,386,121
Total liabilities	21,216,713	4,886,933	12,941,329	6,085	335,061	39,386,121

14. Segment reporting (continued)

Consolidated statement of profit or loss: For the three-month period ended 31 March 2018 (Un-audited)	**Corporate and Government**	**Retail**	**Investment and treasury**	**Hospitality and brokerage**	**Un-allocated**	**Total**
Income from Islamic financing	195,486	60,953	35,045	-	-	**291,484**
Profit expense on sukuk	-	-	(41,866)	-	-	**(41,866)**
Investment, fees, commission and other income	24,174	12,554	103,989	-	-	**140,717**
Income from subsidiaries	-	-	-	10,235	-	**10,235**
Total income	**219,660**	**73,507**	**97,168**	**10,235**	-	**400,570**
General and administrative expenses	-	-	-	-	(145,797)	(145,797)
Net operating income	**219,660**	**73,507**	**97,168**	**10,235**	**(145,797)**	**254,773**
Provisions - net of recoveries	(12,549)	(1,867)	-	48	-	**(14,368)**
Profit before distribution to depositors	**207,111**	**71,640**	**97,168**	**10,283**	**(145,797)**	**240,405**
Distribution to depositors	(67,610)	(9,036)	(20,638)	-	-	**(97,284)**
Profit for the period	139,501	62,604	**76,530**	**10,283**	**(145,797)**	**143,121**

Consolidated statement of financial position: As at 31 December 2018 (Audited)						
Assets						
Segment assets	20,268,758	4,415,718	19,526,966	28,404	505,641	44,745,487
Total assets	**20,268,758**	**4,415,718**	**19,526,966**	**28,404**	**505,641**	**44,745,487**
Liabilities						
Segment liabilities	21,398,758	4,751,121	12,851,609	8,763	348,062	39,357,855
Total liabilities	**21,398,758**	4,751,121	12,851,609	**8,763**	348,062	**39,357,855**

15. 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.

15. Related parties (continued)

At the reporting date, such significant balances include:

	31 March 2019 (Un-audited)			
Statement of financial position	**Key management personnel**	**Major shareholders**	**Other related parties**	**Total**
Financing and Ijarah receivables	**551,879**	**2,648,883**	**4,370,650**	**7,571,412**
Customers deposits	**(482,920)**	**(175,123)**	**(2,990,285)**	**(3,648,328)**
Contingent liabilities – off balance sheet	**5,244**	**-**	**111,855**	**117,099**
Statement of profit or loss for the three month period ended 31 March 2019 (Un-audited)				
Income from Islamic financing	**2,842**	**34,690**	**51,430**	**88,962**
Depositors' share of profit	**(427)**	**(722)**	**(13,291)**	**(14,440)**

	31 December 2018 (Audited)			
Statement of financial position	**Key management personnel**	**Major shareholders**	**Other related parties**	**Total**
Financing and Ijarah receivables	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**
Statement of profit or loss For the three month period ended 31 March 2018 (Un-audited)				
Income from Islamic financing	8,078	38,726	28,916	**75,720**
Depositors' share of profit	(222)	(1,645)	(3,202)	**(5,069)**

Key management compensation includes salaries and other short term benefits of AED 6.4 million for the three month period ended 31 March 2019 *(for the three month period ended 31 March 2018: AED 6.1 million)* and post-employment benefits of AED 0.4 million for the three month period ended 31 March 2019 *(for the three month period 31 March 2018: AED 1.7 million).*

16. Fair value measurement

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

	Level 1	Level 2	Level 3	Total
At 31 March 2019 (Un-audited)				
Financial assets				
FVTPL – investment securities	**6,375**	-	**36,814**	**43,189**
FVTOCI – investment securities	**2,020,889**	-	**231,658**	**2,252,547**
	2,027,264	-	268,472	2,295,736
Non-financial assets				
Investment properties at fair value	-	-	**2,447,310**	**2,447,310**
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
	2,128,281	-	268,472	2,396,753
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:

	31 March 2019 Un-audited		31 December 2018 Audited	
Financial assets	**FVTPL**	**FVTOCI**	**FVTPL**	**FVTOCI**
Balance as at 1 January	**36,814**	**231,658**	36,730	157,112
Fair value movement	-	-	84	1,086
Addition	-	-	-	73,460
Closing balance	**36,814**	231,658	**36,814**	**231,658**

	31 March 2019	31 December 2018
Non-financial assets	**Un-audited**	**Audited**
Balance at the beginning of the period	**2,318,129**	2,167,763
Additions	**74,627**	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	2,447,310	**2,318,129**

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.

17. 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 year.

18. 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 million was approved for the year ended 31 December 2018 (2018: cash dividend of 8% of the paid up capital amounting to AED 234.8 million was approved for the year ended 31 December 2017).

19. Contingencies

	31 March 2019 Un-audited	**31 December 2018 Audited**
Letters of credit	**171,967**	146,840
Letters of guarantee	**1,917,688**	1,986,790

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

20. Comparatives

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