SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
31 March 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 three month period ended 31 March 2022.

Financial highlights

As at 31 March 2022, total assets of the Bank stands at AED 54.7 billion, a slight decrease of 0.5%. Investments in Islamic financing modestly increased by 3.1%, amounting AED 897.1 million to reach the total outstanding of AED 29.9 billion. Investment securities measured at fair value increased during the quarter by 50%, standing at AED 2.8 billion compared to AED 1.9 billion as at year end 31 December 2021. Customer deposits remained at the same level of AED 38.4 billion. Shareholders' equity witnessed a slight decline to reach AED 7.5 billion as at 31 March 2022.

Net operating income before impairment charges for the Group increased by 17.1%, to reach AED 248.5 million for the quarter ended 31 March 2022 as compared to AED 212.2 million for the same period of 2021.

Impairment charges - net of recoveries made in the first quarter 2022 amounts to AED 61.5 million, an increase of 28% compared to same period of 2021.

Net profits of AED 187.0 million is recorded for quarter ended 31 March 2022 compared to AED 164.2 million for the corresponding prior year, an increase of 13.9%.

Abdul Rahman Mohammed Naseer Al Owais
Chairman
21 April 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 31 March 2022 and the related condensed consolidated interim statements of profit or loss, 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 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
21 April 2022

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

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 March 2022
(Currency: Thousands of U.A.E Dirhams)

	Notes	**31 March 2022 Un-audited**	**31 December 2021 Audited**
Assets			
Cash and balances with banks and financial institutions	*6*	**2,239,272**	3,383,531
Murabaha and wakalah with financial institutions	*7*	**10,014,702**	10,959,900
Investment securities measured at fair value	*8*	**2,808,725**	1,869,404
Investment securities measure at amortised cost	*9*	**4,269,190**	4,466,865
Investments in Islamic financing	*10*	**29,906,124**	29,009,018
Investment properties		**2,791,325**	2,825,021
Properties held-for-sale		**683,058**	685,014
Other assets	*11*	**1,039,920**	808,480
Property and equipment	*12*	**958,757**	949,562
		54,711,073	**54,956,795**
Liabilities and shareholders' equity			
Liabilities			
Customer deposits	*13*	**38,409,163**	38,493,720
Due to banks		**3,500,237**	4,223,897
Sukuk payable	*14*	**3,668,044**	3,667,414
Other liabilities	*15*	**1,554,749**	805,889
Zakat payable		**65,867**	71,098
Total liabilities		**47,198,060**	**47,262,018**
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		**88,713**	64,577
Fair value reserve		**(81,224)**	(12,097)
Retained earnings		**957,619**	1,094,392
Total shareholders' equity		**7,513,013**	**7,694,777**
Total liabilities and shareholders' equity		**54,711,073**	**54,956,795**

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 21 April 2022.

Abdul Rahman Mohammed Nasser Al Owais
Chairman

Mohamed Ahmed Abdalla
Chief Executive Officer

The accompanying notes form pages 9 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 THREE MONTH PERIOD 31 March 2022
(Currency: Thousands of U.A.E Dirhams)

	Notes	31 March 2022 Un-audited	31 March 2021 Un-audited
Income from investments in Islamic financing and sukuk		**435,307**	418,720
Distribution to depositors' and sukuk holders		**(141,556)**	(155,564)
Net income from financing and investment products		**293,751**	**263,156**
Fee and commission income	*18*	**74,291**	70,312
Fee and commission expense	*18*	**(15,683)**	(9,965)
Net fee and commission income		**58,608**	**60,347**
Investment income		**7,823**	581
Foreign exchange income		**2,854**	6,212
Other income	*19*	**21,254**	13,313
Total operating income		**384,290**	**343,609**
General and administrative expenses		**(135,800)**	(131,408)
Net operating income before impairment		**248,490**	**212,201**
Impairment on financial assets - net of recoveries		**(61,474)**	(48,024)
Profit for the period		**187,016**	**164,177**
(Attributable to the shareholders of the Bank)			
Basic and diluted earnings per share (U.A.E. Dirhams)		**0.06**	**0.05**

The accompanying notes form pages 9 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 THREE MONTH PERIOD 31 March 2022
(Currency: Thousands of U.A.E Dirhams)

	31 March 2022 Un-audited	31 March 2021 Un-audited
Profit for the year	**187,016**	**164,177**
(Attributable to the shareholders of the Bank)		
Other comprehensive income		
Items that will be reclassified to profit or loss		
Change in fair value reserve on sukuk investments classified at FVTOCI	**(69,223)**	(12,893)
Items that will not be reclassified to profit or loss		
Change in fair value reserve on equity investments classified at FVTOCI	**96**	(6,554)
Total comprehensive income for the year	**117,889**	**144,730**
(Attributable to the shareholders of the Bank)		

The accompanying notes form pages 9 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 THREE MONTH PERIOD 31 March 2022
(Currency: Thousands of U.A.E Dirhams)

	Three month period ended 31 March 2022 Un-audited	Three month period ended 31 March 2021 Un-audited
Cash flows from operating activities		
Profit for the period	**187,016**	164,177
Adjustments for:		
- Depreciation	**10,326**	11,915
- Gain on sale of property and equipment	**-**	(31)
- Amortisation of sukuk issuance costs	**630**	987
- Provision charge on investment in Islamic financing	**48,568**	50,160
- Provision charge / (reversal) on investment securities measured at fair value	**1,711**	(126)
- Provision charge / (reversal) on investment securities measured at amortised cost	**9,956**	(1,954)
- Provision charge / (reversal) on other assets	**1,244**	(49)
- Provision reversal on subsidiaries	**(5)**	(7)
- Revaluation on investment securities	**1,074**	6,199
- Gain on sale of properties held for sale	**(813)**	(1,313)
- Gain on sale of investment properties	**(5,087)**	(1,446)
- Gain on disposal of investment securities	**(2,282)**	(202)
Operating profit before changes in operating assets and liabilities	**252,338**	**228,310**
Changes in:		
- Reserve with UAE Central Bank	**757,759**	(121,680)
- Murabaha and wakalah with financial institutions	**361,313**	(256,480)
- Investments in Islamic financing	**(945,669)**	(108,280)
- Other assets	**(232,684)**	(24,892)
- Customer deposits	**(84,557)**	1,867,320
- Due to banks	**(631,789)**	(535,884)
- Zakat payable	**(5,231)**	(13,031)
- Other liabilities	**741,647**	109,203
Net cash generated from operating activities	**213,127**	**1,144,586**
Cash flows from investing activities		
Acquisition of properties and equipment	**(19,522)**	-
Disposal of properties and equipment	**-**	(8,753)
Acquisition of investment properties	**(1,495)**	(27,880)
Disposal of investment properties	**40,278**	23,657
Acquisition of properties held-for-sale	**(3,905)**	(129,334)
Disposal of properties held-for-sale	**6,674**	28,057
Acquisition of investment securities measured at fair value	**(1,025,042)**	(6,224)
Disposal / redemption of investment securities measured at fair value	**13,809**	374,833
Acquisition of investment securities measured at amortised cost	**(145)**	(145)
Disposal / redemption of investment securities measured at amortised cost	**190,147**	66,644
Net cash (used in)/from investing activities	**(799,201)**	**320,855**

The accompanying notes form pages 9 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 THREE MONTH PERIOD 31 March 2022
(Currency: Thousands of U.A.E Dirhams)

	Three month period ended 31 March 2022 Un-audited	Three month period ended 31 March 2021 Un-audited
Cash flows from financing activities		
Profit paid on tier 1 sukuk	**(45,912)**	(45,913)
Cash dividend	**(246,528)**	(246,528)
Net cash used in financing activities	**(292,440)**	**(292,441)**
Net (decrease) / increase in cash and cash equivalents	**(878,514)**	**1,173,000**
Cash and cash equivalents at the beginning of the period	**10,399,620**	6,426,493
Cash and cash equivalents at the end of the period	**9,521,106**	**7,599,493**
Cash and cash equivalents		
Cash and balances with banks and financial institutions	**1,221,294**	1,248,043
Murabaha and wakalah with financial institutions	**8,354,013**	6,402,667
Due to banks	**(54,201)**	(51,217)
	9,521,106	**7,599,493**

The accompanying notes form pages 9 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 THREE MONTH PERIOD 31 March 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								
Profit for the period	-	-	-	-	-	-	164,177	**164,177**
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	(19,447)	-	**(19,447)**
Total comprehensive income for the period	-	-	-	-	-	**(19,447)**	**164,177**	**144,730**
Transactions recorded directly in equity								
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	477	(477)	-
Cash dividends	-	-		-	-	-	(246,528)	**(246,528)**
Transfer to general impairment reserve	-	-	-	-	650	-	(650)	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,912)	**(45,912)**
Board of directors' fees	-	-	-	-	-	-	(5,410)	**(5,410)**
Total	-	-	-	-	**650**	**477**	**(298,977)**	**(297,850)**
As at 31 March 2021(Un-audited)	**3,081,598**	**1,836,500**	**1,508,508**	**89,008**	**113,021**	**25,410**	**838,193**	**7,492,238**

The accompanying notes form pages 9 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 THREE MONTH PERIOD 31 March 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								
Profit for the period	-	-	-	-	-	-	**187,016**	**187,016**
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	**(69,127)**	-	**(69,127)**
Total comprehensive income for the period	-	-	-	-	-	**(69,127)**	**187,016**	**117,889**
Transactions recorded directly in equity								
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	-	-	-
Transfer to general impairment reserve					**24,136**		**(24,136)**	
Cash dividends	-	-		-	-	-	**(246,528)**	**(246,528)**
Profit paid on tier 1 sukuk	-	-	-	-		-	**(45,912)**	**(45,912)**
Board of directors' fees	-	-	-	-	-	-	**(7,213)**	**(7,213)**
Total	-	-	-	-	**24,136**	-	**(323,789)**	**(299,653)**
As at 31 March 2022 (Un-audited)	**3,081,598**	**1,836,500**	**1,540,799**	**89,008**	**88,713**	**(81,224)**	**957,619**	**7,513,013**

The accompanying notes form pages 9 to 34 from an integral part of these condensed consolidated interim financial statements.

1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the "Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulations of the UAE Central Bank, which are carried out through its 35 branches (2021: 35 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 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 United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS) and ASAS Real Estate as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited, (all together referred to as "the Group"). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank's Sukuk program.

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

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. Selected explanatory notes, 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 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.

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

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 three month period ended 31 March 2022 due to the adoption of the above amendment.

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 three month period ended 31 March 2022.

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
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 2023
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 accounting policies.	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 nsteed 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.

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

In response to the COVID-19 outbreak, the Bank's Risk management division identified the vulnerable sectors that are significantly impacted by this stressed situation, and reviews are being conducted on a more frequent basis. The existing corporate credit lines are being reviewed and the utilization is being closely monitored. The Bank enjoys a well-diversified financing portfolio where Government and Government related entities (GRE) represent more than 37% (31 December 2021: 38%).

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

In addition to the above and as explained in note 4 (ii) liquidity risk management, as required by the Joint Guidance issued in April 2020 for clients benefitting from payment deferrals, the Bank has considered the following principles for the classification of the customers into Group 1 and Group 2":

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

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

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

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

i) Credit risk management (continued)

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

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

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

As at 31 March 2022, the Bank has classified its clients awarded deferment into Group 1 and Group 2 (refer note 10.3).

ii) Use of estimates and judgements

The Group is constantly monitoring the current pandemic situation as it unfolds, noting that there is uncertain economic data available to accurately evaluate the impact of the outbreak on the UAE economy, and on the Bank's financial position as at 31 March 2022. The Bank exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. Given the uncertainty due to Covid-19 outbreak, the Bank has still taken the approach of implementing a judgmental overlay to the ECL model by changing its macroeconomic weightages. Going forward, the Bank will continue to monitor and evaluate the impact of the outbreak and will consider adjusting its ECL model in subsequent reporting periods, if required.

Governance around IFRS 9 ECL models and calculations

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

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

ii) Use of estimates and judgements (continued)

Governance around IFRS 9 ECL models and calculations (continued)

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Although the macro-economic environment is recovering from the impact of COVID-19 and since the situation is still evolving, the Bank, being prudent, has assessed the impact of the crisis and used 20% weightage to the upward scenario as of 31 March 2022. Had adverse scenario been increased from 40% by another 10%, impairment loss allowance would increase by AED 16.5 million.

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The volatility caused by the current situation has been reflected through adjustment in the methods of forward looking scenario construction. These adjustments reflect the macroeconomic overlays as suggested in the Joint Guidance Note on IFRS 9 by CBUAE. The most significant period-end assumptions used for ECL estimate includes next 5-year average oil price ranging between US$ 35/barrel to US$ 78/barrel, equity price index growth volatility ranging between -35% to 13%, non-oil UAE GDP range falling 11% to rising 10% and UAE CPI index ranging -1.4% to 6%.

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

The COVID 19 related impact on LGD, the Bank has computed ECL using stressed BASEL LGD of 60% for real estate, construction and contracting and consumer home financing. Islamic financing to individuals' accounts for 10% of the total gross portfolio; ECL on which has been computed based on stressed LGD of as high as 91.9%.

Management will continually monitor how the economic conditions change over the next reporting period and will re-evaluate the adequacy of downside weight, and adverse effect, if any, will be accounted for.

iii) Liquidity risk management

The 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. Further, the gradual recuperation in the oil prices, real estate sector alongside restored admittance to the global capital business by GCC sovereigns and financial institutions have likewise facilitated to ease the concerns regarding GCC Governments' finances and banking sector's liquidity.

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

iii) Liquidity risk management (continued)

Out of CBUAE' s total funding program of AED 50 billion under ZCF, an amount of AED 825.8 million was earmarked for the Bank. As of 31 March 2022, the Bank has completely repaid the amount back to CBUAE. 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 due to the COVID-19 crisis.

iv) Fair value measurement of financial instruments

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 3 (b) (v) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2021.

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 outreaching impact of COVID 19 is expected to impact the Bank's Risk Weightage Assets via higher charges arising from increased volatility and higher counter party risks. The implementation of the requirements of IFRS 9 Expected Credit Losses in a less favorable economic outlook is expected to increase the credit risk weights of financing and also increase provision allowances and hence impacts the Bank's strong capital adequacy, which currently stands at 19.88% (31 December 2021: 20.84%). The Bank expects CAR in an extreme stressed scenario to remain well above the UAE banking sector average and the baseline CBUAE BASEL III requirement of 13% including capital conservation buffer of 2.5%

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

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

vi) Concentration analysis

Please refer to note 10 to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 31 March 2022.

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.

	31 March 2022 (Un-audited)			
	ECL Staging			
	Stage 1 12 month	**Stage 2 Lifetime**	**Stage 3 Lifetime**	**Total**
Cash and balances with banks and financial institutions	**398,786**	**-**	**-**	**398,786**
Loss allowance	-	-	-	-
Carrying amount	**398,786**	**-**	**-**	**398,786**
Murabaha and wakalah with financial institutions	**5,018,092**	**-**	**-**	**5,018,092**
Loss allowance	**(3,390)**	**-**	**-**	**(3,390)**
Carrying amount	**5,014,702**	**-**	**-**	**5,014,702**
Investment securities measured at FVTOCI (excluding equity investments)	**2,111,726**	**-**	**-**	**2,111,726**
Loss allowance	**(2,640)**	**-**	**-**	**(2,640)**
Carrying amount	**2,109,086**	**-**	**-**	**2,109,086**
Investment securities measured at amortised cost	**4,229,417**	**101,898**	**62,337**	**4,393,652**
Loss allowance	**(6,708)**	**(55,417)**	**(62,337)**	**(124,462)**
Carrying amount	**4,222,709**	**46,481**	**-**	**4,269,190**
Investments in Islamic financing	**27,582,225**	**2,187,191**	**1,509,839**	**31,279,255**
Loss allowance	**(214,536)**	**(184,997)**	**(973,598)**	**(1,373,131)**
Carrying amount	**27,367,689**	**2,002,194**	**536,241**	**29,906,124**
Other assets (excluding non-financial assets)	**885,694**	**-**	**71,990**	**957,684**
Loss allowance	**(7,395)**	**-**	**(48,752)**	**(56,147)**
Carrying amount	**878,299**	**-**	**23,238**	**901,537**
Net credit risk exposures relating to on-balance sheet assets	**39,991,271**	**2,048,675**	**559,479**	**42,599,425**
Letter of credit and guarantee	**566,898**	**15,042**	**31**	**581,971**
Loss allowance	**(2,898)**	**(118)**	**-**	**(3,016)**
	564,000	**14,924**	**31**	**578,955**
Net credit risk exposures relating to off-balance sheet assets	**40,555,271**	**2,063,599**	**559,510**	**43,178,380**
Gross credit risk exposure	**40,792,838**	**2,304,131**	**1,644,197**	**44,741,166**
Total ECL	**(237,567)**	**(240,532)**	**(1,084,687)**	**(1,562,786)**
	40,555,271	**2,063,599**	**559,510**	**43,178,380**

5. Financial risk management (continued)

a) Maximum exposure to credit risk (continued)

	31 December 2021 (Audited)			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	823,724	-	-	823,724
Loss allowance	(1)	-	-	(1)
Carrying amount	**823,723**	**-**	**-**	**823,723**
Murabaha and wakalah with financial institutions	4,158,230	-	-	4,158,230
Loss allowance	(3,331)	-	-	(3,331)
Carrying amount	**4,154,899**	**-**	**-**	**4,154,899**
Investment securities measured at FVTOCI (excluding equity investments)	1,237,662	-	-	1,237,662
Loss allowance	(929)	-	-	(929)
Carrying amount	**1,236,733**	**-**	**-**	**1,236,733**
Investment securities measured at amortised cost	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**
Investments in Islamic financing	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**
Other assets (excluding non-financial assets)	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**
Letter of credit and guarantee	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**

5. Financial risk management (continued)

b) Capital adequacy

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

	31 March 2022 Un-audited	31 December 2021 Audited
Capital base		
Common Equity tier 1	**5,713,225**	5,651,211
Additional tier 1 capital	**1,836,500**	1,836,500
Total tier 1 capital base	**7,549,725**	**7,487,711**
Total tier 2 capital base	**472,343**	443,550
Total capital base	**8,022,068**	**7,931,261**
Risk weighted assets		
Credit risk	**37,787,451**	35,483,976
Market risk	**193,173**	215,569
Operational risk	**2,366,383**	2,366,383
Total risk weighted assets	**40,347,007**	**38,065,929**
Capital Ratios		
Common equity tier 1 ratio	**14.16%**	**14.85%**
Tier 1 capital ratio	**18.71%**	**19.67%**
Capital adequacy ratio	**19.88%**	**20.84%**

6. Cash and balances with banks and financial institutions

Cash	**652,346**	784,071
Statutory deposit with CBUAE	**1,017,978**	1,775,737
Due from banks	**568,948**	823,723
	2,239,272	**3,383,531**

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

7. Murabaha and wakalah with financial institutions

Murabaha	**1,223,972**	1,762,371
Wakala arrangements	**8,790,730**	9,197,529
	10,014,702	**10,959,900**

Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting AED 5.0 billion *(31 December 2021: AED 6.8 billion)* .

8. Investment securities measured at fair value

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

By category	**31 March 2022 Un-audited**	**31 December 2021 Audited**
Financial assets at fair value through profit or loss		
- Equity and funds	**208,295**	208,325
- Sukuks	**9,781**	10,825
	218,076	**219,150**
Financial assets at fair value through other comprehensive income		
- Equity and funds	**481,564**	413,521
- Sukuks	**2,111,725**	1,237,662
	2,593,289	**1,651,183**
Less: loss allowance on financial assets measured at FVTOCI	**(2,640)**	(929)
	2,590,649	**1,650,254**
	2,808,725	**1,869,404**

8.1 During the three month period ended 31 March 2022, the Group has purchased equity securities amounting AED 68.7 million (*2021: AED 206.1 million*).

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

9. Investment securities measured at amortised cost

By category		
Financial assets measured at amortised cost	**4,393,652**	4,581,372
Less: Loss allowance on financial assets measured at amortised cost	**(124,462)**	(114,507)
	4,269,190	**4,466,865**

9.1 During the three month period ended 31 March 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 2,135 million (2021: AED 2,116 million) pledged against a collateralized commodity murabaha arrangement.

By quoted / unquoted

Financial assets at amortised cost		
- Quoted	**2,804,123**	2,991,843
- Unquoted	**1,589,529**	1,589,529
Less: loss allowance on financial assets measured at amortised cost	**(124,462)**	(114,507)
	4,269,190	**4,466,865**

10. Investment 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

	31 March 2022 Un-audited	31 December 2021 Audited
Vehicle murabaha	**196,483**	202,004
Goods murabaha	**9,215,062**	8,982,194
Real estate murabaha	**15,822**	16,846
Other murabaha receivable	**848,955**	751,301
Syndicate murabaha	**1,574,224**	1,372,221
Gross murabaha financing	**11,850,546**	**11,324,566**
Deferred profit	**(1,075,494)**	(1,082,085)
Net murabaha financing	**10,775,052**	**10,242,481**
Ijarah	**17,020,784**	16,798,775
Qard hasan	**1,024,692**	740,690
Credit card receivables	**85,102**	86,858
Istisna	**2,373,625**	2,471,456
Total investment in Islamic financing	**31,279,255**	**30,340,260**
Less: loss allowance for investments in Islamic financing	**(1,373,131)**	(1,331,242)
Net investment in Islamic financing	**29,906,124**	**29,009,018**

b) By sector

	31 March 2022 Un-audited	31 December 2021 Audited
Government departments and authorities	**11,482,762**	11,080,269
Construction and contracting	**728,802**	719,001
Manufacturing	**641,257**	651,482
Transportation	**1,309,653**	1,326,281
Real estate	**6,730,296**	6,816,136
Retail businesses	**492,673**	542,378
Trade	**1,931,846**	1,400,444
Financial institutions	**404,737**	368,597
Services and others	**1,364,260**	1,460,583
Individual	**3,220,404**	3,070,873
Consumer home finance	**1,510,505**	1,522,105
High net worth individuals	**2,537,554**	2,464,196
Deferred profit	**(1,075,494)**	(1,082,085)
Less: loss allowance for investments in Islamic financing	**(1,373,131)**	(1,331,242)
Net investment in Islamic financing	**29,906,124**	**29,009,018**

10. Investment 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:

	31 March 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	**7,100**	**208**	**(7,082)**	**(205)**	**(18)**	**(3)**	**-**	**-**
Transfer to Stage 2	**(26,025)**	**(392)**	**26,182**	**435**	**(157)**	**(43)**	**-**	**-**
Transfer to Stage 3	**(19,981)**	**(473)**	**(10,250)**	**(357)**	**30,231**	**830**	**-**	**-**
Net movement in GCV	**186,003**	**-**	**(2,755)**	**-**	**(17,055)**	**-**	**166,193**	**-**
Net re-measurement of loss allowance	**-**	**(27,959)**	**-**	**241**	**-**	**7,540**	**-**	**(20,178)**
Recoveries	**-**	**-**	**-**	**-**	**(1,014)**	**(1,728)**	**(1,014)**	**(1,728)**
Write-offs	**-**	**-**	**-**	**-**	**(1,190)**	**(1,190)**	**(1,190)**	**(1,190)**
Corporate banking								
Transfer to Stage 1	**174,389**	**6,581**	**(174,389)**	**(6,581)**	**-**	**-**	**-**	**-**
Transfer to Stage 2	**(281,796)**	**(3,705)**	**283,476**	**3,736**	**(1,680)**	**(31)**	**-**	**-**
Transfer to Stage 3	**(30)**	**-**	**(116,947)**	**(17,073)**	**116,977**	**17,073**	**-**	**-**
Net movement in GCV	**878,332**	**-**	**(28,749)**	**-**	**(66,128)**	**-**	**783,455**	**-**
Net re-measurement of loss allowance	**-**	**18,910**	**-**	**24,364**	**-**	**28,551**	**-**	**71,825**
Recoveries	**-**	**-**	**-**	**-**	**(2,596)**	**(987)**	**(2,596)**	**(987)**
Write-offs	**-**	**-**	**-**	**-**	**(5,853)**	**(5,853)**	**(5,853)**	**(5,853)**
Balance at 31 March 2022	**27,582,225**	**214,536**	**2,187,191**	**184,997**	**1,509,839**	**973,598**	**31,279,255**	**1,373,131**

10. Investment 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)	-	56,969	**-**	**19,996**
Recoveries	-	-	-	-	(4,282)	(3,381)	**(4,282)**	**(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	-	111,989	**-**	**164,411**
Recoveries	-	-	-	-	(19,822)	(7,733)	**(19,822)**	**(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**

10. Investment in Islamic financing (continued)

10.3 Portfolio wise analysis of ECL during the period

	31 March 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**
Retail banking				
Credit cards	**590**	**192**	**70**	**852**
Housing loans	**(12,535)**	**(266)**	**2,068**	**(10,733)**
Personal loans	**(14,361)**	**227**	**2,831**	**(11,303)**
Auto loans	**(2,310)**	**(39)**	**437**	**(1,912)**
Corporate banking				
Government and related exposures	**5,734**	**917**	**-**	**6,651**
Other corporates	**4,796**	**(1,031)**	**(224)**	**3,541**
High net worth individuals	**11,943**	**(10,155)**	**38,311**	**40,099**
SMEs	**(687)**	**14,715**	**666**	**14,694**
ECL allowance as of 31 March 2022 (Un-audited)	**214,536**	**184,997**	**973,598**	**1,373,131**

	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**
Retail banking				
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)**
Corporate banking				
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)**
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**

10. Investment in Islamic financing (continued)

10.4 Analysis of customers benefiting from payment deferrals

	Corporate banking	Retail banking	Total
TESS and Non-TESS program deferrals			
Group 1:			
Investments in Islamic financing	**1,378,258**	**74,124**	**1,452,383**
ECL	**15,917**	**795**	**16,712**
Deferral amount	**224,333**	**4,100**	**228,433**
Number of customers	**21**	**50**	**71**
Group 2:			
Investments in Islamic financing	**601,518**	**50,743**	**652,261**
ECL	**71,362**	**20,831**	**92,193**
Deferral amount	**47,671**	**5,551**	**53,222**
Number of customers	**28**	**176**	**204**

11. Other assets

	31 March 2022 Un-audited	31 December 2021 Audited
Prepaid expenses and other advances	**36,846**	34,280
Profit receivable	**309,995**	335,922
Sundry debtors	**373,364**	152,261
Assets available for sale - murabaha assets	**109,086**	47,914
Others	**53,979**	138,658
Reimbursements under acceptances	**215,813**	156,881
Less: loss allowance under IFRS 9 on other assets	**(59,163)**	(57,436)
	1,039,920	**808,480**

12. Property and equipment

Freehold land and buildings	**772,609**	774,795
Equipment, furniture and fittings	**12,388**	16,981
Computer equipment	**57,256**	55,403
Motor vehicles	**2,102**	2,311
Right of use assets	**33,485**	27,577
Capital - work in progress	**80,917**	72,495
	958,757	**949,562**

13. Customers' deposits

	31 March 2022 Un-audited	31 December 2021 Audited
Current accounts	**10,222,525**	10,096,621
Saving accounts	**3,123,617**	3,040,095
Watany / call accounts	**1,117,509**	947,627
Time deposits	**23,367,586**	23,949,613
Margins	**577,926**	459,764
	38,409,163	**38,493,720**

14. Sukuk payable

Name of instrument	Maturity date	Profit rate		
SIB Sukuk 2023	17 April 2023	**4.23%**	**1,835,146**	1,834,795
SIB Sukuk 2025	23 June 2025	**2.85%**	**1,832,898**	1,832,619
Total			**3,668,044**	**3,667,414**

15. Other liabilities

Profit payable		**172,101**	133,030
Accrual and provision		**62,525**	51,521
Accounts payable		**510,701**	77,086
Provision for staff end of service benefits		**85,971**	84,522
Managers' cheques		**69,697**	46,299
Obligations under acceptances		**215,813**	156,881
Sundry creditors		**424,059**	249,235
Lease obligation	*15.1*	**13,882**	7,315
		1,554,749	**805,889**

15.1 Lease obligation

Balance at the beginning of the year	**7,315**	17,792
Recognition	**9,304**	1,414
Amortisation	**(2,737)**	(11,891)
Balance at the end of the year	**13,882**	7,315

16. Share capital

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

	31 March 2022 Un-audited		31 December 2021 Audited	
	No. of shares	Value	No. of shares	Value
Share capital	**3,081,597,750**	**3,081,598**	3,081,597,750	3,081,598

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 commision income

	31 March 2022 Un-audited	31 March 2021 Un-audited
Fees and commission income		
Commission income	**38,138**	41,538
Fees and charges on banking services	**6,702**	7,344
Card related fees	**17,073**	11,525
Takaful commision	**12,378**	9,905
	74,291	**70,312**
Fees and commission expense		
Card related expense	**(2,416)**	(2,102)
Takaful expense	**(5,061)**	(2,264)
Commission expense	**(8,206)**	(5,599)
	(15,683)	**(9,965)**

19. Other income

Income from subsidiaries	**7,204**	3,742
Rental income	**8,109**	6,759
Income from sale of properties	**5,900**	2,759
Gain on sale of property and equipment	**19**	31
Other income	**22**	22
	21,254	**13,313**

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

20. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and realestate	Total
Condensed consolidated interim statement of profit or loss:					
For the period ended 31 March 2022 (Un-audited)					
Income from investments in Islamic financing and sukuks	264,405	74,153	96,749	-	435,307
less: distribution to depositors and sukuk holders	(87,112)	(9,940)	(44,504)	-	(141,556)
Net income from financing and investment products	177,293	64,213	52,245	-	293,751
Fee and commssion income	32,702	20,136	6,931	14,522	74,291
Fee and commission expense	(8,122)	(4,756)	(2,805)	-	(15,683)
Net fee and commission income	24,580	15,380	4,126	14,522	58,608
Investment income	-	-	7,823	-	7,823
Foreign exchange income	5,058	935	(3,139)	-	2,854
Other income	-	-	-	21,254	21,254
Total operating income	206,931	80,528	61,055	35,776	384,290
General and administrative expenses	-	-	-	(11,785)	(11,785)
General and administrative expenses - unallocated	-	-	-	-	(124,015)
Net operating income before impairment	206,931	80,528	61,055	23,991	248,490
less: impairment on financial assets - net of recoveries	(68,112)	22,747	(15,342)	(767)	(61,474)
Profit for the period	138,819	103,275	45,713	23,224	187,016
Condensed consolidated interim statement of financial position:					
As at 31 March 2022:					
Assets					
Segment assets	24,002,869	5,129,550	23,726,560	1,183,059	54,042,038
Unallocated assets	-	-	-	-	669,035
Total assets	24,002,869	5,129,550	23,726,560	1,183,059	54,711,073
Liabilities					
Segment liabilities	31,461,419	6,269,228	8,267,150	757,276	46,755,073
Unallocated liabilities	-	-	-	-	442,987
Total liabilities	31,461,419	6,269,228	8,267,150	757,276	47,198,060

20. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and realestate	Total
Condensed consolidated statement of profit or loss:					
For the period ended 31 March 2021 (Un-audited):					
Income from investments in Islamic financing and sukuks	235,160	81,560	102,000	-	**418,720**
less: distribution to depositors and sukuk holders	(80,031)	(8,953)	(66,580)	-	**(155,564)**
Net income from financing and investment products	155,129	72,607	35,420	-	**263,156**
Fee and commssion income	27,816	20,473	7,373	14,650	**70,312**
Fee and commission expense	(4,579)	(3,539)	(1,847)	-	**(9,965)**
Net fee and commission income	23,237	16,934	5,526	14,650	**60,347**
Investment income	-		581		**581**
Foreign exchange income	3,336	719	2,157	-	**6,212**
Other income	-	-	53	13,260	**13,313**
Total operating income	181,702	90,260	43,737	27,910	**343,609**
General and administrative expenses	-	-	-	(10,500)	**(10,500)**
General and administrative expenses - unallocated	-	-	-	-	**(120,908)**
Net operating income before impairment and revaluation	181,702	90,260	43,737	17,410	**212,201**
less: impairment on financial assets - net of recoveries	(9,165)	(31,312)	(7,616)	69	**(48,024)**
Profit for the period	**172,537**	**58,948**	**36,121**	**17,479**	**164,177**
Consolidated statement of financial position:					
As at 31 December 2021:					
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**

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:

	31 March 2022 (Un-audited)			
	Key management personnel	**Major shareholders**	**Other related parties**	**Total**
Investment in Islamic financing	**302,962**	**2,799,352**	**4,729,192**	**7,831,506**
Investment securities measured at fair value	**-**	**475,857**	**-**	**475,857**
Investment securities measured at amortized cost	**-**	**780,329**	**-**	**780,329**
Customer deposits	**(133,214)**	**(3,047,132)**	**(3,553,315)**	**(6,733,661)**
Contingent liabilities	**-**	**1,030**	**156,953**	**157,983**
Condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2022 (Un-audited)				
Income from Islamic financing and investment securitie	**2,276**	**46,761**	**52,039**	**101,076**
Depositors' share of profit	**(19)**	**(17,083)**	**(12,887)**	**(29,989)**

	31 December 2021 (Audited)			
	Key management personnel	**Major shareholders**	**Other related parties**	**Total**
Investment in Islamic financing	300,301	2,288,557	6,148,541	**8,737,399**
Investment securities measured at fair value	-	512,516	-	**512,516**
Investment securities measured at amortized cost	-	780,329	-	**780,329**
Customer 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 three month period ended 31 March 2021 (Un-audited)				
Income from Islamic financing and investment securitie	2,176	29,136	55,263	**61,920**
Depositors' share of profit	(8)	(1,198)	(23,449)	**(24,655)**

Key management compensation includes salaries and other short term benefits of AED 6.0 million for the three month period ended 31 March 2022 (three month period ended 31 March 2021: AED 5.7 million) and post-employment benefits of AED 0.3 million for the three month period ended 31 March 2022 (three month period ended 31 March 2021: AED 0.3 million).

As at 31 March 2022, the Group does not have any related balances classified as stage 3.

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 market data.

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.

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 31 March 2022 (Un-audited)				
Financial assets				
FVTPL – investment securities	**11,162**	**-**	**206,914**	**218,076**
FVTOCI – investment securities	**2,294,530**	**-**	**296,119**	**2,590,649**
	2,305,692	**-**	**503,033**	**2,808,725**
Non-financial assets				
Investment properties at fair value	**-**	**-**	**2,791,325**	**2,791,325**

	Level 1	Level 2	Level 3	Total
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**
	1,402,882	**-**	**466,522**	**1,869,404**
Non-financial assets				
Investment properties at fair value	**-**	**-**	**2,825,021**	**2,825,021**

Management considers that the carrying amounts of financial assets and financial liabilities, measured at amortised cost, recognised in the condensed consolidated interim financial statements approximate their fair values, other than sukuks measured at amortised cost for which the fair value is calculated using Level 1inputs.

There were no transfers of any financial asset in between any of the levels in fair value hierarchy during the three month period ended 31 March 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:

	31 March 2022		31 December 2021	
	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	**-**	**(219)**	(550)	(27,602)
Additions during the period /year	**-**	**36,730**	175,900	-
Balance at the end of the period/year	**206,914**	**296,119**	**206,914**	**259,608**

22. Fair value measurement (continued)

Non-financial assets	**31 March 2022 Un-audited**	**31 December 2021 Audited**
Balance at the beginning of the period/year	**2,825,021**	2,886,044
Additions during the period/year	**1,495**	209,300
Transfer from held-for-sale during the period/year	**-**	69,415
Disposals during the period/year	**(35,191)**	(247,698)
Revaluation loss during the period/year	**-**	(92,040)
Balance at the end of the period/year	**2,791,325**	**2,825,021**

During the three month period ended 31 March 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 three month period ended 31 March 2022 (Un-audited)	**299,824**	(299,824)	**29,612**	(29,612)
For the year ended 31 December 2021 (Audited)	**303,194**	(303,194)	**25,961**	(25,961)

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. Dividned

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

	31 March 2022 Un-audited	31 December 2021 Audited
Letters of credit	**348,063**	224,288
Letters of guarantee	**1,892,292**	1,929,695
Capital commitments	**115,774**	102,525

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 three month period ended 31 March 2022.