
SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(UN – AUDITED)
30 June 2017



SHARJAH ISLAMIC BANK

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK ("the Bank") and its subsidiaries (together referred as the "Group") for the six-month period ended 30 June 2017.

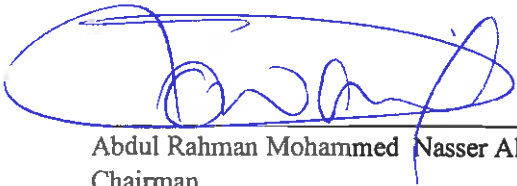
Financial Highlights

The Group has reported a profit of AED 272.9 million for the six-month period ended 30 June 2017 compared to AED 257.0 million for the corresponding prior year period, an increase of 6.2%.

Compared to December 2016, total assets increased by AED 3.3 billion to reach AED 36.9 billion, increase of 10.0%, financing receivables and ijarah receivable increased by 11.2% (AED 1.9 billion) to reach AED 19.0 billion and customer deposits experienced a growth of 20.7 % (AED 3.8 billion) to reach AED 22.1 billion.

Directors:-

H.E. Abdul Rahman Mohammed Nasser Al Owais	Chairman
Mr. Ahmed Mohamed Obaid Al Shamsi	Vice Chairman
Mr. Othman Mohammed Sharif Zaman	Member
Mr. Ahmed Ghanim Al Suwaidi	Member
Mr. Ali Bin Salim Al Mazrou	Member
Mr. Emad Yousef Abdulla Saleh Al Monayea	Member
Mr. Mohammad N. Al Fouzan	Member



Abdul Rahman Mohammed Nasser Al Owais
Chairman
12 July 2017



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Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders
Sharjah Islamic Bank P.J.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Sharjah Islamic Bank P.J.S.C. ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2017;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month period ended 30 June 2017;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month period ended 30 June 2017;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2017;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2017; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.



Scope of Review

We conducted our review in accordance with the International Standard 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 30 June 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Dubai, United Arab Emirates

Date: **12 JUL 2017**

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2017
(Currency: Thousands of U.A.E Dirhams)

	30 June 2017 <u>Un-audited</u>	31 December 2016 <u>Audited</u>
Assets		
Cash and balances with banks and financial institutions	2,601,390	3,205,875
International murabaha and wakalah with financial institutions	5,822,839	4,641,134
Financing receivables	6,348,547	5,513,912
Ijarah receivables	12,650,184	11,577,091
Investment securities	4,932,428	4,107,195
Investment properties	2,077,843	2,124,359
Properties held-for-sale	663,005	573,248
Other assets	954,578	867,133
Property and equipment	830,154	929,279
Total assets	36,880,968	33,539,226
Liabilities		
Customers deposits	22,131,014	18,328,936
Due to banks	3,264,917	3,850,960
Sukuk payable (note 5)	5,499,829	5,497,916
Other liabilities	836,228	915,741
Zakat payable	30,791	89,429
Total liabilities	31,762,779	28,682,982
Shareholders' equity		
Share capital	2,668,050	2,425,500
Legal reserve	1,330,626	1,330,626
Statutory reserve	89,008	89,008
Fair value reserve	(38,661)	(29,492)
Retained earnings	1,069,166	1,040,602
Total shareholders' equity	5,118,189	4,856,244
Total liabilities and shareholders' equity	36,880,968	33,539,226

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 12 July 2017.

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 AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2017	2016	2017	2016
Income from Islamic Financing	275,846	204,518	557,137	417,266
Profit expense on sukuk	(41,858)	(38,148)	(83,786)	(83,113)
Investment, fees, commission and other income	131,559	159,421	247,494	314,148
Income from subsidiaries	6,613	4,790	17,500	14,334
Total income	372,160	330,581	738,345	662,635
General and administrative expenses	(129,920)	(114,258)	(258,279)	(227,086)
Net operating income	242,240	216,323	480,066	435,549
Provisions - net of recoveries	(35,168)	(40,624)	(65,577)	(84,412)
Profit before distribution to depositors	207,072	175,699	414,489	351,137
Distribution to depositors	(73,335)	(50,113)	(141,620)	(94,127)
Profit for the period	133,737	125,586	272,869	257,010
(Attributable to the shareholders of the Bank)				
Earnings per share (U.A.E. Dirhams)	0.05	0.05	0.10	0.10

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2017	2016	2017	2016
Profit for the period	133,737	125,586	272,869	257,010
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in fair value reserve	(22,744)	(687)	(9,169)	19,174
Total comprehensive income for the period	110,993	124,899	263,700	276,184

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	Six month period ended 30 June 2017 Un-audited	Six month period ended 30 June 2016 Un-audited
Cash flows from operating activities		
Profit for the period	272,869	257,010
Adjustments for:		
- Depreciation	20,734	16,402
- Amortisation of sukuk issuance costs	1,913	2,211
- Provision on financing and Ijarah receivable	65,577	54,390
- Provision for impairment on investment securities	-	6,402
- Provision for subsidiaries	-	23,620
- Gain on sale of properties held-for-sale	(16,825)	(124,438)
Operating profit before changes in operating assets and liabilities	344,268	235,597
Changes in:		
- Reserve with UAE Central Bank	(183,318)	(135,677)
- International murabaha and wakalah with financial institutions	296,229	(149,621)
- Financing and Ijarah receivables	(1,973,305)	458,369
- Other assets	(87,445)	107,378
- Customers' deposits	3,802,078	526,338
- Due to banks	362,061	975,647
- Zakat payable	(58,638)	(29,647)
- Other liabilities	(84,763)	(80,032)
Net cash from operating activities	2,417,167	1,908,352
Cash flows from investing activities		
Property and equipment, net	(15,617)	(9,525)
Acquisition of investment properties	(4,985)	(53,233)
Disposal of investment properties	51,501	-
Acquisition of properties held-for-sale	(27,552)	(39,859)
Disposal of properties held-for-sale	48,626	248,333
Investment securities, net	(830,907)	(1,142,058)
Net cash used in investing activities	(778,934)	(996,342)
Cash flows from financing activities		
Repayment of sukuk	-	(1,469,572)
Cash dividend	-	(242,550)
Net cash used in financing activities	-	(1,712,122)
Net increase / (decrease) in cash and cash equivalents	1,638,233	(800,112)
Cash and cash equivalents at the beginning of the period	2,037,425	4,299,039
Cash and cash equivalents at the end of the period	3,675,658	3,498,927
Cash and cash equivalents comprise of:		
Cash and balances with banks and financial institutions	956,470	669,161
International murabaha and wakalah with financial institutions	4,424,969	2,829,766
Due to banks	(1,705,781)	-
	3,675,658	3,498,927

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK					
	Share capital	Statutory reserves	Legal reserves	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2016	2,425,500	89,008	1,330,626	(31,867)	891,134	4,704,401
Total comprehensive income for the period						
Profit for the period	-	-	-	-	257,010	257,010
Other comprehensive income						
Net change in fair value reserve	-	-	-	19,174	-	19,174
Total comprehensive income for the period	-	-	-	19,174	257,010	276,184
Transactions with owners recorded directly in equity						
Dividends declared (<i>note 11</i>)	-	-	-	-	(242,550)	(242,550)
Board of directors' fees - paid	-	-	-	-	(5,250)	(5,250)
Total transactions with owners	-	-	-	-	(247,800)	(247,800)
As at 30 June 2016	2,425,500	89,008	1,330,626	(12,693)	900,344	4,732,785
As at 1 January 2017	2,425,500	89,008	1,330,626	(29,492)	1,040,602	4,856,244
Total comprehensive income for the period						
Profit for the period	-	-	-	-	272,869	272,869
Other comprehensive income						
Net change in fair value reserve	-	-	-	(5,674)	-	(5,674)
Fair value adjustment	-	-	-	(3,495)	3,495	-
Total comprehensive income for the period	-	-	-	(9,169)	276,364	267,195
Transactions with owners recorded directly in equity						
Bonus shares issue (<i>note 11</i>)	242,550	-	-	-	(242,550)	-
Board of directors' fees - paid	-	-	-	-	(5,250)	(5,250)
Total transactions with owners	242,550	-	-	-	(247,800)	(5,250)
As at 30 June 2017	2,668,050	89,008	1,330,626	(38,661)	1,069,166	5,118,189

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

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 Central Bank of the UAE ("CBUAE"), which are carried out through its 32 branches (2016: 32 branches) established in 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 six-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 United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS) and ASAS Real Estate (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.

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 2016. 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 2016.

The Bank has complied with the applicable provisions of UAE Federal law number 2 of 2015. Accordingly, the legal name of the Bank has been changed from "Sharjah Islamic Bank" to "Sharjah Islamic Bank Public Joint Stock Company (P.J.S.C)".

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 (FVTOCI); and
- Investment properties.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

2. Basis of preparation (continued)

c) Functional and reporting currency

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

d) Key accounting estimates & judgment

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 judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2016.

e) 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 2016.

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 2016 except for the adoption of new IFRSs which became effective for the period beginning 1 January 2017.

The adoption of the new and amended standards and interpretations have been reflected in these condensed consolidated interim financial statements as appropriate in terms of disclosures but do not have an impact on the financial position or performance of the Group during the period.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)

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

4. Capital Adequacy Ratio

The Group's regulatory capital adequacy ratio is set by the CBUAE. The Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period. The Group has adopted a standardised approach for Credit risk and Market risk and a Basic Indicator approach for Operational Risk as a starting point and is working towards migrating to foundation internal rating based (IRB) and advanced IRB as per time line set by CBUAE.

The table below summarises the composition of regulatory capital of the Group:

	Basel II	
	30 June 2017 Un-audited	31 December 2016 Audited
Total tier 1 capital base	5,132,851	4,864,875
Total tier 2 capital base	259,486	240,510
Risk weighted assets:		
Credit risk	23,851,768	21,600,139
Market risk	157,284	155,621
Operational risk	2,152,438	2,152,438
Risk weighted assets	26,161,490	23,908,198
Tier 1 ratio	19.62%	20.35%
Capital adequacy ratio	20.61%	21.35%

5. Sukuk payable

Name of issuer	Maturity date	30 June 2017 Un-audited		31 December 2016 Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk Company III Limited	15 April 2018	1,835,240	2.950%	1,834,480	2.950%
SIB Sukuk 2020	17 March 2020	1,833,749	2.843%	1,833,259	2.843%
SIB Sukuk 2021	8 September 2021	1,830,840	3.084%	1,830,177	3.084%
Total		5,499,829		5,497,916	

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

6. 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 as well.

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, properties held for sale, sukuks issued and other money market activities.

d) Hospitality and brokerage

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)

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

6. Segment reporting (continued)

Consolidated statement of profit or loss: For the six-month period ended 30 June 2017 (un-audited)	Corporate and Government	Retail	Investment and treasury	Hospitality and brokerage	Total
Income from Islamic financing	423,291	82,322	51,524	-	557,137
Profit expense on sukuk	-	-	(83,786)	-	(83,786)
Investment, fees, commission and other income	56,495	38,911	152,088	-	247,494
Income from subsidiaries	-	-	-	17,500	17,500
Total income	479,786	121,233	119,826	17,500	738,345
General and administrative expenses	(162,117)	(40,964)	(40,488)	(14,710)	(258,279)
Net operating income	317,669	80,269	79,338	2,790	480,066
Provisions - net of recoveries	(52,980)	(12,597)	-	-	(65,577)
Profit before distribution to depositors	264,689	67,672	79,338	2,790	414,489
Distribution to depositors	(101,381)	(19,390)	(20,849)	-	(141,620)
Profit for the period	163,308	48,282	58,489	2,790	272,869

Consolidated statement of financial position:

As at 30 June 2017 (un-audited)

Assets

Segment assets	16,596,009	2,907,718	16,176,928	669,792	36,350,447
Unallocated assets	-	-	-	-	530,521
Total assets	16,596,009	2,907,718	16,176,928	669,792	36,880,968

Liabilities

Segment liabilities	17,790,499	4,665,196	8,784,275	83,513	31,323,483
Unallocated liabilities	-	-	-	-	439,296
Total liabilities	17,790,499	4,665,196	8,784,275	83,513	31,762,779

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)

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

6. Segment reporting (continued)

	Corporate and Government	Retail	Investment and treasury	Hospitality and brokerage	Total
Consolidated statement of profit or loss:					
For the six-month period ended 30 June 2016 (un-audited)					
Income from Islamic financing	327,729	53,952	35,585	-	417,266
Profit expense on sukuk	-	-	(83,113)	-	(83,113)
Investment, fees, commission and other income	55,953	33,972	224,223	-	314,148
Income from subsidiaries	-	-	-	14,334	14,334
Total income	383,682	87,924	176,695	14,334	662,635
General and administrative expenses	(125,679)	(28,800)	(57,879)	(14,728)	(227,086)
Net operating income	258,003	59,124	118,816	(394)	435,549
Provisions- net of recoveries	(42,579)	(11,811)	(6,402)	(23,620)	(84,412)
Profit before distribution to depositors	215,424	47,313	112,414	(24,014)	351,137
Distribution to depositors	(62,821)	(23,616)	(7,690)	-	(94,127)
Profit for the period	152,603	23,697	104,724	(24,014)	257,010
Consolidated statement of financial position:					
As at 31 December 2016 (audited)					
Assets					
Segment assets	15,997,829	1,709,246	14,693,426	656,447	33,056,948
Unallocated assets	-	-	-	-	482,278
Total assets	15,997,829	1,709,246	14,693,426	656,447	33,539,226
Liabilities					
Segment liabilities	14,242,614	4,390,263	9,346,849	58,414	28,038,140
Unallocated liabilities	-	-	-	-	644,842
Total liabilities	14,242,614	4,390,263	9,346,849	58,414	28,682,982

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

7. 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 opinion of the management are not significantly different from those that could have been obtained from third parties.

At the reporting date, such significant balances include:

	30 June 2017 Un-audited	31 December 2016 Audited
Condensed consolidated interim statement of financial position		
Government of Sharjah financing receivables	2,898,528	2,602,694
Government departments and authorities financing receivables	3,070,136	2,979,476
Other financing receivables and investing activities	980,925	766,317
Government of Sharjah deposits	51,748	64,034
Government department and authorities deposits	3,320,592	2,505,771
Other deposits	133,058	136,019
Contingent liabilities – off balance sheet	140,712	146,041
	30 June 2017 Un-audited	30 June 2016 Un-audited
Condensed consolidated interim statement of profit or loss		
Income from financing and investing activities	117,142	106,619
Depositors' share of profit	(6,489)	(16,459)

Key management compensation includes salaries and other short term benefits of AED 11.5 million for the period ended 30 June 2017 (30 June 2016: AED 10.8 million) and post-employment benefits of AED 1.0 million for the period ended 30 June 2017 (30 June 2016: AED 0.9 million).

8. Fair Value Measurement

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

	Level 1	Level 2	Level 3	Total
At 30 June 2017 (Un-audited)				
Financial assets				
FVTPL - investment securities	29,958	82,258	36,730	148,946
FVTOCI – investment securities	920,483	-	91,037	1,011,520
	950,441	82,258	127,767	1,160,466
Non-financial assets				
Investment properties	-	-	2,077,843	2,077,843

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

8. Fair Value Measurement (continued)

	Level 1	Level 2	Level 3	Total
At 31 December 2016 (Audited)				
Financial assets				
FVTPL – investment securities	42,077	-	-	42,077
FVTOCI – investment securities	979,510	-	100,234	1,079,744
	1,021,587	-	100,234	1,121,821
Non-financial assets				
Investment properties at fair value	-	-	2,124,359	2,124,359

Management considers that the carrying amounts of financial assets and financial liabilities, measured at amortised cost, recognised in the condensed consolidated interim financial statements approximate their fair values.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for investment securities and investment properties:

	30 June 2017		31 December 2016	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Financial assets				
Balance as at 1 January	-	100,234	-	200,155
Fair value movement	-	(9,197)	-	(90)
Addition	36,730	-	-	-
Disposals	-	-	-	(99,831)
Closing balance	36,730	91,037	-	100,234
Non-financial assets				
			30 June 2017	31 December 2016
Balance at the beginning of the period			2,124,359	1,811,784
Additions			4,985	181,491
Transfer from held-for-sale			-	94,144
Disposal			(51,501)	(33,173)
Revaluation gain			-	70,113
Balance at the closing of the period			2,077,843	2,124,359

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 2016.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

9. Geographical distribution

	30 June 2017	31 December 2016
	<u>Un-audited</u>	<u>Audited</u>
a) Investment securities by geographical distribution		
Financial assets at fair value through profit or loss		
- Domestic	118,988	11,099
- International	29,958	30,978
	<u>148,946</u>	<u>42,077</u>
Financial assets at fair value through other comprehensive income		
- Domestic	917,092	1,008,067
- International	94,428	71,677
	<u>1,011,520</u>	<u>1,079,744</u>
Financial assets measured at amortised cost		
- Domestic	1,724,641	1,281,261
- International	2,047,321	1,704,113
	<u>3,771,962</u>	<u>2,985,374</u>
Total investment securities	<u>4,932,428</u>	<u>4,107,195</u>
b) Investment properties - Domestic	<u>2,077,843</u>	<u>2,124,359</u>
c) Properties held-for-sale - Domestic	<u>663,005</u>	<u>573,248</u>

10. 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 an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 June 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

11. Dividends

During the annual general meeting of the shareholder's held on 11 March 2017, a dividend of 10% bonus share – 1 bonus share for every 10 shares amounting to AED 242.6 million was approved for the year ended 31 December 2016 (2016: cash dividend of AED 242.6 million (AED 0.10 per share) for 2015).

12. Contingencies and commitments

Following are the contingencies:

	30 June 2017 <u>Un-audited</u>	31 December 2016 <u>Audited</u>
Letter of credit	<u>289,469</u>	<u>152,109</u>
Letter of Guarantee	<u>1,741,105</u>	<u>1,526,755</u>
Unutilised credit commitments	<u>3,839,291</u>	<u>4,295,744</u>
Capital commitments	<u>169,052</u>	<u>106,898</u>

13. Comparatives

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