
SHARJAH ISLAMIC BANK PJSC

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

SHARJAH ISLAMIC BANK PJSC

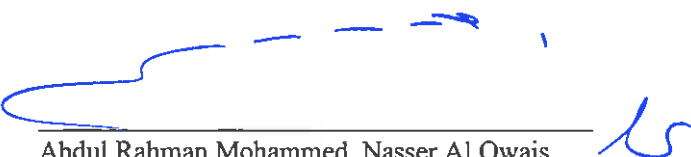
Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK PJSC ("the Bank") and its subsidiaries (together referred as the "Group") for the six -month period ended 30 June 2019.

Financial highlights

The Group has reported a profit of AED 290.5 million for the six-month period ended 30 June 2019 compared to AED 283.0 million for the corresponding prior year period, an increase of 2.7%.

Compared to December 2018, total assets decreased by AED 473.1 million to reach AED 44.3 billion, a decrease of 1.1%. Investments in Islamic financing increased by 2.5% (AED 589.8 million) to reach AED 24.7 billion and customer deposits experienced a growth of 6.7% (AED 1.8 billion) to reach AED 28.2 billion.



Abdul Rahman Mohammed Nasser Al Owais
Chairman
23 July 2019



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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (the "Group") as at 30 June 2019 and the related condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of comprehensive income for the three month and six month periods then ended, and condensed consolidated interim statements of cash flows and changes in equity for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of our review

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

Conclusion

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

PricewaterhouseCoopers
23 July 2019

Douglas O'Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

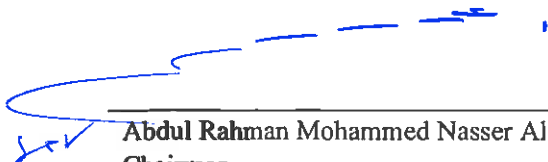
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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019
(Currency: Thousands of U.A.E Dirhams)

	<i>Notes</i>	30 June 2019 Un-audited	31 December 2018 Audited
Assets			
Cash and balances with banks and financial institutions	5	2,786,006	2,440,868
Murabaha and wakalah with financial institutions	6	6,236,507	7,217,226
Investment in Islamic financing	7	24,717,579	24,123,760
Investment securities	8	5,737,232	6,220,452
Investment properties		2,618,720	2,318,129
Properties held-for-sale		608,476	658,460
Other assets		667,436	907,905
Property and equipment	9	900,407	858,687
Total assets		44,272,363	44,745,487
Liabilities			
Customers deposits	10	28,200,420	26,438,275
Due to banks		4,155,501	6,548,781
Sukuk payable	11	5,501,371	5,499,603
Other liabilities	12	913,679	809,607
Zakat payable		118	61,589
Total liabilities		38,771,089	39,357,855
Shareholders' equity			
Share capital	13	2,934,855	2,934,855
Legal reserve		1,429,264	1,429,264
Statutory reserve		89,008	89,008
General impairment reseve		66,717	66,717
Fair value reserve		(5,611)	(87,537)
Retained earnings		987,041	955,325
Net shareholders' equity		5,501,274	5,387,632
Total liabilities and shareholders' equity		44,272,363	44,745,487

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 23 July 2019.



Abdul Rahman Mohammed Nasser Al Owais
Chairman



Mohammed Ahmed Abdullah
Chief Executive Officer

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

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (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	
	2019	2018	2019	2018
Income from Islamic financing	374,815	313,761	742,386	605,245
Profit expense on sukuk	(47,655)	(46,248)	(95,268)	(88,114)
Investment, fees, commission and other income	139,683	140,689	283,091	281,408
Income from subsidiaries	5,960	5,442	14,652	15,677
Total income	472,803	413,644	944,861	814,216
General and administrative expenses	(141,331)	(144,247)	(284,191)	(290,045)
Net operating income	331,472	269,397	660,670	524,171
Provisions - net of recoveries	(14,662)	(10,679)	(15,326)	(25,047)
Profit before distribution to depositors	316,810	258,718	645,344	499,124
Distribution to depositors	(178,013)	(118,849)	(354,801)	(216,134)
Profit for the period	138,797	139,869	290,543	282,990
(Attributable to the shareholders of the Bank)				
Basic and diluted 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 PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	<u>For the three-month period ended 30 June</u>		<u>For the six-month period ended 30 June</u>	
	2019	2018	2019	2018
Profit for the period	138,797	139,869	290,543	282,990
Other comprehensive income / (loss)				
Items that will be reclassified to profit or loss				
Net change in fair value reserve on sukuk investments classified at FVTOCI	16,886	(22,751)	53,389	(28,758)
Items that will not be reclassified to profit or loss				
Net change in fair value reserve on equity investments classified at FVTOCI	(23,752)	(9,063)	9,885	(19,954)
Total comprehensive income for the period	131,931	108,055	353,817	234,278
(Attributable to the shareholders of the Bank)				

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

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	Six month period ended 30 June 2019	Six month period ended 30 June 2018
Cash flows from operating activities		
Profit for the period	290,543	282,990
Adjustments for:		
- Depreciation	26,798	20,451
- Amortisation of sukuk issuance costs	1,768	(3,630)
- Provision charge for the period	15,326	25,047
- Gain on sale of properties held-for-sale	(2,926)	(3,927)
- Gain on sale of investment properties	-	(21,552)
Operating profit before changes in operating assets and liabilities	331,509	299,379
Changes in:		
- Reserve with UAE Central Bank	(88,141)	(139,740)
- Murabaha and wakalah with financial institutions	445,405	(1,025,401)
- Investments in Islamic financing	(609,145)	(1,188,999)
- Other assets	240,469	(89,346)
- Customers' deposits	1,762,145	3,384,379
- Due to banks	(1,262,026)	1,389,422
- Zakat payable	(61,471)	(51,351)
- Other liabilities	98,685	170,934
Net cash from operating activities	857,430	2,749,277
Cash flows from investing activities		
Acquisition of properties and equipment	(68,518)	(11,483)
Acquisition of investment properties	(246,038)	(93,782)
Disposal of investment properties	8,744	109,037
Acquisition of properties held-for-sale	(28,221)	(96,389)
Disposal of properties held-for-sale	17,834	14,078
Investment securities, net	546,494	(1,055,007)
Net cash from / (cash used) in investing activities	230,295	(1,133,546)
Cash flows from financing activities		
Repayment of sukuk	-	(1,836,500)
Issuance of sukuk	-	1,836,500
Cash dividend	(234,788)	(234,789)
Net cash used in financing activities	(234,788)	(234,789)
Net increase in cash and cash equivalents	852,937	1,380,942
Cash and cash equivalents at the beginning of the period	3,093,288	2,174,874
Cash and cash equivalents at the end of the period	3,946,225	3,555,816
Cash and cash equivalents comprise of:		
Cash and balances with banks and financial institutions	1,008,154	733,264
International murabaha and wakalah with financial institutions	3,839,918	5,294,648
Due to banks	(901,847)	(2,472,096)
	3,946,225	3,555,816

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

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK						Total shareholders' equity
	Share capital	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	
As at 1 January 2018 (Audited)	2,934,855	1,377,902	89,008	-	(39,488)	1,157,003	5,519,280
Changes on initial application of IFRS 9	-	-	-	-	-	(295,211)	(295,211)
Restated balance at 1 January 2018	2,934,855	1,377,902	89,008	-	(39,488)	861,792	5,224,069
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	282,990	282,990
Other comprehensive loss (OCI)	-	-	-	-	-	-	-
Net change in fair value reserve	-	-	-	-	(48,712)	-	(48,712)
Total comprehensive income for the period	-	-	-	-	(48,712)	282,990	234,278
Transactions recorded directly in equity							
Transfer to legal reserve	-	285	-	-	-	(285)	-
Dividends declared	-	-	-	-	-	(234,789)	(234,789)
Board of directors' fees	-	-	-	-	-	(5,250)	(5,250)
Total	-	285	-	-	-	(240,324)	(240,039)
As at 30 June 2018 (Un-audited)	2,934,855	1,378,187	89,008	-	(88,200)	904,458	5,218,308
As at 1 January 2019 (Audited)	2,934,855	1,429,264	89,008	66,717	(87,537)	955,325	5,387,632
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	290,543	290,543
Other comprehensive income	-	-	-	-	-	-	-
Net change in fair value reserve	-	-	-	-	63,274	-	63,274
Total comprehensive income for the period	-	-	-	-	63,274	290,543	353,817
Transactions recorded directly in equity							
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	18,652	(18,652)	-
Dividends declared	-	-	-	-	-	(234,788)	(234,788)
Board of directors' fees	-	-	-	-	-	(5,387)	(5,387)
Total	-	-	-	-	18,652	(258,827)	(240,175)
As at 30 June 2019 (Un-audited)	2,934,855	1,429,264	89,008	66,717	(5,611)	987,041	5,501,274

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

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the "Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulations of the UAE Central Bank, which are carried out through its 36 branches (2018: 32 branches) established in the United Arab Emirates.

At an extraordinary shareholder's meeting held on 18 March 2001, a resolution was passed to transform the Bank's activities to be in full compliance with Islamic Shari'a rules and principles. The entire process was completed on 30 September 2002 ("the transformation date"). As a result the Bank transformed its conventional banking products into Islamic banking products during the 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 the United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS), ASAS Real Estate and SIB Sukuk Company III Limited, a special purpose vehicle established in the Cayman Islands, (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 and SIB Sukuk Company III Limited was established for the Bank's Sukuk program.

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

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Selected explanatory notes, particularly in relation to the adoption of IFRS 16, are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018. These condensed consolidated interim financial statements do not include all of the information required for a full set of annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended 31 December 2018, other than change in accounting policy arising from the adoption of IFRS 16.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical basis except for the following material items in the consolidated statement of financial position:

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

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2. Basis of preparation (continued)

c) Functional and reporting currency

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

d) Key accounting estimates & judgments

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the condensed consolidated financial statements are described as follows:

Measurement of the expected credit loss allowance

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

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

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

3. Summary of significant accounting policies

The accounting policies applied by the Group in preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2018 except for the adoption of new IFRSs which became effective for the period beginning 1 January 2019.

a) New and amended standards adopted by the group

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

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

3. Summary of significant accounting policies (continued)

b) Changes in accounting policies

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

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

Adjustments recognised on adoption of IFRS 16

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

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

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

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

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

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

Practical expedients applied

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

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

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

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (Un-audited)
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3. Summary of significant accounting policies (continued)

b) Changes in accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

4. Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2018.

a) Maximum exposure to credit risk

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

	30 June 2019			Total
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	360,675	-	-	360,675
Loss allowance	-	-	-	-
Carrying amount	360,675	-	-	360,675
<i>Murabaha and wakalah with financial institutions</i>	3,786,780	-	-	3,786,780
Loss allowance	(274)	-	-	(274)
Carrying amount	3,786,506	-	-	3,786,506
<i>Investments in Islamic financing</i>	23,218,392	1,481,363	1,489,101	26,188,856
Loss allowance	(147,553)	(177,898)	(1,145,826)	(1,471,277)
Carrying amount	23,070,839	1,303,465	343,275	24,717,579
<i>Investment securities measured at amortised cost</i>	3,439,843	-	62,336	3,502,179
Loss allowance	(1,393)	-	(28,326)	(29,719)
Carrying amount	3,438,450	-	34,010	3,472,460
<i>Investment securities measured at FVTOCI</i>	1,210,760	-	-	1,210,760
Loss allowance	(245)	-	-	(245)
Carrying amount	1,210,515	-	-	1,210,515
<i>Other assets (excluding non-financial assets)</i>	530,652	-	33,455	564,107
Loss allowance	(6,974)	-	(33,455)	(40,429)
Carrying amount	523,678	-	-	523,678
Total credit risk exposures relating to on-balance sheet assets	32,390,663	1,303,465	377,285	34,071,413
<i>Letter of credit and guarantee</i>	767,120	4,359	-	771,479
Loss allowance	(1,594)	(242)	-	(1,836)
Credit risk exposures relating to off-balance sheet assets	765,526	4,117	-	769,643
	33,156,189	1,307,582	377,285	34,841,056

SHARJAH ISLAMIC BANK PJSC
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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (Un-audited)
(Currency: Thousands of U.A.E. Dirhams)

4. Financial risk management (continued)

a) Maximum exposure to credit risk (continued)

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

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

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4. Financial risk management (continued)

b) Capital adequacy ratio

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

	Basel III	
	30 June 2019 Un-audited	31 December 2018 Audited
Total tier 1 capital base	5,409,481	5,063,594
Total tier 2 capital base	392,433	371,192
Risk weighted assets:		
Credit risk	31,394,626	29,695,340
Market risk	83,105	145,334
Operational risk	2,199,100	2,202,861
Risk weighted assets	33,676,831	32,043,535
Tier 1 ratio	16.06%	15,80%
Capital adequacy ratio	17.23%	16,96%

5. Cash and balances with banks and financial institutions

Cash		440,783	463,460
Statutory deposit with CBUAE		1,777,852	1,689,711
Due from banks	5.1	567,371	287,697
		<u>2,786,006</u>	<u>2,440,868</u>

5.1 Due from banks includes the current account balance with the CBUAE amounting to AED 206.7 million (31 December 2018: AED 1.9 million).

6. Murabaha and wakalah with financial institutions

Murabaha		482,129	610,908
Wakala arrangements	6.1	5,754,378	6,606,318
		<u>6,236,507</u>	<u>7,217,226</u>

6.1 Wakala arrangements with financial institutions includes 'Islamic certificates of deposit with CBUAE amounting AED 2,450 million (31 December 2018: AED 1,950 million).

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7. Investments in Islamic financing

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

	30 June 2019 <u>Un-audited</u>	31 December 2018 <u>Audited</u>
Vehicle murabaha	272,382	286,136
Goods murabaha	6,785,078	6,483,636
Real estate murabaha	66,684	112,270
Other murabaha receivable	474,693	528,738
Syndicate murabaha	<u>1,270,058</u>	<u>1,230,429</u>
Gross murabaha financing	8,868,895	8,641,029
Less: deferred profit	<u>(723,434)</u>	<u>(667,904)</u>
Net murabaha financing	8,145,461	7,973,125
Ijara financing	15,343,259	15,337,440
Qard hasan	526,474	512,621
Credit card receivables	79,690	72,196
Istisna	<u>2,093,972</u>	<u>1,685,169</u>
Total investments in Islamic financing	<u>26,188,856</u>	<u>25,580,511</u>
Less: Loss allowance for investments in Islamic financing	<u>(1,471,277)</u>	<u>(1,456,751)</u>
	<u>24,717,579</u>	<u>24,123,760</u>

8. Investment securities*Financial assets at fair value through profit or loss*

- Equity and Funds	44,420	42,377
- Sukuks	<u>35,722</u>	<u>-</u>
	<u>80,142</u>	<u>42,377</u>

Financial assets at fair value through other comprehensive income

- Equity and Funds	974,115	1,163,871
- Sukuks	<u>1,210,760</u>	<u>1,191,463</u>
	<u>2,184,875</u>	<u>2,355,334</u>
Less: Loss allowance on financial assets measured at FVTOCI	<u>(245)</u>	<u>(958)</u>
	<u>2,184,630</u>	<u>2,354,376</u>

Financial assets measured at amortised cost

- Sukuks	3,502,179	3,854,270
Less: Loss allowance on financial assets measured at amortised cost	<u>(29,719)</u>	<u>(30,571)</u>
	<u>3,472,460</u>	<u>3,823,699</u>
	<u>5,737,232</u>	<u>6,220,452</u>

8.1 Sukuk held at amortised cost include AED 2,369 million (2018: AED 3,231 million) pledged against a collateralized commodity murabaha arrangement.

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9. Property and equipment

	30 June 2019	31 December 2018
	Un-audited	Audited
Freehold land and buildings	737,688	741,743
Equipment, furniture and fittings	12,722	19,377
Computer equipment	57,235	58,808
Motor vehicles	1,298	1,695
Right of use assets	45,427	-
Capital - work in progress	46,037	37,064
	900,407	858,687

10. Customers' deposits

Current accounts	7,684,379	7,815,320
Saving accounts	2,300,843	2,223,791
Watany / call accounts	487,150	437,870
Time deposits	17,125,889	15,435,348
Margins	602,159	525,946
	28,200,420	26,438,275

11. Sukuk payable

Name of instrument	Maturity date	30 June 2019		31 December 2018	
		Un-audited		Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk 2020	17 March 2020	1,835,776	2.843%	1,835,272	2.843%
SIB Sukuk 2021	8 September 2021	1,833,542	3.084%	1,832,861	3.084%
SIB Sukuk 2023	17 April 2023	1,832,053	4.231%	1,831,470	4.231%
Total		5,501,371		5,499,603	

12. Other liabilities

	30 June 2019	31 December 2018
	Un-audited	Audited
Profit payable	273,208	255,129
Accrual and provision	48,975	28,538
Lease obligations	31,756	-
Accounts payable	65,503	77,501
Provision for staff end of service benefits	65,919	67,760
Managers' cheques	134,707	48,697
Obligations under acceptances	90,083	97,926
Sundry creditors	203,528	234,056
	913,679	809,607

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13. Share capital

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

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

14. Segment reporting

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

a) Government and corporate

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

b) Retail

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

c) Investment and treasury

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

d) Hospitality and brokerage

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

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13. Segment reporting (continued)

Consolidated statement of profit or loss:
For the six-month period ended 30 June
2019 (un-audited)

	Corporate and Government	Retail	Investment and Treasury	Hospitality and Brokerage	Un- allocated	Total
Income from Islamic financing	455,282	170,619	116,485	-	-	742,386
Profit expense on sukuk	-	-	(95,268)	-	-	(95,268)
Investment, fees, commission and other income	51,082	32,204	199,805	-	-	283,091
Income from subsidiaries	-	-	-	14,652	-	14,652
Total income	506,364	202,823	221,022	14,652	-	944,861
General and administrative expenses	-	-	-	(12,939)	(271,252)	(284,191)
Net operating income	506,364	202,823	221,022	1,713	(271,252)	660,670
Provisions - net of recoveries	(9,406)	(16,687)	10,579	188	-	(15,326)
Profit before distribution to depositors	496,958	186,136	231,601	1,901	(271,252)	645,344
Distribution to depositors	(248,269)	(25,327)	(81,205)	-	-	(354,801)
Profit for the period	248,689	160,809	150,396	1,901	(271,252)	290,543

**Consolidated statement of financial
position:**

As at 30 June 2019 (Un-audited)

Assets

Segment assets	19,958,379	5,340,796	18,469,114	34,792	-	43,803,081
Unallocated assets	-	-	-	-	469,282	469,282
Total assets	19,958,379	5,340,796	18,469,114	34,792	469,282	44,272,363

Liabilities

Segment liabilities	22,952,672	4,916,859	10,595,625	13,272	-	38,478,428
Unallocated liabilities	-	-	-	-	292,661	292,661
Total liabilities	22,952,672	4,916,859	10,595,625	13,272	292,661	38,771,089

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13. Segment reporting (continued)

Consolidated statement of profit or loss:

For the six-month period ended 30 June 2018 (Un-audited)	Corporate and Government		Investment and Treasury	Hospitality and Brokerage	Un-allocated	Total
	Government	Retail	Treasury	Brokerage		
Income from Islamic financing	395,385	128,953	80,907	-	-	605,245
Profit expense on sukuk	-	-	(88,114)	-	-	(88,114)
Investment, fees, commission and other income	46,553	30,628	204,227	-	-	281,408
Income from subsidiaries	-	-	-	15,677	-	15,677
Total income	441,938	159,581	197,020	15,677		814,216
General and administrative expenses	-	-	-	(15,470)	(274,575)	(290,045)
Net operating income	441,938	159,581	197,020	207	(274,575)	524,171
Provisions - net of recoveries	(5,692)	(18,462)	(895)	2	-	(25,047)
Profit before distribution to depositors	436,246	141,119	196,125	209	(274,575)	499,124
Distribution to depositors	(147,866)	(20,020)	(48,248)	-	-	(216,134)
Profit for the period	288,380	121,099	147,877	209	(274,575)	282,990

Consolidated statement of financial position:

As at 31 December 2018 (Audited)

Assets

Segment assets	20,268,758	4,415,718	19,526,966	28,404	-	44,239,846
Unallocated assets	-	-	-	-	505,641	505,641
Total assets	20,268,758	4,415,718	19,526,966	28,404	505,641	44,745,487

Liabilities

Segment liabilities	21,398,300	4,751,121	12,851,609	8,763	-	39,009,793
Unallocated liabilities	-	-	-	-	348,062	348,062
Total liabilities	21,398,300	4,751,121	12,851,609	8,763	348,062	39,357,855

14. Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. The related party transactions are executed at the terms agreed between the parties, which in the opinion of management, are not significantly different from those that could have been obtained from third parties.

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14. Related parties (continued)

At the reporting date, such significant balances include:

Statement of financial position	30 June 2019 (Un-audited)			Total
	Key management personnel	Major shareholders	Other related parties	
Investment in Islamic financing	754,687	2,921,982	3,679,900	7,356,569
Customers deposits	(152,024)	(233,400)	(3,150,808)	(3,536,232)
Contingent liabilities – off balance sheet	102,071	5,138	9,486	116,695
Statement of profit or loss for the period ended 30 June 2019 (Un-audited)				
Income from Islamic financing	14,779	72,333	87,907	175,019
Depositors' share of profit	(532)	(2,281)	(28,204)	(31,017)
Statement of financial position	31 December 2018 (Audited)			Total
	Key management personnel	Major shareholders	Other related parties	
Investment in Islamic financing	775,502	3,336,088	3,539,686	7,651,276
Customers deposits	(174,716)	(665,593)	(2,918,134)	(3,758,443)
Contingent liabilities – off balance sheet	114,650	29,541	-	144,191
Statement of profit or loss For the period ended 30 June 2018 (Un-audited)				
Income from Islamic financing	13,541	54,919	81,517	149,977
Depositors' share of profit	(264)	(3,581)	(10,471)	(14,316)

Key management compensation includes salaries and other short term benefits of AED 11.9 million for the six month period ended 30 June 2019 (*six month period ended 30 June 2018: AED 12.5 million*) and post-employment benefits of AED 0.7 million for the six month period ended 30 June 2019 (*six month period ended 30 June 2018: AED 2.1 million*).

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15. 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 2019 (Un-audited)				
Financial assets				
FVTPL – investment securities	43,328	-	36,814	80,142
FVTOCI – investment securities	1,952,972	-	231,658	2,184,630
	<u>1,996,300</u>	<u>-</u>	<u>268,472</u>	<u>2,264,772</u>
Non-financial assets				
Investment properties at fair value	-	-	2,618,720	2,618,720
At 31 December 2018 (Audited)				
Financial assets				
FVTPL – investment securities	5,563	-	36,814	42,377
FVTOCI – investment securities	2,122,718	-	231,658	2,354,376
	<u>2,128,281</u>	<u>-</u>	<u>268,472</u>	<u>2,396,753</u>
Non-financial assets				
Investment properties at fair value	-	-	2,318,129	2,318,129

Management considers that the carrying amounts of financial assets and financial liabilities, measured at amortised cost, recognised in the condensed consolidated interim financial statements approximate their fair values. The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for investment securities and investment properties:

	30 June 2019 (Un-audited)		31 December 2018 (Audited)	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Financial assets				
Balance as at 1 January	36,814	231,658	36,730	157,112
Fair value movement	-	-	84	1,086
Addition	-	-	-	73,460
Closing balance	<u>36,814</u>	<u>231,658</u>	<u>36,814</u>	<u>231,658</u>

	30 June 2019 (Un-audited)	31 December 2018 (Audited)
Non-financial assets		
Balance at the beginning of the period	2,318,129	2,167,763
Additions	246,037	248,046
Transfer from held-for-sale	63,298	-
Disposal	(8,744)	(87,484)
Revaluation loss	-	(10,196)
Balance at the end of the period	<u>2,618,720</u>	<u>2,318,129</u>

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15. Fair value measurement (continued)

The valuation techniques and the inputs used in determining the fair values of level 3 assets is consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2018.

16. 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.

17. Dividends

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

18. Contingencies and commitments

	30 June 2019 Un-audited	31 December 2018 Audited
Letters of credit	<u>187,994</u>	<u>146,840</u>
Letters of guarantee	<u>1,883,285</u>	<u>1,986,790</u>
Capital commitments	<u>513,217</u>	<u>313,344</u>

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

19. Comparatives

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

20. Subsequent Event

Subsequent to the six month period ended 30 June 2019, the Bank has issued Tier 1 Sukuk amounting to USD 500 million priced at 5%. A special purpose vehicle namely SIB Tier 1 Sukuk limited is established for this purpose. The registered address of the Company is Cayman Island.