SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2020

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 nine month period ended 30 September 2020.

Financial highlights

The Group has reported a profit of AED 353.4 million for the nine-month period ended 30 September 2020 compared to AED 415.4 million for the corresponding prior period, a decrease of 14.9%.

Compared to 31 December 2019, total assets increased by AED 6.9 billion to reach AED 53.3 billion, an increase of 15.0%. Investments in Islamic financing increased by 17.5% (AED 4.4 billion) to reach AED 29.5 billion and customer deposits experienced a growth of 19.4% (AED 5.3 billion) to reach AED 32.6 billion. Net shareholders' equity increased by 1.5%, to reach AED 7.6 billion.

The group issued Sukuk amounting to $500 million (AED 1.8 billion) during the year 2020.

Abdul Rahman Mohammed Nasser Al Owais
Chairman
19 October 2020

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 September 2020 and the related condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of comprehensive income for the three month and nine month periods then ended, and condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity for the nine 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
19 October 2020

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

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
(Currency: Thousands of U.A.E Dirhams)

	Notes	**30 September 2020 Un-audited**	**31 December 2019 Audited**
Assets			
Cash and balances with banks and financial institutions	*6*	**2,407,320**	2,450,754
Murabaha and wakalah with financial institutions	*7*	**8,477,729**	7,948,109
Investment in Islamic financing	*8*	**29,535,715**	25,142,892
Investment securities	*9*	**7,711,210**	5,827,239
Investment properties		**2,793,016**	2,699,959
Properties held-for-sale		**604,958**	579,478
Other assets		**866,832**	817,809
Property and equipment	*10*	**935,227**	924,221
Total assets		**53,332,007**	**46,390,461**
Liabilities and shareholders' equity			
Liabilities			
Customer deposits	*11*	**32,604,694**	27,313,057
Due to banks		**6,805,418**	5,128,007
Sukuk payable	*12*	**5,500,459**	5,503,139
Other liabilities	*13*	**777,366**	854,636
Zakat payable		**215**	62,435
Total liabilities		**45,688,152**	**38,861,274**
Shareholders' equity			
Share capital	*14*	**3,081,598**	2,934,855
Tier 1 sukuk	*15*	**1,836,500**	1,836,500
Legal reserve		**1,467,428**	1,467,428
Statutory reserve		**89,008**	89,008
General impairment reserve		**139,314**	132,745
Fair value reserve		**28,915**	23,390
Retained earnings		**1,001,092**	1,045,261
Total shareholders' equity		**7,643,855**	**7,529,187**
Total liabilities and shareholders' equity		**53,332,007**	**46,390,461**

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 19 October 2020.

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Currency: Thousands of U.A.E. Dirhams)

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 Un-audited	2019 Un-audited	2020 Un-audited	2019 Un-audited
Income from Islamic financing and sukuks	427,249	445,157	1,281,368	1,325,983
Profit expense on sukuks	(47,582)	(47,625)	(128,638)	(142,893)
Investment, fees, commission and other income	51,970	58,281	154,968	175,339
Income from subsidiaries	18,888	11,380	54,613	53,625
Total income	450,525	467,193	1,362,311	1,412,054
General and administrative expenses	(134,185)	(147,409)	(403,175)	(431,600)
Net operating income before provisions and distribution to depositors	316,340	319,784	959,136	980,454
Provisions - net of recoveries	(70,282)	(34,955)	(151,380)	(50,281)
Net operating income before distribution to depositors	246,058	284,829	807,756	930,173
Distribution to depositors	(143,878)	(159,963)	(454,374)	(514,764)
Profit for the period	102,180	124,866	353,382	415,409
(Attributable to the shareholders of the Bank)				
Basic and diluted earnings per share (U.A.E. Dirhams)	0.03	0.04	0.11	0.14

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Currency: Thousands of U.A.E. Dirhams)

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 Un-audited	**2019 Un-audited**	**2020 Un-audited**	**2019 Un-audited**
Profit for the period	**102,180**	124,866	**353,382**	415,409
Other comprehensive income				
Items that will be reclassified to profit or loss				
Net change in fair value reserve on sukuk investments classified at FVTOCI	**40,735**	34,004	**25,871**	87,393
Items that will not be reclassified to profit or loss				
Net change in fair value reserve on equity investments classified at FVTOCI	**11,405**	2,623	**(20,606)**	12,508
Total comprehensive income for the period	**154,320**	**161,493**	**358,647**	**515,310**

(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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Currency: Thousands of U.A.E. Dirhams)

		Nine month period ended 30 September 2020 Un-audited	Nine month period ended 30 September 2019 Un-audited
Cash flows from operating activities			
Profit for the period		**353,382**	415,409
Adjustments for:			
- Depreciation		**36,802**	38,965
- Gain / (loss) on sale of property and equipment		**(111)**	(74)
- Amortisation of sukuk issuance costs		**(2,680)**	2,656
- Provision charge on investment in Islamic financing		**150,181**	35,780
- Provision charge on investment securities		**850**	14,501
- Provision charge on subsidiaries		**349**	-
- Revaluation on investment securities		**4,429**	(1,811)
- Gain on sale of properties held for sale		**(6,517)**	(6,037)
- Gain on disposal of investment securities		**(2,270)**	1,809
Operating profit before changes in operating assets and liabilities		**534,415**	**501,198**
Changes in:			
- Reserve with UAE Central Bank		**650,095**	(13,035)
- Murabaha and wakalah with financial institutions		**2,571,885**	(166,738)
- Investments in Islamic financing		**(4,543,353)**	(1,305,189)
- Other assets		**(49,023)**	181,084
- Customer deposits		**5,291,637**	412,481
- Due to banks		**1,918,743**	(1,481,189)
- Zakat payable		**(62,220)**	(61,547)
- Other liabilities		**(82,680)**	(2,204)
Net cash generated from / (used in) operating activities		**6,229,499**	**(1,935,139)**
Cash flows from investing activities			
Acquisition of properties and equipment		**(49,665)**	(77,562)
Disposal of properties and equipment		**1,968**	812
Acquisition of investment properties		**(93,058)**	(279,644)
Disposal of investment properties		**-**	8,744
Acquisition of properties held-for-sale		**(47,084)**	(45,788)
Disposal of properties held-for-sale		**28,121**	45,718
Acquisition of investment securities		**(2,397,351)**	(359,078)
Disposal / redemption of investment securities		**515,637**	646,536
Net cash used in investing activities		**(2,041,432)**	**(60,262)**
Cash flows from financing activities			
Issuance of sukuk		**1,836,500**	1,826,450
Repayment of sukuk		**(1,836,500)**	-
Profit paid on tier 1 sukuk		**(91,826)**	-
Cash dividend		**(146,743)**	(234,788)
Net cash (used in) / generated from financing activities		**(238,569)**	**1,591,662**
Net increase / (decrease) in cash and cash equivalents		**3,949,498**	(403,739)
Cash and cash equivalents at the beginning of the period		**3,669,631**	5,171,979
Cash and cash equivalents at the end of the period	*(Note 22)*	**7,619,129**	**4,768,240**

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(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 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	-	-	-	-	-	-	415,409	415,409
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	99,901	-	99,901
Total comprehensive income for the period	-	-	-	-	-	99,901	415,409	515,310
Transactions recorded directly in equity								
Tier 1 sukuk issued	-	1,836,500	-	-	-	-	-	1,836,500
Tier 1 sukuk issuance cost	-	-	-	-	-	-	(10,050)	(10,050)
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	-	1,836,500	-	-	-	18,652	(268,877)	1,586,275
As at 30 September 2019 (Un-audited)	2,934,855	1,836,500	1,429,264	89,008	66,717	31,016	1,101,857	7,489,217
As at 1 January 2020 (Audited)	2,934,855	1,836,500	1,467,428	89,008	132,745	23,390	1,045,261	7,529,187
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	353,382	353,382
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	5,265	-	5,265
Total comprehensive income for the period	-	-	-	-	-	5,265	353,382	358,647
Transactions recorded directly in equity								
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	260	(260)	-
Bonus shares issued	146,743	-	-	-	-	-	(146,743)	-
Cash dividends	-	-	-	-	-	-	(146,743)	(146,743)
Transfer to general impairment reserve	-	-	-	-	6,569	-	(6,569)	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(91,826)	(91,826)
Board of directors' fees	-	-	-	-	-	-	(5,410)	(5,410)
Total	146,743	-	-	-	6,569	260	(397,551)	(243,979)
As at 30 September 2020 (Un-audited)	3,081,598	1,836,500	1,467,428	89,008	139,314	28,915	1,001,092	7,643,855

The accompanying notes form 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 33 branches (2019: 36 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 nine month period ended 30 September 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, 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 2019. 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 2019.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for the following material items in the condensed consolidated interim 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.

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. 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 2019.

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 2019, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below:

Impact of COVID-19

On 11 March 2020, the World Health Organisation ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. This note describes the impact of the outbreak on the Bank's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 September 2020.

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 35% (31 December 2019: 27%).

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":

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

i) Credit risk management (continued)

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.

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 30 September 2020, the Bank has classified its clients awarded deferment into Group 1 and Group 2 (refer note 8.5).

ii) Use of estimates and judgements

The spread of COVID-19 rapidly increased in April 2020 as the number of cases spiked, and governments around the world deployed a multitude of measures to combat the virus and protect their economies. The Group is constantly monitoring the current situation as it unfolds, noting that there is limited economic data available to accurately evaluate the impact of the outbreak on the UAE economy, and on the Bank's financial position as at 30 September 2020.

The Bank exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. Given the uncertainty and limited forward looking information, the Bank has 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. While it is challenging to estimate the impact of COVID-19 on our ECL estimates as the situation is still evolving, it is expected to have a deep impact on the macro-economic environment. The Bank has assessed the impact of the crisis and changed the weightages assigned to the scenario probabilities of its ECL models from a 20% weightage to the upward scenario as of 31 December 2019 to a 0% weightage to the upward scenario as of 30 September 2020. Had adverse scenario been increased from 20% by another 10%, impairment loss allowance would increase by AED 39.5 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$ 20/barrel to US$ 70.5/barrel, equity price index growth volatility ranging between -53.5% to 46.4%, non-oil UAE GDP range falling 12.5% to rising 7.6% and UAE CPI index range falling 3.5% to rising 3.6%.

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 UAE Central Bank has announced AED 256 billion stimulus package in an attempt to combat the above effects of COVID-19 and ease the liquidity constraints in the UAE Banking Sector, by providing relief to the local economy.

The stimulus package includes the following:

- Launch of the Targeted Economic Support Scheme ('TESS'), which allows banks to grant temporary relief to certain customers in the way of deferring payments for up to 6 months, and allowing banks to apply for zero-cost funding from the Central Bank. The Zero cost facility ("ZCF") consists of collateralized CBUAE liquidity facilities provided to eligible counter parties under the TESS program. Funds borrowed by the Bank under the ZCF are priced at zero profit rate and the Bank is expected to pass on this zero-cost benefit, at a minimum, to its clients who have been identified to be eligible as per TESS guidelines;
- Granted an extension of the capital buffer relief to 31 December 2021 for banks participating in the TESS Program:
- Reduction of the reserve requirements by half for demand deposits for all banks, from 14% to 7%; and
- Planned implementation of certain Basel III capital requirements will be postponed to 31 March 2021.

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

iii) Liquidity risk management (continued)

The Group's management of liquidity risk is disclosed in note 4 (ii) (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019. In response to the COVID 19 outbreak, the Bank is evaluating its liquidity and funding position and has taken into consideration all the reliefs provided by the Central Bank. Further, the Bank has taken the following actions to manage liquidity risks:

1) Monitoring the movements and composition of its deposits on a daily basis;
2) Monitoring the adherence to regulatory ratios, including eligible liquid assets ratio (ELAR) and lending to stable resources ratio (LSRR) on a daily basis. As of reporting date ELAR stands at 15.35%, well above the minimum requirement of 10% (without incentive from CBUAE) and 7% (after reduction in the requirement from CBUAE), whereas LSRR stands at 72.28% as against the maximum allowed of 100% by CBUAE.
3) Developing contingency plans and opening up new funding lines in the treasury and inter-bank markets of other GCC countries;
4) Developing stress testing scenarios to assess the impact on the Bank in extreme stress; and
5) Bank as of the reporting date holds sovereign marketable securities amounting AED 2.4 billion which can be utilised in case of extreme liquidity shortage, if required.

As at 30 September 2020, out of CBUAE's total funding program of AED 50 billion under ZCF, an amount of AED 825.8 million has been earmarked for the Bank, maturing on 31 December 2020. The Bank has pledged Islamic certificate of deposits of equivalent amount to CBUAE against ZCF. The benefit 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 2019.
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) Investment properties

Based on management's assessment, the Bank has not identified any significant impact to the fair values of investment properties during the nine month period ended 20 September 2020. As the situation continues to unfold, the Bank will consistently monitor the market and ensure that the prices used by the Bank are an accurate representation of fair value in accordance with the requirements of IFRS 13.

4. Key accounting estimates and judgments (continued)

Impact of COVID-19 (continued)

vi) 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 21.51% (31 December 2019: 22.79%). 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%, 11.5%.

In order to relieve the pressure on financial institutions, the CBUAE, vide its official paper issued on 5 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 2 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 CBUAE has also granted extension of the capital buffer relief to 31 December 2021 for banks enrolled in the TESS program.

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.

vii) Business continuity plan

In light of current scenarios caused by COVID 19, the Bank has activated its business continuity policy (BCP). In light of the BCP, the Bank has established a system of a secured remote access management system with dual authentication access and functioning of its operations, IT systems and client's digital channels. For this purpose the Bank has designed standard operating procedures which are duly followed. The Bank also has appropriate cyber security architecture to support its commercial assets and customers without any interruption to business activities through its comprehensive digital channels. Moreover, the bank has engaged with a third party to review the security of the current working environment.

viii) Concentration analysis

Please refer to note 7 to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 30 September 2020.

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 2020, other than those disclosed in note 4 to these condensed consolidated interim financial statements.

a) Maximum exposure to credit risk

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

	30 September 2020 (Un-audited)			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	730,379	-	-	730,379
Loss allowance	-	-	-	-
Carrying amount	730,379	-	-	730,379
Murabaha and wakalah with financial institutions	4,078,848	-	-	4,078,848
Loss allowance	(1,119)	-	-	(1,119)
Carrying amount	4,077,729	-	-	4,077,729
Investments in Islamic financing	27,120,261	2,035,641	1,634,174	30,790,076
Loss allowance	(246,558)	(118,892)	(888,911)	(1,254,361)
Carrying amount	26,873,703	1,916,749	745,263	29,535,715
Investment securities measured at amortised cost	5,418,355	-	62,337	5,480,692
Loss allowance	(4,360)	-	(53,065)	(57,425)
Carrying amount	5,413,995	-	9,272	5,423,267
Investment securities measured at FVTOCI	1,183,733	-	-	1,183,733
Loss allowance	(591)	-	-	(591)
Carrying amount	1,183,142	-	-	1,183,142
Other assets (excluding non-financial assets)	681,974	-	30,468	712,442
Loss allowance	(8,446)	-	(30,468)	(38,914)
Carrying amount	673,528	-	-	673,528
Net credit risk exposures relating to on-balance sheet assets	38,952,476	1,916,749	754,535	41,623,760
Letter of credit and guarantee	407,670	2,785	31	410,486
Loss allowance	(2,361)	(43)	-	(2,404)
Net credit risk exposures relating to off-balance sheet assets	405,309	2,742	31	408,082
	39,357,785	1,919,491	754,566	42,031,842
Gross credit risk exposure	39,621,220	2,038,426	1,727,010	43,386,656
Total loss allowance	(263,435)	(118,935)	(972,444)	(1,354,814)
	39,357,785	1,919,491	754,566	42,031,842

5. Financial risk management (continued)

a) Maximum exposure to credit risk (continued)

	31 December 2019 (Audited)			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	226,851	98	-	**226,949**
Loss allowance	-	-	-	-
Carrying amount	**226,851**	**98**	-	**226,949**
Murabaha and wakalah with financial institutions	4,498,456	-	-	**4,498,456**
Loss allowance	(347)	-	-	**(347)**
Carrying amount	**4,498,109**	-	-	**4,498,109**
Investments in Islamic financing	23,555,984	1,354,745	1,350,541	**26,261,270**
Loss allowance	(194,801)	(113,428)	(810,149)	**(1,118,378)**
Carrying amount	**23,361,183**	**1,241,317**	**540,392**	**25,142,892**
Investment securities measured at amortised cost	3,620,369	-	62,337	**3,682,706**
Loss allowance	(3,174)	-	(53,065)	**(56,239)**
Carrying amount	**3,617,195**	-	**9,272**	**3,626,467**
Investment securities measured at FVTOCI	936,472	-	-	**936,472**
Loss allowance	(928)	-	-	**(928)**
Carrying amount	**935,544**	-	-	**935,544**
Other assets (excluding non-financial assets)	699,147	380	28,549	**728,076**
Loss allowance	(8,459)	(3)	(28,549)	**(37,011)**
Carrying amount	**690,688**	**377**	-	**691,065**
Net credit risk exposures relating to on-balance sheet assets	**33,329,570**	**1,241,792**	549,664	**35,121,026**
Letter of credit and guarantee	441,563	3,501	31	**445,095**
Loss allowance	(2,089)	(53)	-	**(2,142)**
Net credit risk exposures relating to off-balance sheet assets	**439,474**	**3,448**	**31**	**442,953**
	33,769,044	**1,245,240**	**549,695**	**35,563,979**
Gross credit risk exposure	**33,978,842**	**1,358,724**	**1,441,458**	**36,779,024**
Total loss allowance	**(209,798)**	**(113,484)**	**(891,763)**	**(1,215,045)**
	33,769,044	**1,245,240**	**549,695**	**35,563,979**

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:

	30 September 2020 Un-audited	31 December 2019 Audited
Capital base		
Common Equity tier 1	**5,707,912**	5,244,021
Additional tier 1 capital	**1,836,500**	1,836,500
Total tier 1 capital base	**7,544,412**	**7,080,521**
Total tier 2 capital base	**434,550**	380,085
Total capital base	**7,978,962**	**7,460,606**
Risk weighted assets		
Credit risk	**34,763,991**	30,406,780
Market risk	**91,394**	85,650
Operational risk	**2,238,802**	2,238,802
Total risk weighted assets	37,094,188	**32,731,232**
Capital Ratios		
Common equity tier 1 ratio	**15.39%**	16.02%
Tier 1 capital ratio	**20.34%**	21.63%
Capital adequacy ratio	**21.51%**	22.79%

6. Cash and balances with banks and financial institutions

Cash		**633,896**	533,859
Statutory deposit with CBUAE	*6.1*	**1,039,168**	1,689,263
Due from banks	*6.2*	**734,256**	227,632
		2,407,320	**2,450,754**

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

6.2 Due from banks includes current account balance with the CBUAE amounting to AED 3.9 million (31 December 2019: AED 0.7 million).

7. Murabaha and wakalah with financial institutions

Murabaha		**731,159**	1,267,517
Wakala arrangements	*7.1*	**7,746,570**	6,680,592
		8,477,729	**7,948,109**

7.1 Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting AED 4.4 billion *(31 December 2019: AED 3.5 billion).*

8. Investments in Islamic financing

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

a) By product

	30 September 2020 Un-audited	31 December 2019 Audited
Vehicle murabaha	**227,999**	246,861
Goods murabaha	**8,643,082**	7,248,656
Real estate murabaha	**39,159**	54,203
Other murabaha receivable	**510,008**	439,866
Syndicate murabaha	**1,080,563**	1,484,639
Gross murabaha financing	**10,500,811**	**9,474,225**
Deferred profit	**(1,014,643)**	(820,580)
Net murabaha financing	**9,486,168**	**8,653,645**
Ijarah	**17,857,537**	14,658,166
Qard hasan	**439,532**	267,898
Credit card receivables	**80,008**	81,202
Istisna	**2,926,831**	2,600,359
Provision for impaired financing receivables	**(1,254,361)**	(1,118,378)
Net Receivables	29,535,715	**25,142,892**

b) By sector

	30 September 2020 Un-audited	31 December 2019 Audited
Government departments and authorities	**11,237,204**	7,263,091
Construction and contracting	**906,083**	785,486
Manufacturing	**809,885**	787,450
Transportation	**1,627,218**	1,599,121
Real estate	**6,546,665**	6,810,033
Retail businesses	**602,602**	920,717
Trade	**1,640,756**	1,557,034
Financial institutions	**86,575**	175,740
Services and others	**1,300,372**	1,142,987
Individual	**3,070,742**	2,952,152
Consumer home finance	**1,338,583**	1,433,029
HNWI	**2,638,034**	1,655,010
Deferred profit	**(1,014,643)**	(820,580)
Provision for impaired financing receivables	**(1,254,361)**	(1,118,378)
Net Receivables	29,535,715	**25,142,892**

8. Investments in Islamic financing (continued)

8.2 The impact of macro economic overlay added to ECL in accordance with "the joint guidance" on IFRS 9 as issued in April 2020 is as follows:

	30 September 2020 (Un-audited)			31 December 2019 (Audited)
	ECL before macro overlays adjustments	Macro overlays adjustments to the ECL	Total ECL	Total ECL
Murabaha	**706,791**	**31,948**	**738,739**	668,783
Syndicate products	**121,445**	**5,067**	**126,512**	107,762
Ijara and Istisnaa financing	**305,605**	**45,376**	**350,981**	306,373
Other products	**37,709**	**420**	**38,129**	35,460
Total	**1,171,550**	**82,811**	**1,254,361**	**1,118,378**

8.3 Reconciliations from the opening to the closing balance of the gross exposure at default (EAD) can be seen below.

	30 September 2020 (Un-audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	**23,555,984**	**1,354,745**	**1,350,541**	**26,261,270**
Transfer to stage 1	**23,425**	**(21,153)**	**(2,272)**	**-**
Transfer to stage 2	**(751,249)**	**754,650**	**(3,401)**	**-**
Transfer to stage 3	**(157,688)**	**(193,165)**	**350,853**	**-**
Net additions / (repayments)	**4,449,789**	**140,564**	**(19,733)**	**4,570,620**
Recovery	**-**	**-**	**(29,982)**	**(29,982)**
Write-offs	**-**	**-**	**(11,832)**	**(11,832)**
Balance at 30 September 2020	**27,120,261**	**2,035,641**	**1,634,174**	**30,790,076**

	31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	**22,631,549**	**1,540,472**	**1,400,928**	**25,572,949**
Transfer to stage 1	603,736	(599,170)	(4,566)	-
Transfer to stage 2	(1,093,510)	1,094,905	(1,395)	-
Transfer to stage 3	(99,753)	(128,791)	228,544	-
Net additions / (repayments)	1,513,962	(552,671)	164,879	1,126,170
Recovery	-	-	(27,129)	(27,129)
Write-offs	-	-	(410,720)	(410,720)
Balance at 31 December 2019	23,555,984	1,354,745	1,350,541	26,261,270

8. Investments in Islamic financing (continued)

8.4 Reconciliations from the opening to the closing balance of the expected credit loss (ECL) can be seen below.

	30 September 2020 (Un-audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2020	**194,801**	**113,428**	**810,149**	**1,118,378**
Transfer to stage 1	**1,385**	**(1,385)**	**-**	**-**
Transfer to stage 2	**(7,164)**	**7,164**	**-**	**-**
Transfer to stage 3	**(3,338)**	**(20,296)**	**23,634**	**-**
Net re-measurement of loss allowance	**60,874**	**19,981**	**82,174**	**163,029**
Recovery	**-**	**-**	**(15,214)**	**(15,214)**
Write-offs	**-**	**-**	**(11,832)**	**(11,832)**
Balance at 30 September 2020	**246,558**	**118,892**	**888,911**	**1,254,361**

	31 December 2019 (Audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2019	**168,261**	**191,279**	**1,097,211**	**1,456,751**
Transfer to stage 1	69,506	(69,329)	(177)	**-**
Transfer to stage 2	(8,510)	8,510	-	**-**
Transfer to stage 3	(12,566)	(29,033)	41,599	**-**
Net re-measurement of loss allowance	(21,890)	12,001	88,189	**78,300**
Recovery	-	-	(5,953)	**(5,953)**
Write-offs	-	-	(410,720)	**(410,720)**
Balance at 31 December 2019	**194,801**	**113,428**	**810,149**	**1,118,378**

8.5 Analysis of customers benefiting from payment deferrals

The table below is an analysis of EAD and related ECL for customers that are benefiting from payment deferrals as of 30 September 2020:

	Corporate banking	**Retail banking**	**Total**
Group 1:			
Total investments in Islamic financing	5,008,328	290,543	5,298,871
ECL	(67,146)	(8,634)	(75,780)
	4,941,182	281,909	5,223,091
Deferral amount	665,816	27,928	693,744
Group 2:			
Total investments in Islamic financing	728,170	7,367	735,537
ECL	(35,878)	(568)	(36,446)
	692,292	6,799	699,091
Deferral amount	123,239	1,166	124,405
Total number of customers	987	1,510	2,497

9. Investment securities

	30 September 2020 Un-audited	31 December 2019 Audited
Financial assets at fair value through profit or loss		
- Equity and funds	62,572	40,624
- Sukuk	40,848	256,778
	103,420	297,402
Financial assets at fair value through other comprehensive income		
- Equity and funds	1,001,381	967,826
- Sukuk	1,183,733	936,472
	2,185,114	1,904,298
Less: Loss allowance on financial assets measured at FVTOCI	(591)	(928)
	2,184,523	1,903,370
Financial assets measured at amortised cost		
- Sukuk	5,480,692	3,682,706
Less: Loss allowance on financial assets measured at amortised cost	(57,425)	(56,239)
	5,423,267	3,626,467
	7,711,210	5,827,239

9.1 Sukuk held at amortised cost include AED 3,095 million *(31 December 2019: AED 3,271 million)* pledged against a collateralized commodity murabaha arrangement.

10. Property and equipment

Freehold land and buildings	723,987	733,868
Equipment, furniture and fittings	12,527	16,371
Computer equipment	47,002	52,901
Motor vehicles	649	1,195
Right of use assets	49,838	60,955
Capital - work in progress	101,224	58,931
	935,227	924,221

11. Customers' deposits

Current accounts	8,946,232	7,268,962
Saving accounts	2,562,309	2,227,267
Watany / call accounts	833,445	417,513
Time deposits	19,621,029	16,795,806
Margins	641,679	603,509
	32,604,694	27,313,057

12. Sukuk payable

Name of instrument	Maturity date	30 September 2020 Un-audited		31 December 2019 Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk 2025	22 June 2025	**1,831,725**	2.850%	-	-
SIB Sukuk 2020	17 March 2020	-	-	1,836,289	2.843%
SIB Sukuk 2021	8 September 2021	**1,835,233**	3.084%	1,834,222	3.084%
SIB Sukuk 2023	17 April 2023	**1,833,501**	4.231%	1,832,628	4.231%
Total		**5,500,459**		5,503,139	

The Bank through a Shari'a compliant medium term financing arrangement raised a US$ denominated sukuk amounting to AED 1.83 billion (US$ 500 million) on 23 June 2020. The sukuk is listed on the Euronext Dublin and NASDAQ Dubai.

The terms of the arrangement include a transfer of certain Shari'a compliant investment securities of the Bank (the "Co-owned assets") to SIB Sukuk Company III Limited (the "Issuers"), a special purpose vehicle formed for issuance of the sukuk. In substance, the co-owned assets remain in control of the Bank, accordingly these assets continue to be recognised in the Group's consolidated financial statements.

The Issuers will pay the semi-annual distribution amount from the returns received in respect of the Co-owned assets. Such returns are expected to be sufficient to cover the semi-annual distribution amount payable to the sukuk holders on each semi-annual distribution date. Upon maturity, the Bank has undertaken to repurchase the assets at the exercise price of AED 1.83 billion (US$ 500 million).

13. Other liabilities

	30 September 2020 Un-audited	31 December 2019 Audited
Profit payable	**214,730**	242,156
Accrual and provision	**52,153**	47,974
Accounts payable	**61,879**	142,626
Provision for staff end of service benefits	**75,050**	70,769
Managers' cheques	**30,392**	24,462
Obligations under acceptances	**133,701**	102,708
Sundry creditors	**209,461**	223,941
	777,366	**854,636**

14. Share capital

The Bank's issued and fully paid up share capital comprises 3,081,598,000 shares of AED 1 each.

		30 September 2020 Un-audited		31 December 2019 Audited	
		No. of shares	Value	No. of shares	Value
Share capital	*14.1*	**3,081,598,000**	**3,081,598**	2,934,855,000	2,934,855

14.1 During the period, the Bank has issued bonus shares comprising of 146,743,000 shares of AED 1 each for the year ended 31 December 2019. The bonus issue was approved in the annual general meeting held on 22 February 2020.

15. Tier 1 sukuk

In July 2019, the Bank issued Shari'ah compliant Tier 1 sukuk through an SPV, SIB Tier 1 Sukuk Company Limited, ("the issuer") amounting to USD 500 million (AED 1,836.5 million) at par.

Tier 1 sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudarabah Agreement. These sukuk are expected to pay profit semi-annually of 5% each year, commencing from 02 July 2019. The expected profit rate will be reset to a new fixed rate on the basis of the then prevailing reoffer spread of 321.30 bps on 02 July 2025 ("the first reset date") and every 6 years thereafter. These sukuk are listed on Euronext Dublin and Nasdaq Dubai and are callable by the Bank on 02 July 2025 ("the first call date") or any profit payment date thereafter subject to certain redemption conditions. The net proceeds of Tier 1 are invested by the Bank in its general business activities on a co-mingling basis.

At the Issuer's sole discretion, it may elect not to make any Mudarabah profit distributions expected and the event is not considered an event of default. In such an event, the Mudarabah profit will not be accumulated but forfeited to the issuer. If the issuer makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on ordinary shares issued by the Bank, or (b) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire ordinary shares issued by the Bank.

16. 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, brokerage and real estate

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

16. Segment reporting (continued)

For the nine month period ended 30 September 2020: (Un-audited)	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
Condensed consolidated interim statement of profit or loss:					
Income from investments in Islamic financing and sukuks	705,856	249,084	326,428	-	1,281,368
Profit expense on sukuks	-	-	(128,638)	-	(128,638)
Investments, fees, commission and other income	79,056	44,420	31,492	-	154,968
Income from subsidiaries	-	-	-	54,613	54,613
Total income	784,912	293,504	229,282	54,613	1,362,311
General and administrative expenses	-	-	-	(36,839)	(36,839)
General and administrative expenses – unallocated	-	-	-	-	(366,336)
Net operating income before provisions and distributions to depositors	784,912	293,504	229,282	17,774	959,136
Provisions- net of recoveries	(51,416)	(76,768)	(21,255)	(1,941)	(151,380)
Net operating income before distribution to depositors	733,496	216,736	208,027	15,833	807,756
Distribution to depositors	(332,953)	(29,800)	(91,621)	-	(454,374)
Profit for the period	400,543	186,936	116,406	15,833	353,382
As at 30 September 2020: (Un-audited)					
Condensed consolidated interim statement of financial position:					
Assets					
Segment assets	24,092,588	4,652,243	22,286,452	1,808,268	52,839,551
Unallocated assets	-	-	-	-	492,456
Total assets	24,092,588	4,652,243	22,286,452	1,808,268	53,332,007
Liabilities					
Segment liabilities	25,476,707	5,408,414	14,458,632	62,543	45,406,296
Unallocated liabilities	-	-	-	-	281,856
Total liabilities	25,476,707	5,408,414	14,458,632	62,543	45,688,152

16. Segment reporting (continued)

For the nine months period ended 30 September 2019 (Un-audited)	**Corporate and government**	**Retail**	**Investment and treasury**	**Hospitality, brokerage and real estate**	**Total**
Condensed consolidated interim statement of profit or loss:					
Income from investments in Islamic financing and sukuks	683,858	269,429	372,696	-	1,325,983
Profit expense on sukuks	-	-	(142,893)	-	(142,893)
Investments, fees, commission and other income	82,104	49,066	44,169	-	175,339
Income from subsidiaries	-	-	-	53,625	53,625
Total income	765,962	318,495	273,972	53,625	1,412,054
General and administrative expenses	-	-	-	(38,277)	(38,277)
General and administrative expenses – unallocated	-	-	-	-	(393,323)
Net operating income before provisions and distributions to depositors	765,962	318,495	273,972	15,348	980,545
Provisions- net of recoveries	46,248	(87,585)	(9,187)	243	(50,281)
Net operating income before distribution to depositors	812,210	230,910	264,785	15,591	930,173
Distribution to depositors	(369,499)	(38,280)	(106,985)	-	(514,764)
Profit for the period	442,711	192,630	157,800	15,591	415,409
As at 31 December 2019 (Audited)					
Condensed consolidated interim statement of financial position:					
Assets					
Segment assets	20,646,300	4,869,564	18,825,314	1,537,870	**45,879,048**
Unallocated assets	-	-	-	-	**511,413**
Total assets	**20,646,300**	**4,869,564**	**18,825,314**	**1,537,870**	**46,390,461**
Liabilities					
Segment liabilities	22,000,618	4,923,001	11,434,065	58,927	**38,416,611**
Unallocated liabilities	-	-	-	-	**444,663**
Total liabilities	**22,000,618**	**4,923,001**	**11,434,065**	**58,927**	**38,861,274**

17. 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.

At the reporting date, such significant balances include:

	30 September 2020 (Un-audited)			
Condensed consolidated interim statement of financial position	**Key management personnel**	**Major shareholders**	**Other related parties**	**Total**
Investment in Islamic financing	**697,419**	**2,391,306**	**6,760,059**	**9,848,784**
Customer deposits	**(160,391)**	**(210,686)**	**(6,406,784)**	**(6,777,861)**
Contingent liabilities – off balance sheet	**57,759**	**5,132**	**13,989**	**76,880**
Condensed consolidated interim statement of profit or loss for the nine month period ended 30 September 2020 (Un-audited)				
Income from Islamic financing	**14,203**	**69,042**	**120,720**	**203,965**
Depositors' share of profit	**(458)**	**(4,376)**	**(71,829)**	**(76,663)**

	31 December 2019 (Audited)			
Condensed consolidated interim statement of financial position	**Key management personnel**	**Major shareholders**	**Other related parties**	**Total**
Investment in Islamic financing	593,638	2,832,627	1,773,867	**5,200,132**
Customer deposits	(118,518)	(480,881)	(3,112,358)	**(3,711,757)**
Contingent liabilities – off balance sheet	102,957	13,463	8,798	**125,218**
Condensed consolidated interim statement of profit or loss for the six month period ended 30 September 2019 (Un-audited)				
Income from Islamic financing	22,643	105,587	78,842	**207,072**
Depositors' share of profit	(852)	(3,349)	(40,804)	**(45,005)**

Key management compensation includes salaries and other short term benefits of AED 15.8 million for the nine months period ended 30 September 2020 *(nine month period ended 30 September 2019: AED 17.7 million)* and post-employment benefits of AED 1.0 million for the nine months period ended 30 September 2020 *(nine month period ended 30 September 2019: AED 1.1 million).*

18. 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 September 2020 (Un-audited)				
Financial assets				
FVTPL – investment securities	72,147	-	31,273	103,420
FVTOCI – investment securities	1,914,026	-	270,497	2,184,523
	1,986,173	-	301,770	2,287,943
Non-financial assets				
Investment properties at fair value	-	-	2,793,016	2,793,016

	Level 1	Level 2	Level 3	Total
At 31 December 2019 (Audited)				
Financial assets				
FVTPL – investment securities	266,129	-	31,273	297,402
FVTOCI – investment securities	1,679,023	-	224,347	1,903,370
	1,945,152	-	255,620	2,200,772
Non-financial assets				
Investment properties at fair value	-	-	2,699,959	2,699,959

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. 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 September 2020 Un-audited		31 December 2019 Audited	
Financial assets	FVTPL	FVTOCI	FVTPL	FVTOCI
Balance as at the beginning of the period	31,273	224,347	36,814	231,658
Fair value movement	-	(8,945)	(5,541)	(7,311)
Addition	-	55,095	-	-
Balance at the end of the period	31,273	270,497	31,273	224,347

18. Fair value measurement (continued)

Non-financial assets	30 September 2020 Un-audited	31 December 2019 Audited
Balance at the beginning of the period	**2,699,959**	2,318,129
Additions	**93,057**	304,780
Transfer from held-for-sale	-	83,144
Disposals	-	(8,744)
Revaluation gain	-	2,650
Balance at the end of the period	**2,793,016**	**2,699,959**

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 2019. There were no transfers between levels during the period.

19. 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.

20. Dividends

During the annual general meeting of the shareholders held on 22 February 2020, a cash dividend of 5% and stock dividend of 5% of the paid up capital, each amounting to AED 146.7 was approved for the year ended 31 December 2019 (2019: 8% dividend, amounting to AED 234.8 million for the year ended 31 December 2018).

21. Contingencies and commitments

	30 September 2020 Un-audited	31 December 2019 Audited
Letters of credit	**161,338**	139,331
Letters of guarantee	**1,934,542**	2,082,649
Capital commitments	**164,024**	282,363

22. Cash and cash equivalents

	30 September 2020 Un-audited	31 September 2019 Un-Audited
Cash and balances with banks and financial institutions	**1,368,152**	1,439,146
Murabaha and wakalah with financial institutions	**6,298,108**	3,802,537
Due to banks	**(47,131)**	(473,443)
	7,619,129	**4,768,240**

23. Comparative information

Certain comparative amounts in condensed consolidated interim statement of cash flows and notes to the condensed consolidated interim financial information have been adjusted to conform to the presentation adopted in the condensed consolidated interim financial statements for the nine month period ended 30 September 2020.

24. Subsequent events

There have been no events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts reported in the condensed interim financial statements as at and for the nine month period ended 30 September 2020.