
SHARJAH ISLAMIC BANK PJSC
DIRECTORS' REPORT AND CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2022

SHARJAH ISLAMIC BANK PJSC

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK PJSC ("the Bank") and its subsidiaries (together referred as the "Group") for the nine month period ended 30 September 2022.


Financial highlights

As at 30 September 2022, total assets of the Bank stands at AED 54.6 billion compared with AED 55.0 billion, roughly at par with year end 31 December 2021, a slight decrease of 0.7%. Investments in Islamic financing increased by 5.5% or AED 1.6 billion to reach the total outstanding of AED 30.6 billion as at 30 September 2022, compared with AED 29.0 billion as at 31 December 2021. Investment securities measured at fair value increased during the period by 61.1%, standing at AED 3.0 billion compared to AED 1.9 billion as at 31 December 2021. Despite a decrease in customer deposits by 6.1%, the Bank maintained a high liquidity ratio of 21.5%. Shareholders' equity stands at AED 7.6 billion as at 30 September 2022.

Net operating income before impairment charges for the Group increased by 11.9%, to reach AED 730.3 million for the nine month period ended 30 September 2022 as compared to AED 652.9 million for the nine month period ended 30 September 2021.

Impairment charges - net of recoveries in the nine month period ended 30 September 2022 amounts to AED 161.7 million, a decrease of 17.0% compared to the nine month period ended 30 September 2021.

Net profits of AED 568.6 million is recorded for nine month period ended 30 September 2022 as compared to AED 458.0 million for the nine month period ended 30 September 2021, an increase of 24.1%.


Abdul Rahman Mohammed Naseer Al Owais
Chairman
24 October 2022



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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (the "Group") as at 30 September 2022 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three month and nine month periods then ended, and condensed consolidated interim statements of cash flows and 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 Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
24 October 2022

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

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

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

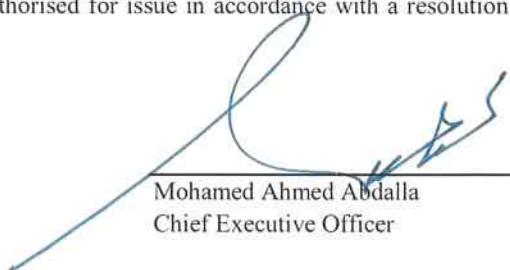
AS AT 30 SEPTEMBER 2022

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

		30 September 2022	31 December 2021
	Notes	Un-audited	Audited
Assets			
Cash and balances with banks and financial institutions	6	3,335,172	3,383,531
Murabaha and wakalah with financial institutions	7	8,377,152	10,959,900
Investment securities measured at fair value	8	3,012,802	1,869,404
Investment securities measured at amortised cost	9	3,943,907	4,466,865
Investments in Islamic financing	10	30,612,454	29,009,018
Investment properties	22	2,760,494	2,825,021
Properties held-for-sale		649,367	685,014
Other assets	11	943,769	808,480
Property and equipment	12	959,802	949,562
		54,594,919	54,956,795
Liabilities and shareholders' equity			
Liabilities			
Customers' deposits	13	36,140,288	38,493,720
Due to banks		6,052,091	4,223,897
Sukuk payable	14	3,669,024	3,667,414
Other liabilities	15	1,079,199	805,889
Zakat payable		10,084	71,098
Total liabilities		46,950,686	47,262,018
Shareholders' equity			
Share capital	16	3,081,598	3,081,598
Tier 1 sukuk		1,836,500	1,836,500
Legal reserve		1,540,799	1,540,799
Statutory reserve		89,008	89,008
General impairment reserve		100,547	64,577
Fair value reserve		(285,676)	(12,097)
Retained earnings		1,281,457	1,094,392
Total shareholders' equity		7,644,233	7,694,777
Total liabilities and shareholders' equity		54,594,919	54,956,795

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 24 October 2022.


Abdul Rahman Mohammed Nasser Al Owais
Chairman


Mohamed Ahmed Abdalla
Chief Executive Officer

The accompanying notes form pages 10 to 33 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

	Notes	Three month period ended 30 September		Nine month period ended 30 September	
		2022	2021	2022	2021
		Un-audited	Un-audited	Un-audited	Un-audited
Income from investments in Islamic financing and sukuk		490,436	414,109	1,369,668	1,250,066
Distribution to depositors' and sukuk holders		(192,717)	(139,858)	(484,645)	(437,797)
Net income from financing and investment products		297,719	274,251	885,023	812,269
Fee and commission income	18	44,140	38,533	182,327	176,217
Fee and commission expense	18	(16,407)	(12,124)	(45,593)	(31,744)
Net fee and commission income		27,733	26,409	136,734	144,473
Investment income		20,768	19,548	46,052	12,463
Foreign exchange (loss) / income		(3,053)	1,620	(3,852)	16,714
Other income	19	36,239	49,897	86,883	72,863
Total operating income		379,406	371,725	1,150,840	1,058,782
General and administrative expenses		(146,267)	(136,147)	(420,543)	(405,919)
Net operating income before impairment		233,139	235,578	730,297	652,863
Impairment on financial assets - net of recoveries		(26,409)	(67,045)	(161,695)	(194,840)
Profit for the period		206,730	168,533	568,602	458,023
(Attributable to the shareholders of the Bank)					
Basic and diluted earnings per share (U.A.E. Dirhams)		0.07	0.06	0.18	0.15

The accompanying notes form pages 10 to 33 from 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 2022**

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2022	2021	2022	2021
	Un-audited	Un-audited	Un-audited	Un-audited
Profit for the year (Attributable to the shareholders of the Bank)	206,730	168,533	568,602	458,023
Other comprehensive income				
Items that will be reclassified to profit or loss				
Change in fair value reserve on FVTOCI sukuk investments	(111,969)	(22,372)	(271,496)	(26,268)
Items that will not be reclassified to profit or loss				
Change in fair value reserve on FVTOCI equity investments	(23,344)	(7,173)	(2,083)	(25,108)
Total comprehensive income for the year (Attributable to the shareholders of the Bank)	71,417	138,988	295,023	406,647

The accompanying notes form pages 10 to 33 from 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 2022
(Currency: Thousands of U.A.E Dirhams)

	Nine month period ended 30 September 2022 <u>Un-audited</u>	Nine month period ended 30 September 2021 <u>Un-audited</u>
Cash flows from operating activities		
Profit for the period	568,602	458,023
Adjustments for:		
- Depreciation on property and equipment	37,918	35,700
- Loss/gain on sale of property and equipment	21	(624)
- Amortisation of sukuk issuance costs	1,610	(2,276)
- Provision charge on investments in Islamic financing	129,676	155,066
- Provision charge on investment securities measured at fair value	2,189	101
- Provision charge on investment securities measured at amortised cost	26,007	31,222
- Provision charge / (reversal) on other assets	3,841	8,474
- (Reversal) / provision charge on subsidiaries	(18)	(23)
- Revaluation on investment securities measured at fair value through profit and loss	498	18,392
- Gain on sale of properties held for sale	(10,871)	(1,913)
- Foreign exchange loss on properties held for sale	27,161	-
- Gain on sale of investment properties	(5,448)	(7,054)
- Gain on disposal of investment securities	(16,466)	(14,931)
Operating cash flows before changes in operating assets and liabilities	764,720	680,157
Changes in:		
- Balances with financial institutions	(536,000)	347,182
- Murabaha and wakalah with financial institutions	(740,909)	401,176
- Investments in Islamic financing	(1,733,094)	(437,563)
- Other assets	(139,130)	(45,421)
- Customers' deposits	(2,353,432)	3,126,238
- Due to banks	1,951,281	(814,093)
- Other liabilities	266,097	436,675
Net cash (used in) / generated from operating activities	(2,520,467)	3,694,351
Cash flows from investing activities		
Acquisition of properties and equipment	(48,411)	(48,817)
Disposal of properties and equipment	230	1,824
Acquisition of investment properties	(46,171)	(89,536)
Disposal of investment properties	116,146	105,567
Acquisition of properties held-for-sale	(109,582)	(135,119)
Disposal of properties held-for-sale	128,938	45,203
Acquisition of investment securities measured at fair value	(1,520,089)	(459,726)
Disposal / redemption of investment securities measured at fair value	116,892	861,592
Acquisition of investment securities measured at amortised cost	(32,501)	(347,269)
Redemption on amortised investment securities measured at amortised cost	529,453	1,008,071
Net cash (used in) / from investing activities	(865,095)	941,790

The accompanying notes form pages 10 to 33 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)****FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

	Nine month period ended 30 September 2022 Un-audited	Nine month period ended 30 September 2021 Un-audited
Cash flows from financing activities		
Repayment of sukuk of sukuk	-	(1,831,698)
Profit paid on tier 1 sukuk	(91,826)	(91,825)
Cash dividend	(246,528)	(246,528)
- Zakat payable	(61,014)	(64,739)
Net cash used in financing activities	(399,368)	(2,234,790)
Net (decrease) / increase in cash and cash equivalents	(3,784,930)	2,401,351
Cash and cash equivalents at the beginning of the period	10,399,620	6,426,493
Cash and cash equivalents at the end of the period	6,614,690	8,827,844
	30 September 2022 Un-audited	30 September 2021 Audited
Cash and cash equivalents		
Cash and balances with banks and financial institutions	1,023,435	1,687,379
Murabaha and wakalah with financial institutions	5,614,240	7,145,386
Due to banks	(22,985)	(4,921)
	6,614,690	8,827,844

The accompanying notes form pages 10 to 33 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK

	Share capital	Tier 1 sukuk	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2021 (Audited)	3,081,598	1,836,500	1,508,508	89,008	112,371	44,380	972,993	7,645,358
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	458,023	458,023
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	(51,376)	-	(51,376)
Total comprehensive income for the period	-	-	-	-	-	(51,376)	458,023	406,647
Transactions recorded directly in equity								
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	(5,978)	5,978	-
Cash dividend (note 24)	-	-	-	-	-	-	(246,528)	(246,528)
Transfer to general impairment reserve	-	-	-	-	(21,863)	-	21,863	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(91,825)	(91,825)
Board of directors' fees (note 17)	-	-	-	-	-	-	(5,410)	(5,410)
Total	-	-	-	-	(21,863)	(5,978)	(315,922)	(343,763)
As at 30 September 2021 (Un-audited)	3,081,598	1,836,500	1,508,508	89,008	90,508	(12,974)	1,115,094	7,708,242

The accompanying notes form pages 10 to 33 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK

	Share capital	Tier 1 sukuk	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2022 (Audited)	3,081,598	1,836,500	1,540,799	89,008	64,577	(12,097)	1,094,392	7,694,777
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	568,602	568,602
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	(273,579)	-	(273,579)
Total comprehensive income for the period	-	-	-	-	-	(273,579)	568,602	295,023
Transactions recorded directly in equity								
Cash dividend (note 24)	-	-	-	-	-	-	(246,528)	(246,528)
Transfer to general impairment reserve	-	-	-	-	35,970	-	(35,970)	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(91,826)	(91,826)
Board of directors' fees (note 17)	-	-	-	-	-	-	(7,213)	(7,213)
Total	-	-	-	-	35,970	-	(381,537)	(345,567)
As at 30 September 2022 (Un-audited)	3,081,598	1,836,500	1,540,799	89,008	100,547	(285,676)	1,281,457	7,644,233

The accompanying notes form pages 10 to 33 from an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

(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 (“UAE”) 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 Central Bank of the UAE (“CBUAE”), which are carried out through its 34 branches (2021: 35 branches) established in the UAE.

At an extraordinary shareholder’s meeting held on 18 March 2001, a resolution was passed to transform the Bank’s activities to be in full compliance with Islamic Shari’a rules and principles. The entire process was completed on 30 June 2002 (“the transformation date”). As a result the Bank transformed its conventional banking products into Islamic banking products during the six month period ended 30 June 2002 after negotiation and agreement with its customers.

The condensed consolidated interim financial statements of the Group comprise the Bank and its fully owned subsidiaries incorporated in the UAE, 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, UAE.

Federal Decree Law No.26 of 2020 which amends certain provisions of Federal Law No.2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. Selected explanatory notes, are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2021. These condensed consolidated interim financial statements do not include all of the information required for a full set of annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended 31 December 2021.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for, provision for employees' end of service benefits which is measured using the projected credit unit method under IAS 19, and the following material items in the condensed consolidated interim statement of financial position which are measured at fair value:

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

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

2. Basis of preparation (continued)**c) Functional and reporting currency**

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

3. Significant accounting policies

The accounting policies applied by the Group in preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2021.

New and revised IFRS adopted in the condensed consolidated interim financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these condensed consolidated interim financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

New standards and significant amendments to standards applicable to the Group**Effective
date****Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 9 and IFRS 16**

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

1 January
2022

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 9, 'Financial instruments', and the Illustrative Example accompanying IFRS 16, 'Leases'.

There is no impact on the Group's condensed consolidated interim financial statements for the nine month period ended 30 September 2022 due to the adoption of the above amendments.

There are no other IFRSs, IFRIC interpretations or amendments to standards that were effective for the first time for the financial year beginning 1 January 2022 that have had a material impact on the Group's condensed consolidated interim financial statements for the nine month period ended 30 September 2022.

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

3. Significant accounting policies (continued)

New and revised IFRS in issue but not yet effective and not early adopted

New standards and significant amendments to standards applicable to the Group	Effective date
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Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities

<p>These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.</p>	<p>1 January 2024</p>
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The application of these amendments have been deferred until accounting periods starting not earlier than 1 January 2024

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

<p>The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.</p>	<p>1 January 2023</p>
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Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

<p>The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.</p>	<p>1 January 2023</p>
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To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures

Definition of Accounting Estimates – Amendments to IAS 8

<p>The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.</p>	<p>1 January 2023</p>
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The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

4. Key accounting estimates and judgments

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

In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2021.

i) Use of estimates and judgements

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. The Bank, being prudent, has computed ECL using 20% weightage to the upward scenario as of 30 September 2022. Had adverse scenario been stressed by another 10% with corresponding impact on upward scenario, impairment loss allowance would be impacted by AED 4.3 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 most significant period-end assumptions used for ECL estimate includes next 5-year average oil price ranging between US\$ 64/barrel to US\$ 109/barrel, equity price index growth volatility ranging between -3% to 1%, non-oil UAE GDP range falling 0.6% to rising 1% and UAE CPI index ranging 0.4% to 1%.

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

LIBOR transition progress

In line with the disclosures in the financial statements for the year ended 31 December 2021, the Group's transition program has commenced and the Group is preparing for the transition to Alternative Reference Rate (ARR). For this, the management has formed a cross functional working committee and the programme has been running under the supervision of the committee, which includes representatives from Treasury, Risk management, Financial control, Information technology and other related business units. The transition program will be completed until the final publication date of LIBOR on 30 June 2023.

The Bank has LIBOR based repo borrowings amounting to AED 862.8 million as of 30 September 2022 (31 December 2021 AED 862.8 million).

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

4. Key accounting estimates and judgments (continued)**iv) Fair value measurement of financial instruments**

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

v) Capital adequacy initiatives

The Bank expects CAR in the current economic scenario to remain well above the UAE banking sector average and the baseline CBUAE BASEL III requirement of 13% including capital conservation buffer of 2.5%.

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

vi) Concentration analysis

Please refer to note 10.1 (a) and (b) to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 30 September 2022.

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

5. Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2021.

a) Maximum exposure to credit risk

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

	30 September 2022 (Un-audited)			
	ECL Staging			Total
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	376,001	-	-	376,001
Loss allowance	(1)	-	-	(1)
Carrying amount	<u>376,000</u>	<u>-</u>	<u>-</u>	<u>376,000</u>
<i>Murabaha and wakalah with financial institutions</i>	5,180,474	-	-	5,180,474
Loss allowance	(3,322)	-	-	(3,322)
Carrying amount	<u>5,177,152</u>	<u>-</u>	<u>-</u>	<u>5,177,152</u>
<i>Investment securities measured at FVTOCI (excluding equity investments)</i>	2,230,935	-	-	2,230,935
Loss allowance	(3,118)	-	-	(3,118)
Carrying amount	<u>2,227,817</u>	<u>-</u>	<u>-</u>	<u>2,227,817</u>
<i>Investment securities measured at amortised cost</i>	3,920,154	101,930	62,337	4,084,421
Loss allowance	(2,865)	(75,312)	(62,337)	(140,514)
Carrying amount	<u>3,917,289</u>	<u>26,618</u>	<u>-</u>	<u>3,943,907</u>
<i>Investments in Islamic financing</i>	27,966,708	2,126,686	1,946,354	32,039,748
Loss allowance	(116,938)	(241,938)	(1,068,418)	(1,427,294)
Carrying amount	<u>27,849,770</u>	<u>1,884,748</u>	<u>877,936</u>	<u>30,612,454</u>
<i>Other assets (excluding non-financial assets)</i>	790,626	-	74,046	864,672
Loss allowance	(6,184)	-	(54,681)	(60,865)
Carrying amount	<u>784,442</u>	<u>-</u>	<u>19,365</u>	<u>803,807</u>
Net credit risk exposures relating to on-balance sheet assets	40,332,470	1,911,366	897,301	43,141,137
<i>Letter of credit and guarantee</i>	908,544	8,372	91	917,007
Loss allowance	(1,354)	(227)	-	(1,581)
Net off-balance sheet assets	907,190	8,145	91	915,426
Net credit risk exposures	41,239,660	1,919,511	897,392	44,056,563
Gross credit risk exposure	41,373,442	2,236,988	2,082,828	45,693,258
Total Loss allowance	(133,782)	(317,477)	(1,185,436)	(1,636,695)
	<u>41,239,660</u>	<u>1,919,511</u>	<u>897,392</u>	<u>44,056,563</u>

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

5. Financial risk management (continued)

a) Maximum exposure to credit risk (continued)

	31 December 2021 (Audited)			
	ECL Staging			Total
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	823,724	-	-	823,724
Loss allowance	(1)	-	-	(1)
Carrying amount	823,723	-	-	823,723
<i>Murabaha and wakalah with financial institutions</i>	4,158,230	-	-	4,158,230
Loss allowance	(3,331)	-	-	(3,331)
Carrying amount	4,154,899	-	-	4,154,899
<i>Investment securities measured at FVTOCI (excluding equity investments)</i>	1,237,662	-	-	1,237,662
Loss allowance	(929)	-	-	(929)
Carrying amount	1,236,733	-	-	1,236,733
<i>Investment securities measured at amortised cost</i>	4,417,137	101,898	62,337	4,581,372
Loss allowance	(5,741)	(46,429)	(62,337)	(114,507)
Carrying amount	4,411,396	55,469	-	4,466,865
<i>Investments in Islamic financing</i>	26,664,233	2,217,705	1,458,322	30,340,260
Loss allowance	(221,366)	(180,437)	(929,439)	(1,331,242)
Carrying amount	26,442,867	2,037,268	528,883	29,009,018
<i>Other assets (excluding non-financial assets)</i>	704,949	5,015	71,225	781,189
Loss allowance	(6,913)	(3)	(47,987)	(54,903)
Carrying amount	698,036	5,012	23,238	726,286
Net credit risk exposures relating to on-balance sheet assets	37,767,654	2,097,749	552,121	40,417,524
<i>Letter of credit and guarantee</i>	441,435	25,159	31	466,625
Loss allowance	(2,367)	(166)	-	(2,533)
Net off-balance sheet assets	439,068	24,993	31	464,092
Net credit risk exposures	38,206,722	2,122,742	552,152	40,881,616
Gross credit risk exposure	38,447,370	2,349,777	1,591,915	42,389,062
Total Loss allowance	(240,648)	(227,035)	(1,039,763)	(1,507,446)
	38,206,722	2,122,742	552,152	40,881,616

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)****5. Financial risk management (continued)****b) Capital adequacy**

The capital adequacy ratio is based on Basel III and the CBUAE rules and guidelines:

	30 September 2022 Un-audited	31 December 2021 Audited
Capital base		
Common equity tier 1	5,788,412	5,651,211
Additional tier 1 capital	1,836,500	1,836,500
Total tier 1 capital base	7,624,912	7,487,711
Total tier 2 capital base	459,562	443,550
Total capital base	8,084,474	7,931,261
Risk weighted assets		
Credit risk	36,764,930	35,483,976
Market risk	179,739	215,569
Operational risk	2,366,383	2,366,383
Total risk weighted assets	39,311,052	38,065,929
Capital ratios		
Common equity tier 1 ratio	14.72%	14.85%
Tier 1 capital ratio	19.40%	19.67%
Capital adequacy ratio	20.57%	20.84%

6. Cash and balances with banks and financial institutions

Cash	667,475	784,071
Statutory deposit with CBUAE	2,291,697	1,775,737
Due from banks	376,000	823,723
	3,335,172	3,383,531

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

Due from banks include cash margin amounting to AED 20 million (31 December 2021: AED: Nil) against collateralised murabaha.

7. Murabaha and wakalah with financial institutions

Murabaha	532,341	1,762,371
Wakala arrangements	7,844,811	9,197,529
	8,377,152	10,959,900

Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting to AED 3.0 billion (31 December 2021: AED 6.8 billion).

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

8. Investment securities measured at fair value

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

By category	30 September 2022 Un-audited	31 December 2021 Audited
<i>Financial assets at fair value through profit or loss</i>		
- Equity and funds	335,540	208,325
- Sukuks	3,370	10,825
	338,910	219,150
<i>Financial assets at fair value through other comprehensive income</i>		
- Equity and funds	446,075	413,521
- Sukuks	2,230,935	1,237,662
	2,677,010	1,651,183
Less: loss allowance on financial assets measured at FVTOCI	(3,118)	(929)
	2,673,892	1,650,254
	3,012,802	1,869,404
By quoted / unquoted		
<i>Financial assets at fair value through profit or loss</i>		
- Quoted	108,676	12,236
- Unquoted	230,234	206,914
	338,910	219,150
<i>Financial assets at fair value through other comprehensive income</i>		
- Quoted	2,381,780	1,391,575
- Unquoted	295,230	259,608
Less: Loss allowance on financial assets measured at FVTOCI	(3,118)	(929)
	2,673,892	1,650,254
	3,012,802	1,869,404

8.1 During the nine month period ended 30 September 2022, the Group has purchased equity securities amounting AED 140.9 million (year ended 31 December 2021: AED 206.1 million).

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

8.3 During the nine month period ended 30 September 2022, dividends received from financial assets measured at fair value through other comprehensive income amounting to AED 15.6 million (nine month period ended 30 September 2021: AED 13.4 million) were recognised as investment income in the condensed consolidated interim statement of profit or loss.

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

9. Investment securities measured at amortised cost

	30 September 2022	31 December 2021
	Un-audited	Audited
By category		
- Sukuks	4,084,421	4,581,372
Less: Loss allowance on financial assets measured at amortised cost	<u>(140,514)</u>	<u>(114,507)</u>
	<u>3,943,907</u>	<u>4,466,865</u>
By quoted / unquoted		
- Quoted	2,501,142	2,991,843
- Unquoted	1,583,279	1,589,529
Less: loss allowance on financial assets measured at amortised cost	<u>(140,514)</u>	<u>(114,507)</u>
	<u>3,943,907</u>	<u>4,466,865</u>

9.1 During the nine month period ended 30 September 2022, no investment in sukuk measured at amortised cost is downgraded to stage 3 under the ECL model (31 December 2021: Nil).

9.2 As at 30 September 2022, sukuk held at amortised cost include AED 3,020 million (31 December 2021: AED 2,116 million) has been pledged against a collateralized commodity murabaha arrangement.

9.3 During the nine month period ended 30 September 2022 and 30 September 2021, the Group has not sold any financial assets measured at amortised cost.

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

10. Investments in Islamic financing**10.1** Investments in Islamic financing are secured by acceptable forms of collateral to mitigate the related credit risk. Investments in Islamic financing comprise the following:

a) By product	30 September	31 December
	2022	2021
	Un-audited	Audited
Vehicle murabaha	212,226	202,004
Goods murabaha	11,284,520	8,982,194
Real estate murabaha	13,491	16,846
Other murabaha receivable	840,253	751,301
Syndicate murabaha	1,250,095	1,372,221
Gross murabaha financing	13,600,585	11,324,566
Deferred profit	(1,151,259)	(1,082,085)
Net murabaha financing	12,449,326	10,242,481
Ijarah	17,157,025	16,798,775
Qard hasan	740,499	740,690
Credit card receivables	91,540	86,858
Istisna	1,601,358	2,471,456
Total investments in Islamic financing	32,039,748	30,340,260
Less: loss allowance for investments in Islamic financing	(1,427,294)	(1,331,242)
Net investments in Islamic financing	30,612,454	29,009,018
b) By sector		
Government departments and authorities	12,495,428	11,080,269
Construction and contracting	767,312	719,001
Manufacturing	542,600	651,482
Transportation	1,226,700	1,326,281
Real estate	7,147,579	6,816,136
Retail businesses	469,057	542,378
Trade	1,879,548	1,400,444
Financial institutions	494,315	368,597
Services and others	1,314,984	1,460,583
Individuals	3,174,621	3,070,873
Consumer home finance	1,465,789	1,522,105
High net worth individuals	2,213,074	2,464,196
Deferred profit	(1,151,259)	(1,082,085)
Less: loss allowance for investments in Islamic financing	(1,427,294)	(1,331,242)
Net investments in Islamic financing	30,612,454	29,009,018

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

10. Investments in Islamic financing (continued)

10.2 Reconciliations from the opening to the closing balance of the gross carrying value (GCV) and loss allowance (ECL) for retail and corporate banking segment can be seen below:

	30 September 2022 (Un-audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2022	26,664,233	221,366	2,217,705	180,437	1,458,322	929,439	30,340,260	1,331,242
<i>Retail banking</i>								
Transfer to stage 1	4,313	160	(4,271)	(131)	(42)	(29)	-	-
Transfer to stage 2	(24,987)	(584)	24,987	584	-	-	-	-
Transfer to stage 3	(30,521)	(616)	(4,743)	(173)	35,264	789	-	-
Net movement in GCV	372,853	-	(1,836)	-	(4,211)	-	366,806	-
Net re-measurement of loss allowance	-	(22,850)	-	966	-	20,751	-	(1,133)
Recoveries	-	-	-	-	(2,250)	(2,830)	(2,250)	(2,830)
Write-offs	-	-	-	-	(20,757)	(20,757)	(20,757)	(20,757)
<i>Corporate banking</i>								
Transfer to stage 1	263,278	7,311	(263,278)	(7,311)	-	-	-	-
Transfer to stage 2	(917,605)	(15,042)	919,285	15,073	(1,680)	(31)	-	-
Transfer to stage 3	(110,226)	(24,697)	(441,936)	(37,435)	552,162	62,132	-	-
Net movement in GCV	1,745,370	-	(319,227)	-	(47,762)	-	1,378,381	-
Net re-measurement of loss allowance	-	(48,110)	-	89,928	-	97,207	-	139,025
Recoveries	-	-	-	-	(9,312)	(4,873)	(9,312)	(4,873)
Write-offs	-	-	-	-	(13,380)	(13,380)	(13,380)	(13,380)
Balance at 30 September 2022	27,966,708	116,938	2,126,686	241,938	1,946,354	1,068,418	32,039,748	1,427,294

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

10. Investments in Islamic financing (continued)

10.2 Reconciliations from the opening to the closing balance of the gross carrying value (GCV) and loss allowance (ECL) for retail and corporate banking segment can be seen below (continued):

	31 December 2021 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2021	26,825,490	264,019	2,237,139	135,049	1,493,752	888,754	30,556,381	1,287,822
<i>Retail banking</i>								
Transfer to stage 1	20,470	3,995	(15,514)	(678)	(4,956)	(3,317)	-	-
Transfer to stage 2	(25,447)	(931)	25,447	931	-	-	-	-
Transfer to stage 3	(49,478)	(1,646)	(34,510)	(1,740)	83,988	3,386	-	-
Net movement in GCV	668,224	-	(8,610)	-	(35,359)	-	624,255	-
Net re-measurement of loss allowance	-	(36,417)	-	(556)	-	56,969	-	19,996
Recoveries	-	-	-	-	(4,282)	(3,381)	(4,282)	(3,381)
Write-offs	-	-	-	-	(14,300)	(14,300)	(14,300)	(14,300)
<i>Corporate banking</i>								
Transfer to stage 1	260,601	13,403	(260,601)	(13,403)	-	-	-	-
Transfer to stage 2	(478,038)	(3,481)	478,038	3,481	-	-	-	-
Transfer to stage 3	(42,674)	(1,187)	(94,693)	(11,458)	137,367	12,645	-	-
Net movement in GCV	(514,915)	-	(108,991)	-	(62,493)	-	(686,399)	-
Net re-measurement of loss allowance	-	(16,389)	-	68,811	-	111,989	-	164,411
Recoveries	-	-	-	-	(19,822)	(7,733)	(19,822)	(7,733)
Write-offs	-	-	-	-	(115,573)	(115,573)	(115,573)	(115,573)
Balance at 31 December 2021	26,664,233	221,366	2,217,705	180,437	1,458,322	929,439	30,340,260	1,331,242

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

10. Investments in Islamic financing (continued)**10.3 Portfolio wise analysis of ECL during the period**

	30 September 2022 (Un-audited)			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2022 (Audited)	221,366	180,437	929,439	1,331,242
<i>Retail banking</i>				
Credit cards	340	24	(28)	336
Housing loans	(8,821)	445	342	(8,034)
Personal loans	(13,163)	667	(2,604)	(15,100)
Auto loans	(2,246)	110	214	(1,922)
<i>Corporate banking</i>				
Government and related exposures	(1,647)	(300)	-	(1,947)
Other corporates	(18,864)	51,610	13,841	46,587
High net worth individuals	(51,194)	4,415	105,833	59,054
Small and medium enterprises ("SMEs")	(8,833)	4,530	21,381	17,078
ECL allowance as of 30 September 2022 (Un-audited)	116,938	241,938	1,068,418	1,427,294
	31 December 2021 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2021 (Audited)	264,019	135,049	888,754	1,287,822
<i>Retail banking</i>				
Credit cards	(348)	11	548	211
Housing loans	(18,586)	(1,917)	2,647	(17,856)
Personal loans	(14,975)	(104)	37,239	22,160
Auto loans	(1,090)	(33)	(1,077)	(2,200)
<i>Corporate banking</i>				
Government and related exposures	1,473	(2,919)	-	(1,446)
Other corporates	(7,206)	911	30,917	24,622
High net worth individuals	(4,385)	29,879	(26,545)	(1,051)
Small and medium enterprises ("SMEs")	2,464	19,560	(3,044)	18,980
ECL allowance as of 31 December 2021 (Audited)	221,366	180,437	929,439	1,331,242

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

	30 September	31 December
	2022	2021
	Un-audited	Audited
11. Other assets		
Prepaid expenses and other advances	56,294	34,280
Profit receivable	304,667	335,922
Sundry debtors	241,217	152,261
Advances against Investments in Islamic financing	32,720	47,914
Others	234,527	138,658
Reimbursements under acceptances	136,790	156,881
Less: loss allowance under IFRS 9 on other assets	(62,446)	(57,436)
	943,769	808,480
12. Property and equipment		
Freehold land and buildings	769,935	774,795
Equipment, furniture and fittings	12,093	16,981
Computer equipment	74,360	55,403
Motor vehicles	2,349	2,311
Right of use assets	27,675	27,577
Capital - work in progress	73,390	72,495
	959,802	949,562
13. Customers' deposits		
Current accounts	10,432,734	10,096,621
Saving accounts	3,193,708	3,040,095
Watany / call accounts	1,722,574	947,627
Time deposits	20,450,533	23,949,613
Margins	340,739	459,764
	36,140,288	38,493,720

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

14. Sukuk payable

Name of instrument	Maturity date	Profit rate	30 September 2022	31 December 2021
			Un-audited	Audited
SIB Sukuk 2023	17 April 2023	4.23%	1,835,511	1,834,795
SIB Sukuk 2025	23 June 2025	2.85%	1,833,513	1,832,619
Total			3,669,024	3,667,414

15. Other liabilities

Profit payable			200,287	133,030
Accrual and provision			68,904	51,521
Accounts payable			108,565	77,086
Provision for staff end of service benefits			91,705	84,522
Managers' cheques			90,741	46,299
Obligations under acceptances			136,790	156,881
Sundry creditors			373,070	249,235
Lease obligation		15.1	9,137	7,315
			1,079,199	805,889

15.1 Lease obligation

Balance at the beginning of the period / year		7,315	17,792
Recognition		9,304	1,414
Amortisation		(7,482)	(11,891)
Balance at the end of the period / year		9,137	7,315

16. Share capital

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

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

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

17. Proposed directors' remuneration

In accordance with the Article 169 of Commercial Companies Law No. 2 of 2015, the proposed directors' remuneration is AED 7.2 million (2021: AED 5.4 million).

18. Net fees and commission income

	Nine month period ended	
	30 September 2022	30 September 2021
	Un-audited	Un-audited
Fees and commission income		
Commission income	72,247	79,195
Fees and charges on banking services	53,645	44,561
Card related fees	40,020	34,091
Takaful commission	16,415	18,370
	182,327	176,217
Fees and commission expense		
Card related expense	27,313	18,835
Takaful expense	12,948	6,784
Commission expense	5,332	6,125
	45,593	31,744
19. Other income		
Income from hospitality, brokerage and real estate	48,570	46,936
Rental income	21,992	16,295
Income from sale of properties	16,319	8,968
Loss / gain on sale of property and equipment	(21)	624
Other income	23	40
	86,883	72,863
20. Segment reporting		

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

a). Government and corporate

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

b). Retail

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

c). Investment and treasury

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.

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

20. Segment reporting (continued)**Condensed consolidated interim statement of profit or loss:****For the nine month period ended 30 September 2022 (Un-audited)**

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
Income from investments in Islamic financing and sukuku	755,200	245,328	369,140	-	1,369,668
less: distribution to depositors and sukuk holders	(307,095)	(34,352)	(143,198)	-	(484,645)
Net income from financing and investment products	448,105	210,976	225,942	-	885,023
Fee and commission income	97,665	59,642	25,020	-	182,327
Fee and commission expense	(19,846)	(17,061)	(8,686)	-	(45,593)
Net fee and commission income	77,819	42,581	16,334	-	136,734
Investment income	-	-	46,052	-	46,052
Foreign exchange income	17,784	2,859	2,666	(27,161)	(3,852)
Other income	-	-	-	86,883	86,883
Total operating income	543,708	256,416	290,994	59,722	1,150,840
General and administrative expenses	-	-	-	(31,120)	(31,120)
General and administrative expenses - unallocated	-	-	-	-	(389,423)
Net operating income before impairment	543,708	256,416	290,994	28,602	730,297
less: impairment on financial assets - net of recoveries	(134,616)	6,634	(31,637)	(2,076)	(161,695)
Profit for the period	409,092	263,050	259,357	26,526	568,602

Condensed consolidated interim statement of financial position:**As at 30 September 2022 (Un-audited)****Assets**

Segment assets	25,292,746	4,855,436	20,174,589	3,746,776	54,069,547
Unallocated assets	-	-	-	-	525,372
Total assets	25,292,746	4,855,436	20,174,589	3,746,776	54,594,919

Liabilities

Segment liabilities	29,558,594	6,337,790	10,563,403	158,289	46,618,076
Unallocated liabilities	-	-	-	-	332,610
Total liabilities	29,558,594	6,337,790	10,563,403	158,289	46,950,686

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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

20. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
Condensed consolidated statement of profit or loss:					
For the nine month period ended 30 September 2021 (Un-audited):					
Income from investments in Islamic financing and sukuku	712,505	241,789	295,772	-	1,250,066
less: distribution to depositors and sukuk holders	(221,998)	(28,965)	(186,834)	-	(437,797)
Net income from financing and investment products	490,507	212,824	108,938	-	812,269
Fee and commission income	95,173	61,326	19,718	-	176,217
Fee and commission expense	(15,993)	(12,043)	(3,708)	-	(31,744)
Net fee and commission income	79,180	49,283	16,010	-	144,473
Investment income	-	-	12,463	-	12,463
Foreign exchange income	10,643	2,857	5,467	(2,253)	16,714
Other income	-	-	663	72,200	72,863
Total operating income	580,330	264,964	143,541	69,947	1,058,782
General and administrative expenses	-	-	-	(31,837)	(31,837)
General and administrative expenses - unallocated	-	-	-	-	(374,082)
Net operating income before impairment	580,330	264,964	143,541	38,110	652,863
less: impairment on financial assets - net of recoveries	(124,844)	9,345	(79,011)	(330)	(194,840)
Profit for the period	455,486	274,309	64,530	37,780	458,023
Consolidated statement of financial position:					
As at 31 December 2021 (Audited)					
Assets					
Segment assets	23,727,846	4,744,831	22,330,109	3,679,114	54,481,900
Unallocated assets	-	-	-	-	474,895
Total assets	23,727,846	4,744,831	22,330,109	3,679,114	54,956,795
Liabilities					
Segment liabilities	31,295,514	6,221,429	9,276,623	96,206	46,889,772
Unallocated liabilities	-	-	-	-	372,246
Total liabilities	31,295,514	6,221,429	9,276,623	96,206	47,262,018

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
 (Currency: Thousands of U.A.E Dirhams)

21. Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. Other related parties includes balances due to / from entities under common control of either major shareholders or key management personnel. The related party transactions are executed at the terms agreed between the parties, which in the opinion of management, are not significantly different from those that could have been obtained from third parties. At the reporting date, such significant balances include:

	30 September 2022 (Un-audited)			
	Key management personnel	Major shareholders	Other related parties	Total
Investments in Islamic financing	447,995	4,544,196	4,424,778	9,416,969
Investment securities measured at fair value	-	565,163	-	565,163
Investment securities measured at amortized cost	-	780,142	-	780,142
Customers' deposits	(147,694)	(3,288,430)	(3,259,178)	(6,695,302)
Contingent liabilities	-	1,386	148,148	149,534

**Condensed consolidated interim statement
 of profit or loss for the nine month period
 ended 30 September 2022 (Un-audited)**

Income from Islamic financing and investment securities	9,242	115,172	158,790	283,204
Depositors' share of profit	(68)	(66,114)	(37,304)	(103,486)
Fee and commission income	-	-	565	565

	31 December 2021 (Audited)			
	Key management personnel	Major shareholders	Other related parties	Total
Investments in Islamic financing	300,301	2,288,557	4,855,695	7,444,553
Investment securities measured at fair value	-	512,516	-	512,516
Investment securities measured at amortized cost	-	780,329	-	780,329
Customers' deposits	(130,999)	(2,766,996)	(3,641,564)	(6,539,559)
Contingent liabilities	-	1,108	146,752	147,860

**Condensed consolidated interim statement
 of profit or loss for the nine month period
 ended 30 September 2021 (Un-audited)**

Income from Islamic financing and investment securities	4,593	116,470	111,185	232,248
Depositors' share of profit	(176)	(38,864)	(37,623)	(76,663)
Fee and commission income	-	-	549	549

Key management compensation includes salaries and other short term benefits of AED 18.5 million for the nine month period ended 30 September 2022 (*nine month period ended 30 September 2021: AED 17.7 million*) and post-employment benefits of AED 1.2 million for the nine month period ended 30 September 2022 (*nine month period ended 30 September 2021: AED 2.2 million*).

As at 30 September 2022, the Group does not have any related party balances classified as stage 3.

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

22. Fair value measurement

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation function, which is independent of front office management and reports to the Investment Committee, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving valuation function;
- calibration and back-testing of models against observed market transactions at regular intervals;
- analysis and investigation of significant valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by Investment Committee.

Significant valuation issues are reported to the Investment Committee.

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

22. Fair value measurement (continued)

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

	Level 1	Level 2	Level 3	Total
At 30 September 2022 (Un-audited)				
Financial assets				
FVTPL – investment securities	108,676	-	230,234	338,910
FVTOCI – investment securities	2,378,662	-	295,230	2,673,892
	<u>2,487,338</u>	<u>-</u>	<u>525,464</u>	<u>3,012,802</u>
Non-financial assets				
Investment properties at fair value	-	-	2,760,494	2,760,494
	<u>-</u>	<u>-</u>	<u>2,760,494</u>	<u>2,760,494</u>
At 31 December 2021 (Audited)				
Financial assets				
FVTPL – investment securities	12,236	-	206,914	219,150
FVTOCI – investment securities	1,390,646	-	259,608	1,650,254
	<u>1,402,882</u>	<u>-</u>	<u>466,522</u>	<u>1,869,404</u>
Non-financial assets				
Investment properties at fair value	-	-	2,825,021	2,825,021
	<u>-</u>	<u>-</u>	<u>2,825,021</u>	<u>2,825,021</u>

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 sukuk measured at amortised cost for which the fair value is calculated using Level 1 inputs.

There were no transfers of any financial instruments in between any of the levels in fair value hierarchy during the nine month period ended 30 September 2022 or during the year ended 31 December 2021.

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:

	For the nine month period ended 30 September 2022 (Un-audited)		For the year ended 31 December 2021 (Audited)	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Financial assets				
Balance as at the beginning of the period / year	206,914	259,608	31,564	287,210
Fair value movement during the period / year	23,320	(1,108)	(550)	(27,602)
Additions during the period / year	-	36,730	175,900	-
Balance at the end of the period / year	<u>230,234</u>	<u>295,230</u>	<u>206,914</u>	<u>259,608</u>

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022
(Currency: Thousands of U.A.E Dirhams)

22. Fair value measurement (continued)

Non-financial assets	Nine month period ended 30 September 2022 Un-audited	Year ended 31 December 2021 Audited
Balance at the beginning of the period / year	2,825,021	2,886,044
Additions during the period / year	46,171	209,300
Transfer from held-for-sale during the period / year	-	69,415
Disposals during the period / year	(110,698)	(247,698)
Revaluation loss during the period / year	-	(92,040)
Balance at the end of the period / year	2,760,494	2,825,021

During the nine month period ended 30 September 2022, the Group transferred a property of AED Nil (*year ended 31 December 2021: AED 69.4 million*) from properties held for sale to investment properties. This has no impact on condensed consolidated interim statement of cash flows.

Unobservable inputs used in measuring fair value

The investment department constantly monitors the progress of its investments by conducting its own valuation assessment along with information provided by the fund manager. Depending on the nature of the underlying asset, quantitative methods are used such as residual value, DCF / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed.

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions by 10% would have the following effects:

	Effect on profit or loss		Effect on OCI	
	Favorable	Unfavorable	Favorable	Unfavorable
For the nine month period ended 30 September 2022 (Un-audited)	299,073	(299,073)	29,523	(29,523)
For the year ended 31 December 2021 (Audited)	303,194	(303,194)	25,961	(25,961)

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

23. Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon the accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.

24. Dividends

During the annual general meeting of the shareholders held on 27 February 2022, a cash dividend of 8% of the paid up capital, amounting to AED 246.5 million was approved for the year ended 31 December 2021 (2021: a cash dividend of 8% of the paid up capital, amounting to AED 246.5 million was approved for the year ended 31 December 2020).

25. Contingencies and commitments

	30 September 2022 Un-audited	31 December 2021 Audited
Letters of credit	<u>319,898</u>	<u>224,288</u>
Letters of guarantee	<u>2,203,070</u>	<u>1,929,695</u>
Capital commitments	<u>111,034</u>	<u>102,525</u>

Forward foreign exchange contracts comprise commitments to purchase foreign and domestic currencies on behalf of customers and in respect of the bank's undelivered spot transactions. As at 30 September 2022 the Bank had forward foreign exchange contracts amounting to AED 5.7 million (31 December 2021: AED 817.2 million)

Total net asset value of the Funds under management as at 30 September 2022 amounts to AED 1,379 million (31 December 2021: AED 87.2 million)

26. Subsequent events

There have been no events subsequent to the condensed consolidated interim statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial statements as at and for the nine month period ended 30 September 2022.