SHARJAH ISLAMIC BANK PJSC

DIRECTORS' REPORT AND CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2023

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 2023.

Financial highlights

As of 30 September 2023, the total assets of the Bank amounted to AED 63.4 billion, showing an increase of 7.3% compared to AED 59.1 billion as at 31 December 2022. The investment securities measured at amortized cost experienced a significant growth of 81.9% during the period, reaching AED 8.4 billion compared to AED 4.6 billion as of 31 December 2022. Investments in Islamic financing remained stable, with a 3.9% increase or AED 1.2 billion, taking the total outstanding amount to AED 31.9 billion as of 30 September 2023, in comparison to AED 30.7 billion as of 31 December 2022. Customer deposits witnessed a rise of 14.4% to reach AED 45.2 billion from AED 39.5 billion, contributing to an improved overall liquidity position of the Bank, which stands at 21.8%. Shareholders' equity amounted to AED 8.0 billion as of 30 September 2023.

The net operating income before impairment charges on financial assets, net of recoveries, for the Group increased by 28.7% to AED 939.8 million for the nine month period ended on 30 September 2023, in comparison to AED 730.3 million for the nine month period ended on 30 September 2022. The impairment charges on financial assets, net of recoveries, for the nine month period ended on 30 September 2023, totaled AED 172.5 million, indicating a 6.7% increase compared to the nine month period ended on 30 September 2022. As a result, a net profit of AED 767.3 million was recorded for the nine month period ended on 30 September 2023, as compared to AED 568.6 million for the nine month period ended on 30 September 2022, reflecting a 34.9% increase.

Abdul Rahman Mohammed Naseer Al Owais
Chairman
25 October 2023

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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 2023 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 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 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 Limited Partnership Dubai Branch
25 October 2023

Murad Alnsour
Registered Auditor Number 1301
Place: Dubai, United Arab Emirates

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SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023
(Currency: Thousands of U.A.E Dirhams)

	Notes	As at 30 September 2023 Un-audited	As at 31 December 2022 Audited
Assets			
Cash and balances with banks and financial institutions	*6*	**3,654,815**	3,261,402
Murabaha and wakalah with financial institutions	*7*	**10,142,761**	10,848,181
Investment securities measured at fair value	*8*	**3,694,643**	3,950,587
Investment securities measured at amortised cost	*9*	**8,357,348**	4,594,791
Investments in Islamic financing	*10*	**31,865,429**	30,671,517
Investment properties	*22*	**3,079,440**	3,085,729
Properties held-for-sale		**468,760**	335,617
Other assets	*11*	**1,185,189**	1,401,128
Intangible assets		**62,451**	61,988
Property and equipment	*12*	**898,587**	911,949
Total assets		**63,409,423**	**59,122,889**
Liabilities and shareholders' equity			
Liabilities			
Customers' deposits	*13*	**45,241,193**	39,529,231
Due to banks		**6,794,653**	6,664,385
Sukuk payable	*14*	**1,834,591**	3,669,693
Other liabilities	*15*	**1,505,690**	1,546,480
Zakat payable		**35,428**	80,692
Total liabilities		**55,411,555**	**51,490,481**
Shareholders' equity			
Share capital	*16*	**3,235,678**	3,081,598
Tier 1 sukuk		**1,836,500**	1,836,500
Legal reserve		**1,541,200**	1,541,200
Statutory reserve		**89,008**	89,008
General impairment reserve		**128,960**	41,602
Fair value reserve		**(294,377)**	(305,576)
Retained earnings		**1,460,899**	1,348,076
Total shareholders' equity		**7,997,868**	**7,632,408**
Total liabilities and shareholders' equity		**63,409,423**	**59,122,889**

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 25 October 2023.

Abdul Rahman Mohammed Nasser Al Owais
Chairman

Mohamed Ahmed Abdalla
Chief Executive Officer

The accompanying notes from pages 10 to 36 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 2023

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

	Notes	For the three month period ended 30 September		For the nine month period ended 30 September	
		2023 Un-audited	**2022 Un-audited**	**2023 Un-audited**	**2022 Un-audited**
Income from investments in Islamic financing and sukuk		**794,410**	490,436	**2,231,846**	1,369,668
Distribution to depositors and sukuk holders		**(428,212)**	(192,717)	**(1,148,649)**	(484,645)
Net income from financing and investment products		**366,198**	**297,719**	**1,083,197**	**885,023**
Fee and commission income	*18*	**75,331**	44,140	**232,085**	182,327
Fee and commission expense	*18*	**(20,443)**	(16,407)	**(55,582)**	(45,593)
Net fee and commission income		**54,888**	**27,733**	**176,503**	**136,734**
Investment income		**(818)**	20,768	**35,475**	46,052
Foreign exchange income / (loss)		**7,258**	(3,053)	**42,409**	(3,852)
Other income	*19*	**20,831**	36,239	**75,252**	86,883
Total operating income		**448,357**	**379,406**	**1,412,836**	**1,150,840**
General and administrative expenses		**(157,278)**	(146,267)	**(473,012)**	(420,543)
Net operating income before impairment		**291,079**	**233,139**	**939,824**	**730,297**
Impairment on financial assets - net of recoveries		**(18,346)**	(26,409)	**(172,520)**	(161,695)
Profit for the period		**272,733**	**206,730**	**767,304**	**568,602**
(Attributable to the shareholders of the Bank)					
Basic and diluted earnings per share - restated (U.A.E. Dirhams)	*27*	**0.07**	**0.05**	**0.21**	**0.15**

The accompanying notes from pages 10 to 36 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 2023
(Currency: Thousands of U.A.E Dirhams)

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2023 Un-audited	**2022 Un-audited**	**2023 Un-audited**	**2022 Un-audited**
Profit for the period (Attributable to the shareholders of the Bank)	**272,733**	206,730	**767,304**	568,602
Other comprehensive income				
Items that will be reclassified to profit or loss				
Change in fair value reserve on FVTOCI sukuk investments	**(7,775)**	(111,969)	**(1,700)**	(271,496)
Items that will not be reclassified to profit or loss				
Change in fair value reserve on FVTOCI equity investments	**5,072**	(23,344)	**9,840**	(2,083)
Total comprehensive income for the period (Attributable to the shareholders of the Bank)	**270,030**	**71,417**	**775,444**	**295,023**

The accompanying notes from pages 10 to 36 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 2023
(Currency: Thousands of U.A.E Dirhams)

	For the nine month period ended 30 September	
	2023 Un-audited	**2022 Un-audited**
Cash flows from operating activities		
Profit for the period	**767,304**	568,602
Adjustments for:		
- Amortisation and depreciation	**42,462**	37,918
- Amortisation of sukuk issuance costs	**1,392**	1,610
- Provision charge on investments in Islamic financing	**139,413**	129,676
- Provision charge on investment securities measured at fair value	**22,701**	2,189
- Provision charge on investment securities measured at amortised cost	**12,058**	26,007
- Provision (reversal) / charge on other financial assets	**(1,867)**	3,841
- Provision charge / (reversal) on subsidiaries	**215**	(18)
- Gain on disposal of properties held for sale	**(3,393)**	(10,871)
- Gain on disposal of investment properties	**(6,162)**	(5,448)
- Gain on disposal of investment securities measured at fair value	**(1,170)**	(16,466)
- Revaluation on investment securities measured at fair value through profit and loss	**7,632**	498
- Foreign exchange loss on properties	**(1,143)**	27,161
- (Gain) / loss on disposal of property and equipment	**(9)**	21
Operating cash flows before changes in operating assets and liabilities	**979,433**	**764,720**
Changes in:		
- Balances with Central Bank of the UAE	**(551,188)**	(536,000)
- Murabaha and wakalah with financial institutions	**(1,837,079)**	(740,909)
- Investments in Islamic financing	**(1,333,325)**	(1,733,094)
- Other assets	**217,591**	(139,130)
- Customers' deposits	**5,711,962**	(2,353,432)
- Zakat payable	**(45,264)**	(61,014)
- Due to banks	**111,927**	1,951,281
- Other liabilities	**(50,790)**	266,097
Net cash generated from / (used in) operating activities	**3,203,267**	**(2,581,481)**
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	**(29,972)**	(48,411)
Disposal of property and equipment and intangible assets	**418**	230
Acquisition of investment properties	**(19,832)**	(46,171)
Disposal of investment properties	**47,895**	116,146
Acquisition of properties held-for-sale	**(158,083)**	(109,582)
Disposal of properties held-for-sale	**13,864**	128,938
Acquisition of investment securities measured at fair value	**(553,962)**	(1,520,089)
Disposal / redemption of investment securities measured at fair value	**788,883**	116,892
Acquisition of investment securities measured at amortised cost	**(3,966,374)**	(32,501)
Redemption on amortised investment securities measured at amortised cost	**191,759**	529,453
Net cash used in investing activities	**(3,685,404)**	**(865,095)**

The accompanying notes from pages 10 to 36 form 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 2023
(Currency: Thousands of U.A.E Dirhams)

	For the nine month period ended 30 September	
	2023 Un-audited	**2022 Un-audited**
Cash flows from financing activities		
Repayment of sukuk	**(1,836,494)**	**-**
Profit paid on tier 1 sukuk	**(91,824)**	(91,826)
Cash dividend	**(308,160)**	(246,528)
Net cash used in financing activities	**(2,236,478)**	**(338,354)**
Net decrease in cash and cash equivalents	**(2,718,615)**	(3,784,930)
Cash and cash equivalents at the beginning of the period	**7,314,124**	10,399,620
Cash and cash equivalents at the end of the period	**4,595,509**	**6,614,690**

	As at 30 September 2023 Un-audited	**As at 30 September 2022 Un-audited**
Cash and cash equivalents		
Cash and balances with banks and financial institutions	**777,814**	1,023,435
Murabaha and wakalah with financial institutions	**3,848,346**	5,614,240
Due to banks	**(30,651)**	(22,985)
Cash and cash equivalents at the end of the period	**4,595,509**	**6,614,690**

The accompanying notes from pages 10 to 36 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 2023

(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	-	-	-	-	-	-	(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 from pages 10 to 36 form 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 2023

(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 2023 (Audited)	3,081,598	1,836,500	1,541,200	89,008	41,602	(305,576)	1,348,076	7,632,408
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	767,304	767,304
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	8,140	-	8,140
Total comprehensive income for the period	-	-	-	-	-	8,140	767,304	775,444
Transactions recorded directly in equity								
Bonus shares issued (note 24)	154,080	-	-	-	-	-	(154,080)	-
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	3,059	(3,059)	-
Cash dividend (note 24)	-	-	-	-	-	-	(308,160)	(308,160)
Transfer to general impairment reserve	-	-	-	-	87,358	-	(87,358)	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(91,824)	(91,824)
Board of directors' fees	-	-	-	-	-	-	(10,000)	(10,000)
Total	154,080	-	-	-	87,358	3,059	(654,481)	(409,984)
As at 30 September 2023 (Un-audited)	3,235,678	1,836,500	1,541,200	89,008	128,960	(294,377)	1,460,899	7,997,868

The accompanying notes from pages 10 to 36 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 ("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 32 branches (2022: 34 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 ("ASAS") 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.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "Law") to enact a Federal corporate tax regime in the UAE. Furthermore, on 16 January 2023, a Cabinet Decision was published specifying the threshold of AED 375,000 of taxable income above which taxable entities would be subject to a 9% corporate tax rate.

The Corporate Tax regime will become effective for the accounting year beginning on or after 1 June 2023 hence for the Group it will be effective from 1 January 2024. Management acknowledges that a number of regulations with regards to the application of tax legislation are published and as such management will continue to monitor developments in order to assess the impact of corporate tax including any deferred tax implications on the Group.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Bank has assessed and is in compliance with the requirements thereof.

The registered office of the Bank is Post Box No.4, Sharjah, UAE.

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 2022. 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 2022.

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.

c) Functional and reporting currency

These condensed consolidated interim financial statements have been prepared in UAE Dirhams ("AED"), which is the functional and presentation currency of each entity in the Group. 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 2022.

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 2023, 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
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023

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.

3. Significant accounting policies (continued)

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

New standards and significant amendments to standards applicable to the Group (continued)	**Effective date**
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023

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.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

• right-of-use assets and lease liabilities, and
• decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

3. Significant accounting policies (continued)

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

New standards and significant amendments to standards applicable to the Group (continued)	Effective date
IFRS 17 – Insurance contracts	1 January 2023

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 "Insurance Contracts". IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows

Narrow scope amendments to IAS 1, Practice statement 2	1 January 2023

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. 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.

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 not yet applicable to the Group	Effective date
Amendments to IAS 1, Presentation of financial statements on classification of liabilities The 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 (e.g.the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. In June 2021, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2024.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

4. Key accounting estimates and judgments

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

In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2022.

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 has computed ECL using 30% weightage to the upward scenario as of 30 September 2023. Had adverse scenario been stressed by another 10% with corresponding impact on upward scenario, impairment loss allowance would be impacted by AED 18.7 million.

Following both regulatory mandates and industry standards, TTC PDs are adjusted based on internal rating grades that reflect historical default rates.

The Bank has integrated LGD models for its various portfolios, such as non-retail secured, non-retail unsecured, consumer home financing and Islamic financing for individuals. These models are based on the actual recovery rates as observed over the period of last five years.

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$ 56.01/barrel to US$ 86.99/barrel, equity price index growth volatility ranging between -19.5% to 8.0%, non-oil UAE GDP range falling -4.7% to rising 6.7% and UAE CPI index ranging 1.3% to 2.6%.

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.

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 2022.

i) Liquidity risk management

On 17th April 2023, the Bank made a repayment for SIB sukuk 2023 upon its normal maturity, amounting to AED 1.8 billion. SIB Sukuk 2023 was issued on 18 April 2018 and bore a profit rate of 4.23% per annum. The Bank had sufficient liquidity to settle the sukuk from its own sources.

5. Financial risk management (continued)

LIBOR transition progress

In line with the disclosures in the financial statements for the year ended 31 December 2022, the Group successfully completed its transition program and has fully implemented the Alternative Reference Rate (ARR). The transition process was carried out under the supervision of a cross-functional working committee, consisting of representatives from Treasury, Risk Management, Financial Control, Information Technology, and other relevant business units. The program concluded before the final publication date of LIBOR on 30 June 2023.

As of 30 September 2023, the Bank's repo borrowings, previously based on LIBOR, now based on secured overnight financing rate (SOFR), amounted to AED 862.8 million *(As at 31 December 2022: AED 862.8 million)* .

ii) Fair value measurement of financial instruments

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 3 (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2022.

iii) Capital adequacy ratio "CAR" 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, allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aimed to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the volatility due to the COVID 19 crisis. The filter allowed Banks to partially add incremental ECL provisions back to their Tier 1 capital for the purpose of calculating capital adequacy ratios. Banks were however required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024).

iv) 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 2023.

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 2022.

v) Profit rate risk

The principal risk to which non-trading portfolios are exposed, is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk primarily comprises of market and valuation risk, are managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value. Overall pricing or profit rate risk positions are managed by the Asset and Liability Committee ("ALCO").

The sensitivity of the condensed consolidated statement of profit or loss is the effect of the assumed changes in profit rates on the net income.

	Increase / decrease in basis point 30 September 2023 Un-audited	**Increase / decrease in basis point 31 December 2022 Audited**
Net profit rate sensitivity on financial assets and liabilities	**5,823**	15,847

5. Financial risk management (continued)

vi) 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.

	As at 30 September 2023 (Un-audited)			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	**188,334**	**44**	**-**	**188,378**
Loss allowance	**(5)**	**-**	**-**	**(5)**
Carrying amount	**188,329**	**44**	**-**	**188,373**
Murabaha and wakalah with financial institutions	**3,494,322**	**-**	**-**	**3,494,322**
Loss allowance	**(1,561)**	**-**	**-**	**(1,561)**
Carrying amount	**3,492,761**	**-**	**-**	**3,492,761**
Investment securities measured at FVTOCI (excluding equity investments)	**2,499,881**	**-**	**-**	**2,499,881**
Loss allowance	**(26,610)**	**-**	**-**	**(26,610)**
Carrying amount	**2,473,271**	**-**	**-**	**2,473,271**
Investment securities measured at amortised cost	**8,357,661**	**10,854**	**60,309**	**8,428,824**
Loss allowance	**(10,307)**	**(860)**	**(60,309)**	**(71,476)**
Carrying amount	**8,347,354**	**9,994**	**-**	**8,357,348**
Investments in Islamic financing	**29,324,310**	**2,276,462**	**1,849,300**	**33,450,072**
Loss allowance	**(151,993)**	**(265,800)**	**(1,166,850)**	**(1,584,643)**
Carrying amount	**29,172,317**	**2,010,662**	**682,450**	**31,865,429**
Other assets (excluding non-financial assets)	**1,070,599**	**-**	**33,148**	**1,103,747**
Loss allowance	**(8,724)**	**-**	**(33,148)**	**(41,872)**
Carrying amount	**1,061,875**	**-**	**-**	**1,061,875**
Net credit risk exposures relating to on-balance sheet assets	**44,735,907**	**2,020,700**	**682,450**	**47,439,057**
Letter of credit and guarantee	**950,714**	**5,506**	**91**	**956,311**
Loss allowance	**(2,133)**	**(93)**	**(60)**	**(2,286)**
Net credit risk exposures off-balance sheet assets	**948,581**	**5,413**	**31**	**954,025**
Net credit risk exposures	**45,684,488**	**2,026,113**	**682,481**	**48,393,082**
Gross credit risk exposure	**45,885,821**	**2,292,866**	**1,942,848**	**50,121,535**
Total loss allowance	**(201,333)**	**(266,753)**	**(1,260,367)**	**(1,728,453)**
	45,684,488	**2,026,113**	**682,481**	**48,393,082**

5. Financial risk management (continued)

vi) Maximum exposure to credit risk (continued)

	As at 31 December 2022 (Audited)			
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Cash and balances with banks and financial institutions	319,417	-	-	319,417
Loss allowance	(17)	-	-	(17)
Carrying amount	**319,400**	**-**	**-**	**319,400**
Murabaha and wakalah with financial institutions	5,100,920	-	-	5,100,920
Loss allowance	(2,739)	-	-	(2,739)
Carrying amount	**5,098,181**	**-**	**-**	**5,098,181**
Investment securities measured at FVTOCI (excluding equity investments)	2,983,843	-	-	2,983,843
Loss allowance	(3,909)	-	-	(3,909)
Carrying amount	**2,979,934**	**-**	**-**	**2,979,934**
Investment securities measured at amortised cost	4,587,231	91,142	62,337	4,740,710
Loss allowance	(3,780)	(79,802)	(62,337)	(145,919)
Carrying amount	**4,583,451**	**11,340**	**-**	**4,594,791**
Investments in Islamic financing	27,765,671	2,499,293	1,943,974	32,208,938
Loss allowance	(117,761)	(316,918)	(1,102,742)	(1,537,421)
Carrying amount	**27,647,910**	**2,182,375**	**841,232**	**30,671,517**
Other assets (excluding non-financial assets)	932,247	-	70,459	1,002,706
Loss allowance	(6,198)	-	(51,093)	(57,291)
Carrying amount	**926,049**	**-**	**19,366**	**945,415**
Net credit risk exposures relating to on-balance sheet assets	**41,554,925**	**2,193,715**	**860,598**	**44,609,238**
Letter of credit and guarantee	826,066	8,168	91	834,325
Loss allowance	(1,386)	(496)	(60)	(1,942)
Net credit risk exposures off-balance sheet assets	**824,680**	**7,672**	**31**	**832,383**
Net credit risk exposures	**42,379,605**	**2,201,387**	**860,629**	**45,441,621**
Gross credit risk exposure	**42,515,395**	**2,598,603**	**2,076,861**	**47,190,859**
Total loss allowance	**(135,790)**	**(397,216)**	**(1,216,232)**	**(1,749,238)**
	42,379,605	**2,201,387**	**860,629**	**45,441,621**

5. Financial risk management (continued)

vii) Capital adequacy

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

	As at 30 September 2023 Un-audited	As at 31 December 2022 Audited
Capital base		
Common equity tier 1	**6,010,969**	5,525,983
Additional tier 1 capital	**1,836,500**	1,836,500
Total tier 1 capital base	**7,847,469**	**7,362,483**
Total tier 2 capital base	**497,539**	478,839
Total capital base	**8,345,008**	**7,841,322**
Risk weighted assets		
Credit risk	**39,803,084**	38,307,142
Market risk	**164,349**	183,688
Operational risk	**2,583,769**	2,583,769
Total risk weighted assets	**42,551,202**	**41,074,599**
Capital ratios		
Common equity tier 1 ratio	**14.13%**	**13.45%**
Tier 1 capital ratio	**18.44%**	**17.92%**
Capital adequacy ratio	**19.61%**	**19.09%**

6. Cash and balances with banks and financial institutions

Cash	**635,724**	659,713
Balances with CBUAE	**2,830,718**	2,282,289
Due from banks	**188,373**	319,400
	3,654,815	**3,261,402**

As at 30 September 2023 and 31 December 2022, balances with CBUAE includes 14 days average statutory deposit requirement of CBUAE, which is also available to fund daily operations under specified conditions.

As at 30 September 2023, due from banks include cash margin amounting to AED 46.3 million *(As at 31 December 2022: AED: 43.5 million)* against collateralised murabaha.

7. Murabaha and wakalah with financial institutions

Murabaha	**582,057**	1,430,028
Wakalah arrangements	**9,560,704**	9,418,153
	10,142,761	**10,848,181**

As at 30 September 2023, wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting to AED 6.6 billion *(As at 31 December 2022: AED 5.8 billion)* .

As at 30 September 2023, Murabaha and wakalah with financial institutions carry profit rates ranging from 3.6% to 10.1% per annum *(As at 31 December 2022: 1.5% to 9.7% per annum)* .

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 plans to achieve its objective by trading these investments.

By category	**Fair value**		**Dividend income**	
	As at 30 September 2023 Un-audited	**As at 31 December 2022 Audited**	**For the nine month period ended 30 September 2023 Un-audited**	**For the nine month period ended 30 September 2022 Un-audited**
Financial assets at fair value through profit or loss				
- Equity and funds	**368,649**	368,417	**15,599**	9,545
- Sukuks	**354,402**	2,301	**-**	-
	723,051	**370,718**	**15,599**	**9,545**
Financial assets at fair value through other comprehensive income				
- Equity and funds	**498,321**	599,935	**24,743**	15,576
- Sukuks	**2,499,881**	2,983,843	**-**	-
	2,998,202	**3,583,778**	**24,743**	**15,576**
Less: loss allowance on financial assets measured at FVTOCI	**(26,610)**	(3,909)	**-**	-
	2,971,592	**3,579,869**	**24,743**	**15,576**
Total investment securities measured at fair value	**3,694,643**	**3,950,587**	**40,342**	**25,121**

By quoted / unquoted	**As at 30 September 2023 Un-audited**	**As at 31 December 2022 Audited**
Financial assets at fair value through profit or loss		
- Quoted	**393,812**	41,479
- Unquoted	**329,239**	329,239
	723,051	**370,718**
Financial assets at fair value through other comprehensive income		
- Quoted	**2,577,254**	3,190,611
- Unquoted	**420,948**	393,167
Less: loss allowance on financial assets measured at FVTOCI	**(26,610)**	(3,909)
	2,971,592	**3,579,869**
Total investment securities measured at fair value	**3,694,643**	**3,950,587**

During the nine month period ended 30 September 2023, the Group has purchased equity securities amounting to AED 43.4 million *(year ended 31 December 2022: AED 245.2 million)* .

As at 30 September 2023 and 31 December 2022, investment securities measured at fair value predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

9. Investment securities measured at amortised cost

	As at 30 September 2023 Un-audited	As at 31 December 2022 Audited
By category		
- Sukuks	**8,428,824**	4,740,710
Less: loss allowance on financial assets measured at amortised cost	**(71,476)**	(145,919)
	8,357,348	**4,594,791**
By quoted / unquoted		
- Quoted	**4,924,831**	2,793,390
- Unquoted	**3,503,993**	1,947,320
Less: loss allowance on financial assets measured at amortised cost	**(71,476)**	(145,919)
	8,357,348	**4,594,791**

During the nine month period ended 30 September 2023 and the year ended 31 December 2022, no investment securities measurted at amortised cost were downgraded to stage 3 under the ECL model.

As at 30 September 2023, sukuk held at amortised cost includes AED 1,111.2 million *(As at 31 December 2022: AED 3,555 million)* that has been pledged against a collateralized commodity murabaha arrangement.

During the nine month period ended 30 September 2023, the Group has sold investment securities measured at amortised cost amounting to AED 90.4 million *(year ended 31 December 2022, the Group has not sold any investment securities measured at amortised cost)* .

As at 30 September 2023 and 31 December 2022, investment securities measured at amortised cost predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

The fair value of investment securities measured at amortised cost has been disclosed in note 22 of these condensed consolidated interim financial statements.

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:

	As at 30 September 2023 Un-audited	**As at 31 December 2022 Audited**
a) By product		
Vehicle murabaha	**351,827**	229,966
Goods murabaha	**12,164,540**	11,745,882
Real estate murabaha	**9,251**	12,336
Other murabaha receivable	**1,293,785**	1,039,699
Syndicate murabaha	**647,567**	987,248
Gross murabaha financing	**14,466,970**	**14,015,131**
Deferred profit	**(1,356,340)**	(1,275,275)
Net murabaha financing	**13,110,630**	**12,739,856**
Ijarah	**17,991,745**	17,004,000
Qard hasan	**938,612**	837,885
Credit card receivables	**103,304**	91,742
Istisna	**1,305,781**	1,535,455
Total investments in Islamic financing	**33,450,072**	**32,208,938**
Less: loss allowance for investments in Islamic financing	**(1,584,643)**	(1,537,421)
Net investments in Islamic financing	**31,865,429**	**30,671,517**
b) By sector		
Government departments and authorities	**11,970,856**	12,209,283
Construction and contracting	**1,231,925**	823,556
Manufacturing	**689,094**	699,797
Transportation	**420,880**	1,194,005
Real estate	**8,949,069**	7,201,164
Retail businesses	**476,495**	462,414
Trade	**1,934,518**	2,033,517
Financial institutions	**264,680**	368,956
Services and others	**1,378,810**	1,529,195
Individuals	**3,852,222**	3,239,699
Consumer home finance	**1,533,706**	1,531,226
High net worth individuals	**2,104,157**	2,191,401
Deferred profit	**(1,356,340)**	(1,275,275)
Less: loss allowance for investments in Islamic financing	**(1,584,643)**	(1,537,421)
Net investments in Islamic financing	**31,865,429**	**30,671,517**

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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 segments can be seen below:

	30 September 2023 (Un-audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2023 (Audited)	27,765,671	117,761	2,499,293	316,918	1,943,974	1,102,742	32,208,938	1,537,421
Retail banking								
Transfer to stage 1	10,312	457	(10,303)	(461)	(9)	4	-	-
Transfer to stage 2	(35,923)	(349)	35,923	349	-	-	-	-
Transfer to stage 3	(56,209)	(629)	(16,207)	(506)	72,416	1,135	-	-
Net movement in GCV	354,939	-	(1,393)	-	(33,639)	-	319,907	-
Net re-measurement of loss allowance	-	(2,891)	-	399	-	19,522	-	17,030
Recoveries	-	-	-	-	(4,119)	(3,196)	(4,119)	(3,196)
Write-offs	-	-	-	-	(17,604)	(17,604)	(17,604)	(17,604)
Corporate banking								
Transfer to stage 1	267,058	21,077	(267,058)	(21,077)	-	-	-	-
Transfer to stage 2	(391,107)	(3,353)	391,107	3,353	-	-	-	-
Transfer to stage 3	(11,430)	(177)	(58,641)	(5,430)	70,071	5,607	-	-
Net movement in GCV	1,420,999	-	(296,259)	-	(88,141)	-	1,036,599	-
Net re-measurement of loss allowance	-	20,097	-	(27,745)	-	150,787	-	143,139
Recoveries	-	-	-	-	(19,062)	(17,560)	(19,062)	(17,560)
Write-offs	-	-	-	-	(74,587)	(74,587)	(74,587)	(74,587)
Balance at 30 September 2023 (Un-audited)	29,324,310	151,993	2,276,462	265,800	1,849,300	1,166,850	33,450,072	1,584,643

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 segments can be seen below:

	31 December 2022 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2022	**26,664,233**	**221,366**	**2,217,705**	**180,437**	**1,458,322**	**929,439**	**30,340,260**	**1,331,242**
Retail banking								
Transfer to stage 1	8,460	318	(8,399)	(281)	(61)	(37)	-	-
Transfer to stage 2	(37,632)	(780)	37,657	801	(25)	(21)	-	-
Transfer to stage 3	(49,156)	(855)	(14,578)	(926)	63,734	1,781	-	-
Net movement in GCV	432,486	-	(4,237)	-	(35,838)	-	**392,411**	-
Net re-measurement of loss allowance	-	(27,669)	-	922	-	22,091	-	**(4,656)**
Recoveries	-	-	-	-	(2,986)	(3,877)	**(2,986)**	**(3,877)**
Write-offs	-	-	-	-	(42,819)	(42,819)	**(42,819)**	**(42,819)**
Corporate banking								
Transfer to stage 1	215,693	5,587	(215,693)	(5,587)	-	-	-	-
Transfer to stage 2	(640,007)	(11,745)	641,687	11,776	(1,680)	(31)	-	-
Transfer to stage 3	(110,934)	(24,528)	(368,425)	(26,710)	479,359	51,238	-	-
Net movement in GCV	1,282,528	-	213,576	-	69,558	-	**1,565,662**	-
Net re-measurement of loss allowance	-	(43,933)	-	156,486	-	179,612	-	**292,165**
Recoveries	-	-	-	-	(15,239)	(6,283)	**(15,239)**	**(6,283)**
Write-offs	-	-	-	-	(28,351)	(28,351)	**(28,351)**	**(28,351)**
Balance at 31 December 2022	**27,765,671**	**117,761**	**2,499,293**	**316,918**	**1,943,974**	**1,102,742**	**32,208,938**	**1,537,421**

10. Investments in Islamic financing (continued)

10.3 Portfolio wise analysis of ECL movement during the period

	30 September 2023 (Un-audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as of 1 January 2023 (Audited)	**117,761**	**316,918**	**1,102,742**	**1,537,421**
Retail banking				
Credit cards	**(564)**	**6**	**454**	**(104)**
Housing finance	**5,358**	**(618)**	**242**	**4,982**
Personal finance	**(9,899)**	**(92)**	**896**	**(9,095)**
Auto finance	**127**	**64**	**256**	**447**
Corporate banking				
Government and related exposures	**(750)**	**-**	**-**	**(750)**
Other corporates	**9,410**	**(45,202)**	**(35,623)**	**(71,415)**
High net worth individuals	**18,882**	**(12,082)**	**68,244**	**75,044**
Small and medium enterprises ("SMEs")	**11,668**	**6,806**	**29,639**	**48,113**
ECL allowance as of 30 September 2023 (Un-audited)	**151,993**	**265,800**	**1,166,850**	**1,584,643**

	31 December 2022 (Audited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as of 1 January 2022 (Audited)	**221,366**	**180,437**	**929,439**	**1,331,242**
Retail banking				
Credit cards	449	(12)	(794)	**(357)**
Housing loans	(11,364)	447	2,164	**(8,753)**
Personal loans	(17,986)	82	(24,674)	**(42,578)**
Auto loans	(2,184)	(1)	422	**(1,763)**
Corporate banking				
Government and related exposures	(2,578)	-	-	**(2,578)**
Other corporates	(11,286)	67,756	21,162	**77,632**
High net worth individuals	(52,732)	51,962	151,515	**150,745**
Small and medium enterprises ("SMEs")	(5,924)	16,247	23,508	**33,831**
ECL allowance as of 31 December 2022 (Audited)	**117,761**	**316,918**	**1,102,742**	**1,537,421**

11. Other assets

	As at 30 September 2023 Un-audited	As at 31 December 2022 Audited
Prepaid expenses and other advances	**54,836**	47,591
Profit receivable	**450,831**	378,618
Sundry debtors	**247,683**	164,938
Advances against investments in Islamic financing	**70,764**	410,064
Acceptances	**145,751**	152,902
Others	**259,482**	306,248
Less: loss allowance under IFRS 9 on other assets	**(44,158)**	(59,233)
	1,185,189	**1,401,128**

12. Property and equipment

Freehold land and buildings	**801,408**	766,059
Equipment, furniture and fittings	**30,744**	16,373
Computer equipment	**25,920**	25,465
Motor vehicles	**1,942**	2,283
Right of use assets	**31,008**	32,092
Capital work in progress	**7,565**	69,677
	898,587	**911,949**

13. Customers' deposits

Current accounts	**11,773,703**	11,167,257
Saving accounts	**3,173,112**	3,149,320
Watani / call accounts	**805,105**	705,587
Escrow accounts	**1,789,753**	1,195,024
Time deposits	**27,409,742**	22,984,472
Margins	**289,778**	327,571
	45,241,193	**39,529,231**

14. Sukuk payable

Name of instrument	Maturity date	Profit rate	As at 30 September 2023 Un-audited	As at 31 December 2022 Audited
SIB Sukuk 2023	17 April 2023	4.23%	**-**	1,836,011
SIB Sukuk 2025	23 June 2025	2.85%	**1,834,591**	1,833,682
Total			**1,834,591**	**3,669,693**

15. Other liabilities

Profit payable	**490,946**	249,575
Accrual and provision	**99,784**	62,210
Accounts payable	**279,602**	715,034
Provision for staff end of service benefits	**105,827**	97,124
Managers' cheques	**106,443**	82,134
Sundry creditors	**262,622**	173,365
Accepetances	**145,751**	152,902
Lease obligation *(note 15.1)*	**14,715**	14,136
	1,505,690	**1,546,480**

15.1 *Lease obligation*

Balance at the beginning of the period / year	**14,136**	7,315
Recognition during the period / year	**7,382**	16,627
Amortisation during the period / year	**(6,803)**	(9,806)
Balance at the end of the period / year	**14,715**	**14,136**

16. Share capital

	As at 30 September 2023 Un-audited		As at 31 December 2022 Audited	
	No. of shares	**Value**	**No. of shares**	**Value**
Issued and fully paid up share capital	**3,235,677,638**	**3,235,678**	3,081,597,750	3,081,598

The issuance of bonus shares is disclosed in Note 24.

17. Proposed directors' remuneration

In accordance with the Article 171 of Commercial Companies Law No. 32 of 2021, the proposed directors' remuneration for the year ending 31 December 2023 is AED 10 million (year ended 31 December 2022: AED 10 million).

18. Net fee and commision income

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2023 Un-audited	**2022 Un-audited**	**2023 Un-audited**	**2022 Un-audited**
Fee and commission income				
Commission income	**33,370**	10,687	**114,648**	72,247
Fees and charges on banking services	**17,129**	14,178	**51,778**	53,645
Card related fees	**21,046**	14,607	**52,639**	40,020
Takaful commision	**3,786**	4,668	**13,020**	16,415
	75,331	**44,140**	**232,085**	**182,327**
Fee and commission expense				
Commission expense	**3,672**	961	**10,133**	5,332
Card related expense	**12,904**	11,187	**34,741**	27,313
Takaful expense	**3,867**	4,259	**10,708**	12,948
	20,443	**16,407**	**55,582**	**45,593**

19. Other income

Income from hospitality and brokerage	**8,326**	23,996	**28,440**	48,570
Rental income	**11,786**	2,453	**37,028**	21,992
Income from disposal of properties	**585**	9,851	**9,555**	16,319
Gain / (loss) on sale of property and equipment	**4**	(61)	**9**	(21)
Other income	**130**	-	**220**	23
	20,831	**36,239**	**75,252**	**86,883**

20. Segment reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker which has been identified as the Board of Directors of the Bank and members of its executive committees who assess the financial performance and position of the Group and makes strategic decisions. 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 provide hospitality and brokerage services respectively.

20. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
Condensed consolidated interim statement of profit or loss:					
For the nine month period ended 30 September 2023 (Un-audited)					
Income from investments in Islamic financing and sukuks	1,143,789	293,341	794,716	-	2,231,846
Distribution to depositors and sukuk holders	(772,757)	(83,193)	(292,699)	-	(1,148,649)
Net income from financing and investment products	371,032	210,148	502,017	-	1,083,197
Fee and commssion income	105,050	52,955	29,180	44,900	232,085
Fee and commission expense	(24,413)	(15,553)	(15,616)	-	(55,582)
Net fee and commission income	80,637	37,402	13,564	44,900	176,503
Investment income	-	-	35,475	-	35,475
Foreign exchange income	25,066	7,079	9,121	1,143	42,409
Other income	-	-	229	75,023	75,252
Total operating income	476,735	254,629	560,406	121,066	1,412,836
General and administrative expenses	-	-	-	(41,939)	(41,939)
General and administrative expenses - unallocated	-	-	-	-	(431,073)
Net operating income before impairment	476,735	254,629	560,406	79,127	939,824
Impairment on financial assets - net of recoveries	(125,579)	(13,834)	(32,576)	(531)	(172,520)
Profit for the period	351,156	240,795	527,830	78,596	767,304
Condensed consolidated interim statement of financial position:					
As at 30 September 2023 (Un-audited)					
Assets					
Segment assets	27,796,087	5,252,523	26,431,644	3,280,192	62,760,446
Unallocated assets	-	-	-	-	648,977
Total assets	27,796,087	5,252,523	26,431,644	3,280,192	63,409,423
Liabilities					
Segment liabilities	37,614,112	7,884,090	9,160,569	233,448	54,892,219
Unallocated liabilities	-	-	-	-	519,336
Total liabilities	37,614,112	7,884,090	9,160,569	233,448	55,411,555

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 2022 (Un-audited):					
Income from investments in Islamic financing and sukuks	755,200	245,328	369,140	-	**1,369,668**
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 commssion 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 / (loss)	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**
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**
Consolidated statement of financial position:					
As at 31 December 2022 (Audited)					
Assets					
Segment assets	25,765,959	4,921,466	24,351,171	3,165,501	**58,204,097**
Unallocated assets	-	-	-	-	**918,792**
Total assets	**25,765,959**	**4,921,466**	**24,351,171**	**3,165,501**	**59,122,889**
Liabilities					
Segment liabilities	32,957,377	6,619,779	10,791,057	325,105	**50,693,318**
Unallocated liabilities	-	-	-	-	**797,163**
Total liabilities	**32,957,377**	**6,619,779**	**10,791,057**	**325,105**	**51,490,481**

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:

	Key management personnel	Major shareholders	Other related parties	Total
Condensed consolidated interim statement of financial position as at 30 September 2023 (Un-audited)				
Investment securities measured at fair value	**-**	**584,809**	**-**	**584,809**
Investment securities measured at amortised cost	**-**	**963,979**	**-**	**963,979**
Investments in Islamic financing	**533,743**	**3,760,206**	**4,525,226**	**8,819,175**
Customers' deposits	**(317,765)**	**(4,272,547)**	**(4,173,928)**	**(8,764,240)**
Contingent liabilities	**-**	**1,483**	**122,129**	**123,612**
Consolidated statement of financial position as at 31 December 2022 (Audited)				
Investment securities measured at fair value	-	594,251	-	**594,251**
Investment securities measured at amortised cost	-	780,329	-	**780,329**
Investments in Islamic financing	444,376	4,866,444	4,368,651	**9,679,471**
Customers' deposits	(152,140)	(3,441,429)	(3,315,302)	**(6,908,871)**
Contingent liabilities	-	1,383	140,655	**142,038**
Condensed consolidated interim statement of profit or loss for the nine month period ended 30 September 2023 (Un-audited)				
Income from Islamic financing and investment securities	**13,673**	**197,639**	**240,519**	**451,831**
Depositors' share of profit	**(2,661)**	**(145,084)**	**(52,271)**	**(200,016)**
Fee and commission income	**-**	**-**	**477**	**477**
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**

Key management compensation includes salaries and other short term benefits of AED 19.1 million for the nine month period ended 30 September 2023 (*nine month period ended 30 September 2022: AED 18.5 million*) and post-employment benefits of AED 1.5 million for the nine month period ended 30 September 2023 (nine *month period ended 30 September 2022: AED 1.2 million*).

Major shareholders include Sharjah Asset Management LLC, Kuwait Finance House and Sharjah Social Security Fund who hold 28.46%, 18.18% and 9.09% of the Bank's issued and fully paid up share capital respectively. The remaining shareholders do not own more than 1% of the share capital individually. The ultimate controlling party of the Bank is the Government of Sharjah.

As at 30 September 2023, the Group does not have any related party balances classified as stage 3.

22. Fair value measurement

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

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

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

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

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

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

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

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

Specific controls include:

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

Significant valuation issues are reported to the Investment Committee.

22. Fair value measurement (continued)

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

	Level 1	Level 2	Level 3	Total
At 30 September 2023 (Un-audited)				
Financial assets				
Investment securities - FVTPL	**393,812**	**-**	**329,239**	**723,051**
Investment securities - FVTOCI	**2,550,644**	**-**	**420,948**	**2,971,592**
	2,944,456	**-**	**750,187**	**3,694,643**
Non-financial assets				
Investment properties at fair value	**-**	**-**	**3,079,440**	**3,079,440**

	Level 1	Level 2	Level 3	Total
At 31 December 2022 (Audited)				
Financial assets				
Investment securities - FVTPL	41,479	-	329,239	370,718
Investment securities - FVTOCI	3,186,702	-	393,167	3,579,869
	3,228,181	**-**	**722,406**	**3,950,587**
Non-financial assets				
Investment properties at fair value	-	-	3,085,729	3,085,729

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

As at 30 September 2023, fair value for investments measured at amortised cost amounts to AED 8,779.2 million *(As at 31 December 2022: AED 4,554.7 million)* against carrying value of AED 8,357.3 million *(As at 31 December 2022: 4,595 million)* .

There were no transfers of any financial instruments between any of the levels in the fair value hierarchy during the nine month period ended 30 September 2023 or during the year ended 31 December 2022.

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

	For the nine month period ended 30 September 2023 (Un-audited)		For the year ended 31 December 2022 (Audited)	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Financial assets				
Balance as at the beginning of the period / year	**329,239**	**393,167**	206,914	259,608
Fair value movement during the period / year	**-**	**2,105**	1,323	(13,361)
Additions during the period / year	**-**	**34,794**	121,002	146,920
Disposals during the period / year	**-**	**(9,118)**	-	-
Balance at the end of the period / year	**329,239**	**420,948**	**329,239**	**393,167**

22. Fair value measurement (continued)

	30 September 2023 Un-audited	31 December 2022 Audited
Non-financial assets - Investment properties		
Balance at the beginning of the period / year	**3,085,729**	2,825,021
Additions during the period / year	**19,832**	49,491
Transfer from held-for-sale during the period / year	**14,469**	351,936
Disposals during the period / year	**(41,733)**	(88,370)
Loss on revaluation during the year	**-**	(35,044)
Exchange differences	**1,143**	(17,305)
Balance at the end of the period / year	**3,079,440**	**3,085,729**

During the nine month period ended 30 September 2023, the Group transferred a property of AED 14.5 million from properties held for sale to investment properties *(year ended 31 December 2022, the Group transferred a property of AED 352 million from properties held for sale to investment properties)*. This has no impact on condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2023 or the nine month period ended 30 September 2022.

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, discounted cash flow / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed. The carrying amount of the investment properties is the fair value of the properties as determined by an independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on an annual basis. The valuation techniques used for fair valuation of the investment properties were disclosed in the consolidated financial statements for the year ended 31 December 2022.

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 2023 (Un-audited)	**340,868**	**(340,868)**	**42,095**	**(42,095)**
For the year ended 31 December 2022 (Audited)	341,497	(341,497)	39,317	(39,317)

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 26 February 2023, a cash dividend of 10% of the paid up capital, amounting to AED 308.2 million (AED 0.1 per share) and 5% bonus shares amounting AED 154.1 million (1 share for each 20 shares) was approved for the year ended 31 December 2022 *(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 (AED 0.08 per share) was approved for the year ended 31 December 2021)* .

25. Contingencies and commitments

	As at 31 September 2023 Un-audited	As at 31 December 2022 Audited
Letters of credit	**368,916**	233,823
Letters of guarantee	**2,365,533**	2,102,854
Capital commitments	**395,400**	91,827

Total net asset value of the funds under management as at 30 September 2023 amounts to AED 1,603.7 million *(As at 31 December 2022:AED 1,217 million).*

26. Subsequent events

There have been no events subsequent to the 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 2023.

27. Basic and diluted earnings per share

The calculation of earnings per share is based on profit for the period attributable to the shareholders as adjusted by profit on Tier 1 sukuk divided by the weighted average number of shares 3,235,677,638 *(As at 31 December 2022: 3,235,677,638)* for all periods presented. The earnings per share for the nine month period ended 30 September 2022 has been restated to account for the impact of bonus shares issued during the nine month period ended 30 September 2023 as well as the impact of profit on Tier 1 sukuk. There is no dilution impact on basic earnings per share.

28. Climate change

Abu Dhabi Securities Exchange has deployed key initiatives to promote the adoption of Environment, Social, and Governance (ESG) among the listed companies and investors. Promoting sustainability reporting: Promoting market education through the deployment of a sustainability reporting disclosure guide, group and individual engagement sessions with the listed companies:

- Promoting sustainable financial products: Encouraging the development of green financial products
- Promoting responsible investment practices: Encouraging dialogue between investors and listed

In November 2019, ADX issued guidelines on disclosures over economic, social and governance matters, putting together 31 key areas around which listed companies can report their performance. Owing to the guidelines, the Group issued its “ESG report” for the year 2022 and is available on SIB website for investors and other stakeholders.