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**SHARJAH ISLAMIC BANK PJSC**

**CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**30 June 2021**

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# SHARJAH ISLAMIC BANK PJSC

## Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK PJSC ("the Bank") and its subsidiaries (together referred as the "Group") for the six month period ended 30 June 2021.

### Financial highlights

The Group has reported a profit of AED 289.5 million for the six-month period ended 30 June 2021 compared to AED 251.2 million for the corresponding prior period, an increase of 15.2%.

Compared to 31 December 2020, total assets increased by AED 750 million to reach AED 54.4 billion, an increase of 1.4%. Investments in Islamic financing remained at the same level of AED 29.3 billion; however, customer deposits experienced a growth of 4.1% (AED 1.4 billion) to reach AED 35 billion. Shareholders' equity remained at the same level of 31 December 2020 amounting AED 7.6 billion as at 30 June 2021.



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Abdul Rahman Mohammed Nasser Al Owais

Chairman

15 July 2021



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

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (the "Group") as at 30 June 2021 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three month and six month periods then ended, and condensed consolidated interim statements of cash flows and changes in equity for the six month period then ended and other explanatory notes.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### Scope of our review

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

### Conclusion

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

PricewaterhouseCoopers  
15 July 2021

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


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


AS AT 30 June 2021

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

	<i>Notes</i>	<b>30 June 2021 Un-audited</b>	<b>31 December 2020 Audited</b>
<b>Assets</b>			
Cash and balances with banks and financial institutions	6	2,559,835	3,391,498
Murabaha and wakalah with financial institutions	7	10,390,167	7,831,780
Investment securities	8	6,659,030	7,747,406
Investment in Islamic financing	9	29,291,904	29,268,559
Investment properties		2,965,963	2,886,044
Properties held-for-sale		693,094	653,083
Other assets		864,522	897,361
Property and equipment	10	926,658	925,022
<b>Total assets</b>		<b>54,351,173</b>	<b>53,600,753</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Customer deposits	11	34,992,220	33,608,308
Due to banks		5,303,596	5,973,063
Sukuk payable	12	5,502,724	5,500,746
Other liabilities	13	917,709	806,856
Zakat payable		19,757	66,422
<b>Total liabilities</b>		<b>46,736,006</b>	<b>45,955,395</b>
<b>Shareholders' equity</b>			
Share capital	14	3,081,598	3,081,598
Tier 1 sukuk		1,836,500	1,836,500
Legal reserve		1,508,508	1,508,508
Statutory reserve		89,008	89,008
General impairment reserve		115,183	112,371
Fair value reserve		16,572	44,380
Retained earnings		967,798	972,993
<b>Total shareholders' equity</b>		<b>7,615,167</b>	<b>7,645,358</b>
<b>Total liabilities and shareholders' equity</b>		<b>54,351,173</b>	<b>53,600,753</b>

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 15 July 2021.

  
Abdul Rahman Mohammed Nasser Al Owais  
Chairman

  
Mohammed Ahmed Abdullah  
Chief Executive Officer

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2021

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

	<b>Three month period ended 30 June</b>		<b>Six month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Un- audited</b>	<b>Un- audited</b>	<b>Un- audited</b>	<b>Un- audited</b>
Income from investment in Islamic financing and sukuku	417,237	430,242	835,957	854,119
Distribution to depositors and sukuk holders	(142,375)	(191,427)	(297,939)	(391,552)
<b>Net income from financing and investment products</b>	<b>274,862</b>	<b>238,815</b>	<b>538,018</b>	<b>462,567</b>
Investment, fees, commission and other income	68,586	60,295	149,039	138,723
<b>Total operating income</b>	<b>343,448</b>	<b>299,110</b>	<b>687,057</b>	<b>601,290</b>
General and administration expenses	(138,364)	(134,014)	(269,772)	(268,990)
<b>Net operating income before impairment provision</b>	<b>205,084</b>	<b>165,096</b>	<b>417,285</b>	<b>332,300</b>
Impairment on financial assets – net of recoveries	(79,771)	(67,554)	(127,795)	(81,098)
<b>Profit for the period</b>	<b>125,313</b>	<b>97,542</b>	<b>289,490</b>	<b>251,202</b>
(Attributable to the shareholders of the Bank)				
<b>Basic and diluted earnings per share (U.A.E. Dirhams)</b>	<b>0.04</b>	<b>0.03</b>	<b>0.09</b>	<b>0.08</b>

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

**SHARJAH ISLAMIC BANK PJSC****CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTH PERIOD ENDED 30 June 2021

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

	<b>Three month period ended 30 June</b>		<b>Six month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Un- audited</b>	<b>Un- audited</b>	<b>Un- audited</b>	<b>Un- audited</b>
<b>Profit for the period</b>	<b>125,313</b>	<b>97,542</b>	<b>289,490</b>	<b>251,202</b>
<b>Other comprehensive income</b>				
<i>Items that will be reclassified to profit or loss</i>				
Net change in fair value reserve on sukuk investments classified at FVTOCI	<b>8,998</b>	<b>36,282</b>	<b>(3,895)</b>	<b>(14,864)</b>
<i>Items that will not be reclassified to profit or loss</i>				
Net change in fair value reserve on equity investments classified at FVTOCI	<b>(11,381)</b>	<b>(14,320)</b>	<b>(17,935)</b>	<b>(32,011)</b>
<b>Total comprehensive income for the period</b> (Attributable to the shareholders of the Bank)	<b>122,930</b>	<b>119,504</b>	<b>267,660</b>	<b>204,327</b>

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

**SHARJAH ISLAMIC BANK PJSC**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED 30 June 2021**  
(Currency: Thousands of U.A.E. Dirhams)

	Six month period ended 30 June 2021 Un-audited	Six month period ended 30 June 2020 Un-audited
<b>Cash flows from operating activities</b>		
Profit for the period	289,490	251,202
Adjustments for:		
- Depreciation	22,762	24,870
- Amortisation of sukuk issuance costs	1,978	1,457
- Provision charge on investment in Islamic financing	104,077	81,098
- Provision charge on investment securities	23,331	-
- Provision charge on other assets	387	-
- Gain on sale of properties held for sale	(1,560)	(3,786)
- Gain on sale of investment properties	(2,325)	-
- Gain on sale of properties and equipment	981	-
<b>Operating profit before changes in operating assets and liabilities</b>	<b>438,721</b>	<b>354,431</b>
Changes in:		
- Reserve with UAE Central Bank	571,997	675,169
- Murabaha and wakalah with financial institutions	(54,823)	1,336,658
- Investments in Islamic financing	(127,422)	(4,015,822)
- Other assets	32,452	7,521
- Customer deposits	1,383,912	4,924,957
- Due to banks	(668,306)	3,004,753
- Zakat payable	(46,665)	(60,159)
- Other liabilities	105,443	(28,068)
<b>Net cash generated from operating activities</b>	<b>1,635,309</b>	<b>6,199,850</b>
<b>Cash flows from investing activities</b>		
Acquisition of properties and equipment	(24,398)	(41,944)
Disposal of properties and equipment	(581)	-
Acquisition of investment properties	(36,702)	(74,213)
Disposal of investment properties	28,523	-
Acquisition of properties held-for-sale	(139,417)	(30,598)
Disposal of properties held-for-sale	31,551	18,147
Acquisition of investment securities	(62,626)	(2,579,884)
Disposal / redemption of investment securities	1,105,841	716,063
<b>Net cash generated from / (used in) investing activities</b>	<b>902,191</b>	<b>(1,992,429)</b>
<b>Cash flows from financing activities</b>		
Repayment of sukuk	-	(1,836,500)
Issuance of sukuk	-	1,833,797
Profit paid on tier 1 sukuk	(45,913)	(45,912)
Cash dividend	(246,528)	(146,742)
<b>Net cash used in from financing activities</b>	<b>(292,441)</b>	<b>(195,357)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,245,059</b>	<b>4,012,064</b>
Cash and cash equivalents at the beginning of the period	6,426,493	4,781,727
<b>Cash and cash equivalents at the end of the period</b> (Note 21)	<b>8,671,552</b>	<b>8,793,791</b>

The accompanying notes form pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2021

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

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK							Total shareholders' equity
	Share capital	Tier 1 sukuk	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	
<b>As at 1 January 2020 (Audited)</b>	<b>2,934,855</b>	<b>1,836,500</b>	<b>1,467,428</b>	<b>89,008</b>	<b>132,745</b>	<b>23,390</b>	<b>1,045,261</b>	<b>7,529,187</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	251,202	251,202
<b>Other comprehensive income</b>								
Net change in fair value reserve	-	-	-	-	-	(46,875)	-	(46,875)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46,875)</b>	<b>251,202</b>	<b>204,327</b>
<b>Transactions recorded directly in equity</b>								
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	260	(260)	
Transfer to general impairment reserve	-	-	-	-	27,867	-	(27,867)	
Bonus issue	146,743	-	-	-	-	-	(146,743)	
Dividends declared	-	-	-	-	-	-	(146,742)	(146,742)
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,912)	(45,912)
Board of directors' fees	-	-	-	-	-	-	(5,410)	(5,410)
<b>Total</b>	<b>146,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,867</b>	<b>260</b>	<b>(372,934)</b>	<b>(198,064)</b>
<b>As at 30 June 2020 (Un-audited)</b>	<b>3,081,598</b>	<b>1,836,500</b>	<b>1,467,428</b>	<b>89,008</b>	<b>160,612</b>	<b>(23,225)</b>	<b>923,529</b>	<b>7,535,451</b>
<b>As at 1 January 2021 (Audited)</b>	<b>3,081,598</b>	<b>1,836,500</b>	<b>1,508,508</b>	<b>89,008</b>	<b>112,371</b>	<b>44,380</b>	<b>972,993</b>	<b>7,645,358</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	289,490	289,490
<b>Other comprehensive income</b>								
Net change in fair value reserve	-	-	-	-	-	(21,830)	-	(21,830)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,830)</b>	<b>289,490</b>	<b>267,660</b>
<b>Transactions recorded directly in equity</b>								
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	(5,978)	5,978	
Cash dividends	-	-	-	-	-	-	(246,528)	(246,528)
Transfer to general impairment reserve	-	-	-	-	2,812	-	(2,812)	
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,913)	(45,913)
Board of directors' fees	-	-	-	-	-	-	(5,410)	(5,410)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,812</b>	<b>(5,978)</b>	<b>(294,685)</b>	<b>(297,851)</b>
<b>As at 30 June 2021 (Un-audited)</b>	<b>3,081,598</b>	<b>1,836,500</b>	<b>1,508,508</b>	<b>89,008</b>	<b>115,183</b>	<b>16,572</b>	<b>967,798</b>	<b>7,615,166</b>

The accompanying notes from pages 8 to 28 form an integral part of these condensed consolidated interim financial statements.



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## SHARJAH ISLAMIC BANK PJSC

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 June 2021 (Un-audited)

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

#### 1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the “Bank”) was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari’a principles and regulations of the UAE Central Bank, which are carried out through its 35 branches (2020: 34 branches) established in the United Arab Emirates.

At an extraordinary shareholder’s meeting held on 18 March 2001, a resolution was passed to transform the Bank’s activities to be in full compliance with Islamic Shari’a rules and principles. The entire process was completed on 30 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 United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS) and ASAS Real Estate as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited, (all together referred to as “the Group”). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari’a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank’s Sukuk program.

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

#### 2. Basis of preparation

##### a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. Selected explanatory notes, 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 2020. 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 2020.

##### b) Basis of measurement

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

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

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**SHARJAH ISLAMIC BANK PJSC****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 June 2021 (Un-audited)**

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

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

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

**3. Summary of significant accounting policies**

The accounting policies applied by the Group in preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2020.

**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 2020.

**Impact of COVID-19**

On 11 March 2020, the World Health Organisation ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. This note describes the impact of the outbreak on the Bank's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 June 2021.

**i) Credit risk management**

In response to the COVID-19 outbreak, the Bank's Risk management division identified the vulnerable sectors that are significantly impacted by this stressed situation, and reviews are being conducted on a more frequent basis. The existing corporate credit lines are being reviewed and the utilization is being closely monitored. The Bank enjoys a well-diversified financing portfolio where Government and Government related entities (GRE) represent more than 35% (31 December 2020: 34%).

The Bank has been extra vigilant in underwriting to companies in the vulnerable sectors, especially for any New-to-Bank customers. Extra measures, such as requiring additional approvals for disbursements of facilities have been implemented to ensure a high level of scrutiny over the credit management process. The Bank is conducting frequent reviews of the Loan to Value ("LTV") ratios on the securities held against facilities, specifically securities which are illiquid in nature. Moreover, the management has reviewed all of its credit lending policies to address the current increasing economic risk for different sectors.

In addition to the above and as explained in note 4 (ii) liquidity risk management, as required by the Joint Guidance issued in April 2021 for clients benefitting from payment deferrals, the Bank has considered the following principles for the classification of the customers into Group 1 and Group 2":

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**SHARJAH ISLAMIC BANK PJSC**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 June 2021 (Un-audited)  
(Currency: Thousands of U.A.E. Dirhams)

**4. Key accounting estimates and judgments (continued)****Impact of COVID-19 (continued)****i) Credit risk management (continued)****Group 1: clients that are temporality and mildly impacted by the Covid-19 crisis:**

For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These clients are expected to face liquidity constraints without substantial changes in their creditworthiness.

For these clients, the Bank holds the view that, despite being subject to payment deferrals, there is insufficient deterioration in credit quality to trigger a stage migration. These clients will remain in their current stage, at least for the duration of the crisis, or their distress, whichever is the shorter. For instance, this would apply to industries that are expected to rapidly return to normal business conditions as confinement policy decisions are over.

**Group 2: clients that are expected to be significantly impacted by Covid-19 in the long term:**

These are the clients whose businesses are directly impacted by COVID-19. These clients are expected to face changes in their creditworthiness beyond liquidity issues leading to deterioration in credit risk. Consequently, exposure from these clients is reported as stage 2.

Due to the possibility of later economic rebound, these clients are not expected to migrate to IFRS 9 stage 3 based on their financial performance during the period of the crisis. In exceptional circumstances, such stage 3 migration can be triggered by liquidation/ bankruptcy caused by non-financial events (such as fraud) or significant disruptions threatening the long-term sustainability of the clients' business model. Consequently, the Bank continues to monitor the creditworthiness of these clients, particularly indications of potential inability to pay any of their obligations as and when they become due.

As at 30 June 2021, the Bank has classified its clients awarded deferment into Group 1 and Group 2 (refer note 9.3).

**ii) Use of estimates and judgements**

The Group is constantly monitoring the current pandemic situation as it unfolds, noting that there is uncertain economic data available to accurately evaluate the impact of the outbreak on the UAE economy, and on the Bank's financial position as at 30 June 2021.

The Bank exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. Given the uncertainty and limited forward looking information, the Bank has taken the approach of implementing a judgmental overlay to the ECL model by changing its macroeconomic weightages. Going forward, the Bank will continue to monitor and evaluate the impact of the outbreak, and will consider adjusting its ECL model in subsequent reporting periods, if required.

**Governance around IFRS 9 ECL models and calculations**

Given the significant impact that the macro economic scenarios and weightages will have on the Bank's Expected Credit losses, the Bank has further strengthened its processes, controls and governance frameworks around macro economic forecasting and the computation of Expected Credit losses. The Bank's IFRS 9 Committee, which reports to the Executive Management, has primary responsibility for overseeing the Bank's ECL models. To ensure the ongoing integrity of ECL calculations during times of extreme uncertainty and volatility, the Bank's IFRS 9 Committee will be exercising oversight by conducting regular reviews of the portfolio. The committee will closely monitor the macro economic inputs applied to the IFRS 9 model at the bank and recommend changes required over the period in the light of relevant information received. The committee will continually assess the performance of the Bank's portfolio, ensuring that credit risk behaviors align with the significant increase in credit risk policy and that the staging criteria remain relevant.

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**SHARJAH ISLAMIC BANK PJSC**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 June 2021 (Un-audited)  
(Currency: Thousands of U.A.E. Dirhams)

**4. Key accounting estimates and judgments (continued)****Impact of COVID-19 (continued)****ii) Use of estimates and judgements (continued)****Governance around IFRS 9 ECL models and calculations (continued)**

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. While it is challenging to estimate the impact of COVID-19 on our ECL estimates as the situation is still evolving, it is expected to have a deep impact on the macro-economic environment. The Bank has assessed the impact of the crisis and used 0% weightage to the upward scenario as of 30 June 2021. Had adverse scenario been increased from 20% by another 10%, impairment loss allowance would increase by AED 24.9 million.

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The volatility caused by the current situation has been reflected through adjustment in the methods of forward looking scenario construction. These adjustments reflect the macroeconomic overlays as suggested in the Joint Guidance Note on IFRS 9 by CBUAE. The most significant period-end assumptions used for ECL estimate includes next 5-year average oil price ranging between US\$ 40.3/barrel to US\$ 69.8/barrel, equity price index growth volatility ranging between -18% to 29%, non-oil UAE GDP range falling 3% to rising 9% and UAE CPI index ranging -2% to 5%.

Judgement is also required in estimating EAD, particularly for Islamic financing commitments, including letters of credit and guarantee, and revolving credit facilities such as credit cards, where deterioration in the macro economic environment is generally accompanied by an increase in the volumes and duration of the drawdowns. Credit conversion factor used by the Bank for unutilized limits has been set at 20%, thus stressing EAD to current situation.

The COVID 19 related impact on LGD, the Bank has computed ECL using stressed BASEL LGD of 60% for real estate, construction and contracting and consumer home financing. Islamic financing to individuals' accounts for 10% of the total gross portfolio; ECL on which has been computed based on stressed LGD of as high as 91.9%.

Management will continually monitor how the economic conditions change over the next reporting period and will re- evaluate the adequacy of downside weight, and adverse effect, if any, will be accounted for.

**iii) Liquidity risk management**

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

The stimulus package includes the following:

- Launch of the Targeted Economic Support Scheme ('TESS'), which allows banks to grant temporary relief to certain customers in the way of deferring payments for up to 6 months, and allowing banks to apply for zero-cost funding from the Central Bank. The Zero cost facility ("ZCF") consists of collateralized CBUAE liquidity facilities provided to eligible counter parties under the TESS program. Funds borrowed by the Bank under the ZCF are priced at zero profit rate and the Bank is expected to pass on this zero-cost benefit, at a minimum, to its clients who have been identified to be eligible as per TESS guidelines;
- Granted an extension of the capital buffer relief to 31 December 2021 for banks participating in the TESS Program;
- Reduction of the reserve requirements by half for demand deposits for all banks, from 14% to 7%; and
- Planned implementation of certain Basel III capital requirements will be postponed to 30 June 2021.

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**SHARJAH ISLAMIC BANK PJSC****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED 30 June 2021 (Un-audited)**

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**4. Key accounting estimates and judgments (continued)****Impact of COVID-19 (continued)****iii) Liquidity risk management (continued)**

The Group's management of liquidity risk is disclosed in note 4 (ii) (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2020. In response to the COVID 19 outbreak, the Bank is evaluating its liquidity and funding position and has taken into consideration all the reliefs provided by the Central Bank. Further, the Bank has taken the following actions to manage liquidity risks:

- 1) Monitoring the movements and composition of its deposits on a daily basis;
- 2) Monitoring the adherence to regulatory ratios, including eligible liquid assets ratio (ELAR) and lending to stable resources ratio (LSRR) on a daily basis. As of reporting date ELAR stands at 17.43%, well above the minimum requirement of 10% (without incentive from CBUAE) and 7% (after reduction in the requirement from CBUAE), whereas LSRR stands at 71.58% as against the maximum allowed of 100% by CBUAE.
- 3) Developing contingency plans and opening up new funding lines in the treasury and inter-bank markets of other GCC countries;
- 4) Developing stress testing scenarios to assess the impact on the Bank in extreme stress; and
- 5) Bank as of the reporting date holds sovereign marketable securities amounting AED 2.5 billion which can be utilised in case of extreme liquidity shortage, if required.

As at 30 June 2021, out of CBUAE's total funding program of AED 50 billion under ZCF, an amount of AED 545.8 million is earmarked for the Bank, maturing on 31 December 2021. The Bank has pledged Islamic certificate of deposits of equivalent amount to CBUAE against ZCF. The benefit has been passed onto customers in the form of payment reliefs (installment deferrals). The Bank continues to accrue profit on payment deferrals provided to the ijara financing receivable customers and there will be no significant change to the present value of future cash flows due to these deferrals. Currently, the Bank is closely monitoring its liquidity position and risks arising due to the COVID-19 crisis.

**iv) Fair value measurement of financial instruments**

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 3 (b) (v) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2020.

Given the significant impact of the COVID-19 pandemic on the global financial markets, the bank is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

**v) Investment properties**

Based on management's assessment, the Bank has not identified any significant impact to the fair values of investment properties during the six month period ended 30 June 2021. As the situation continues to unfold, the Bank will consistently monitor the market and ensure that the prices used by the Bank are an accurate representation of fair value in accordance with the requirements of IFRS 13.

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**4. Key accounting estimates and judgments (continued)****Impact of COVID-19 (continued)****vi) Capital adequacy initiatives**

The outreaching impact of COVID 19 is expected to impact the Bank's Risk Weightage Assets via higher charges arising from increased volatility and higher counter party risks. The implementation of the requirements of IFRS 9 Expected Credit Losses in a less favorable economic outlook is expected to increase the credit risk weights of financing and also increase provision allowances and hence impacts the Bank's strong capital adequacy, which currently stands at 20.78% (31 December 2020: 20.71%). The Bank expects CAR in an extreme stressed scenario to remain well above the UAE banking sector average and the baseline and relaxed CBUAE BASEL III requirement of 13% and 11.5% respectively, 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 expected 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). The CBUAE has also granted extension of the capital buffer relief to 31 December 2021 for banks enrolled in the TESS program.

The Bank's Risk Committee, in liaison with the Risk Management department is constantly monitoring the developments in relation to the outbreak and is continually monitoring the Bank's ability to maintain adequate capital levels at all times, in both existing and stressed scenarios.

**vii) Business continuity plan**

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

**viii) Concentration analysis**

Please refer to note 9 to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 30 June 2021.

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**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 June 2021 (Un-audited)			Total
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	
<b><i>Cash and balances with banks and financial institutions</i></b>	<b>586,863</b>	-	-	<b>586,863</b>
Loss allowance	(1)	-	-	(1)
Carrying amount	586,862	-	-	586,862
<b><i>Murabaha and wakalah with financial institutions</i></b>	<b>5,391,934</b>	-	-	<b>5,391,934</b>
Loss allowance	(1,767)	-	-	(1,767)
Carrying amount	5,390,167	-	-	5,390,167
<b><i>Investment securities measured at amortised cost</i></b>	<b>4,848,794</b>	<b>101,899</b>	<b>62,337</b>	<b>5,013,030</b>
Loss allowance	(3,471)	(16,114)	(62,337)	(81,922)
Carrying amount	4,845,323	85,785	-	4,931,108
<b><i>Investment securities measured at FVTOCI (excluding equity investments)</i></b>	<b>1,254,099</b>	-	-	<b>1,254,099</b>
Loss allowance	(707)	-	-	(707)
Carrying amount	1,253,392	-	-	1,253,392
<b><i>Investments in Islamic financing</i></b>	<b>26,860,991</b>	<b>2,250,024</b>	<b>1,527,357</b>	<b>30,638,372</b>
Loss allowance	(210,253)	(185,343)	(950,872)	(1,346,468)
Carrying amount	26,650,738	2,064,681	576,485	29,291,904
<b><i>Other assets (excluding non-financial assets)</i></b>	<b>838,044</b>	-	<b>31,373</b>	<b>869,417</b>
Loss allowance	(8,394)	-	(31,373)	(39,767)
Carrying amount	829,650	-	-	829,650
<b>Net credit risk exposures relating to on-balance sheet assets</b>	<b>39,556,132</b>	<b>2,150,466</b>	<b>576,485</b>	<b>42,283,083</b>
<b><i>Letter of credit and guarantee</i></b>	<b>676,826</b>	<b>24,291</b>	<b>31</b>	<b>701,148</b>
Loss allowance	(2,094)	(388)	-	(2,482)
<b>Net credit risk exposures relating to off-balance sheet assets</b>	<b>674,732</b>	<b>23,903</b>	<b>31</b>	<b>698,666</b>
	<b>40,230,864</b>	<b>2,174,369</b>	<b>576,516</b>	<b>42,981,749</b>
<b>Gross credit risk exposure</b>	<b>40,457,551</b>	<b>2,376,214</b>	<b>1,621,098</b>	<b>44,454,863</b>
<b>Total loss allowance</b>	<b>(226,687)</b>	<b>(201,845)</b>	<b>(1,044,582)</b>	<b>(1,473,114)</b>
	<b>40,230,864</b>	<b>2,174,369</b>	<b>576,516</b>	<b>42,981,749</b>

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**5. Financial risk management (continued)**
**a) Maximum exposure to credit risk (continued)**

	31 December 2020 (Audited)			Total
	Stage 1 12 month	ECL Staging		
		Stage 2 Lifetime	Stage 3 Lifetime	
<b><i>Cash and balances with banks and financial institutions</i></b>	789,083	-	-	789,083
Loss allowance	-	-	-	-
Carrying amount	<b>789,083</b>	-	-	<b>789,083</b>
<b><i>Murabaha and wakalah with financial institutions</i></b>	2,883,120	-	-	2,883,120
Loss allowance	(1,340)	-	-	(1,340)
Carrying amount	<b>2,881,780</b>	-	-	<b>2,881,780</b>
<b><i>Investment securities measured at amortised cost</i></b>	5,417,332	-	62,337	5,479,669
Loss allowance	(5,526)	-	(53,065)	(58,591)
Carrying amount	<b>5,411,806</b>	-	<b>9,272</b>	<b>5,421,078</b>
<b><i>Investment securities measured at FVTOCI (excluding equity investments)</i></b>	1,192,418	-	-	1,192,418
Loss allowance	(734)	-	-	(734)
Carrying amount	<b>1,191,684</b>	-	-	<b>1,191,684</b>
<b><i>Investments in Islamic financing</i></b>	26,825,490	2,237,139	1,493,752	30,556,381
Loss allowance	(264,019)	(135,049)	(888,754)	(1,287,822)
Carrying amount	<b>26,561,471</b>	<b>2,102,090</b>	<b>604,998</b>	<b>29,268,559</b>
<b><i>Other assets (excluding non-financial assets)</i></b>	800,118	-	30,974	831,092
Loss allowance	(8,461)	-	(30,974)	(39,435)
Carrying amount	<b>791,657</b>	-	-	<b>791,657</b>
<b>Net credit risk exposures relating to on-balance sheet assets</b>	<b>37,627,481</b>	<b>2,102,090</b>	<b>614,270</b>	<b>40,343,841</b>
<b><i>Letter of credit and guarantee</i></b>	701,237	24,210	31	725,478
Loss allowance	(2,389)	(53)	-	(2,442)
<b>Net credit risk exposures relating to off-balance sheet assets</b>	<b>698,848</b>	<b>24,157</b>	<b>31</b>	<b>723,036</b>
	<b>38,326,329</b>	<b>2,126,247</b>	<b>614,301</b>	<b>41,066,877</b>
<b>Gross credit risk exposure</b>	<b>38,608,798</b>	<b>2,261,349</b>	<b>1,587,094</b>	<b>42,457,241</b>
<b>Total ECL</b>	<b>(282,469)</b>	<b>(135,102)</b>	<b>(972,793)</b>	<b>(1,390,364)</b>
	<b>38,326,329</b>	<b>2,126,247</b>	<b>614,301</b>	<b>41,066,877</b>



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**5. Financial risk management (continued)****b) Capital adequacy**

The capital adequacy ratio is based on Basel III and the Central Bank of the UAE (CBUAE) rules and guidelines:

	<b>30 June 2021 Un-audited</b>	<b>31 December 2020 Audited</b>
<b>Capital base</b>		
Common Equity tier 1	5,756,010	5,528,835
Additional tier 1 capital	1,836,500	1,836,500
<b>Total tier 1 capital base</b>	<b>7,592,510</b>	<b>7,365,335</b>
<b>Total tier 2 capital base</b>	<b>453,167</b>	<b>441,619</b>
<b>Total capital base</b>	<b>8,045,677</b>	<b>7,806,954</b>
<b>Risk weighted assets</b>		
Credit risk	36,253,321	35,329,510
Market risk	199,391	111,831
Operational risk	2,262,468	2,262,468
<b>Total risk weighted assets</b>	<b>38,715,180</b>	<b>37,703,809</b>
<b>Capital Ratios</b>		
Common equity tier 1 ratio	14.87%	14.66%
Tier 1 capital ratio	19.61%	19.53%
Capital adequacy ratio	20.78%	20.71%

**6. Cash and balances with banks and financial institutions**

Cash	612,033	669,478
Statutory deposit with CBUAE	1,360,940	1,932,937
Due from banks	586,862	789,083
	<b>2,559,835</b>	<b>3,391,498</b>

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

**7. Murabaha and wakalah with financial institutions**

Murabaha	1,897,026	422,208
Wakala arrangements	8,493,141	7,409,572
	<b>10,390,167</b>	<b>7,831,780</b>

Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting AED 5.0 billion (31 December 2020: AED 4.9 billion).

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**8. Investment securities**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>Un-audited</b>	<b>Audited</b>
<i>Financial assets at fair value through profit or loss</i>		
- Equity and funds	55,656	41,148
- Sukuk	32,915	63,844
	<b>88,571</b>	<b>104,992</b>
<i>Financial assets at fair value through other comprehensive income</i>		
- Equity and funds	385,959	1,029,652
- Sukuk	1,254,099	1,192,418
	<b>1,640,058</b>	<b>2,222,070</b>
Less: Loss allowance on financial assets measured at FVTOCI	(707)	(734)
	<b>1,639,351</b>	<b>2,221,336</b>
<i>Financial assets measured at amortised cost</i>		
- Sukuk	5,013,030	5,479,669
Less: Loss allowance on financial assets measured at amortised cost	(81,922)	(58,591)
	<b>4,931,108</b>	<b>5,421,078</b>
	<b>6,659,030</b>	<b>7,747,406</b>

Sukuk held at amortised cost include AED 2,361 million (31 December 2020: AED 3,076 million) pledged against a collateralized commodity murabaha arrangement.

**9. Investment in Islamic financing**

9.1 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**

Vehicle murabaha	207,030	218,076
Goods murabaha	8,857,264	8,626,467
Real estate murabaha	24,479	32,358
Other murabaha receivable	580,890	560,861
Syndicate murabaha	1,430,305	1,352,097
Gross murabaha financing	11,099,968	10,789,859
Deferred profit	(1,090,250)	(1,007,659)
Net murabaha financing	10,009,718	9,782,200
Ijarah	17,243,689	17,296,420
Qard hasan	646,485	548,921
Credit card receivables	79,792	79,513
Istisna	2,658,688	2,849,327
<b>Total investment in Islamic financing</b>	<b>30,638,372</b>	<b>30,556,381</b>
Provision for impaired financing receivables	(1,346,468)	(1,287,822)
<b>Net investment in Islamic financing</b>	<b>29,291,904</b>	<b>29,268,559</b>

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**9. Investments in Islamic financing (continued)**

b) By sector	30 June	31 December
	2021 Un-audited	2020 Audited
Government departments and authorities	11,259,075	10,926,792
Construction and contracting	709,263	823,149
Manufacturing	594,893	745,265
Transportation	1,409,328	1,523,434
Real estate	6,888,944	6,614,683
Retail businesses	564,568	600,189
Trade	1,561,096	1,655,858
Financial institutions	259,521	248,515
Services and others	1,340,127	1,254,170
Individual	3,101,433	3,053,764
Consumer home finance	1,180,737	1,456,580
HNWI	2,859,637	2,661,641
Deferred profit	(1,090,250)	(1,007,659)
Provision for impaired financing receivables	(1,346,468)	(1,287,822)
<b>Net investment in Islamic financing</b>	<b>29,291,904</b>	<b>29,268,559</b>

9.2 Reconciliations from the opening to the closing balance of the gross exposure at default (EAD) and loss allowance (ECL) for retail and corporate banking segment can be seen below:

	30 June 2021 (Un-audited)							
	Stage 1		Stage 2		Stage 3		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Balance at the beginning of year	26,825,490	264,019	2,237,139	135,049	1,493,752	888,754	30,556,381	1,287,822
<b>Retail banking</b>								
Transfer to Stage 1	22,956	1,405	(22,946)	(1,395)	(10)	(10)	-	-
Transfer to Stage 2	(27,966)	(765)	27,966	765	-	-	-	-
Transfer to Stage 3	(33,021)	(1,152)	(36,782)	(1,916)	69,803	3,068	-	-
Net addition / (repayments)	306,770	-	(3,285)	-	(9,802)	-	293,683	-
Net re-measurement of loss allowance	-	(31,640)	-	14	-	47,323	-	15,697
Recoveries	-	-	-	-	(2,107)	(2,857)	(2,107)	(2,857)
Write-offs	-	-	-	-	(566)	(566)	(566)	(566)
<b>Corporate banking</b>								
Transfer to Stage 1	54,170	2,399	(54,170)	(2,399)	-	-	-	-
Transfer to Stage 2	(311,270)	(5,243)	311,270	5,243	-	-	-	-
Transfer to Stage 3	(451)	(5)	(71,939)	(7,243)	72,390	7,248	-	-
Net addition / (repayments)	24,313	-	(137,229)	-	(49,771)	-	(162,687)	-
Net re-measurement of loss allowance	-	(18,765)	-	57,225	-	54,268	-	92,728
Recoveries	-	-	-	-	(968)	(992)	(968)	(992)
Write-offs	-	-	-	-	(45,364)	(45,364)	(45,364)	(45,364)
Balance at the end of period	26,860,991	210,253	2,250,024	185,343	1,527,357	950,872	30,638,372	1,346,468

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**9. Investments in Islamic financing (continued)**

9.2 Reconciliations from the opening to the closing balance of the gross exposure at default (EAD) and loss allowance (ECL) for retail and corporate banking segment can be seen below (continued)

	31 December 2020 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Balance at the beginning of year	23,555,984	194,801	1,354,745	113,428	1,350,541	810,149	26,261,270	1,118,378
<b>Retail banking</b>								
Transfer to Stage 1	14,125	809	(10,710)	(809)	(3,415)	-	-	-
Transfer to Stage 2	(50,007)	(1,375)	50,007	1,375	-	-	-	-
Transfer to Stage 3	(110,130)	(2,917)	(23,717)	(1,135)	133,847	4,052	-	-
Net addition / (repayments)	(120,327)	-	(28,777)	-	745	-	(148,359)	-
Net re-measurement of loss allowance	-	55,934	-	754	-	66,418	-	123,106
Recoveries	-	-	-	-	(27,456)	(13,283)	(27,456)	(13,283)
Write-offs	-	-	-	-	(59,873)	(59,873)	(59,873)	(59,873)
<b>Corporate banking</b>								
Transfer to Stage 1	82,045	6,592	(82,045)	(6,592)	-	-	-	-
Transfer to Stage 2	(889,086)	(8,447)	889,217	8,447	(131)	-	-	-
Transfer to Stage 3	(97,491)	(1,627)	(216,003)	(21,541)	313,494	23,168	-	-
Net addition / (repayments)	4,440,377	-	304,422	-	(187,589)	-	4,557,210	-
Net re-measurement of loss allowance	-	20,249	-	41,122	-	80,124	-	141,495
Recoveries	-	-	-	-	(8,814)	(5,649)	(8,814)	(5,649)
Write-offs	-	-	-	-	(17,597)	(16,352)	(17,597)	(16,352)
Balance at the end of year	26,825,490	264,019	2,237,139	135,049	1,493,752	888,754	30,556,381	1,287,822

**9.3 Analysis of customers benefiting from payment deferrals**

The table below is an analysis of EAD and related ECL for customers that are benefiting from payment deferrals as of 30 June 2021:

	Corporate banking	Retail banking	Total
<b>TESS and Non-TESS program deferrals</b>			
<b>Group 1:</b>			
Investments in Islamic financing	2,256,493	120,548	2,377,041
ECL	41,048	3,055	44,103
Deferral amount	433,334	97,487	530,821
Number of customers	91	5,486	5,577
<b>Group 2:</b>			
Investments in Islamic financing	972,533	50,179	1,022,712
ECL	86,856	14,371	101,227
Deferral amount	179,237	8,343	187,580
Number of customers	50	298	348

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**9. Investments in Islamic financing (continued)****9.4 Portfolio wise analysis of ECL during the period**

	<b>30 June 2021</b>			
	<b>(Un-audited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL allowance as of 1 January 2021	<b>264,019</b>	<b>135,049</b>	<b>888,754</b>	<b>1,287,822</b>
<i>Retail banking</i>				
Credit cards	<b>(290)</b>	<b>17</b>	<b>1,094</b>	<b>821</b>
Housing loans	<b>(13,355)</b>	<b>(2,591)</b>	<b>8,235</b>	<b>(7,711)</b>
Personal loans	<b>(17,878)</b>	<b>94</b>	<b>37,707</b>	<b>19,923</b>
Auto loans	<b>(629)</b>	<b>(52)</b>	<b>(78)</b>	<b>(759)</b>
<i>Corporate banking</i>				
Government and related exposures	<b>(2,100)</b>	<b>749</b>	<b>-</b>	<b>(1,351)</b>
Other corporates	<b>(6,565)</b>	<b>12,787</b>	<b>28,703</b>	<b>34,925</b>
High net worth individuals	<b>(15,700)</b>	<b>29,795</b>	<b>(34,961)</b>	<b>(20,866)</b>
SMEs	<b>2,751</b>	<b>9,495</b>	<b>21,418</b>	<b>33,664</b>
ECL allowance as of 30 June 2021	<b>210,253</b>	<b>185,343</b>	<b>950,872</b>	<b>1,346,468</b>
	<b>31 December 2020</b>			
	<b>(Audited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL allowance as of 1 January 2020	<b>194,801</b>	<b>113,428</b>	<b>810,149</b>	<b>1,118,378</b>
<i>Retail banking</i>				
Credit cards	<b>(7)</b>	<b>(29)</b>	<b>(1,068)</b>	<b>(1,104)</b>
Housing loans	<b>10,152</b>	<b>200</b>	<b>14,090</b>	<b>24,442</b>
Personal loans	<b>43,088</b>	<b>22</b>	<b>(13,197)</b>	<b>29,913</b>
Auto loans	<b>856</b>	<b>45</b>	<b>(2,137)</b>	<b>(1,236)</b>
<i>Corporate banking</i>				
Government and related exposures	<b>8,122</b>	<b>-</b>	<b>-</b>	<b>8,122</b>
Other corporates	<b>7,260</b>	<b>17,571</b>	<b>40,674</b>	<b>65,505</b>
High net worth individuals	<b>3,958</b>	<b>(12,864)</b>	<b>22,222</b>	<b>13,316</b>
SMEs	<b>(4,211)</b>	<b>16,676</b>	<b>18,021</b>	<b>30,486</b>
ECL allowance as of 31 December 2020	<b>264,019</b>	<b>135,049</b>	<b>888,754</b>	<b>1,287,822</b>

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

**10. Property and equipment**

	<b>30 June 2021 Un-audited</b>	<b>31 December 2020 Audited</b>
Freehold land and buildings	779,625	786,540
Equipment, furniture and fittings	14,278	15,232
Computer equipment	54,056	48,984
Motor vehicles	2,191	502
Right of use assets	35,503	42,146
Capital - work in progress	41,005	31,618
	<u>926,658</u>	<u>925,022</u>

**11. Customers' deposits**

Current accounts	9,785,564	8,801,886
Saving accounts	2,810,804	2,660,073
Watany / call accounts	907,700	729,395
Time deposits	20,968,114	20,736,776
Margins	520,038	680,178
	<u>34,992,220</u>	<u>33,608,308</u>

**12. Sukuk payable**

Name of instrument	Maturity date	30 June 2021 Un-audited		31 December 2020 Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk 2021	8 September 2021	1,836,244	3.084%	1,835,499	3.084%
SIB Sukuk 2023	17 April 2023	1,834,361	4.231%	1,833,722	4.231%
SIB Sukuk 2025	23 June 2025	1,832,119	2.850%	1,831,525	2.850%
<b>Total</b>		<u>5,502,724</u>		<u>5,500,746</u>	

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**13. Other liabilities**

	<b>30 June 2021 Un-audited</b>	<b>31 December 2020 Audited</b>
Profit payable	161,993	200,077
Accrual and provision	52,281	39,202
Accounts payable	49,400	64,474
Provision for staff end of service benefits	81,652	75,739
Managers' cheques	49,575	62,041
Obligations under acceptances	186,172	155,130
Sundry creditors	323,210	192,401
Lease obligation	13,426	17,792
	<b>917,709</b>	<b>806,856</b>

**14. Share capital**

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

	<b>30 June 2021 Un-audited</b>		<b>31 December 2020 Audited</b>	
	No. of shares	Value	No. of shares	Value
Share capital	<b>3,081,598,000</b>	<b>3,081,598</b>	<b>3,081,598,000</b>	<b>3,081,598</b>

**15. 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**

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FOR THE SIX MONTH PERIOD ENDED 30 June 2021 (Un-audited)

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**15. Segment reporting (continued)**

For the period ended 30 June 2021 (Un-audited)	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
<b>Consolidated statement of profit or loss:</b>					
Income from investments in Islamic financing and sukuku	473,636	161,359	200,962	-	835,957
Distribution to depositors and sukuk holders	(149,729)	(18,237)	(129,973)	-	(297,939)
<b>Net income from financing and investment products</b>	<b>323,907</b>	<b>143,122</b>	<b>70,989</b>	<b>-</b>	<b>538,018</b>
Investments, fees, commission and other income	63,277	35,073	11,832	38,857	149,039
<b>Total operating income</b>	<b>387,184</b>	<b>178,195</b>	<b>82,821</b>	<b>38,857</b>	<b>687,057</b>
General and administrative expenses	-	-	-	(20,754)	(20,754)
General and administrative expenses – unallocated	-	-	-	-	(249,018)
<b>Net operating income before impairment provision</b>	<b>387,184</b>	<b>178,195</b>	<b>82,821</b>	<b>18,103</b>	<b>417,285</b>
Impairment on financial assets – net of recoveries	(81,680)	(497)	(45,280)	(338)	(127,795)
<b>Profit for the period</b>	<b>305,504</b>	<b>177,698</b>	<b>37,541</b>	<b>17,765</b>	<b>289,490</b>
<b>As at 30 June 2021 (Un-audited)</b>					
<b>Consolidated statement of financial position:</b>					
<b>Assets</b>					
Segment assets	23,687,817	4,652,151	24,408,882	1,181,590	53,930,440
Unallocated assets	-	-	-	-	420,733
<b>Total assets</b>	<b>23,687,817</b>	<b>4,652,151</b>	<b>24,408,882</b>	<b>1,181,590</b>	<b>54,351,173</b>
<b>Liabilities</b>					
Segment liabilities	26,846,805	5,980,464	13,545,648	52,629	46,425,546
Unallocated liabilities	-	-	-	-	310,460
<b>Total liabilities</b>	<b>26,846,805</b>	<b>5,980,464</b>	<b>13,545,648</b>	<b>52,629</b>	<b>46,736,006</b>



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
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(Currency: Thousands of U.A.E. Dirhams)

**15. Segment reporting (continued)**

For the period ended 30 June 2020 (Un-audited)	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
<b>Consolidated statement of profit or loss:</b>					
Income from investments in Islamic financing and sukuku	464,025	168,736	221,358	-	854,119
Distribution to depositors and sukuk holders	(225,624)	(20,823)	(145,105)	-	(391,552)
<b>Net income from financing and investment products</b>	<b>238,401</b>	<b>147,913</b>	<b>76,253</b>	<b>-</b>	<b>462,567</b>
Investments, fees, commission and other income	54,615	29,055	19,328	35,725	138,723
<b>Total operating income</b>	<b>293,016</b>	<b>176,968</b>	<b>95,581</b>	<b>35,725</b>	<b>601,290</b>
General and administrative expenses	-	-	-	(25,349)	(25,349)
General and administrative expenses – unallocated	-	-	-	-	(243,641)
<b>Net operating income before impairment provision</b>	<b>293,016</b>	<b>176,968</b>	<b>95,581</b>	<b>10,376</b>	<b>332,300</b>
Impairment on financial assets – net of recoveries	(28,499)	(34,150)	(17,038)	(1,411)	(81,098)
<b>Profit for the period</b>	<b>264,517</b>	<b>142,818</b>	<b>78,543</b>	<b>8,965</b>	<b>251,202</b>
<b>As at 31 December 2020 (Audited)</b>					
<b>Consolidated statement of financial position:</b>					
<b>Assets</b>					
Segment assets	23,530,963	4,756,938	23,400,229	1,452,369	53,140,499
Unallocated assets	-	-	-	-	460,254
<b>Total assets</b>	<b>23,530,963</b>	<b>4,756,938</b>	<b>23,400,229</b>	<b>1,452,369</b>	<b>53,600,753</b>
<b>Liabilities</b>					
Segment liabilities	26,383,978	5,589,668	13,582,122	53,191	45,608,959
Unallocated liabilities	-	-	-	-	346,436
<b>Total liabilities</b>	<b>26,383,978</b>	<b>5,589,668</b>	<b>13,582,122</b>	<b>53,191</b>	<b>45,955,395</b>

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2021 (Un-audited)

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

**16. Related parties**

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

At the reporting date, such significant balances include:

<b>Condensed consolidated interim statement of financial position</b>	<b>30 June 2021 (Un-audited)</b>			
	<b>Key management personnel</b>	<b>Major shareholders</b>	<b>Other related parties</b>	<b>Total</b>
Investment in Islamic financing	602,058	2,327,050	5,930,212	8,859,320
Customer deposits	(143,794)	(83,101)	(5,257,737)	(5,484,632)
Contingent liabilities – off balance sheet	112,821	84	12,149	125,054
<b>Condensed consolidated interim statement of profit or loss for the six month period ended 30 June 2021 (Un-audited)</b>				
Income from Islamic financing	12,185	36,668	102,782	151,635
Depositors' share of profit	(439)	(2,427)	(41,504)	(44,370)
<b>Condensed consolidated interim statement of financial position</b>	<b>31 December 2020 (Audited)</b>			
	<b>Key management personnel</b>	<b>Major shareholders</b>	<b>Other related parties</b>	<b>Total</b>
Investment in Islamic financing	679,870	2,243,450	6,001,766	8,925,086
Customer deposits	(152,012)	(662,205)	(5,018,937)	(5,833,154)
Contingent liabilities – off balance sheet	58,489	6,825	20,945	86,259
<b>Condensed consolidated interim statement of profit or loss for the six month period ended 30 June 2020 (Un-audited)</b>				
Income from Islamic financing	14,203	49,492	60,676	124,371
Depositors' share of profit	(458)	(2,613)	(43,920)	(46,991)

Key management compensation includes salaries and other short term benefits of AED 11.7 million for the six months period ended 30 June 2021 (Six month period ended 30 June 2020: AED 12 million) and post-employment benefits of AED 1.8 million for the six months period ended 30 June 2021 (six month period ended 30 June 2020: AED 0.7 million).

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

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**17. Fair value measurement**

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

	Level 1	Level 2	Level 3	Total
<b>At 30 June 2021 (Un-audited)</b>				
<b>Financial assets</b>				
FVTPL – investment securities	57,044	-	31,527	88,571
FVTOCI – investment securities	1,378,690	-	261,368	1,640,058
	<u>1,435,734</u>	<u>-</u>	<u>292,895</u>	<u>1,728,629</u>
<b>Non-financial assets</b>				
Investment properties at fair value	-	-	2,965,963	2,965,963
	<u>-</u>	<u>-</u>	<u>2,965,963</u>	<u>2,965,963</u>
<b>At 31 December 2020 (Audited)</b>				
<b>Financial assets</b>				
FVTPL – investment securities	73,428	-	31,564	104,992
FVTOCI – investment securities	1,934,860	-	287,210	2,222,070
	<u>2,008,288</u>	<u>-</u>	<u>318,774</u>	<u>2,327,062</u>
<b>Non-financial assets</b>				
Investment properties at fair value	-	-	2,886,044	2,886,044
	<u>-</u>	<u>-</u>	<u>2,886,044</u>	<u>2,886,044</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 sukuks measured at amortised cost for which the fair value is calculated using Level 1 inputs. The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the hierarchy for investment securities and investment properties:

	30 June 2021		31 December 2020	
	Un-audited		Audited	
<b>Financial assets</b>	<b>FVTPL</b>	<b>FVTOCI</b>	<b>FVTPL</b>	<b>FVTOCI</b>
Balance as at the beginning of the period	31,564	287,210	31,273	224,347
Fair value movement	(37)	(23,138)	291	(15,334)
(Disposal) / Addition	-	(2,704)	-	78,197
<b>Balance at the end of the period</b>	<u>31,527</u>	<u>261,368</u>	<u>31,564</u>	<u>287,210</u>

**SHARJAH ISLAMIC BANK PJSC****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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(Currency: Thousands of U.A.E. Dirhams)

**17. Fair value measurement (continued)**

	<b>30 June 2021 Un-audited</b>	<b>31 December 2020 Audited</b>
<b>Non-financial assets</b>		
Balance at the beginning of the period	2,886,044	2,699,959
Additions	36,701	178,922
Transfer from held-for-sale	69,416	42,192
Disposals	(26,198)	-
Revaluation loss	-	(35,029)
<b>Balance at the end of the period</b>	<b>2,965,963</b>	<b>2,886,044</b>

The valuation techniques and the inputs used in determining the fair values of level 3 assets is consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2020. There were no transfers between levels during the period.

**18. 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.

**19. Dividends**

During the annual general meeting of the shareholders held on 20 February 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 (2020: 5% cash dividend and 5% stock dividend, each amounting to AED 146.7 million for the year ended 31 December 2019).

**20. Contingencies and commitments**

	<b>30 June 2021 Un-audited</b>	<b>31 December 2020 Audited</b>
Letters of credit	183,475	186,004
Letters of guarantee	1,979,878	1,931,246
Capital commitments	41,556	115,502

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**SHARJAH ISLAMIC BANK PJSC****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED 30 June 2021 (Un-audited)****(Currency: Thousands of U.A.E. Dirhams)****21. Cash and cash equivalents**

	<b>30 June 2021 Un-audited</b>	<b>30 June 2020 Un-Audited</b>
Cash and balances with banks and financial institutions	<b>1,198,895</b>	2,233,454
Murabaha and wakalah with financial institutions	<b>7,485,349</b>	6,583,109
Due to banks	<b>(12,692)</b>	(22,772)
	<b><u>8,671,552</u></b>	<b><u>8,793,791</u></b>

**22. Comparative information**

Certain comparative amounts in condensed consolidated interim statement of cash flows and notes to the condensed consolidated interim financial statements have been adjusted to conform to the presentation adopted in the condensed consolidated interim financial statements for the six month period ended 30 June 2021.

**23. Subsequent events**

There have been no events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts reported in the condensed interim financial statements as at and for the six month period ended 30 June 2021.