
SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(UN – AUDITED)
31 MARCH 2019

SHARJAH ISLAMIC BANK PJSC

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK PJSC ("the Bank") and its subsidiaries (together referred as the "Group") for the three-month period ended 31 March 2019.

Financial highlights

The Group has reported a profit of AED 151.7 million for the three-month period ended 31 March 2019 compared to AED 143.1 million for the corresponding prior year period, an increase of 6%.

Compared to December 2018, total assets remained unchanged and stood at AED 44.7 billion. Investments in Islamic financing increased by 1.5% (AED 357.1 million) to reach AED 24.5 billion and no change was witnessed in the customer deposits and these were maintained at AED 26.4 billion.

Directors:-

H.E. Abdul Rahman Mohammed Nasser Al Owais	Chairman
Mr. Ahmed Mohamed Obaid Al Shamsi	Vice Chairman
Mr. Othman Mohammed Sharif Zaman	Member
Mr. Salah Buti Abead ben Buti Al Muhari	Member
Mr. Ali Bin Salim Al Mazrou	Member
Mr. Abdulla Sliman Hadad	Member
Mr. Mohammad N. Al Fouzan	Member

Abdul Rahman Mohammed Nasser Al Owais

Chairman

15 April 2019

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

AS AT 31 MARCH 2019

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

	<i>Notes</i>	31 March 2019 Un-audited	31 December 2018 Audited
Assets			
Cash and balances with banks and financial institutions	5	2,422,707	2,440,868
Murabaha and wakalah with financial institutions	6	6,964,128	7,217,226
Investment in Islamic financing	7	24,480,839	24,123,760
Investment securities	8	6,127,120	6,220,452
Investment properties	16	2,447,310	2,318,129
Properties held-for-sale		601,259	658,460
Other assets		775,582	907,905
Property and equipment	9	905,888	858,687
Total assets		44,724,833	44,745,487
Liabilities			
Customers deposits	10	26,441,692	26,438,275
Due to banks		6,544,026	6,548,781
Sukuk payable	11	5,500,486	5,499,603
Other liabilities	12	883,830	809,607
Zakat payable		16,087	61,589
Total liabilities		39,386,121	39,357,855
Shareholders' equity			
Share capital	13	2,934,855	2,934,855
Legal reserve		1,429,264	1,429,264
Statutory reserve		89,008	89,008
General impairment reserve		66,717	66,717
Fair value reserve		(48,028)	(87,537)
Retained earnings		866,896	955,325
Total shareholders' equity		5,338,712	5,387,632
Total liabilities and shareholders' equity		44,724,833	44,745,487

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 15 April 2019.

Abdul Rahman Mohammed Nasser Al Owais
Chairman

Mohammed Ahmed Abdullah
Chief Executive Officer

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

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

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un-audited)

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

	Three month period ended 31 March 2019 Un-audited	Three month period ended 31 March 2018 Un-audited
Income from Islamic financing	367,571	291,484
Profit expense on sukuk	(47,613)	(41,866)
Investment, fees, commission and other income	143,408	140,717
Income from subsidiaries	8,692	10,235
Total income	472,058	400,570
General and administrative expenses	(142,860)	(145,797)
Net operating income	329,198	254,773
Provisions - net of recoveries	(664)	(14,368)
Profit before distribution to depositors	328,534	240,405
Distribution to depositors	(176,788)	(97,284)
Profit for the period	151,746	143,121
(Attributable to the shareholders of the Bank)		
Earnings per share (U.A.E. Dirhams)	0.05	0.05

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

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un-audited)**

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

	Three month period ended 31 March 2019 Un-audited	Three month period ended 31 March 2018 Un-audited
Profit for the year (Attributable to the equity holders of the Bank)	151,746	143,121
Other comprehensive income / (loss)		
Items that will be reclassified to profit or loss		
Net change in fair value reserve on sukuk investments classified at FVTOCI	36,503	(6,809)
Items that will not be reclassified to profit or loss		
Net change in fair value reserve on equity investments classified at FVTOCI	3,006	(10,089)
Total comprehensive income for the year (Attributable to the equity holders of the Bank)	<u>191,255</u>	<u>126,223</u>

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

SHARJAH ISLAMIC BANK PJSC**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un-audited)

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

	Three month period ended 31 March 2019 Un-audited	Three month period ended 31 March 2018 Un-audited
Cash flows from operating activities		
Profit for the period	151,746	143,121
Adjustments for:		
- Depreciation	12,230	10,300
- Amortisation of sukuk issuance costs	883	1,004
- Loss allowance on investments in Islamic financing	664	14,368
- Gain on sale of properties held for sale	(1,056)	-
Operating profit before changes in operating assets and liabilities	164,467	168,793
Changes in:		
- Reserve with UAE Central Bank	23,330	(7,574)
- Murabaha and wakalah with financial institutions	(188,030)	(20)
- Investments in Islamic financing	(357,743)	(541,837)
- Other assets	132,323	(38,390)
- Customers' deposits	3,417	3,153,218
- Due to banks	(116,766)	551,466
- Zakat payable	(45,502)	(32,566)
- Other liabilities	68,836	46,822
Net cash (used in) / generated from from operating activities	(315,668)	3,299,912
Cash flows from investing activities		
Properties and equipment, net	(59,431)	6,928
Acquisition of investment properties	(74,627)	(11,061)
Disposal of investment properties	8,744	88,086
Acquisition of properties held-for-sale	(11,144)	(14,619)
Investment securities, net	132,841	(978,553)
Disposal of properties held-for-sale	6,103	-
Net cash generated from / (used in) investing activities	2,486	(909,219)
Cash flows from financing activities		
Cash dividend	(234,788)	(234,789)
Net cash used in financing activities	(234,788)	(234,789)
Net (decrease) / increase in cash and cash equivalents	(547,970)	2,155,904
Cash and cash equivalents at the beginning of the period	3,093,288	2,181,761
Cash and cash equivalents at the end of the period	2,545,318	4,337,665
Cash and cash equivalents comprise of:		
Cash and balances with banks and financial institutions	756,326	1,138,799
Murabaha and wakalah with financial institutions	3,934,104	6,465,184
Due to banks maturing less than three months	(2,145,112)	(3,266,318)
	2,545,318	4,337,665

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

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un- audited)

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

**ATTRIBUTABLE TO THE
EQUITY HOLDERS OF THE
BANK**

	Share capital	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2018	2,934,855	1,377,902	89,008	-	(39,488)	1,157,003	5,519,280
Changes on initial application of IFRS 9	-	-	-	-	-	(295,211)	(295,211)
Restated balance at 1 January 2018	2,934,855	1,377,902	89,008	-	(39,488)	861,792	5,224,069
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	143,121	143,121
Other comprehensive loss (OCI)							
Net change in fair value reserve	-	-	-	-	(16,898)	-	(16,898)
Total comprehensive income for the year	-	-	-	-	(16,898)	143,121	126,223
Transactions recorded directly in equity							
Transfer to legal reserve	-	285	-	-	-	(285)	-
Dividends declared	-	-	-	-	-	(234,789)	(234,789)
Board of directors' fees	-	-	-	-	-	(5,250)	(5,250)
Total transactions with owners	-	285	-	-	-	(240,324)	(240,039)
As at 31 March 2018	2,934,855	1,378,187	89,008	-	(56,386)	764,589	5,110,253
As at 1 January 2019	2,934,855	1,429,264	89,008	66,717	(87,537)	955,325	5,387,632
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	151,746	151,746
Other comprehensive income							
Net change in fair value reserve	-	-	-	-	39,509	-	39,509
Total comprehensive income for the year	-	-	-	-	39,509	151,746	191,255
Transactions recorded directly in equity							
Dividend	-	-	-	-	-	(234,788)	(234,788)
Board of directors' fees	-	-	-	-	-	(5,387)	(5,387)
Total transactions with owners	-	-	-	-	-	(240,175)	(240,175)
As at 31 March 2019	2,934,855	1,429,264	89,008	66,717	(48,028)	866,896	5,338,712

The accompanying notes form an integral part of this condensed consolidated interim financial statement

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un-audited)

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

1. Legal status and activities

SHARJAH ISLAMIC BANK (“the Bank”) was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari’a principles and regulations of the UAE Central Bank, which are carried out through its 33 branches (2018: 32 branches) established in the United Arab Emirates.

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

The condensed consolidated interim financial statements of the Bank comprise the Bank and its fully owned subsidiaries incorporated in the United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS) and ASAS Real Estate (all together referred to as “the Group”). The Bank also operates a special purpose vehicle established in Cayman Islands for management of SIB Sukuks, namely; SIB Sukuk Company III Limited.

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 and ASAS is involved in the business of real estate.

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

2. Basis of preparation

a) Statement of compliance

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

b) Basis of measurement

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

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (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 thousand, except when otherwise stated.

d) Key accounting estimates & judgments

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

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

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL "expected credit loss" is the same as explained in the annual consolidated financial statements for the year ended 31 December 2018.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

3. Summary of significant accounting policies

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

a) New and amended standards adopted by the group

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

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un-audited)

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

3. Summary of significant accounting policies (continued)

b) Changes in accounting policies

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

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

Adjustments recognised on adoption of IFRS 16

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

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

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

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

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

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

Practical expedients applied

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

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

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

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

3. Summary of significant accounting policies (continued)

b) Changes in accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

SHARJAH ISLAMIC BANK PJSC

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un- audited)**

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

4. Financial risk management

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

a) Maximum exposure to credit risk

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

	31 March 2019			Total
	ECL Staging			
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	256,144	-	-	256,144
Loss allowance	-	-	-	-
Carrying amount	256,144	-	-	256,144
<i>Murabaha and wakalah with financial institutions</i>	4,665,623	-	-	4,665,623
Loss allowance	(1,495)	-	-	(1,495)
Carrying amount	4,664,128	-	-	4,664,128
<i>Investments in Islamic financing</i>	23,171,395	1,333,736	1,432,495	25,937,626
Loss allowance	(188,771)	(180,507)	(1,087,509)	(1,456,787)
Carrying amount	22,982,624	1,153,229	344,986	24,480,839
<i>Investment securities measured at amortised cost</i>	3,836,712	-	25,607	3,862,319
Loss allowance	(6,608)	-	(24,327)	(30,935)
Carrying amount	3,830,104	-	1,280	3,831,384
<i>Investment securities measured at FVOCI</i>	1,193,852	-	-	1,193,852
Loss allowance	(885)	-	-	(885)
Carrying amount	1,192,967	-	-	1,192,967
<i>Other assets (excluding non-financial assets)</i>	438,318	-	34,542	472,860
Loss allowance	(6,985)	-	(34,542)	(41,527)
Carrying amount	431,333	-	-	431,333
Total credit risk exposures relating to on-balance sheet assets	33,357,300	1,153,229	346,266	34,856,795
<i>Letter of credit and guarantee</i>	826,712	7,591	-	834,303
Loss allowance	(3,014)	(392)	-	(3,406)
Credit risk exposures relating to off-balance sheet assets	823,698	7,199	-	830,897
	34,180,998	1,160,428	346,266	35,687,692

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un- audited)

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

4. Financial risk management (continued)

a) Maximum exposure to credit risk (continued)

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

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

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

4. Financial risk management (continued)**b) Capital adequacy ratio**

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

	Basel III	
	31 March 2019 Un-audited	31 December 2018 Audited
Total tier 1 capital base	5,247,092	5,063,594
Total tier 2 capital base	395,732	371,192
Risk weighted assets:		
Credit risk	31,658,528	29,695,340
Market risk	96,065	145,334
Operational risk	2,199,100	2,202,861
Risk weighted assets	33,953,693	32,043,535
Tier 1 ratio	15.45%	15.80%
Capital adequacy ratio	16.62%	16.96%

5. Cash and balances with banks and financial institutions

Cash		496,084	463,460
Statutory deposit with CBUAE		1,666,381	1,689,711
Due from banks	5.1	260,242	287,697
		2,422,707	2,440,868

5.1 Due from banks includes the current account balance with the CBUAE amounting to AED 4.0 million (31 December 2018: AED 1.9 million).

6. Murabaha and wakalah with financial institutions

Murabaha		691,554	610,908
Wakala arrangements	6.1	6,272,574	6,606,318
		6,964,128	7,217,226

6.1 Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting AED 2.3 billion (31 December 2018: AED 1.95 billion).

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

7. Investments in Islamic financing

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

	31 March 2019 Un-audited	31 December 2018 Audited
Vehicle murabaha	282,499	286,136
Goods murabaha	6,630,490	6,483,636
Real estate murabaha	80,943	112,270
Other murabaha receivable	485,914	528,738
Syndicate murabaha	1,217,973	1,230,249
Gross murabaha financing	8,697,819	8,641,029
Less: deferred profit	(683,640)	(667,904)
Net murabaha financing	8,014,179	7,973,125
Ijara financing	15,352,025	15,337,400
Qard hasan	547,727	512,621
Credit card receivables	74,558	72,196
Istisna	1,949,137	1,685,169
Total investments in Islamic financing	25,937,626	25,580,511
Less: Loss allowance for investments in Islamic financing	(1,456,787)	(1,456,751)
	24,480,839	24,123,760

8. Investment securities

Financial assets at fair value through profit or loss

- Equity and Funds	43,189	42,377
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Financial assets at fair value through other comprehensive income

- Equity and Funds	1,059,580	1,163,871
- Sukuks	1,193,852	1,191,463
	2,253,432	2,355,334
Less: Loss allowance on financial assets measured at FVTOCI	(885)	(958)
	2,252,547	2,354,376

Financial assets measured at amortised cost

- Sukuks	3,862,319	3,854,270
Less: Loss allowance on financial assets measured at amortised cost	(30,935)	(30,571)
	3,831,384	3,823,699
	6,127,120	6,220,452

8.1 Sukuk held at amortised cost include AED 3,183 million (2018: AED 3,231 million) pledged against a collateralized commodity murabaha arrangement.

9. Property and equipment

Freehold land & buildings	739,096	741,743
Equipment, furniture & fittings	17,709	19,377
Computer equipment	55,687	58,808
Motor vehicles	1,469	1,695
Right of use assets	50,265	-
Capital - work in progress	41,662	37,064
	905,888	858,687

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10. Customers' deposits

	31 March 2019 Un-audited	31 December 2018 Audited
Current accounts	7,880,763	7,815,320
Saving accounts	2,255,143	2,223,791
Watany / call accounts	430,848	437,870
Time deposits	15,347,857	15,435,348
Margins	527,081	525,946
	<u>26,441,692</u>	<u>26,438,275</u>

11. Sukuk payable

Name of issuer	Maturity date	31 March 2019		31 December 2018	
		Un-audited		Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk 2020	17 March 2020	1,835,523	2.843%	1,835,272	2.843%
SIB Sukuk 2021	8 September 2021	1,833,202	3.084%	1,832,861	3.084%
SIB Sukuk 2023	17 April 2023	1,831,761	3.084%	1,831,470	4.231%
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Total		<u>5,500,486</u>		<u>5,499,603</u>	
		=====		=====	

12. Other liabilities

	31 March 2019 Un-audited	31 December 2018 Audited
Profit payable	262,022	255,129
Accrual and provision	37,703	28,538
Lease obligations	34,684	-
Accounts payable	59,602	77,501
Provision for staff end of service benefits	65,966	67,760
Managers' cheques	45,565	48,697
Obligations under acceptances	102,115	97,926
Sundry creditors	276,173	234,056
	<u>883,830</u>	<u>809,607</u>

13. Share capital

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

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

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14. Segment reporting

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

a) Government and corporate

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

b) Retail

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

c) Investment and treasury

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

d) Hospitality and brokerage

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

Consolidated statement of profit or loss:

For the three-month period ended 31 March 2019 (Un-audited)

	Corporate and Government	Retail	Investment and treasury	Hospitality and brokerage	Un-allocated	Total
Income from Islamic financing	224,782	85,652	57,137	-	-	367,571
Profit expense on sukuk	-	-	(47,613)	-	-	(47,613)
Investment, fees, commission and other income	26,910	19,418	97,080	-	-	143,408
Income from subsidiaries	-	-	-	8,692	-	8,692
Total income	251,692	105,070	103,712	8,692	-	472,058
General and administrative expenses	-	-	-	-	(142,860)	(142,860)
Net operating income	251,692	105,070	103,712	8,692	(142,674)	329,198
Provisions - net of recoveries	(4,912)	5,618	(1,370)	-	-	(664)
Profit before distribution to depositors	246,780	110,688	102,342	8,692	(142,674)	328,534
Distribution to depositors	(119,777)	(12,546)	(44,465)	-	-	(176,788)
Profit for the period	127,003	98,142	57,877	8,692	(142,674)	151,746

Consolidated statement of financial position:

As at 31 March 2019 (Un-audited)

Assets

Segment assets	19,791,291	5,289,232	19,197,661	27,717	418,932	44,724,833
Total assets	19,791,291	5,289,232	19,197,661	27,717	418,932	44,724,833

Liabilities

Segment liabilities	21,216,713	4,886,933	12,941,329	6,085	335,061	39,386,121
Total liabilities	21,216,713	4,886,933	12,941,329	6,085	335,061	39,386,121

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

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019 (Un-audited)

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14. Segment reporting (continued)**Consolidated statement of profit or loss:****For the three-month period ended 31 March 2018 (Un-audited)**

	Corporate and Government	Retail	Investment and treasury	Hospitality and brokerage	Un-allocated	Total
Income from Islamic financing	195,486	60,953	35,045	-	-	291,484
Profit expense on sukuk	-	-	(41,866)	-	-	(41,866)
Investment, fees, commission and other income	24,174	12,554	103,989	-	-	140,717
Income from subsidiaries	-	-	-	10,235	-	10,235
Total income	219,660	73,507	97,168	10,235	-	400,570
General and administrative expenses	-	-	-	-	(145,797)	(145,797)
Net operating income	219,660	73,507	97,168	10,235	(145,797)	254,773
Provisions - net of recoveries	(12,549)	(1,867)	-	48	-	(14,368)
Profit before distribution to depositors	207,111	71,640	97,168	10,283	(145,797)	240,405
Distribution to depositors	(67,610)	(9,036)	(20,638)	-	-	(97,284)
Profit for the period	139,501	62,604	76,530	10,283	(145,797)	143,121

Consolidated statement of financial position:**As at 31 December 2018****(Audited)****Assets**

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

Liabilities

Segment liabilities	21,398,758	4,751,121	12,851,609	8,763	348,062	39,357,855
Total liabilities	21,398,758	4,751,121	12,851,609	8,763	348,062	39,357,855

15. Related parties

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

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15. Related parties (continued)

At the reporting date, such significant balances include:

Statement of financial position	31 March 2019 (Un-audited)			
	Key management personnel	Major shareholders	Other related parties	Total
Financing and Ijarah receivables	551,879	2,648,883	4,370,650	7,571,412
Customers deposits	(482,920)	(175,123)	(2,990,285)	(3,648,328)
Contingent liabilities – off balance sheet	5,244	-	111,855	117,099
Statement of profit or loss for the three month period ended 31 March 2019 (Un-audited)				
Income from Islamic financing	2,842	34,690	51,430	88,962
Depositors' share of profit	(427)	(722)	(13,291)	(14,440)
Statement of financial position	31 December 2018 (Audited)			
	Key management personnel	Major shareholders	Other related parties	Total
Financing and Ijarah receivables	775,502	3,336,088	3,539,686	7,651,276
Customers deposits	(174,716)	(665,593)	(2,918,134)	(3,758,443)
Contingent liabilities – off balance sheet	114,650	29,541	-	144,191
Statement of profit or loss For the three month period ended 31 March 2018 (Un-audited)				
Income from Islamic financing	8,078	38,726	28,916	75,720
Depositors' share of profit	(222)	(1,645)	(3,202)	(5,069)

Key management compensation includes salaries and other short term benefits of AED 6.4 million for the three month period ended 31 March 2019 (for the three month period ended 31 March 2018: AED 6.1 million) and post-employment benefits of AED 0.4 million for the three month period ended 31 March 2019 (for the three month period 31 March 2018: AED 1.7 million).

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16. Fair value measurement

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

	Level 1	Level 2	Level 3	Total
At 31 March 2019 (Un-audited)				
Financial assets				
FVTPL – investment securities	6,375	-	36,814	43,189
FVTOCI – investment securities	2,020,889	-	231,658	2,252,547
	<u>2,027,264</u>	<u>-</u>	<u>268,472</u>	<u>2,295,736</u>
Non-financial assets				
Investment properties at fair value	-	-	2,447,310	2,447,310
At 31 December 2018 (Audited)				
Financial assets				
FVTPL – investment securities	5,563	-	36,814	42,377
FVTOCI – investment securities	2,122,718	-	231,658	2,354,376
	<u>2,128,281</u>	<u>-</u>	<u>268,472</u>	<u>2,396,753</u>
Non-financial assets				
Investment properties at fair value	-	-	2,318,129	2,318,129

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

	31 March 2019		31 December 2018	
	Un-audited		Audited	
Financial assets	FVTPL	FVTOCI	FVTPL	FVTOCI
Balance as at 1 January	36,814	231,658	36,730	157,112
Fair value movement	-	-	84	1,086
Addition	-	-	-	73,460
Closing balance	<u>36,814</u>	<u>231,658</u>	<u>36,814</u>	<u>231,658</u>
			31 March	31 December
			2019	2018
Non-financial assets			Un-audited	Audited
Balance at the beginning of the period			2,318,129	2,167,763
Additions			74,627	248,046
Transfer from held-for-sale			63,298	-
Disposal			(8,744)	(87,484)
Revaluation (loss)			-	(10,196)
Balance at the end of the period			<u>2,447,310</u>	<u>2,318,129</u>

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

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17. 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 year.

18. Dividends

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

19. Contingencies

	31 March 2019	31 December 2018
	Un-audited	Audited
Letters of credit	<u>171,967</u>	<u>146,840</u>
Letters of guarantee	<u>1,917,688</u>	<u>1,986,790</u>

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

20. Comparatives

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