
SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(UN – AUDITED)
30 June 2013

SHARJAH ISLAMIC BANK

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK ("the Bank") for the six-month period ended 30 June 2013.

Financial Highlights

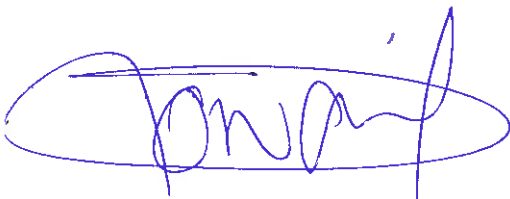
The Group has reported a net profit of AED 134.7 million for the six-month period ended 30 June 2013 compared to AED 149.2 million for the corresponding prior year period, a decrease of 9.7%.

Compared to December 2012, total assets increased by AED 2.9 billion to reach AED 21.2 billion, an increase of 15.8%, financing receivables and ijarah receivable increased by 1.3% (AED 144.3 million) to reach AED 10.9 billion, investment securities increased by 45.7% (AED 391.5 million) to reach AED 1.2 billion and customer deposits experienced a growth of 12.6 % (AED 1.4 billion) to reach AED 12.8 billion.

During the 2nd quarter, the bank successfully issued a sukuk of USD 500 million (equivalent of AED 1.8 billion) through Shariaa compliant structure. The sukuk will be maturing in 5 years i.e. April 2018

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. Ahmed Ghanim Al Suwaidi	Member
Mr. Ali Bin Salim Al Mazrou	Member
Mr. Emad Yousef Abdulla Saleh Al Monayea	Member
Mr. Mohammad N. Al Fouzan	Member



Abdul Rahman Mohammed Nasser Al Owais
Chairman
17 July 2013



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Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Information

The Shareholders of Sharjah Islamic Bank

Introduction

We have reviewed the accompanying 30 June 2013 condensed consolidated interim financial information of Sharjah Islamic Bank (the "Bank") and its subsidiaries (collectively referred as the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2013;
- the condensed consolidated statements of comprehensive income (comprising a condensed consolidated income statement and a separate condensed consolidated statement of comprehensive income) for the three month and six month periods ended 30 June 2013;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2013;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2013;
- and
- notes to the interim financial information.

Management are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

17 JUL 2013

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013
(Currency: Thousands of U.A.E Dirhams)

	30 June 2013 <u>Un-audited</u>	31 December 2012 <u>Audited</u>
Assets		
Cash and balances with banks and financial institutions	2,695,279	1,783,237
International murabaha and wakalah with financial institutions	3,601,883	2,372,410
Financing receivables	3,204,787	2,778,882
Ijarah receivables	7,688,927	7,970,489
Investment securities	1,248,214	856,681
Investment properties	232,869	223,288
Properties held-for-sale	1,128,616	1,083,034
Other assets	525,157	394,381
Property and equipment	878,489	853,827
Total assets	21,204,221	18,316,229
Liabilities		
Customers deposits	12,764,644	11,334,541
Due to banks	14,295	470,190
Sukuk payable	3,294,855	1,464,457
Other liabilities	648,758	523,377
Zakat payable	67,512	79,766
Total liabilities	16,790,064	13,872,331
Shareholders' equity		
Share capital	2,425,500	2,425,500
Legal reserve	1,328,226	1,328,226
Statutory reserve	89,008	89,008
Fair value reserve	(43,138)	(34,470)
Retained earnings	614,561	635,634
Total shareholders' equity	4,414,157	4,443,898
Total liabilities and shareholders' equity	21,204,221	18,316,229

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 17 July 2013.

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 AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2013	2012	2013	2012
Income from murabaha and leasing	168,963	162,114	345,399	343,335
Profit paid on Sukuk	(29,506)	(17,674)	(47,177)	(35,360)
Fees, commission and other income	30,843	40,124	79,436	80,236
Income from subsidiary companies	5,453	4,801	13,083	12,560
Total income	175,753	189,365	390,741	400,771
General and administrative expenses	(87,524)	(79,726)	(170,844)	(158,455)
Net operating income	88,229	109,639	219,897	242,316
Provisions - net of recoveries	(8,713)	(2,750)	(18,665)	(11,718)
Net profit before distribution to depositors	79,516	106,889	201,232	230,598
Distribution to depositors	(29,630)	(40,429)	(66,538)	(81,402)
Net profit for the period	49,886	66,460	134,694	149,196
(Attributable to the shareholders of the Bank)				
Earning per share (U.A.E. Dirhams)	0.02	0.03	0.06	0.06

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2013	2012	2013	2012
Net profit for the period	49,886	66,460	134,694	149,196
Other comprehensive income				
Net change in fair value reserve	2,398	(628)	(8,668)	(26,487)
Total comprehensive income for the period	52,284	65,832	126,026	122,709

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the six-month period ended 30 June	
	2013	2012
Cash flows from operating activities:		
Net profit for the period	134,694	149,196
Adjustments:		
Depreciation	11,561	12,293
Amortisation of sukuk issuance cost	1,253	723
Provision on financing and ijarah receivables	26,741	15,888
Provision for impairment on FVTPL financial assets	-	(2,712)
Revaluation gain on investment properties	(4,450)	-
Operating profit before changes in operating assets and liabilities	169,799	175,388
Changes in operating assets and liabilities:		
in reserve with Central Bank	(75,120)	(16,762)
in international murabaha and wakalah arrangement with financial institutions	(715,276)	(187,219)
in financing receivables and leased assets	(171,084)	(158,719)
in other assets, net	(130,776)	(16,546)
in customers' deposits	1,430,103	385,820
in due to banks	(455,895)	114,855
in zakat	(12,254)	(79,752)
in other liabilities	122,982	(7,813)
Net cash flows from operating activities	162,479	209,252
Cash flows from investing activities:		
Acquisition of Properties and equipment	(36,223)	(43,245)
Acquisition in Investments properties - net	(5,131)	-
Acquisition in Properties held-for-sale -net	(45,582)	(6,120)
Change in investments securities	(400,201)	(219,091)
Net cash used in investing activities	(487,137)	(268,456)
Cash flows from financing activities:		
Proceeds from Sukuk	1,829,145	-
Fair value adjustment IFRS 9	(7,838)	-
Cash dividends	(145,530)	(145,530)
Net cash from / (used in) financing activities	1,675,777	(145,530)
Net increase / (decrease) in cash and cash equivalents	1,351,119	(204,734)
Cash and cash equivalents, beginning of the period	2,955,505	3,099,539
Cash and cash equivalents, end of period	4,306,624	2,894,805
Cash and cash equivalents comprise of:-		
Cash and balances with banks and financial institutions (excluding cash reserve with central bank)	1,912,214	812,843
International murabaha and wakalah with financial institutions: less than 3 months maturity	2,394,410	2,081,962
	4,306,624	2,894,805

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)

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

	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK					
	Share capital	Legal reserves	Statutory reserves	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2012	2,425,500	1,327,617	89,008	(20,481)	584,514	4,406,158
Total comprehensive income for the period						
Profit for the period	-	-	-	-	149,196	149,196
Other comprehensive income						
Net change in fair value reserve	-	-	-	(26,487)	-	(26,487)
Total comprehensive income for the period	-	-	-	(26,487)	149,196	122,709
Transactions with owners recorded directly in equity						
Dividends paid	-	-	-	-	(145,530)	(145,530)
Board of directors' fees - paid	-	-	-	-	(2,400)	(2,400)
Total transactions with owners	-	-	-	-	(147,930)	(147,930)
As at 30 June 2012	2,425,500	1,327,617	89,008	(46,968)	585,780	4,380,937
As at 1 January 2013	2,425,500	1,328,226	89,008	(34,470)	635,634	4,443,898
Fair value adjustment-IFRS9				-	(7,837)	(7,837)
Total comprehensive income for the period						
Profit for the period	-	-	-	-	134,694	134,694
Other comprehensive income						
Net change in fair value reserve	-	-	-	(8,668)	-	(8,668)
Total comprehensive income for the period	-	-	-	(8,668)	126,857	118,189
Transactions with owners recorded directly in equity						
Dividends paid	-	-	-	-	(145,530)	(145,530)
Board of directors' fees - paid	-	-	-	-	(2,400)	(2,400)
Total transactions with owners	-	-	-	-	(147,930)	(147,930)
As at 30 June 2013	2,425,500	1,328,226	89,008	(43,138)	614,561	4,414,157

In accordance with the Ministry of Economy & Commerce interpretation of Article 118 of Commercial Companies Law No. 8 of 1984, Directors' remuneration has been treated as an appropriation from equity. The accompanying notes form an integral part of these condensed consolidated interim financial statements.

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (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 26 branches (2012: 25 branches) established in 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 Bank comprise the Bank and its fully owned subsidiaries incorporated in United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS), Contact Marketing and ASAS (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. Contact Marketing provides certain support services to the Bank and ASAS is involved in the management of the Bank's real estate portfolio.

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 2012. 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 consolidated financial statements of the Group as at and for the year ended 31 December 2012.

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 (FVTOCI); and
- investment properties at fair value.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (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 currency. All information presented in AED has been rounded to the nearest thousand, except when otherwise stated.

d) Key accounting estimates & judgment

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 judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

e) Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

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 consolidated financial statements as at and for the year ended 31 December 2012 except for the adoption of new IFRSs which became effective as of 1 January 2013.

The adoption of the new and amended standards and interpretations have been reflected in these condensed interim financial statements as appropriate in terms of disclosures but do not have an impact on the financial position or performance of the Group during the period.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)**

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

4. 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.

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 of the Bank and other money market activities.

d) Hospitality and brokerage

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

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)**

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

4. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality and brokerage	Total
Condensed consolidated interim statement of income for the six-month period ended 30 June 2013 (un-audited)					
Income from murabaha and leasing	195,267	120,925	29,207	-	345,399
Profit paid on sukuk	-	-	(47,177)	-	(47,177)
Fees, commission and other income	21,360	20,839	6,084	-	48,283
Income from subsidiaries	-	-	-	13,083	13,083
Unallocated income	-	-	-	-	31,153
Total income	216,627	141,764	(11,886)	13,083	390,741
General & administrative expenses	-	-	-	(9,672)	(9,672)
General & administrative expenses – unallocated	-	-	-	-	(161,172)
Net operating income	216,627	141,764	(11,886)	3,411	219,897
Provisions – net of recoveries	(3,876)	(33,779)	10,932	8,058	(18,665)
Profit before distribution to depositors	212,751	107,985	(954)	11,469	201,232
Distribution to depositors	(39,825)	(23,529)	(153)	-	(63,507)
Transfer from profit equalization reserve-unallocated	-	-	-	-	(3,031)
Profit for the period	172,926	84,456	(1,107)	11,469	134,694
Condensed consolidated interim statement of financial position As at 30 June 2013 (un-audited)					
Assets					
Segment assets	6,623,734	4,204,443	8,881,846	741,290	20,451,313
Unallocated assets	-	-	-	-	752,908
Total assets	6,623,734	4,204,443	8,881,846	741,290	21,204,221
Liabilities					
Segment liabilities	7,373,148	5,559,356	3,309,150	60,254	16,301,908
Unallocated liabilities	-	-	-	-	488,156
Total liabilities	7,373,148	5,559,356	3,309,150	60,254	16,790,064

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)

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

4. Segment reporting (continued)

	Corporate and Government	Retail	Investment and treasury	Hospitality and brokerage	Total
Condensed consolidated interim statement of income for the six-month period ended 30 June 2012 (un-audited)					
Income from murabaha and leasing	204,885	110,520	27,930	-	343,335
Profit paid on sukuk	-	-	(35,360)	-	(35,360)
Fees, commission and other income	17,778	17,394	33,385	-	68,557
Income from subsidiaries	-	-	-	12,560	12,560
Unallocated income	-	-	-	-	11,679
Total income	222,663	127,914	25,955	12,560	400,771
General and administrative expenses	-	-	-	(8,627)	(8,627)
General and administrative expenses - unallocated	-	-	-	-	(149,828)
Net operating income	222,663	127,914	25,955	3,933	242,316
Provisions - net of recoveries	(643)	(11,379)	(961)	1,265	(11,718)
Net profit before distribution to depositors	222,020	116,535	24,994	5,198	230,598
Distribution to depositors	(50,828)	(26,938)	(1,183)	-	(78,949)
Transfer from profit equalisation reserve - unallocated	-	-	-	-	(2,453)
Net profit for the period	171,192	89,597	23,811	5,198	149,196

**Condensed consolidated interim statement of financial position
As at 31 December 2012 (audited)**

Assets

Segment assets	6,626,698	4,227,248	6,210,208	715,740	17,779,894
Unallocated assets	-	-	-	-	536,335
Total assets	6,626,698	4,227,248	6,210,208	715,740	18,316,229

Liabilities

Segment liabilities	6,485,172	4,896,662	1,934,647	61,932	13,378,413
Unallocated liabilities	-	-	-	-	493,918
Total liabilities	6,485,172	4,896,662	1,934,647	61,932	13,872,331

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un-audited)**

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

5. Related parties

The Bank has transactions in the ordinary course of business with directors, staff of the Bank and entities of which they are principal owners. At the reporting date, such significant balances include:

	30 June 2013 Un-audited	31 December 2012 Audited
Condensed consolidated interim statement of financial position		
Government of Sharjah receivables	1,262,496	1,335,056
Government departments and authorities receivables	2,322,012	2,746,670
Other financing receivables and investing activities	999,892	757,856
Government of Sharjah deposits	35,977	24,964
Government department and authorities deposits	2,374,601	3,500,498
Other deposits	337,072	284,931
Contingent liabilities	112,296	159,121
	30 June 2013 Un-audited	30 June 2012 Un-audited
Condensed consolidated interim statement of income		
Income from financing and investing activities	136,980	143,138
Depositors' share of profit	9,191	14,020

Key management compensation includes salaries and other short term benefits of AED 8.0 million for the period ended 30 June 2013 (30 June 2012 AED 6.7 million) and post employment benefits of AED 0.5 million for the period ended 30 June 2013 (30 June 2012: AED 0.5 million).

6. Fair Value Measurement*6.1 Fair value hierarchy*

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 categorized:

	Level 1	Level 2	Level 3	Total
At 30 June 2013 (Un-audited)				
Financial assets				
FVTPL – investment securities	674,258	-	53,013	727,271
FVTOCI – investment securities	5,783	-	153,997	159,780
	680,041	-	207,010	887,051
Non Financial assets				
Investment properties at fair value	-	-	232,869	232,869

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un-audited)**

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

6. Fair Value Hierarchy (continued)*6.1 Fair value hierarchy (continued)*

	Level 1	Level 2	Level 3	Total
At 31 December 2012 (Audited)				
Financial assets				
FVTPL – investment securities	405,515	-	53,117	458,632
FVTOCI – investment securities	4,408	-	171,876	176,284
	409,923	-	224,993	634,916
Non Financial assets				
Investment properties at fair value	-	-	223,288	223,288

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 2013 Un-audited	30 June 2012 Un-audited
Investment securities		
Balance at 1 January	224,993	262,900
Total gains or losses – net:		
- in the consolidated interim statement of income	(12,383)	783
- in the consolidated interim statement of other comprehensive income	2,237	(26,529)
Addition	-	9,807
Disposals	(7,837)	(2,073)
Balance at 30 June	207,010	244,888
Investment properties		
Balance at 1 January	223,288	191,044
Revaluation	4,450	-
Addition	5,131	26,364
Balance at 30 June	232,869	217,408

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 consolidated financial statements as at and for the year ended 31 December 2012.

6.2 Fair values of financial assets and liabilities carried at amortised cost

Management believes that the fair values of financial assets and liabilities measured at amortised cost in the condensed consolidated interim statement of financial position are not significantly different from their carrying values in these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)**

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

7. Properties held-for-sale

These are properties which have been acquired for the purpose of sale after re-development and are stated at the lower of cost or net realisable value.

8. Geographical distribution

	30 June 2013 <u>Un-audited</u>	31 December 2012 <u>Audited</u>
a) Investment securities by geographical distribution		
Financial assets at fair value through profit or loss		
- Domestic	469,224	73,460
- International	258,047	418,229
	<u>727,271</u>	<u>491,689</u>
Financial assets at fair value through other comprehensive income		
- Domestic	5,783	4,408
- International	153,997	138,819
	<u>159,780</u>	<u>143,227</u>
Financial assets measured at amortised cost		
- Domestic	174,121	174,121
- International	187,042	47,644
	<u>361,163</u>	<u>221,765</u>
Total investment securities	<u>1,248,214</u>	<u>856,681</u>
b) Investment properties by geographical distribution		
- Domestic	226,667	217,086
- International	6,202	6,202
Total investment properties	<u>232,869</u>	<u>223,288</u>
c) Properties held-for-sale (domestic)	<u>1,128,616</u>	<u>1,083,034</u>

9. 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 an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year.

SHARJAH ISLAMIC BANK AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2013 (Un- audited)

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

10. Dividends

During the annual general meeting of the shareholder's held on 12 March 2013 the shareholder's approved a dividend of AED 145.5 million (2011: AED 145.5 million).

11. Sukuk Issued

On 16 April 2013, the Bank through a Shari'a compliant Sukuk Financing arrangement raised medium term finance amounting to US\$ 500 million (AED 1.8 billion). The Sukuk is listed on the Irish Stock Exchange.

The terms of the arrangement includes the transfer of certain Ijarah receivable of the Bank on a co-ownership basis to SIB Sukuk Company III Limited ("the Issuer"). The assets are under control of the Bank and shall be continued to be serviced by the Bank.

The Issuer will pay the quarterly distribution amount from the returns received in respect of the leased assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to Sukuk holders on each quarterly distribution date. Upon expiry of this Sukuk the Bank has undertaken to repurchase the assets at the exercise price of US\$ 500 million (AED 1.8 billion).

12. Comparatives

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