
SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
(UN – AUDITED)
30 September 2017

SHARJAH ISLAMIC BANK P.J.S.C

Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK P.J.S.C ("the Bank") and its subsidiaries (together referred as the "Group") for the nine-month period ended 30 September 2017.

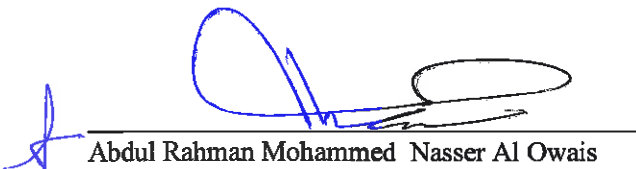
Financial Highlights

The Group has reported a profit of AED 359.9 million for the nine-month period ended 30 September 2017 compared to AED 335.8 million for the corresponding prior year period, an increase of 7.2%.

Compared to December 2016, total assets increased by AED 4.3 billion to reach AED 37.8 billion, increase of 12.8%, financing receivables and ijarah receivable increased by 18.8% (AED 3.2 billion) to reach AED 20.3 billion and customer deposits experienced a growth of 20.5 % (AED 3.7 billion) to reach AED 22.1 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. 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
11 October 2017

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 September 2017
(Currency: Thousands of U.A.E Dirhams)

		30 September 2017	31 December 2016
	<i>Notes</i>	Un-audited	Audited
Assets			
Cash and balances with banks and financial institutions	4	2,872,336	3,205,875
International murabaha and wakalah with financial institutions	5	5,282,960	4,641,134
Financing receivables	6	6,747,640	5,513,912
Ijarah receivables	7	13,558,974	11,577,091
Investment securities		4,918,899	4,107,195
Investment properties		2,162,065	2,124,359
Properties held-for-sale		599,596	573,248
Other assets		876,107	867,133
Property and equipment		825,749	929,279
Total assets		37,844,326	33,539,226
Liabilities			
Customers deposits	8	22,083,652	18,328,936
Due to banks		4,117,919	3,850,960
Sukuk payable	9	5,500,720	5,497,916
Other liabilities		915,510	915,741
Zakat payable		18,484	89,429
Total liabilities		32,636,285	28,682,982
Shareholders' equity			
Share capital		2,668,050	2,425,500
Legal reserve		1,330,626	1,330,626
Statutory reserve		89,008	89,008
Fair value reserve		(35,929)	(29,492)
Retained earnings		1,156,286	1,040,602
Total shareholders' equity		5,208,041	4,856,244
Total liabilities and shareholders' equity		37,844,326	33,539,226

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 11 October 2017.


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 P.J.S.C AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2017	2016	2017	2016
Income from Islamic Financing	264,228	200,595	821,365	617,861
Profit expense on sukuk	(41,839)	(31,108)	(125,625)	(114,221)
Investment, fees, commission and other income	122,625	91,406	370,119	405,554
Income from subsidiaries	3,635	4,800	21,135	19,134
Total income	348,649	265,693	1,086,994	928,328
General and administrative expenses	(132,195)	(113,650)	(390,474)	(340,736)
Net operating income	216,454	152,043	696,520	587,592
Provisions - net of recoveries	(47,493)	(19,328)	(113,070)	(103,740)
Profit before distribution to depositors	168,961	132,715	583,450	483,852
Distribution to depositors	(81,841)	(53,958)	(223,461)	(148,085)
Profit for the period	87,120	78,757	359,989	335,767
(Attributable to the shareholders of the Bank)				
Earnings per share (U.A.E. Dirhams)	0.03	0.03	0.13	0.13

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

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2017	2016	2017	2016
Profit for the period	87,120	78,757	359,989	335,767
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in fair value reserve	2,732	(10,003)	(2,942)	9,171
Total comprehensive income for the period	89,852	68,754	357,047	344,938

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

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	Nine month period ended 30 September 2017 Un-audited	Nine month period ended 30 September 2016 Un-audited
Cash flows from operating activities		
Profit for the period	359,989	335,767
Adjustments for:		
- Depreciation	30,230	23,845
- Amortisation of sukuk issuance costs	2,804	3,102
- Provision on financing and Ijarah receivable	113,070	73,917
- Provision for impairment on investment securities	-	6,402
- Provision for subsidiaries	-	23,595
- Gain on sale of properties held-for-sale	(17,975)	(123,955)
Operating profit before changes in operating assets and liabilities	488,118	342,673
Changes in:		
- Reserve with UAE Central Bank	(315,324)	(108,783)
- International murabaha and wakalah with financial institutions	769,689	(149,621)
- Financing and Ijarah receivables	(3,328,681)	(219,201)
- Other assets	(8,974)	102,918
- Customers' deposits	3,754,716	73,698
- Due to banks	332,179	1,480,227
- Zakat payable	(70,945)	(40,174)
- Other liabilities	(5,481)	(62,368)
Net cash from operating activities	1,615,297	1,419,369
Cash flows from investing activities		
Property and equipment, net	(21,392)	(12,881)
Acquisition of investment properties	(11,836)	(86,089)
Disposal of investment properties	51,501	18,202
Acquisition of properties held-for-sale	(42,644)	(112,569)
Disposal of properties held-for-sale	51,592	229,228
Investment securities, net	(814,646)	(1,567,807)
Net cash used in investing activities	(787,425)	(1,531,916)
Cash flows from financing activities		
Repayment of sukuk	-	361,320
Cash dividend	-	(242,550)
Net cash from financing activities	-	118,770
Net increase in cash and cash equivalents	827,872	6,223
Cash and cash equivalents at the beginning of the period	2,037,425	4,299,039
Cash and cash equivalents at the end of the period	2,865,297	4,305,262
Cash and cash equivalents comprise of:		
Cash and balances with banks and financial institutions	1,095,410	966,675
International murabaha and wakalah with financial institutions	4,358,551	3,338,587
Due to banks	(2,588,664)	-
	2,865,297	4,305,262

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

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE BANK					
	Share capital	Legal reserve	Statutory reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2016	2,425,500	1,330,626	89,008	(31,867)	891,134	4,704,401
Total comprehensive income for the period						
Profit for the period	-	-	-	-	335,767	335,767
Other comprehensive income						
Net change in fair value reserve	-	-	-	9,171	-	9,171
Total comprehensive income for the period	-	-	-	9,171	335,767	344,938
Transactions with owners recorded directly in equity						
Dividends declared (<i>note 16</i>)	-	-	-	-	(242,550)	(242,550)
Board of directors' fees - paid	-	-	-	-	(5,250)	(5,250)
Total transactions with owners	-	-	-	-	(247,800)	(247,800)
As at 30 September 2016	2,425,500	1,330,626	89,008	(22,696)	979,101	4,801,539
As at 1 January 2017	2,425,500	1,330,626	89,008	(29,492)	1,040,602	4,856,244
Total comprehensive income for the period						
Profit for the period	-	-	-	-	359,989	359,989
Other comprehensive income						
Net change in fair value reserve	-	-	-	(2,942)	-	(2,942)
Gain on sale FVOCI investments	-	-	-	(3,495)	3,495	-
Total comprehensive income for the period	-	-	-	(6,437)	363,484	357,047
Transactions with owners recorded directly in equity						
Bonus shares issue (<i>note 16</i>)	242,550	-	-	-	(242,550)	-
Board of directors' fees - paid	-	-	-	-	(5,250)	(5,250)
Total transactions with owners	242,550	-	-	-	(247,800)	(5,250)
As at 30 September 2017	2,668,050	1,330,626	89,008	(35,929)	1,156,286	5,208,041

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

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

1. Legal status and activities

SHARJAH ISLAMIC BANK P.J.S.C (“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 Central Bank of the UAE (“CBUAE”), which are carried out through its 32 branches (2016: 32 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 September 2002 (“the transformation date”). As a result the Bank transformed its conventional banking products into Islamic banking products during the nine-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 United Arab Emirates, Sharjah National Hotels (SNH), Sharjah Islamic Financial Services LLC (SIFS) and ASAS Real Estate (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 and ASAS is engaged in real estate business.

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 2016. 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 2016.

The Bank has complied with the applicable provisions of UAE Federal law number 2 of 2015. Accordingly, the legal name of the Bank has been changed from “Sharjah Islamic Bank” to “Sharjah Islamic Bank Public Joint Stock Company (P.J.S.C)”.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical basis except for the following 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.

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (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.

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 annual consolidated financial statements as at and for the year ended 31 December 2016.

e) 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 2016.

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 2016 except for the adoption of new IFRSs which became effective for the period beginning 1 January 2017.

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

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

4. Cash and balances with banks and financial institutions

		30 September 2017	31 December 2016
		Un-audited	Audited
Cash		<u>394,786</u>	<u>375,574</u>
Statutory deposit with CBUAE		<u>1,776,926</u>	<u>1,461,602</u>
Due from banks	4.1	<u>700,624</u>	<u>1,368,699</u>
		<u>2,872,336</u>	<u>3,205,875</u>

4.1 Due from banks includes current account balance with CBUAE amounting to AED 3.9 million (31 December 2016: 118.8 million).

5. International murabaha and wakalah with financial institutions

International murabaha		<u>331,976</u>	<u>370,993</u>
Wakala arrangements	5.1	<u>4,950,984</u>	<u>4,270,141</u>
		<u>5,282,960</u>	<u>4,641,134</u>

5.1 Wakala arrangements with financial institutions includes Islamic certificate of deposits with CBUAE amounting AED 800 million (31 December 2016: AED 800 million).

6. Financing receivables

Financing receivables are secured by acceptable forms of collateral to mitigate the related credit risk. Financing receivables comprise the following:

a) By type

Vehicle murabaha		319,436	344,321
Goods murabaha		4,924,800	3,888,923
Real estate murabaha		206,711	240,785
Other murabaha receivable		460,242	295,046
Syndicate murabaha		845,833	668,232
Syndicate musharaka		-	150,000
Qard hasan		355,631	626,173
Credit card receivables		57,195	38,887
Istisna		948,649	421,930
Deferred profit		(514,247)	(413,674)
Provision for impaired financing receivables		<u>(856,610)</u>	<u>(746,711)</u>
		<u>6,747,640</u>	<u>5,513,912</u>

b) Impairment provision for financing receivables

Balance, beginning of the year		746,711	647,728
Written off during the year		(22,297)	(63,631)
Additional provision for the year		151,882	179,490
Recoveries during the year		<u>(19,686)</u>	<u>(16,876)</u>
		<u>856,610</u>	<u>746,711</u>

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

7. Ijara receivable

Ijara receivable are finance leases, which comprise the following:

a) Net investment in Ijara receivable	30 September 2017 Un-audited	31 December 2016 Audited
Gross investment	13,797,429	11,844,855
Provision for impaired ijara receivable	(238,455)	(267,764)
	<u>13,558,974</u>	<u>11,577,091</u>

b) Impairment provision for ijara receivable

Balance, beginning of the year	267,764	236,001
Written off during the year	(10,183)	(3,373)
Additional provision for the year	40,750	45,431
Recoveries during the year	(59,876)	(10,295)
	<u>238,455</u>	<u>267,764</u>

8. Customers' deposits

Current accounts	8,038,226	6,889,704
Saving accounts	2,366,287	2,149,884
Watany / call accounts	738,932	820,248
Time deposits	10,527,494	8,122,609
Margins	412,713	346,491
	<u>22,083,652</u>	<u>18,328,936</u>

9. Sukuk payable

Name of issuer	Maturity date	30 September 2017 Un-audited		31 December 2016 Audited	
		Carrying value	Profit rate	Carrying value	Profit rate
SIB Sukuk Company III Limited	15 April 2018	1,835,533	2.950%	1,834,480	2.950%
SIB Sukuk 2020	17 March 2020	1,834,011	2.843%	1,833,259	2.843%
SIB Sukuk 2021	8 September 2021	1,831,176	3.084%	1,830,177	3.084%
Total		<u>5,500,720</u>		<u>5,497,916</u>	

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

10. Capital Adequacy Ratio

The Group's regulatory capital adequacy ratio is set by the CBUAE. The Group has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Group's management of capital during the period. The Group has adopted a standardised approach for Credit risk and Market risk and a Basic Indicator approach for Operational Risk as a starting point and is working towards migrating to foundation internal rating based (IRB) and advanced IRB as per time line set by CBUAE.

The table below summarises the composition of regulatory capital of the Group:

	Basel II	
	30 September 2017 Un-audited	31 December 2016 Audited
Total tier 1 capital base	5,223,273	4,864,875
Total tier 2 capital base	268,329	240,510
Risk weighted assets:		
Credit risk	24,340,619	21,600,139
Market risk	162,991	155,621
Operational risk	2,152,438	2,152,438
Risk weighted assets	26,656,048	23,908,198
Tier 1 ratio	19.60%	20.35%
Capital adequacy ratio	20.60%	21.35%

11. Segment reporting

Reportable segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Chief Operating Decision Maker, in order to allocate resource to the segment and to assess its performance. 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 as well.

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, properties held for sale, sukuks issued 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 P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

11. Segment reporting (continued)

Consolidated statement of profit or loss: For the nine-month period ended 30 September 2017 (un-audited)	Corporate and Government	Retail	Investment and treasury	Hospitality and brokerage	Total
Income from Islamic financing	593,388	141,826	86,151	-	821,365
Profit expense on sukuk	-	-	(125,625)	-	(125,625)
Investment, fees, commission and other income	69,357	73,512	227,250	-	370,119
Income from subsidiaries	-	-	-	21,135	21,135
Total income	662,745	215,338	187,776	21,135	1,086,994
General and administrative expenses	(228,884)	(74,368)	(64,850)	(22,372)	(390,474)
Net operating income / (loss)	433,861	140,970	122,926	(1,237)	696,520
Provisions - net of recoveries	(92,720)	(20,350)	-	-	(113,070)
Profit before distribution to depositors	341,141	120,620	122,926	(1,237)	583,450
Distribution to depositors	(161,590)	(27,887)	(33,984)	-	(223,461)
Profit for the period	179,551	92,733	88,942	(1,237)	359,989

**Consolidated statement of financial position:
As at 30 September 2017 (un-audited)**

Assets					
Segment assets	17,976,632	2,921,285	15,930,254	667,897	37,496,068
Unallocated assets	-	-	-	-	348,258
Total assets	17,976,632	2,921,285	15,930,254	667,897	37,844,326
Liabilities					
Segment liabilities	17,733,128	4,786,740	9,631,929	66,321	32,218,118
Unallocated liabilities	-	-	-	-	418,167
Total liabilities	17,733,128	4,786,740	9,631,929	66,321	32,636,285

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

11. Segment reporting (continued)

	Corporate and Government	Retail	Investment and treasury	Hospitality and brokerage	Total
Consolidated statement of profit or loss:					
For the nine-month period ended 30 September 2016 (un-audited)					
Income from Islamic financing	420,956	123,643	73,262	-	617,861
Profit expense on sukuk	-	-	(114,221)	-	(114,221)
Investment, fees, commission and other income	71,171	50,941	283,442	-	405,554
Income from subsidiaries	-	-	-	19,134	19,134
Total income	492,127	174,584	242,483	19,134	928,328
General and administrative expenses	(172,301)	(61,125)	(84,897)	(22,413)	(340,736)
Net operating income	319,826	113,459	157,586	(3,279)	587,592
Provisions- net of recoveries	(65,685)	(8,058)	(6,402)	(23,595)	(103,740)
Profit before distribution to depositors	254,141	105,401	151,184	(26,874)	483,852
Distribution to depositors	(96,178)	(38,098)	(13,809)	-	(148,085)
Profit for the period	157,963	67,303	137,375	(26,874)	335,767
Consolidated statement of financial position:					
As at 31 December 2016 (audited)					
Assets					
Segment assets	15,997,829	1,709,246	14,693,426	656,447	33,056,948
Unallocated assets	-	-	-	-	482,278
Total assets	15,997,829	1,709,246	14,693,426	656,447	33,539,226
Liabilities					
Segment liabilities	14,242,614	4,390,263	9,346,849	58,414	28,038,140
Unallocated liabilities	-	-	-	-	644,842
Total liabilities	14,242,614	4,390,263	9,346,849	58,414	28,682,982

12. 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 opinion of the management are not significantly different from those that could have been obtained from third parties.

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

12. Related parties (continued)

At the reporting date, such significant balances include:

Condensed consolidated interim statement of financial position	30 September 2017			Total
	Key management personnel	Major shareholders	Other related parties	
Financing and Ijarah receivables	558,736	3,757,578	3,129,897	7,446,211
Customers deposits	(43,410)	(23,274)	(3,976,827)	(4,043,511)
Contingent liabilities – off balance sheet	134,105	1,721	-	135,826
Condensed consolidated interim statement of profit or loss	30 September 2017			
Income from Islamic financing	19,479	88,643	74,174	182,296
Depositors' share of profit	(159)	(1,566)	(8,115)	(9,840)
	31 December 2016			
Condensed consolidated interim statement of financial position	Key management personnel	Major shareholders	Other related parties	Total
Financing and Ijarah receivables	518,507	3,126,934	2,602,694	6,248,135
Customers deposits	(56,852)	(64,034)	(2,505,771)	(2,626,657)
Contingent liabilities – off balance sheet	138,168	7,870	-	146,038
Condensed consolidated interim statement of profit or loss	30 September 2016			
Income from Islamic financing	27,537	68,711	88,788	185,036
Depositors' share of profit	(203)	(5,176)	(18,092)	(23,471)

Key management compensation includes salaries and other short term benefits of AED 17.5 million for the period ended 30 September 2017 (30 September 2016: AED 16.3 million) and post-employment benefits of AED 1.3 million for the period ended 30 September 2017 (30 September 2016: AED 1.2 million).

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

13. 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 30 September 2017 (Un-audited)				
Financial assets				
FVTPL – investment securities	31,488	6,527	36,730	74,745
FVTOCI – investment securities	923,252	-	157,113	1,080,365
	<u>954,740</u>	<u>6,527</u>	<u>193,843</u>	<u>1,155,110</u>
Non-financial assets				
Investment properties at fair value	-	-	2,162,065	2,162,065
At 31 December 2016 (Audited)				
Financial assets				
FVTPL – investment securities	42,077	-	-	42,077
FVTOCI – investment securities	979,510	-	100,234	1,079,744
	<u>1,021,587</u>	<u>-</u>	<u>100,234</u>	<u>1,121,821</u>
Non-financial assets				
Investment properties at fair value	-	-	2,124,359	2,124,359

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:

	30 September 2017		31 December 2016	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Financial assets				
Balance as at 1 January	-	100,234	-	200,155
Fair value movement	-	(9,235)	-	(90)
Addition	36,730	66,114	-	-
Disposals	-	-	-	(99,831)
Closing balance	<u>36,730</u>	<u>157,113</u>	<u>-</u>	<u>100,234</u>
Non-financial assets				
		30 September 2017		31 December 2016
Balance at the beginning of the period		2,124,359		1,811,784
Additions		11,836		181,491
Transfer from held-for-sale		77,371		94,144
Disposal		(51,501)		(33,173)
Revaluation gain		-		70,113
Closing balance		<u>2,162,065</u>		<u>2,124,359</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 2016.

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

14. Geographical distribution

	30 September 2017 <u>Un-audited</u>	31 December 2016 <u>Audited</u>
a) Investment securities by geographical distribution		
Financial assets at fair value through profit or loss		
- Domestic	43,257	11,099
- International	31,488	30,978
	<u>74,745</u>	<u>42,077</u>
Financial assets at fair value through other comprehensive income		
- Domestic	985,797	1,008,067
- International	94,568	71,677
	<u>1,080,365</u>	<u>1,079,744</u>
Financial assets measured at amortised cost		
- Domestic	1,717,574	1,281,261
- International	2,046,215	1,704,113
	<u>3,763,789</u>	<u>2,985,374</u>
Total investment securities	<u>4,918,899</u>	<u>4,107,195</u>

b) Investment properties and properties held for sale are located in UAE.

15. 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.

16. Dividends

During the annual general meeting of the shareholder's held on 11 March 2017, a dividend of 10% bonus share – 1 bonus share for every 10 shares amounting to AED 242.6 million was approved for the year ended 31 December 2016 (2016: cash dividend of AED 242.6 million (AED 0.10 per share) for 2015).

SHARJAH ISLAMIC BANK P.J.S.C AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2017 (Un- audited)
(Currency: Thousands of U.A.E. Dirhams)

17. Contingencies and commitments

Following are the contingencies:

	30 September 2017 <u>Un-audited</u>	31 December 2016 <u>Audited</u>
Letter of credit	<u>243,883</u>	<u>152,109</u>
Letter of Guarantee	<u>1,811,068</u>	<u>1,526,755</u>
Credit commitments	<u>4,688,427</u>	<u>4,295,744</u>
Capital commitments	<u>172,247</u>	<u>106,898</u>

18. Comparatives

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