
SHARJAH ISLAMIC BANK PJSC
DIRECTORS' REPORT AND CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024

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 2024.

Financial highlights

As of 31 March 2024, the total assets of the Bank amounted to AED 70.1 billion, showing an increase of 6.4% compared to AED 65.9 billion as at 31 December 2023. The investment securities measured at amortized cost experienced a significant growth of 23% during the period, reaching AED 11.8 billion compared to AED 9.6 billion as of 31 December 2023. Investments in Islamic financing remained stable, with a 1% increase or AED 0.3 billion, taking the total outstanding amount to AED 33.4 billion as of 31 March 2024, in comparison to AED 33.0 billion as of 31 December 2023. Customer deposits remained stable to reach AED 45.1 billion as compared to AED 45.2 billion as at 31 December 2023, demonstrating a stable overall liquidity position of the Bank, which stands at 21.8% as at 31 March 2024. Shareholders' equity amounted to AED 8.1 billion as of 31 March 2024.

The net operating income before impairment, net of recoveries, for the Group increased by AED 2.7 million for the three month period ended 31 March 2024. The impairment charges on financial assets, net of recoveries, for the three month period ended 31 March 2024, totaled AED 45 million, indicating a 52.5% decrease compared to the three month period ended 31 March 2023. As a result, profit before tax increased by AED 52.3 million to reach AED 285.4 million for the three month period ended 31 March 2024 as compared to AED 233 million for the three month period ended 31 March 2023. Taxation expense for the three month period ended 31 March 2024 was AED 25.8 million in compliance of the UAE Corporate Tax Law, as applicable, from 1 January 2024. As a result, a net profit of AED 259.7 million was recorded for the three month period ended 31 March 2024, as compared to AED 233.1 million for the three month period ended 31 March 2023, reflecting a 11.4% increase.



Abdul Rahman Mohammed Naseer Al Owais
Chairman
22 April 2024





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Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors of the Sharjah Islamic Bank PJSC

Introduction

We have reviewed the accompanying 31 March 2024 condensed consolidated interim financial information of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which consisting of:

- the condensed consolidated interim statement of financial position as at 31 March 2024;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2024;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2024;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2024;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2024; and
- notes to the condensed consolidated interim financial information.

Management is 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 condensed consolidated 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 31 March 2024 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 22 January 2024. Furthermore, the condensed consolidated interim financial information of the Group as at and for the three-month period ended 31 March 2023 was reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial information on 18 April 2023.

KPMG Lower Gulf Limited


Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates


Date: **22 APR 2024**

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

		As at 31 March 2024	As at 31 December 2023
	Notes	Un-audited	Audited
Assets			
Cash and balances with banks and financial institutions	6	3,967,749	3,436,612
Murabaha and wakalah with financial institutions	7	11,317,546	10,240,664
Investment securities measured at fair value	8	3,841,997	3,961,739
Investment securities measured at amortised cost	9	11,787,682	9,582,292
Investments in Islamic financing	10	33,364,464	33,030,434
Acceptances		202,247	209,135
Properties held-for-sale		582,618	526,215
Investment properties	22	3,008,216	2,822,991
Other assets	11	1,094,762	1,117,292
Intangible assets	12.2	60,631	61,664
Property and equipment	12.1	888,282	889,943
Total assets		70,116,194	65,878,981
Liabilities and shareholders' equity			
Liabilities			
Customers' deposits	13	45,078,809	45,206,574
Due to banks		13,251,038	9,053,932
Acceptances		202,378	209,603
Sukuk payable	14	1,835,139	1,834,869
Other liabilities	15	1,639,106	1,381,333
Zakat payable		53,932	66,002
Total liabilities		62,060,402	57,752,313
Shareholders' equity			
Share capital	16	3,235,678	3,235,678
Tier 1 sukuk		1,836,500	1,836,500
Legal reserve		1,617,838	1,617,838
Statutory reserve		89,008	89,008
General impairment reserve		206,790	164,617
Fair value reserve		(134,902)	(183,849)
Retained earnings		1,204,880	1,366,876
Total shareholders' equity		8,055,792	8,126,668
Total liabilities and shareholders' equity		70,116,194	65,878,981

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 22 April 2024.


Abdul Rahman Mohammed Nasser Al Owais
Chairman


Mohamed Ahmed Abdalla
Chief Executive Officer

The independent auditor's review report is set on pages 2 and 3 of these condensed consolidated interim financial statements. The accompanying notes from pages 11 to 37 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 2024
(Currency: Thousands of U.A.E Dirhams)

	Notes	For the three month period ended	
		31 March	
		2024	2023
		Un-audited	Un-audited
Income from investments in Islamic financing and sukuk		858,066	694,602
Distribution to depositors and sukuk holders		(489,980)	(324,225)
Net income from financing and investment products		368,086	370,377
Fee and commission income	18	102,448	74,024
Fee and commission expense	18	(24,622)	(16,187)
Net fee and commission income		77,826	57,837
Investment income		7,961	11,537
Foreign exchange income		17,355	16,680
Other income	19	33,519	27,415
Total operating income		504,747	483,846
General and administrative expenses		(174,345)	(156,125)
Net operating income before impairment		330,402	327,721
Impairment on financial assets - net of recoveries		(44,996)	(94,655)
Profit before tax		285,406	233,066
Taxation	27	(25,750)	-
Profit for the period		259,656	233,066
(Attributable to the shareholders of the Bank)			
Basic and diluted earnings per share (U.A.E. Dirhams)	29	0.07	0.06

The independent auditor's review report is set on pages 2 and 3 of these condensed consolidated interim financial statements. The accompanying notes from pages 11 to 37 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	For the three month period ended	
	31 March	
	2024	2023
Note	Un-audited	Un-audited
Profit for the period (Attributable to the shareholders of the Bank)	259,656	233,066
Other comprehensive income		
Items that will be reclassified to profit or loss		
Change in fair value reserve on FVTOCI sukuk investments	57,686	(20,049)
Items that will not be reclassified to profit or loss		
Change in fair value reserve on FVTOCI equity investments	(3,896)	1,935
Related tax on other comprehensive income	27	(4,843)
Total comprehensive income for the period - net off tax (Attributable to the shareholders of the Bank)	308,603	214,952

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SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	For the three month period	
	ended 31 March	
	2024	2023
	Un-audited	Un-audited
Cash flows from operating activities		
Profit before tax	285,406	233,066
<i>Adjustments for:</i>		
- Amortisation and depreciation	13,584	10,611
- Amortisation of sukuk issuance costs	270	627
- Provision charge on investments in Islamic financing	46,182	85,800
- Provision charge on investment securities measured at fair value	1,642	1,172
- Provision charge on investment securities measured at amortised cost	559	6,437
- (Reversal) / provision on other financial assets	(4,169)	845
- Provision charge on subsidiaries	782	401
- Loss on disposal of properties held for sale	-	366
- Gain on disposal of investment properties	-	(5,555)
- (Gain) / loss on disposal of investment securities measured at fair value	(6,128)	784
- Revaluation on investment securities measured at fair value through profit and loss	5,902	(4,813)
- Foreign exchange loss / (gain) on properties	1,509	(4,065)
- Gain on disposal of property and equipment	(3)	-
Operating cash flows before changes in operating assets and liabilities	345,536	325,676
<i>Changes in:</i>		
- Balances with Central Bank of the UAE	(1,260,157)	1,204,247
- Murabaha and wakalah with financial institutions	(366,431)	(561,623)
- Investments in Islamic financing	(380,212)	183,820
- Other assets and acceptances	32,805	270,800
- Properties held for sale	(56,403)	(16,093)
- Customers' deposits	(127,765)	2,349,601
- Due to banks	4,126,101	(810,004)
- Other liabilities and acceptances	209,606	(329,326)
Net cash generated from operating activities	2,523,080	2,617,098
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(10,929)	(6,588)
Disposal of property and equipment and intangible assets	42	-
Acquisition of investment properties	(186,734)	(6,283)
Disposal of investment properties	-	31,695
Acquisition of investment securities measured at fair value	(30,405)	(15,979)
Disposal / redemption of investment securities measured at fair value	202,870	528,202
Acquisition of investment securities measured at amortised cost	(2,457,349)	(2,248,641)
Redemption on investment securities measured at amortised cost	251,400	-
Net cash used in investing activities	(2,231,105)	(1,717,594)

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SHARJAH ISLAMIC BANK PJSC
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

	For the three month period ended 31 March	
	2024	2023
	Un-audited	Un-audited
Cash flows from financing activities		
Profit paid on tier 1 sukuk	(45,912)	(45,912)
Zakat paid	(12,070)	(7,614)
Cash dividend	(323,567)	(308,160)
Net cash used in financing activities	(381,549)	(361,686)
Net (decrease) / increase in cash and cash equivalents	(89,574)	537,818
Cash and cash equivalents at the beginning of the period	5,768,822	7,314,123
Cash and cash equivalents at the end of the period	5,679,248	7,851,941
	As at	As at
	31 March	31 March
	2024	2023
	Un-audited	Un-audited
Cash and cash equivalents		
Cash and balances with banks and financial institutions	867,367	820,128
Murabaha and wakalah with financial institutions	4,908,681	7,103,409
Due to banks	(96,800)	(71,596)
Cash and cash equivalents at the end of the period	5,679,248	7,851,941

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

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024

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

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK							
	Share capital	Tier 1 sukuk	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2023 (Audited)	3,081,598	1,836,500	1,541,200	89,008	41,602	(305,576)	1,348,076	7,632,408
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	233,066	233,066
Other comprehensive income								
Net change in fair value reserve	-	-	-	-	-	(18,114)	-	(18,114)
Total comprehensive income for the period	-	-	-	-	-	(18,114)	233,066	214,952
Transactions recorded directly in equity								
Bonus shares issued (note 24)	154,080	-	-	-	-	-	(154,080)	-
Realised loss on equity investments measured at FVTOCI transferred to retained earnings	-	-	-	-	-	4,450	(4,450)	-
Cash dividend (note 24)	-	-	-	-	-	-	(308,160)	(308,160)
Transfer to general impairment reserve	-	-	-	-	(17,711)	-	17,711	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,912)	(45,912)
Board of directors' fees	-	-	-	-	-	-	(10,000)	(10,000)
Total	154,080	-	-	-	(17,711)	4,450	(504,891)	(364,072)
As at 31 March 2023 (Un-audited)	3,235,678	1,836,500	1,541,200	89,008	23,891	(319,240)	1,076,251	7,483,288

The independent auditor's review report is set on pages 2 and 3 of these condensed consolidated interim financial statements. The accompanying notes from pages 11 to 37 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024

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

	ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK							
	Share capital	Tier 1 sukuk	Legal reserve	Statutory reserve	General impairment reserve	Fair value reserve	Retained earnings	Total shareholders' equity
As at 1 January 2024 (Audited)	3,235,678	1,836,500	1,617,838	89,008	164,617	(183,849)	1,366,876	8,126,668
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	259,656	259,656
Other comprehensive income								
Net change in fair value reserve - net off tax	-	-	-	-	-	48,947	-	48,947
Total comprehensive income for the period	-	-	-	-	-	48,947	259,656	308,603
Transactions recorded directly in equity								
Cash dividend (note 24)	-	-	-	-	-	-	(323,567)	(323,567)
Transfer to general impairment reserve	-	-	-	-	42,173	-	(42,173)	-
Profit paid on tier 1 sukuk	-	-	-	-	-	-	(45,912)	(45,912)
Board of directors' fees	-	-	-	-	-	-	(10,000)	(10,000)
Total	-	-	-	-	42,173	-	(421,652)	(379,479)
As at 31 March 2024 (Un-audited)	3,235,678	1,836,500	1,617,838	89,008	206,790	(134,902)	1,204,880	8,055,792

The independent auditor's review report is set on pages 2 and 3 of these condensed consolidated interim financial statements. The accompanying notes from pages 11 to 37 form an integral part of these condensed consolidated interim financial statements.

SHARJAH ISLAMIC BANK PJSC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the "Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates ("UAE") and is listed on the Abu Dhabi Securities Exchange. The Bank is engaged in banking, financing and investing activities in accordance with its articles of incorporation, Islamic Shari'a principles and regulations of Central Bank of the UAE ("CBUAE"), which are carried out through its 32 branches (*As at 31 December 2023: 32 branches*) established in the UAE.

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

These condensed consolidated interim financial statements of the Group comprise the Bank and its fully owned subsidiaries incorporated in the UAE, Sharjah National Hotels ("SNH"), Sharjah Islamic Financial Services LLC ("SIFS") and ASAS Real Estate ("ASAS") as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited, (all together referred to as the "Group"). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank's Sukuk program.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the "Corporate Tax Law") to enact a Federal corporate tax regime in the UAE. The Corporate Tax regime became effective for the accounting year beginning on or after 1 June 2023, hence for the Group it is effective from 1 January 2024. Refer to notes 27 and 28 for the details of impact of the Corporate Tax Law on the Group.

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

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. Selected explanatory notes, are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2023. 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 2023, including the UAE Federal Law No. 32 of 2021 on Commercial Companies and the Decretal Federal Law No. 14 of 2018.

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
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2. Basis of preparation (continued)

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for, provision for employees' end of service benefits which is measured using the projected credit unit method under IAS 19, and the following material items in the condensed consolidated interim statement of financial position which are measured at fair value:

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

3. Material 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 2023.

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these condensed consolidated interim financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts or disclosures reported for the current and prior periods.

New standards and significant amendments to standards applicable to the Group	Effective date
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Amendments to IAS 1, Presentation of financial statements on classification of liabilities	1 January 2024
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The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g.the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024
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These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

3. Material accounting policies (continued)

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

New standards and significant amendments to standards applicable to the Group (continued)	Effective date
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Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024
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These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	1 January 2024
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The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company’s liabilities and cash flows, and the company’s exposure to liquidity risk.

New and revised IFRS in issue but not yet effective and not early adopted

Amendments to IAS 21 - Lack of Exchangeability	1 January 2025
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The amendments contain no specific requirements for estimating a spot rate. Therefore, when estimating a spot rate a company can use an observable exchange rate without adjustment or another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process and risks to the company because the currency is not exchangeable.

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

SHARJAH ISLAMIC BANK PJSC**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024**

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

4. Key accounting estimates and judgments

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

In preparing these condensed consolidated interim financial statements, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2023.

i) Use of estimates and judgements

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. The Bank has computed ECL using 30% weightage to the upward scenario as of 31 March 2024. Had adverse scenario been stressed from 30% by another 10% with corresponding impact on upward scenario, impairment loss allowance would increase by AED 16.3 million.

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

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

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

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The most significant period-end assumptions used for ECL estimate includes next 5-year average oil price ranging between US\$ 53.32/barrel to US\$ 84.60/barrel, equity price index growth volatility ranging between -18.5% to 7.6%, non-oil UAE GDP range falling -3.5% to rising 7.9% and UAE CPI index ranging 0.9% to 2.0%.

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

SHARJAH ISLAMIC BANK PJSC
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2024
(Currency: Thousands of U.A.E Dirhams)

5. Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2023.

i) Fair value measurement of financial instruments

The Bank's existing policy on fair value measurement of financial instruments is disclosed in note 3 (b) to the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2023.

ii) Capital adequacy ratio "CAR" initiatives

The Bank expects CAR in the current economic scenario to remain well above the UAE banking sector average and the baseline CBUAE BASEL III requirement of 13% including capital conservation buffer of 2.5%. In order to relieve the pressure on financial institutions, the CBUAE, vide its official paper issued on 22 April 2020, allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aimed to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the volatility due to the COVID 19 crisis. The filter allowed Banks to partially add incremental ECL provisions back to their Tier 1 capital for the purpose of calculating capital adequacy ratios. Banks were however required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024).

iii) Concentration analysis

Please refer to note 10.1 (a) and (b) to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 31 March 2024. 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 2023.

iv) Profit rate risk

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

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

	Increase / decrease in basis point 31 March 2024 Un-audited	Increase / decrease in basis point 31 December 2023 Audited
Net profit rate sensitivity on financial assets and liabilities	1,019	4,075

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5. Financial risk management (continued)

v) Maximum exposure to credit risk

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

	As at 31 March 2024 (Un-audited)			
	ECL Staging			Total
	Stage 1 12 month	Stage 2 Lifetime	Stage 3 Lifetime	
<i>Cash and balances with banks and financial institutions</i>	107,272	50	-	107,322
Loss allowance	(7)	(1)	-	(8)
Carrying amount	<u>107,265</u>	<u>49</u>	<u>-</u>	<u>107,314</u>
<i>Murabaha and wakalah with financial institutions</i>	5,669,362	-	-	5,669,362
Loss allowance	(1,816)	-	-	(1,816)
Carrying amount	<u>5,667,546</u>	<u>-</u>	<u>-</u>	<u>5,667,546</u>
<i>Investment securities measured at FVTOCI (excluding equity investments)</i>	2,813,428	-	-	2,813,428
Loss allowance	(32,254)	-	-	(32,254)
Carrying amount	<u>2,781,174</u>	<u>-</u>	<u>-</u>	<u>2,781,174</u>
<i>Investment securities measured at amortised cost</i>	11,790,081	10,886	60,309	11,861,276
Loss allowance	(12,615)	(670)	(60,309)	(73,594)
Carrying amount	<u>11,777,466</u>	<u>10,216</u>	<u>-</u>	<u>11,787,682</u>
<i>Investments in Islamic financing</i>	31,088,294	1,983,407	1,906,059	34,977,760
Loss allowance	(153,134)	(237,285)	(1,222,877)	(1,613,296)
Carrying amount	<u>30,935,160</u>	<u>1,746,122</u>	<u>683,182</u>	<u>33,364,464</u>
<i>Other assets (excluding non-financial assets)</i>	1,222,660	-	37,995	1,260,655
Loss allowance	(8,727)	-	(37,995)	(46,722)
Carrying amount	<u>1,213,933</u>	<u>-</u>	<u>-</u>	<u>1,213,933</u>
Net credit risk exposures relating to on-balance sheet assets	<u>52,482,544</u>	<u>1,756,387</u>	<u>683,182</u>	<u>54,922,113</u>
<i>Letter of credit and guarantee</i>	1,027,091	4,811	1,034	1,032,936
Loss allowance	(3,245)	(201)	(63)	(3,509)
Net credit risk exposures off-balance sheet assets	<u>1,023,846</u>	<u>4,610</u>	<u>971</u>	<u>1,029,427</u>
Net credit risk exposures	<u>53,506,390</u>	<u>1,760,997</u>	<u>684,153</u>	<u>55,951,540</u>
Gross credit risk exposure	53,718,188	1,999,154	2,005,397	57,722,739
Total loss allowance	<u>(211,798)</u>	<u>(238,157)</u>	<u>(1,321,244)</u>	<u>(1,771,199)</u>
	<u>53,506,390</u>	<u>1,760,997</u>	<u>684,153</u>	<u>55,951,540</u>

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5. Financial risk management (continued)

v) Maximum exposure to credit risk (continued)

	As at 31 December 2023 (Audited)			
	ECL Staging			Total
	Stage 1	Stage 2	Stage 3	
	12 month	Lifetime	Lifetime	
<i>Cash and balances with banks and financial institutions</i>	312,391	22	-	312,413
Loss allowance	(79)	(4)	-	(83)
Carrying amount	312,312	18	-	312,330
<i>Murabaha and wakalah with financial institutions</i>	4,844,206	-	-	4,844,206
Loss allowance	(3,542)	-	-	(3,542)
Carrying amount	4,840,664	-	-	4,840,664
<i>Investment securities measured at FVTOCI (excluding equity investments)</i>	2,882,488	-	-	2,882,488
Loss allowance	(30,612)	-	-	(30,612)
Carrying amount	2,851,876	-	-	2,851,876
<i>Investment securities measured at amortised cost</i>	9,584,148	10,870	60,309	9,655,327
Loss allowance	(12,045)	(681)	(60,309)	(73,035)
Carrying amount	9,572,103	10,189	-	9,582,292
<i>Investments in Islamic financing</i>	30,661,767	2,085,311	1,891,680	34,638,758
Loss allowance	(144,928)	(258,745)	(1,204,651)	(1,608,324)
Carrying amount	30,516,839	1,826,566	687,029	33,030,434
<i>Other assets and acceptances (excluding non-financial assets)</i>	1,245,336	-	37,286	1,282,622
Loss allowance	(9,091)	-	(37,286)	(46,377)
Carrying amount	1,236,245	-	-	1,236,245
Net credit risk exposures relating to on-balance sheet assets	49,330,039	1,836,773	687,029	51,853,841
<i>Letter of credit and guarantee</i>	948,653	8,265	1,034	957,952
Loss allowance	(2,384)	(661)	(63)	(3,108)
Net credit risk exposures off-balance sheet assets	946,269	7,604	971	954,844
Net credit risk exposures	50,276,308	1,844,377	688,000	52,808,685
Gross credit risk exposure	50,478,989	2,104,468	1,990,309	54,573,766
Total loss allowance	(202,681)	(260,091)	(1,302,309)	(1,765,081)
	50,276,308	1,844,377	688,000	52,808,685

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

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

	As at 31 March 2024 <u>Un-audited</u>	As at 31 December 2023 <u>Audited</u>
<i>Capital base</i>		
Common equity tier 1	5,992,786	6,156,313
Additional tier 1 capital	1,836,500	1,836,500
Total tier 1 capital base	7,829,286	7,992,813
Total tier 2 capital base	547,287	522,824
Total capital base	8,376,573	8,515,637
<i>Risk weighted assets</i>		
Credit risk	43,782,968	41,825,910
Market risk	163,303	166,119
Operational risk	3,487,541	3,132,244
Total risk weighted assets	47,433,812	45,124,273
<i>Capital ratios</i>		
Common equity tier 1 ratio	12.63%	13.64%
Tier 1 capital ratio	16.51%	17.71%
Capital adequacy ratio	17.66%	18.87%

6. Cash and balances with banks and financial institutions

Cash	769,996	695,291
Balances with CBUAE	3,090,439	1,828,652
Due from banks	107,314	912,669
	3,967,749	3,436,612

As at 31 March 2024 and 31 December 2023, balances with CBUAE includes 14 days average statutory deposit requirement of CBUAE, which is also available to fund daily operations under specified conditions.

As at 31 March 2024, due from banks include cash margin amounting to AED 10.7 million (*As at 31 December 2023: AED: 11.6 million*) against collateralised murabaha.

7. Murabaha and wakalah with financial institutions

Murabaha	1,370,950	1,595,725
Wakalah arrangements	9,946,596	8,644,939
	11,317,546	10,240,664

As at 31 March 2024, wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting to AED 5.7 billion (*As at 31 December 2023: AED 5.4 billion*) .

As at 31 March 2024, Murabaha and wakalah with financial institutions carry profit rates ranging from 3.75% to 9.0% per annum (*As at 31 December 2023: 4.0% to 9.0% per annum*) .

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8. Investment securities measured at fair value

The Group has designated certain investments in equity instruments, funds and sukuks as FVTOCI as these are investments that the Group plans to hold in the long term for strategic reasons.

By category

	Fair value		Dividend income	
	As at	As at	For the three month period	
	31 March	31 December	ended 31 March	
	2024	2023	2024	2023
	Un-audited	Audited	Un-audited	Un-audited
<i>Financial assets at fair value through profit or loss</i>				
- Equity and funds	369,423	354,697	1,240	-
- Sukuks	347,040	373,873	-	-
	716,463	728,570	1,240	-
<i>Financial assets at fair value through other comprehensive income</i>				
- Equity and funds	376,614	381,293	6,024	7,416
- Sukuks	2,781,174	2,882,488	-	-
	3,157,788	3,263,781	6,024	7,416
Less: loss allowance on financial assets measured at FVTOCI	(32,254)	(30,612)	-	-
	3,125,534	3,233,169	6,024	7,416
Total investment securities measured at fair value	3,841,997	3,961,739	7,264	7,416

By quoted / unquoted

	As at	
	31 March	31 December
	2024	2023
	Un-audited	Audited
<i>Financial assets at fair value through profit or loss</i>		
- Quoted	386,912	399,019
- Unquoted	329,551	329,551
	716,463	728,570
<i>Financial assets at fair value through other comprehensive income</i>		
- Quoted	2,837,512	2,955,115
- Unquoted	320,276	308,666
Less: loss allowance on financial assets measured at FVTOCI	(32,254)	(30,612)
	3,125,534	3,233,169
Total investment securities measured at fair value	3,841,997	3,961,739

During the three month period ended 31 March 2024 and the year ended 31 December 2023, no investment securities measured at fair value through other comprehensive income were downgraded to stage 3 under the ECL model.

During the three month period ended 31 March 2024, the Group has purchased equity securities amounting to nil (*year ended 31 December 2023: AED 47.6 million*).

As at 31 March 2024 and 31 December 2023, investment securities measured at fair value predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

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9. Investment securities measured at amortised cost

	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
By category		
- Sukuks	11,861,276	9,655,327
Less: loss allowance on financial assets measured at amortised cost	(73,594)	(73,035)
	<u>11,787,682</u>	<u>9,582,292</u>
By quoted / unquoted		
- Quoted	8,370,331	6,164,422
- Unquoted	3,490,945	3,490,905
Less: loss allowance on financial assets measured at amortised cost	(73,594)	(73,035)
	<u>11,787,682</u>	<u>9,582,292</u>

During the three month period ended 31 March 2024 and the year ended 31 December 2023, no investment securities measured at amortised cost were downgraded to stage 3 under the ECL model.

As at 31 March 2024, sukuk held at amortised cost includes AED 6,918.9 million (*As at 31 December 2023: AED 4,568.9 million*) that has been pledged against a collateralized commodity murabaha arrangement.

During the three month period ended 31 March 2024, the Group has sold investment securities measured at amortised cost amounting to AED 193.9 million (*year ended 31 December 2023, the Group has sold investment securities measured at amortised cost amounting to AED 124.9 million*).

As at 31 March 2024 and 31 December 2023, investment securities measured at amortised cost predominantly comprise securities issued in the UAE and the Gulf Cooperation Council ("GCC").

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

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10. Investments in Islamic financing

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

	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
a) By product		
Vehicle murabaha	463,776	412,718
Goods murabaha	12,561,416	12,726,515
Real estate murabaha	7,825	8,335
Other murabaha receivable	1,686,300	1,355,567
Syndicate murabaha	716,148	642,688
Gross murabaha financing	15,435,465	15,145,823
Deferred profit	(1,412,560)	(1,424,113)
Net murabaha financing	14,022,905	13,721,710
Ijarah	18,726,738	18,668,504
Qard hasan	894,491	858,858
Credit card receivables	104,296	103,497
Istisna	1,229,330	1,286,189
Total investments in Islamic financing	34,977,760	34,638,758
Less: loss allowance for investments in Islamic financing	(1,613,296)	(1,608,324)
Net investments in Islamic financing	33,364,464	33,030,434
b) By sector		
Government departments and authorities	12,365,365	12,369,565
Construction and contracting	1,537,550	1,623,713
Manufacturing	736,005	726,184
Transportation	410,156	437,608
Real estate	9,187,263	9,460,160
Retail businesses	466,949	483,325
Trade	2,005,012	2,024,808
Financial institutions	602,372	270,886
Services and others	1,416,288	1,290,648
Individuals	4,041,305	3,903,624
Consumer home finance	1,557,744	1,489,697
High net worth individuals	2,064,311	1,982,653
Deferred profit	(1,412,560)	(1,424,113)
Less: loss allowance for investments in Islamic financing	(1,613,296)	(1,608,324)
Net investments in Islamic financing	33,364,464	33,030,434

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10. Investments in Islamic financing (continued)

10.2 Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") and loss allowance ("ECL") for retail and corporate banking segments can be seen below:

	31 December 2023 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2024 (Audited)	30,661,767	144,928	2,085,311	258,745	1,891,680	1,204,651	34,638,758	1,608,324
<i>Retail banking</i>								
Transfer to stage 1	3,179	72	(3,132)	(80)	(47)	8	-	-
Transfer to stage 2	(32,596)	(313)	32,596	313	-	-	-	-
Transfer to stage 3	(6,559)	(95)	(11,677)	(337)	18,236	432	-	-
Net movement in GCV	231,474	-	(3,376)	-	(5,262)	-	222,836	-
Net re-measurement of loss allowance	-	2,066	-	788	-	6,114	-	8,968
Recoveries	-	-	-	-	(1,216)	(2,849)	(1,216)	(2,849)
Write-offs	-	-	-	-	(4,447)	(4,447)	(4,447)	(4,447)
<i>Corporate banking</i>								
Transfer to stage 1	11,791	6	(11,791)	(6)	-	-	-	-
Transfer to stage 2	(154,129)	(804)	154,129	804	-	-	-	-
Transfer to stage 3	(8)	-	(14,084)	(697)	14,092	697	-	-
Net movement in GCV	373,375	-	(244,569)	-	36,521	-	165,327	-
Net re-measurement of loss allowance	-	7,274	-	(22,245)	-	61,416	-	46,445
Recoveries	-	-	-	-	(6,735)	(6,382)	(6,735)	(6,382)
Write-offs	-	-	-	-	(36,763)	(36,763)	(36,763)	(36,763)
Balance at 31 March 2024 (Un-audited)	31,088,294	153,134	1,983,407	237,285	1,906,059	1,222,877	34,977,760	1,613,296

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10. Investments in Islamic financing (continued)

10.2 Reconciliations from the opening to the closing balance of the gross carrying value ("GCV") and loss allowance ("ECL") for retail and corporate banking segments can be seen below:

	31 December 2023 (Audited)							
	Stage 1		Stage 2		Stage 3		Total	
	GCV	ECL	GCV	ECL	GCV	ECL	GCV	ECL
Balance at 1 January 2023	27,765,671	117,761	2,499,293	316,918	1,943,974	1,102,742	32,208,938	1,537,421
<i>Retail banking</i>								
Transfer to stage 1	15,452	515	(15,436)	(520)	(16)	5	-	-
Transfer to stage 2	(35,488)	(359)	35,488	359	-	-	-	-
Transfer to stage 3	(128,527)	(1,420)	(19,538)	(787)	148,065	2,207	-	-
Net movement in GCV	464,622	-	(5,634)	-	(98,718)	-	360,270	-
Net re-measurement of loss allowance	-	1,183	-	727	-	25,853	-	27,763
Recoveries	-	-	-	-	(4,515)	(3,641)	(4,515)	(3,641)
Write-offs	-	-	-	-	(32,137)	(32,137)	(32,137)	(32,137)
<i>Corporate banking</i>								
Transfer to stage 1	290,453	70,807	(290,453)	(70,807)	-	-	-	-
Transfer to stage 2	(536,984)	(3,831)	536,984	3,831	-	-	-	-
Transfer to stage 3	(328,801)	(3,508)	(100,159)	(8,959)	428,960	12,467	-	-
Net movement in GCV	3,155,369	-	(555,234)	-	(398,005)	-	2,202,130	-
Net re-measurement of loss allowance	-	(36,220)	-	17,983	-	193,824	-	175,587
Recoveries	-	-	-	-	(19,058)	(17,625)	(19,058)	(17,625)
Write-offs	-	-	-	-	(76,870)	(79,044)	(76,870)	(79,044)
Balance at 31 December 2023	30,661,767	144,928	2,085,311	258,745	1,891,680	1,204,651	34,638,758	1,608,324

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10. Investments in Islamic financing (continued)**10.3 Portfolio wise analysis of ECL movement during the period**

	31 March 2024 (Un-audited)			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2024 (Audited)	144,928	258,745	1,204,651	1,608,324
<i>Retail banking</i>				
Credit cards	318	(25)	208	501
Housing finance	920	138	(700)	358
Personal finance	85	482	(480)	87
Auto finance	407	89	230	726
<i>Corporate banking</i>				
Government and related exposures	(87)	-	-	(87)
Other corporates	(1,187)	(26,461)	16,011	(11,637)
High net worth individuals	2,849	(11,882)	3,608	(5,425)
Small and medium enterprises ("SMEs")	4,901	16,199	(651)	20,449
ECL allowance as of 31 March 2024 (Un-audited)	153,134	237,285	1,222,877	1,613,296
	31 December 2023 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2023 (Audited)	117,761	316,918	1,102,742	1,537,421
<i>Retail banking</i>				
Credit cards	(430)	15	(433)	(848)
Housing loans	8,631	(287)	(1,112)	7,232
Personal loans	(9,000)	26	(6,580)	(15,554)
Auto loans	718	25	412	1,155
<i>Corporate banking</i>				
Government and related exposures	(1,551)	-	-	(1,551)
Other corporates	4,074	(44,340)	(28,960)	(69,226)
High net worth individuals	13,787	(17,440)	101,162	97,509
Small and medium enterprises ("SMEs")	10,938	3,828	37,420	52,186
ECL allowance as of 31 December 2023 (Audited)	144,928	258,745	1,204,651	1,608,324

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11. Other assets

	As at 31 March 2024 <u>Un-audited</u>	As at 31 December 2023 <u>Audited</u>
Prepaid expenses and other advances	60,829	55,219
Profit receivable	552,421	472,927
Sundry debtors	206,797	230,636
Assets purchased against Investment in Islamic financing	25,911	38,071
Others	298,909	369,456
Less: loss allowance under IFRS 9 on other financial assets	<u>(50,105)</u>	<u>(49,017)</u>
	<u>1,094,762</u>	<u>1,117,292</u>

During the three month period ended 31 March 2024 and the year ended 31 December 2023, no significant financial assets included within 'Other assets' were downgraded to stage 3 under the ECL model.

12. Property and equipment and intangible assets**12.1 Property and equipment**

Freehold land and buildings	796,019	799,305
Equipment, furniture and fittings	26,510	27,200
Computer equipment	25,478	25,149
Motor vehicles	1,646	1,890
Right of use assets	26,225	27,358
Capital work in progress	12,404	9,041
	<u>888,282</u>	<u>889,943</u>

The above balances are presented net off accumulated depreciation and accumulated impairment, if any.

12.2 Intangible assets

Software	49,909	51,741
Capital work in progress	10,722	9,923
	<u>60,631</u>	<u>61,664</u>

The above balances are presented net off accumulated amortisation and accumulated impairment, if any.

13. Customers' deposits

Current accounts	11,970,896	12,777,857
Saving accounts	3,223,105	3,115,965
Watani / call accounts	923,846	705,611
Escrow accounts	2,599,528	2,174,214
Time deposits	4,537,099	4,066,291
Wakala deposits	21,454,941	22,053,592
Margins	369,394	313,044
	<u>45,078,809</u>	<u>45,206,574</u>

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14. Sukuk payable

Name of instrument	Maturity date	Profit rate	As at	As at
			31 March 2024 Un-audited	31 December 2023 Audited
SIB Sukuk 2025	23 June 2025	2.85%	1,835,139	1,834,869
Total			1,835,139	1,834,869

15. Other liabilities

Profit payable	565,710	522,499
Accrual and provision	101,096	83,878
Accounts payable	271,232	244,644
Provision for staff end of service benefits	113,354	106,272
Managers' cheques	146,798	104,951
Sundry creditors	366,408	283,704
Corporate tax payable	25,401	-
Deferred tax liability (note 28)	5,192	-
Payables against assets purchased	24,244	16,723
Lease obligation (note 15.1)	19,671	18,662
	1,639,106	1,381,333

15.1 Lease obligation

Balance at the beginning of the period / year	18,662	14,136
Additions during the period / year	1,534	5,503
Payment made during the period / year	(657)	(2,079)
Amortisation during the period / year	132	1,102
Balance at the end of the period / year	19,671	18,662

16. Share capital

	As at 31 March 2024		As at 31 December 2023	
	Un-audited		Audited	
	No. of shares	Value	No. of shares	Value
Issued and fully paid up share capital	3,235,677,638	3,235,678	3,235,677,638	3,235,678

17. Proposed directors' remuneration

In accordance with the Article 171 of Commercial Companies Law No. 32 of 2021, the proposed directors' remuneration for the year ending 31 December 2024 is AED 10 million (year ended 31 December 2023: AED 10 million).

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18. Net fee and commission income

	For the three month period ended 31 March	
	2024	2023
	Un-audited	Un-audited
Fee and commission income		
Commission income	51,327	34,298
Fees and charges on banking services	27,704	19,343
Card related fees	18,868	15,216
Takaful commission	4,549	5,167
	102,448	74,024
Fee and commission expense		
Commission expense	4,625	3,091
Card related expense	16,559	9,570
Takaful expense	3,438	3,526
	24,622	16,187

19. Other income

Income from hospitality and brokerage	15,376	10,852
Rental income	18,064	11,349
Income from disposal of properties	-	5,189
Gain on disposal of property and equipment	3	-
Other income	76	25
	33,519	27,415

20. Segment reporting

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

a). Government and corporate

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

b). Retail

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

c). Investment and treasury

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

d). Hospitality, brokerage and real estate

The Bank on its own and through its subsidiary ASAS provides real estate services, whereas SNH and SIFS provide hospitality and brokerage services respectively.

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20. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
Condensed consolidated interim statement of profit or loss:					
For the three month period ended 31 March 2024 (Un-audited)					
Income from investments in Islamic financing and sukus	419,182	101,565	337,319	-	858,066
Distribution to depositors and sukuk holders	(317,943)	(45,174)	(126,863)	-	(489,980)
Net income from financing and investment products	101,239	56,391	210,456	-	368,086
Fee and commission income	40,548	21,685	24,266	15,949	102,448
Fee and commission expense	(10,538)	(5,976)	(8,108)	-	(24,622)
Net fee and commission income	30,010	15,709	16,158	15,949	77,826
Investment income	-	-	7,961	-	7,961
Foreign exchange income	12,689	2,102	4,073	(1,509)	17,355
Other income	-	-	81	33,438	33,519
Total operating income	143,938	74,202	238,729	47,878	504,747
General and administrative expenses	-	-	-	(14,762)	(14,762)
General and administrative expenses - unallocated	-	-	-	-	(159,583)
Net operating income before impairment	143,938	74,202	238,729	33,116	330,402
Impairment on financial assets - net of recoveries	(23,568)	(2,027)	(18,619)	(782)	(44,996)
Profit before tax	120,370	72,175	220,110	32,334	285,406
Taxation	-	-	-	-	(25,750)
Profit for the period	120,370	72,175	220,110	32,334	259,656
Condensed consolidated interim statement of financial position:					
As at 31 March 2024 (Un-audited)					
Assets					
Segment assets	28,940,291	5,521,238	31,438,398	3,169,159	69,069,086
Unallocated assets	-	-	-	-	1,047,108
Total assets	28,940,291	5,521,238	31,438,398	3,169,159	70,116,194
Liabilities					
Segment liabilities	36,425,867	8,812,773	15,839,509	601,092	61,679,241
Unallocated liabilities	-	-	-	-	381,161
Total liabilities	36,425,867	8,812,773	15,839,509	601,092	62,060,402

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20. Segment reporting (continued)

	Corporate and government	Retail	Investment and treasury	Hospitality, brokerage and real estate	Total
Condensed consolidated statement of profit or loss:					
For the three month period ended 31 March 2023 (Un-audited):					
Income from investments in Islamic financing and sukuks	352,938	94,909	246,755	-	694,602
Distribution to depositors and sukuk holders	(211,412)	(21,910)	(90,903)	-	(324,225)
Net income from financing and investment products	141,526	72,999	155,852	-	370,377
Fee and commission income	35,663	17,342	7,100	13,919	74,024
Fee and commission expense	(6,902)	(4,942)	(4,343)	-	(16,187)
Net fee and commission income	28,761	12,401	2,756	13,919	57,837
Investment income	-	-	11,537	-	11,537
Foreign exchange income / (loss)	7,637	998	3,980	4,065	16,680
Other income	-	-	25	27,390	27,415
Total operating income	177,924	86,398	174,150	45,374	483,846
General and administrative expenses	-	-	-	(11,994)	(11,994)
General and administrative expenses - unallocated	-	-	-	-	(144,131)
Net operating income before impairment	177,924	86,398	174,150	33,380	327,721
Impairment on financial assets - net of recoveries	(81,763)	(2,040)	(10,451)	(401)	(94,655)
Profit for the period	96,161	84,358	163,699	32,979	233,066
Consolidated statement of financial position:					
As at 31 December 2023 (Audited)					
Assets					
Segment assets	29,172,310	5,303,172	27,361,142	3,015,321	64,851,945
Unallocated assets	-	-	-	-	1,027,036
Total assets	29,172,310	5,303,172	27,361,142	3,015,321	65,878,981
Liabilities					
Segment liabilities	36,943,593	8,221,769	11,363,516	691,990	57,220,868
Unallocated liabilities	-	-	-	-	531,445
Total liabilities	36,943,593	8,221,769	11,363,516	691,990	57,752,313

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21. Related parties

In the normal course of business, the Group enters into various transactions with enterprises and key management personnel which falls within the definition of related parties as defined in IAS 24. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. Other related parties includes balances due to / from entities under common control of either major shareholders or key management personnel. The related party transactions are executed at the terms agreed between the parties, which in the opinion of management, are not significantly different from those that could have been obtained from third parties. At the reporting date, such significant balances include:

	Key management personnel	Major shareholders	Other related parties	Total
Condensed consolidated interim statement of financial position as at 31 March 2024 (Un-audited)				
Investment securities measured at fair value	-	601,857	-	601,857
Investment securities measured at amortised cost	-	963,979	-	963,979
Investments in Islamic financing	469,410	4,153,287	5,731,389	10,354,086
Customers' deposits	(262,353)	(3,651,031)	(3,695,586)	(7,608,970)
Contingent liabilities	-	1,483	204,266	205,749
Consolidated statement of financial position as at 31 December 2023 (Audited)				
Investment securities measured at fair value	-	602,509	-	602,509
Investment securities measured at amortised cost	-	963,979	-	963,979
Investments in Islamic financing	441,672	4,239,638	5,778,496	10,459,806
Customers' deposits	(224,179)	(3,890,069)	(3,521,260)	(7,635,508)
Contingent liabilities	-	3,142	164,123	167,265
Condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2024 (Un-audited)				
Income from Islamic financing and investment securities	3,989	68,008	102,676	174,673
Depositors' share of profit	(797)	(45,115)	(24,994)	(70,906)
Fee and commission income	-	-	398	398
Condensed consolidated interim statement of profit or loss for the three month period ended 31 March 2023 (Un-audited)				
Income from Islamic financing and investment securities	4,176	64,542	74,497	143,215
Depositors' share of profit	(730)	(31,165)	(16,072)	(47,967)
Fee and commission income	-	-	314	314

Key management compensation includes salaries and other short term benefits of AED 6.2 million for the three month period ended 31 March 2024 (*three month period ended 31 March 2023: AED 6.8 million*) and post-employment benefits of AED 0.9 million for the three month period ended 31 March 2024 (*three month period ended 31 March 2023: AED 0.5 million*).

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

As at 31 March 2024 or 31 December 2023, the Group does not have any related party balances classified as stage 3.

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22. Fair value measurement

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

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

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

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

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

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

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

Specific controls include:

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

Significant valuation issues are reported to the Investment Committee.

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22. Fair value measurement (continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
At 31 March 2024 (Un-audited)				
Financial assets				
Investment securities - FVTPL	386,912	-	329,551	716,463
Investment securities - FVTOCI	2,805,325	-	320,209	3,125,534
	<u>3,192,237</u>	<u>-</u>	<u>649,760</u>	<u>3,841,997</u>
Non-financial assets				
Investment properties at fair value	-	-	3,008,216	3,008,216
	<u>-</u>	<u>-</u>	<u>3,008,216</u>	<u>3,008,216</u>
At 31 December 2023 (Audited)				
Financial assets				
Investment securities - FVTPL	399,019	-	329,551	728,570
Investment securities - FVTOCI	2,924,503	-	308,666	3,233,169
	<u>3,323,522</u>	<u>-</u>	<u>638,217</u>	<u>3,961,739</u>
Non-financial assets				
Investment properties at fair value	-	-	2,822,991	2,822,991
	<u>-</u>	<u>-</u>	<u>2,822,991</u>	<u>2,822,991</u>

Management considers that the carrying amounts of financial assets and financial liabilities, measured at amortised cost, recognised in the condensed consolidated interim financial statements approximate their fair values, other than investments measured at amortised cost for which the fair value is calculated using Level 1 inputs. As at 31 March 2024, fair value for investments measured at amortised cost amounts to AED 11,685 million (As at 31 December 2023: AED 9,653.7 million) against carrying value of AED 11,788 million (As at 31 December 2023: 9,582.3 million).

There were no transfers of any financial instruments between any of the levels in the fair value hierarchy during the three month period ended 31 March 2024 or during the year ended 31 December 2023.

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

	For the three month period ended 31 March 2024		For the year ended 31 December 2023	
	(Un-audited)		(Audited)	
	<u>FVTPL</u>	<u>FVTOCI</u>	<u>FVTPL</u>	<u>FVTOCI</u>
Financial assets				
Balance as at the beginning of the period / year	329,551	308,666	329,239	393,167
Fair value movement during the period / year	-	596	1,020	34,783
Additions during the period / year	-	11,796	-	(119,927)
Disposals during the period / year	-	(782)	(708)	643
Balance at the end of the period / year	<u>329,551</u>	<u>320,276</u>	<u>329,551</u>	<u>308,666</u>

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22. Fair value measurement (continued)

	31 March 2024	31 December 2023
	Un-audited	Audited
Non-financial assets - Investment properties		
Balance at the beginning of the period / year	2,822,991	3,085,729
Additions during the period / year	186,734	24,468
Transfer from held-for-sale during the period / year	-	14,468
Transfer to properties held for sale during the year	-	(22,407)
Disposals during the period / year	-	(65,941)
Loss on revaluation during the year	-	(221,497)
Exchange differences	(1,509)	8,171
Balance at the end of the period / year	<u>3,008,216</u>	<u>2,822,991</u>

During the three month period ended 31 March 2024, the Group did not transfer any properties between properties held for sale and investment properties (*year ended 31 December 2023, the Group transferred a property of AED 14.5 million from properties held for sale to investment properties and transferred a property of AED 22.4 million from investment properties to properties held for sale*). This has no impact on condensed consolidated interim statement of cash flows for the three month period ended 31 March 2024 or the three month period ended 31 March 2023.

Unobservable inputs used in measuring fair value

The investment department constantly monitors the progress of its investments by conducting its own valuation assessment along with information provided by the fund manager. Depending on the nature of the underlying asset, quantitative methods are used such as residual value, discounted cash flow / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed. The carrying amount of the investment properties is the fair value of the properties as determined by an independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on an annual basis. The valuation techniques used for fair valuation of the investment properties were disclosed in the consolidated financial statements for the year ended 31 December 2023.

The effect of unobservable input on fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions by 10% would have the following effects:

	Effect on profit or loss		Effect on OCI	
	Favorable	Unfavorable	Favorable	Unfavorable
For the three month period ended				
31 March 2024 (Un-audited)	<u>333,777</u>	<u>(333,777)</u>	<u>32,021</u>	<u>(32,021)</u>
For the year ended				
31 December 2023 (Audited)	<u>315,254</u>	<u>(315,254)</u>	<u>30,867</u>	<u>(30,867)</u>

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The nature of the Group's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon the accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.

24. Dividends

During the annual general meeting of the shareholders held on 18 February 2024, a cash dividend of 10% of the paid up capital, amounting to AED 323.6 million (AED 0.1 per share) was approved for the year ended 31 December 2023 (*During the annual general meeting of the shareholders held on 26 February 2023, a cash dividend of 10% of the paid up capital, amounting to AED 308.2 million (AED 0.1 per share) and 5% bonus shares amounting AED 154.1 million (1 share for each 20 shares) was approved for the year ended 31 December 2022*).

25. Contingencies and commitments

	As at 31 March 2024 Un-audited	As at 31 December 2023 Audited
Letters of credit	<u>428,050</u>	<u>346,253</u>
Letters of guarantee	<u>2,878,605</u>	<u>2,730,974</u>
Commitments	<u>1,177,317</u>	<u>906,133</u>

Total net asset value of the funds under management as at 31 March 2024 amounts to AED 2,231.7 million (*As at 31 December 2023: AED 2,172.0 million*).

26. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial statements as at and for the three month period ended 31 March 2024.

27. Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("UAE CT Law" or the "Law") to enact a Federal corporate tax ("CT") regime in the UAE. The Corporate Tax Law shall apply to Tax Periods commencing on or after 1 June 2023 (where the Tax Period is generally aligned with the financial accounting period). The UAE CT Law was applicable to the Group with effect from 1 January 2024.

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27. Taxation (continued)

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. Since its publication, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law, and are required to fully evaluate the impact of the UAE CT Law on the Group. With the publication of this Decision, we would consider the UAE CT Law to be substantively enacted for the purposes of IAS 12 – Income Taxes, and that the impact of the UAE CT Law should be assessed on the condensed consolidated interim financial statements for the Group.

The Group had performed an assessment of the potential impact of the UAE CT Law. Based on this assessment, there were no material temporary differences on which deferred taxes should be accounted for as of 31 December 2023 and accordingly the implementation of the UAE CT Law had no impact on the consolidated statement of financial position of the Group as at 31 December 2023 nor on the consolidated statement of profit or loss of the Group for the year ended 31 December 2023.

Subsequently, the Group has accounted for current and deferred tax in accordance with IAS 12 'Income Taxes'.

The major components of income tax expense for the three month period ended 31 March 2024 are:

	For the three month period ended 31 March	
	2024	2023
	Un-audited	Un-audited
Condensed consolidated interim statement of profit or loss		
Current tax charge / (income):		
- Current tax charge	25,750	-
Deferred tax charge / (income):		
- Relating to origination and reversal of temporary differences	-	-
- Relating to enactment of UAE corporate income tax	-	-
Tax expense for the period reported in the condensed consolidated statement of profit or loss	25,750	-
Condensed consolidated interim statement of other comprehensive income		
Current tax charge / (income):		
- Unrealized loss on revaluation of FVTOCI equity investments	(349)	-
Deferred tax charge / (income):		
- Unrealized gain on revaluation of FVTOCI sukuk investments	5,192	-
Deferred tax expense / (income) to other comprehensive income	4,843	-

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27. Taxation (continued)**Reconciliation of tax expense and the accounting profit**

	For the three month period ended 31 March	
	2024	2023
	Un-audited	Un-audited
Accounting profit before tax	285,406	233,066
At United Arab Emirates' statutory corporate tax rate of 9% (2023: 0%)	25,687	-
Effect of standard exemption	(34)	-
Non-deductible expenses for tax purposes	97	-
At the effective income tax rate of 9.02% (2023: 0%)	25,750	-

28. Deferred tax

	As at	As at
	31 March	31 December
	2024	2023
	Un-audited	Audited
Unrealized gain on revaluation of FVTOCI sukuk investments	(5,192)	-
Deferred tax asset / (liabilities)	(5,192)	-
Recognised in profit or loss	-	-
Recognised in other comprehensive income	(5,192)	-
Deferred tax asset / (liabilities)	(5,192)	-

29. Basic and diluted earnings per share

	For the three month period ended 31 March	
	2024	2023
	Un-audited	Un-audited
Profit for the period	259,656	233,066
less: Profit on Tier 1 sukuk	(45,912)	(45,912)
Adjusted profit for the period	213,744	187,154
Weighted average number of ordinary shares (in '000)	3,235,678	3,235,678
Basic earnings per share (U.A.E. Dirhams)	0.07	0.06

There is no dilution impact on basic earnings per share.

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30. Comparatives

Certain prior period / year comparatives have been reclassified in these condensed consolidated interim financial statements to conform to the current year's presentation.

31. Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of Directors on 22 April 2024. The Directors have the power to amend the condensed consolidated interim financial statements after issue.