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**SHARJAH ISLAMIC BANK PJSC**  
**CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**30 June 2022**

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## SHARJAH ISLAMIC BANK PJSC

### Directors' Report

The Directors have pleasure in presenting their report together with the condensed consolidated interim financial statements of SHARJAH ISLAMIC BANK PJSC ("the Bank") and its subsidiaries (together referred as the "Group") for the six month period ended 30 June 2022.

#### Financial highlights

As at 30 June 2022, total assets of the Bank stands at AED 56.1 billion, an increase of AED 1.1 billion or 2%. Investments in Islamic financing modestly slightly decreased by 0.6%, amounting to AED 178.6 million to reach the total outstanding of AED 28.8 billion. Investment securities measured at fair value increased during the period by 71.1%, standing at AED 3.2 billion compared to AED 1.9 billion as at 31 December 2021. Customer deposits decreased by 2.9%. Shareholders' equity stood at AED 7.6 billion as at 30 June 2022.

Net operating income before impairment charges for the Group increased by 19.1%, to reach AED 497.2 million for the six month period ended 30 June 2022 as compared to AED 417.3 million for the six month period ended 30 June 2021.

Impairment charges - net of recoveries made in the six month period ended 30 June 2022 amounts to AED 135.3 million, an increase of 5.9% compared to the six month period ended 30 June 2021.

Net profits of AED 361.9 million is recorded for six month period ended 30 June 2022 as compared to AED 289.5 million for the six month period ended 30 June 2021, an increase of 25%.



**Abdul Rahman Mohammed Naseer Al Owais**  
Chairman  
20 July 2022





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

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sharjah Islamic Bank PJSC (the "Bank") and its subsidiaries (the "Group") as at 30 June 2022 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three month and six month periods then ended, and condensed consolidated interim statements of cash flows and changes in equity for the six month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### Scope of our review

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

### Conclusion

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

PricewaterhouseCoopers  
20 July 2022

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

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Jacques Fakhoury, Douglas O'Mahony, Murad Ainsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy


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

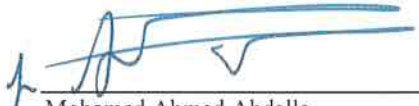
AS AT 30 June 2022

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

|   |       | 30 June<br>2022   | 31 December<br>2021 |
|---|-------|-------------------|---------------------|
|   | Notes | Un-audited        | Audited             |
| <b>Assets</b>   |       |                   |                     |
| Cash and balances with banks and financial institutions | 6     | 4,128,361         | 3,383,531           |
| Murabaha and wakalah with financial institutions        | 7     | 10,318,367        | 10,959,900          |
| Investment securities measured at fair value            | 8     | 3,199,479         | 1,869,404           |
| Investment securities measured at amortised cost        | 9     | 4,076,561         | 4,466,865           |
| Investments in Islamic financing                        | 10    | 28,830,420        | 29,009,018          |
| Investment properties                                   | 22    | 2,792,593         | 2,825,021           |
| Properties held-for-sale                                |       | 666,294           | 685,014             |
| Other assets  | 11    | 1,098,567         | 808,480             |
| Property and equipment                                  | 12    | 956,890           | 949,562             |
|   |       | <u>56,067,532</u> | <u>54,956,795</u>   |
| <b>Liabilities and shareholders' equity</b>             |       |                   |                     |
| <b>Liabilities</b>                                      |       |                   |                     |
| Customers' deposits                                     | 13    | 37,364,264        | 38,493,720          |
| Due to banks  |       | 6,166,991         | 4,223,897           |
| Sukuk payable   | 14    | 3,668,707         | 3,667,414           |
| Other liabilities                                       | 15    | 1,235,721         | 805,889             |
| Zakat payable   |       | 13,119            | 71,098              |
| <b>Total liabilities</b>                                |       | <u>48,448,802</u> | <u>47,262,018</u>   |
| <b>Shareholders' equity</b>                             |       |                   |                     |
| Share capital   | 16    | 3,081,598         | 3,081,598           |
| Tier 1 sukuk  |       | 1,836,500         | 1,836,500           |
| Legal reserve   |       | 1,540,799         | 1,540,799           |
| Statutory reserve                                       |       | 89,008            | 89,008              |
| General impairment reserve                              |       | 124,466           | 64,577              |
| Fair value reserve                                      |       | (150,363)         | (12,097)            |
| Retained earnings                                       |       | 1,096,722         | 1,094,392           |
| <b>Total shareholders' equity</b>                       |       | <u>7,618,730</u>  | <u>7,694,777</u>    |
| <b>Total liabilities and shareholders' equity</b>       |       | <u>56,067,532</u> | <u>54,956,795</u>   |

These condensed consolidated interim financial statements were authorised for issue in accordance with a resolution of the Directors on 20 July 2022.

  
Abdul Rahman Mohammed Nasser Al Owais  
Chairman

  
Mohamed Ahmed Abdalla  
Chief Executive Officer

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022

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

|  | Notes | Three month period<br>ended 30 June |                | Six month period ended<br>30 June |                |
|--|-------|-------------------------------------|----------------|-----------------------------------|----------------|
|  |       | 2022                                | 2021           | 2022                              | 2021           |
|  |       | Un-audited                          | Un-audited     | Un-audited                        | Un-audited     |
| Income from investments in Islamic financing and sukuk   |       | <b>443,925</b>                      | 417,237        | <b>879,232</b>                    | 835,957        |
| Distribution to depositors' and sukuk holders            |       | <b>(150,372)</b>                    | (142,375)      | <b>(291,928)</b>                  | (297,939)      |
| <b>Net income from financing and investment products</b> |       | <b>293,553</b>                      | <b>274,862</b> | <b>587,304</b>                    | <b>538,018</b> |
| Fee and commission income                                | 18    | <b>79,237</b>                       | 67,372         | <b>153,528</b>                    | 137,684        |
| Fee and commission expense                               | 18    | <b>(13,503)</b>                     | (9,655)        | <b>(29,186)</b>                   | (19,620)       |
| <b>Net fee and commission income</b>                     |       | <b>65,734</b>                       | <b>57,717</b>  | <b>124,342</b>                    | <b>118,064</b> |
| Investment income / (loss)                               |       | <b>17,461</b>                       | (7,666)        | <b>25,284</b>                     | (7,085)        |
| Foreign exchange income                                  |       | <b>(3,653)</b>                      | 8,882          | <b>(799)</b>                      | 15,094         |
| Other income   | 19    | <b>14,049</b>                       | 9,653          | <b>35,303</b>                     | 22,966         |
| <b>Total operating income</b>                            |       | <b>387,144</b>                      | <b>343,448</b> | <b>771,434</b>                    | <b>687,057</b> |
| General and administrative expenses                      |       | <b>(138,476)</b>                    | (138,364)      | <b>(274,276)</b>                  | (269,772)      |
| <b>Net operating income before impairment</b>            |       | <b>248,668</b>                      | <b>205,084</b> | <b>497,158</b>                    | <b>417,285</b> |
| Impairment on financial assets - net of recoveries       |       | <b>(73,812)</b>                     | (79,771)       | <b>(135,286)</b>                  | (127,795)      |
| <b>Profit for the period</b>                             |       | <b>174,856</b>                      | <b>125,313</b> | <b>361,872</b>                    | <b>289,490</b> |
| (Attributable to the shareholders of the Bank)           |       |                                     |                |                                   |                |
| Basic and diluted earnings per share (U.A.E. Dirhams)    |       | <b>0.06</b>                         | <b>0.04</b>    | <b>0.12</b>                       | <b>0.09</b>    |

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022

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

|  | <b>Three month period<br/>ended 30 June</b> |                   | <b>Six month period ended<br/>30 June</b> |                   |
|--|---|-------------------|---|-------------------|
|  | <b>2022</b>                                 | <b>2021</b>       | <b>2022</b>                               | <b>2021</b>       |
|  | <b>Un-audited</b>                           | <b>Un-audited</b> | <b>Un-audited</b>                         | <b>Un-audited</b> |
| <b>Profit for the year</b><br>(Attributable to the shareholders of the Bank)                     | <b>174,856</b>                              | <b>125,313</b>    | <b>361,872</b>                            | <b>289,490</b>    |
| <b>Other comprehensive income</b>  |   |                   |   |                   |
| <b>Items that will be reclassified to profit or loss</b>   |   |                   |   |                   |
| Change in fair value reserve on FVTOCI sukuk investments   | <b>(90,304)</b>                             | 8,998             | <b>(159,527)</b>                          | (3,895)           |
| <b>Items that will not be reclassified to profit or loss</b>                                     |   |                   |   |                   |
| Change in fair value reserve on FVTOCI equity investments  | <b>21,165</b>                               | (11,381)          | <b>21,261</b>                             | (17,935)          |
| <b>Total comprehensive income for the year</b><br>(Attributable to the shareholders of the Bank) | <b>105,717</b>                              | <b>122,930</b>    | <b>223,606</b>                            | <b>267,660</b>    |

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

**SHARJAH ISLAMIC BANK PJSC**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED 30 June 2022**  
(Currency: Thousands of U.A.E Dirhams)

|   | <b>Six month<br/>period ended<br/>30 June<br/>2022<br/>Un-audited</b> | <b>Six month<br/>period ended<br/>30 June<br/>2021<br/>Un-audited</b> |
|---|---|---|
| <b>Cash flows from operating activities</b>   |   |   |
| Profit for the period   | 361,872   | 289,490   |
| Adjustments for:  |   |   |
| - Depreciation on property and equipment  | 24,475  | 22,762  |
| - Gain on sale of property and equipment  | (40)  | 581   |
| - Amortisation of sukuk issuance costs  | 1,293   | 1,978   |
| - Provision charge on investments in Islamic financing                                | 115,741   | 104,092   |
| - Provision charge on investment securities measured at fair value                    | 789   | (27)  |
| - Provision charge on investment securities measured at amortised cost                | 14,677  | 23,331  |
| - Provision charge / (reversal) on other assets                                       | 3,317   | 387   |
| - (Reversal) / provision charge on subsidiaries                                       | 762   | (15)  |
| - Revaluation on investment securities measured at fair value through profit and loss | (2,272)   | 16,419  |
| - Gain on sale of properties held for sale  | (813)   | (1,560)   |
| - Foreign exchange loss on properties held for sale                                   | 16,307  | (2,335)   |
| - Gain on sale of investment properties   | (5,655)   | (2,325)   |
| - Gain on disposal of investment securities   | (4,052)   | (238)   |
| <b>Operating profit before changes in operating assets and liabilities</b>            | <b>526,401</b>  | <b>452,540</b>  |
| Changes in:   |   |   |
| - Balances with financial institutions  | (699,760)   | 571,997   |
| - Murabaha and wakalah with financial institutions                                    | 1,418,980   | (54,823)  |
| - Investments in Islamic financing  | 62,095  | (127,422)   |
| - Other assets  | (293,404)   | 32,452  |
| - Customers' deposits   | (1,129,456)   | 1,383,912   |
| - Due to banks  | 2,082,524   | (668,306)   |
| - Zakat payable   | (57,979)  | (46,665)  |
| - Other liabilities   | 413,315   | 105,443   |
| <b>Net cash generated from operating activities</b>                                   | <b>2,322,716</b>  | <b>1,649,128</b>  |
| <b>Cash flows from investing activities</b>   |   |   |
| Acquisition of properties and equipment   | (22,578)  | (24,398)  |
| Disposal of properties and equipment  | 119   | (581)   |
| Acquisition of investment properties  | (8,778)   | (36,702)  |
| Disposal of investment properties   | 46,861  | 28,523  |
| Acquisition of properties held-for-sale   | (5,775)   | (139,417)   |
| Disposal of properties held-for-sale  | 9,001   | 33,886  |
| Acquisition of investment securities measured at fair value                           | (1,549,958)   | (67,972)  |
| Disposal / redemption of investment securities measured at fair value                 | 87,152  | 628,155   |
| Acquisition of investment securities measured at amortised cost                       | (31,503)  | (11,046)  |
| Redemption of investment securities measured at amortised cost                        | 407,130   | 477,924   |
| <b>Net cash (used in) / from investing activities</b>                                 | <b>(1,068,329)</b>  | <b>888,372</b>  |

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

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**SHARJAH ISLAMIC BANK PJSC**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)

FOR THE SIX MONTH PERIOD ENDED 30 June 2022

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

|   | <b>Six month<br/>period ended<br/>30 June<br/>2022<br/>Un-audited</b> | <b>Six month<br/>period ended<br/>30 June<br/>2021<br/>Un-audited</b> |
|---|---|---|
| <b>Cash flows from financing activities</b>               |   |   |
| Profit paid on tier 1 sukuk                               | (45,912)  | (45,913)  |
| Cash dividend   | (246,528)   | (246,528)   |
| <b>Net cash used in financing activities</b>              | <b>(292,440)</b>  | <b>(292,441)</b>  |
| <b>Net increase in cash and cash equivalents</b>          | <b>961,947</b>  | <b>2,245,059</b>  |
| Cash and cash equivalents at the beginning of the period  | 10,399,620  | 6,426,493   |
| <b>Cash and cash equivalents at the end of the period</b> | <b>11,361,567</b>   | <b>8,671,552</b>  |
| <b>Cash and cash equivalents</b>                          |   |   |
| Cash and balances with banks and financial institutions   | 1,652,864   | 1,198,895   |
| Murabaha and wakalah with financial institutions          | 9,715,345   | 7,485,349   |
| Due to banks  | (6,642)   | (12,692)  |
|   | <b>11,361,567</b>   | <b>8,671,552</b>  |

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.



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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022

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

|   | <b>ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b> |                     |                      |                          |                                   |                           |                          |                                   |
|---|---|---------------------|----------------------|--------------------------|-----------------------------------|---------------------------|--------------------------|-----------------------------------|
|   | <b>Share capital</b>                                | <b>Tier 1 sukuk</b> | <b>Legal reserve</b> | <b>Statutory reserve</b> | <b>General impairment reserve</b> | <b>Fair value reserve</b> | <b>Retained earnings</b> | <b>Total shareholders' equity</b> |
| <b>As at 1 January 2021 (Audited)</b>   | <b>3,081,598</b>                                    | <b>1,836,500</b>    | <b>1,508,508</b>     | <b>89,008</b>            | <b>112,371</b>                    | <b>44,380</b>             | <b>972,993</b>           | <b>7,645,358</b>                  |
| <b>Total comprehensive income for the period</b>  |   |                     |                      |                          |                                   |                           |                          |                                   |
| Profit for the period   | -   | -                   | -                    | -                        | -                                 | -                         | 289,490                  | <b>289,490</b>                    |
| <b>Other comprehensive income</b>   |   |                     |                      |                          |                                   |                           |                          |                                   |
| Net change in fair value reserve  | -   | -                   | -                    | -                        | -                                 | (21,830)                  | -                        | <b>(21,830)</b>                   |
| <b>Total comprehensive income for the period</b>  | <b>-</b>  | <b>-</b>            | <b>-</b>             | <b>-</b>                 | <b>-</b>                          | <b>(21,830)</b>           | <b>289,490</b>           | <b>267,660</b>                    |
| <b>Transactions recorded directly in equity</b>   |   |                     |                      |                          |                                   |                           |                          |                                   |
| Realised loss on equity investments measured at FVTOCI transferred to retained earnings | -   | -                   | -                    | -                        | -                                 | (5,978)                   | 5,978                    | -                                 |
| Cash dividend (note 24)   | -   | -                   | -                    | -                        | -                                 | -                         | (246,528)                | <b>(246,528)</b>                  |
| Transfer to general impairment reserve  | -   | -                   | -                    | -                        | 2,812                             | -                         | (2,812)                  | -                                 |
| Profit paid on tier 1 sukuk   | -   | -                   | -                    | -                        | -                                 | -                         | (45,913)                 | <b>(45,913)</b>                   |
| Board of directors' fees (note 17)  | -   | -                   | -                    | -                        | -                                 | -                         | (5,410)                  | <b>(5,410)</b>                    |
| <b>Total</b>  | <b>-</b>  | <b>-</b>            | <b>-</b>             | <b>-</b>                 | <b>2,812</b>                      | <b>(5,978)</b>            | <b>(294,685)</b>         | <b>(297,851)</b>                  |
| <b>As at 30 June 2021 (Un-audited)</b>  | <b>3,081,598</b>                                    | <b>1,836,500</b>    | <b>1,508,508</b>     | <b>89,008</b>            | <b>115,183</b>                    | <b>16,572</b>             | <b>967,798</b>           | <b>7,615,167</b>                  |

The accompanying notes form pages 10 to 34 from 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 SIX MONTH PERIOD ENDED 30 June 2022

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

|  | <b>ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b> |                     |                      |                          |                                   |                           |                          |                                   |
|--|---|---------------------|----------------------|--------------------------|-----------------------------------|---------------------------|--------------------------|-----------------------------------|
|  | <b>Share capital</b>                                | <b>Tier 1 sukuk</b> | <b>Legal reserve</b> | <b>Statutory reserve</b> | <b>General impairment reserve</b> | <b>Fair value reserve</b> | <b>Retained earnings</b> | <b>Total shareholders' equity</b> |
| <b>As at 1 January 2022 (Audited)</b>            | <b>3,081,598</b>                                    | <b>1,836,500</b>    | <b>1,540,799</b>     | <b>89,008</b>            | <b>64,577</b>                     | <b>(12,097)</b>           | <b>1,094,392</b>         | <b>7,694,777</b>                  |
| <b>Total comprehensive income for the period</b> |   |                     |                      |                          |                                   |                           |                          |                                   |
| Profit for the period                            | -   | -                   | -                    | -                        | -                                 | -                         | 361,872                  | 361,872                           |
| <b>Other comprehensive income</b>                |   |                     |                      |                          |                                   |                           |                          |                                   |
| Net change in fair value reserve                 | -   | -                   | -                    | -                        | -                                 | (138,266)                 | -                        | (138,266)                         |
| <b>Total comprehensive income for the period</b> | <b>-</b>  | <b>-</b>            | <b>-</b>             | <b>-</b>                 | <b>-</b>                          | <b>(138,266)</b>          | <b>361,872</b>           | <b>223,606</b>                    |
| <b>Transactions recorded directly in equity</b>  |   |                     |                      |                          |                                   |                           |                          |                                   |
| Cash dividend (note 24)                          | -   | -                   | -                    | -                        | -                                 | -                         | (246,528)                | (246,528)                         |
| Transfer to general impairment reserve           | -   | -                   | -                    | -                        | 59,889                            | -                         | (59,889)                 | -                                 |
| Profit paid on tier 1 sukuk                      | -   | -                   | -                    | -                        | -                                 | -                         | (45,912)                 | (45,912)                          |
| Board of directors' fees (note 17)               | -   | -                   | -                    | -                        | -                                 | -                         | (7,213)                  | (7,213)                           |
| Total  | -   | -                   | -                    | -                        | 59,889                            | -                         | (359,542)                | (299,653)                         |
| <b>As at 30 June 2022 (Un-audited)</b>           | <b>3,081,598</b>                                    | <b>1,836,500</b>    | <b>1,540,799</b>     | <b>89,008</b>            | <b>124,466</b>                    | <b>(150,363)</b>          | <b>1,096,722</b>         | <b>7,618,730</b>                  |

The accompanying notes form pages 10 to 34 from an integral part of these condensed consolidated interim financial statements.

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## SHARJAH ISLAMIC BANK PJSC

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

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

#### 1. Legal status and activities

SHARJAH ISLAMIC BANK PJSC (the "Bank") was incorporated in 1975 as a public joint stock company by Emiri Decree issued by His Highness the Ruler of Sharjah, United Arab Emirates ("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 35 branches (2021: 35 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.

The 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 as well as special purpose vehicles established in the Cayman Islands, SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited, (all together referred to as "the Group"). SNH through its divisions is engaged in operating hotels and resorts, catering and related services, whereas SIFS is involved in conducting intermediation in dealing in local market Shari'a compliant shares. ASAS is involved in the business of real estate. SIB Sukuk Company III Limited and SIB Tier 1 Sukuk Company Limited were established for the Bank's Sukuk program.

The registered office of the Bank is Post Box No.4, Sharjah, 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 2021. 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 2021.

##### b) Basis of measurement

The 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.

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**SHARJAH ISLAMIC BANK PJSC**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

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

**2. Basis of preparation (continued)**

**c) Functional and reporting currency**

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

**3. 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 2021.

**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 2022, 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 reported for the current and prior periods.

**New standards and significant amendments to standards applicable to the Group**

**Effective  
date**

**Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 9 and IFRS 16**

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

1 January  
2022

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 9, 'Financial instruments', and the Illustrative Example accompanying IFRS 16, 'Leases'.

There is no impact on the Group's condensed consolidated interim financial statements for the six month period ended 30 June 2022 due to the adoption of the above amendments.

There are no other IFRSs, IFRIC interpretations or amendments to standards that were effective for the first time for the financial year beginning 1 January 2022 that have had a material impact on the Group's condensed consolidated interim financial statements for the six month period ended 30 June 2022.

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

**3. Significant accounting policies (continued)**

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

| <b>New standards and significant amendments to standards applicable to the Group</b> | <b>Effective date</b> |
|--|-----------------------|
|--|-----------------------|

**Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities**

These 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 (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

1 January 2024

The application of these amendments have been deferred until accounting periods starting not earlier than 1 January 2024.

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in

1 January 2023

**Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

1 January 2023

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

**Definition of Accounting Estimates – Amendments to IAS 8**

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

1 January 2023

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

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

(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 2021.

**i) Credit risk management**

Reviews are being conducted on a more frequent basis on the Bank's vulnerable sectors that are significantly impacted by COVID-19. The existing corporate credit lines are being reviewed and the utilization is being closely monitored. The Bank enjoys a well-diversified financing portfolio where Government and Government related entities (GRE) represent more than 37% (31 December 2021: 36.5%).

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

In addition to the above and as explained in note 4 (iii) liquidity risk management, as required by the Joint Guidance issued in April 2020 for clients benefitting from payment deferrals, the Bank has considered the principles, as defined in note 4 (ii) (a) (x) of the annual financial statements for the year ended 31 December 2021, for the classification of the customers into Group 1 and Group 2":

**ii) Use of estimates and judgements****Governance around IFRS 9 ECL models and calculations**

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

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

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

**4. Key accounting estimates and judgments (continued)****Impact of COVID-19 (continued)****ii) Use of estimates and judgements**

The IFRS 9 Committee has reviewed the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Although the macro-economic environment is recovering from the impact of COVID-19, the Bank, being prudent, has assessed the impact of the crisis and used 20% weightage to the upward scenario as of 30 June 2022. Had adverse scenario been increased from 40% by another 10% and upward scenario been decreased from 20% to 10%, impairment loss allowance would increase by AED 2.3 million.

**Governance around IFRS 9 ECL models and calculations (continued)**

The Bank considers a range of possible outcomes and their respective probabilities, and to apply judgement in determining what constitutes reasonable and forward looking information. The volatility caused by the current situation has been reflected through adjustment in the methods of forward looking scenario construction. These adjustments reflect the macroeconomic overlays as suggested in the Joint Guidance Note on IFRS 9 by CBUAE. The most significant period-end assumptions used for ECL estimate includes next 5-year average oil price ranging between US\$ 53/barrel to US\$ 116/barrel, equity price index growth volatility ranging between -16% to 8%, non-oil UAE GDP range falling -4% to rising 6% and UAE CPI index ranging 1% to 2.6%.

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

**iii) Liquidity risk management**

The CBUAE has kept on supporting the banking sector by expanding the Targeted Economic Support Scheme (TESS), allowing UAE Banks to access zero cost funding from the CBUAE and give the advantage to the effected clients. The benefit from this funding has been passed onto customers in the form of payment reliefs (installment deferrals). The Bank continues to accrue profit on payment deferrals provided to the ijara financing receivable customers and there will be no significant change to the present value of future cash flows due to these deferrals. Currently, the Bank is closely monitoring its liquidity position and risks arising post COVID-19 crisis.

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

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

In line with the disclosures in the financial statements for the year ended 31 December 2021, the Group's transition program has commenced and the Group is preparing for the transition to Alternative Reference Rate (ARR). For this, the management has formed a cross functional working committee and the program has been running under the supervision of the committee, which includes representatives from Risk management, Financial control, Information technology and other related business units. The transition program will be completed until the final publication date of LIBOR on 30 June 2023.

The Bank has Libor based repo borrowings amounting to AED 234.9 million as of 30 June 2022 (*31 December 2022 234.9 million*).

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

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

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

**v) Capital adequacy 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, has allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimize the effect of IFRS 9 provisions on regulatory capital, in view of the expected volatility due to the COVID 19 crisis. The filter will allow Banks to partially add incremental ECL provisions back to their Tier 1 capital for the purpose of calculating capital adequacy ratios. Banks are however required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024).

**vi) Concentration analysis**

Please refer to note 10 (i) (b) to the condensed consolidated interim financial statements, which discloses the product and sector wise categorization of Investment in Islamic financing as at 30 June 2022.



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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**5. Financial risk management**

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2021.

**a) Maximum exposure to credit risk**

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

|  | 30 June 2022 (Un-audited) |                         |                       | Total                    |
|--|---------------------------|-------------------------|-----------------------|--------------------------|
|  | ECL Staging               |                         |                       |                          |
|  | Stage 1<br>12 month       | Stage 2<br>Lifetime     | Stage 3<br>Lifetime   |                          |
| <i>Cash and balances with banks and financial institutions</i>                 | 977,119                   | -                       | -                     | 977,119                  |
| Loss allowance   | -                         | -                       | -                     | -                        |
| Carrying amount  | <u>977,119</u>            | <u>-</u>                | <u>-</u>              | <u>977,119</u>           |
| <i>Murabaha and wakalah with financial institutions</i>                        | 7,321,389                 | -                       | -                     | 7,321,389                |
| Loss allowance   | (3,022)                   | -                       | -                     | (3,022)                  |
| Carrying amount  | <u>7,318,367</u>          | <u>-</u>                | <u>-</u>              | <u>7,318,367</u>         |
| <i>Investment securities measured at FVTOCI (excluding equity investments)</i> | 2,384,284                 | -                       | -                     | 2,384,284                |
| Loss allowance   | (1,718)                   | -                       | -                     | (1,718)                  |
| Carrying amount  | <u>2,382,566</u>          | <u>-</u>                | <u>-</u>              | <u>2,382,566</u>         |
| <i>Investment securities measured at amortised cost</i>                        | 4,041,495                 | 101,913                 | 62,337                | 4,205,745                |
| Loss allowance   | (2,539)                   | (64,308)                | (62,337)              | (129,184)                |
| Carrying amount  | <u>4,038,956</u>          | <u>37,605</u>           | <u>-</u>              | <u>4,076,561</u>         |
| <i>Investments in Islamic financing</i>  | 26,069,105                | 2,489,479               | 1,685,941             | 30,244,525               |
| Loss allowance   | (117,118)                 | (241,332)               | (1,055,655)           | (1,414,105)              |
| Carrying amount  | <u>25,951,987</u>         | <u>2,248,147</u>        | <u>630,286</u>        | <u>28,830,420</u>        |
| <i>Other assets (excluding non-financial assets)</i>                           | 893,491                   | -                       | 73,252                | 966,743                  |
| Loss allowance   | (6,182)                   | -                       | (53,891)              | (60,073)                 |
| Carrying amount  | <u>887,309</u>            | <u>-</u>                | <u>19,361</u>         | <u>906,670</u>           |
| <b>Net credit risk exposures relating to on-balance sheet assets</b>           | <b><u>41,556,304</u></b>  | <b><u>2,285,752</u></b> | <b><u>649,647</u></b> | <b><u>44,491,703</u></b> |
| <i>Letter of credit and guarantee</i>  | 469,369                   | 6,878                   | 91                    | 476,338                  |
| Loss allowance   | (1,775)                   | (197)                   | -                     | (1,972)                  |
|  | <u>467,594</u>            | <u>6,681</u>            | <u>91</u>             | <u>474,366</u>           |
| <b>Net credit risk exposures relating to off-balance sheet assets</b>          | <b><u>42,023,898</u></b>  | <b><u>2,292,433</u></b> | <b><u>649,738</u></b> | <b><u>44,966,069</u></b> |
| <b>Gross credit risk exposure</b>  | <b>42,156,252</b>         | <b>2,598,270</b>        | <b>1,821,621</b>      | <b>46,576,143</b>        |
| <b>Total ECL</b>   | <b>(132,354)</b>          | <b>(305,837)</b>        | <b>(1,171,883)</b>    | <b>(1,610,074)</b>       |
|  | <b><u>42,023,898</u></b>  | <b><u>2,292,433</u></b> | <b><u>649,738</u></b> | <b><u>44,966,069</u></b> |

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

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

|  | <b>31 December 2021 (Audited)</b> |                             |                             |                    |
|--|-----------------------------------|-----------------------------|-----------------------------|--------------------|
|  | <b>ECL Staging</b>                |                             |                             | <b>Total</b>       |
|  | <b>Stage 1<br/>12 month</b>       | <b>Stage 2<br/>Lifetime</b> | <b>Stage 3<br/>Lifetime</b> |                    |
| <i>Cash and balances with banks and financial institutions</i>                 | 823,724                           | -                           | -                           | 823,724            |
| Loss allowance   | (1)                               | -                           | -                           | (1)                |
| Carrying amount  | <b>823,723</b>                    | -                           | -                           | <b>823,723</b>     |
| <i>Murabaha and wakalah with financial institutions</i>                        | 4,158,230                         | -                           | -                           | 4,158,230          |
| Loss allowance   | (3,331)                           | -                           | -                           | (3,331)            |
| Carrying amount  | <b>4,154,899</b>                  | -                           | -                           | <b>4,154,899</b>   |
| <i>Investment securities measured at FVTOCI (excluding equity investments)</i> | 1,237,662                         | -                           | -                           | 1,237,662          |
| Loss allowance   | (929)                             | -                           | -                           | (929)              |
| Carrying amount  | <b>1,236,733</b>                  | -                           | -                           | <b>1,236,733</b>   |
| <i>Investment securities measured at amortised cost</i>                        | 4,417,137                         | 101,898                     | 62,337                      | 4,581,372          |
| Loss allowance   | (5,741)                           | (46,429)                    | (62,337)                    | (114,507)          |
| Carrying amount  | <b>4,411,396</b>                  | <b>55,469</b>               | -                           | <b>4,466,865</b>   |
| <i>Investments in Islamic financing</i>  | 26,664,233                        | 2,217,705                   | 1,458,322                   | 30,340,260         |
| Loss allowance   | (221,366)                         | (180,437)                   | (929,439)                   | (1,331,242)        |
| Carrying amount  | <b>26,442,867</b>                 | <b>2,037,268</b>            | <b>528,883</b>              | <b>29,009,018</b>  |
| <i>Other assets (excluding non-financial assets)</i>                           | 704,949                           | 5,015                       | 71,225                      | 781,189            |
| Loss allowance   | (6,913)                           | (3)                         | (47,987)                    | (54,903)           |
| Carrying amount  | <b>698,036</b>                    | <b>5,012</b>                | <b>23,238</b>               | <b>726,286</b>     |
| <b>Net credit risk exposures relating to on-balance sheet assets</b>           | <b>37,767,654</b>                 | <b>2,097,749</b>            | <b>552,121</b>              | <b>40,417,524</b>  |
| <i>Letter of credit and guarantee</i>  | 441,435                           | 25,159                      | 31                          | 466,625            |
| Loss allowance   | (2,367)                           | (166)                       | -                           | (2,533)            |
|  | <b>439,068</b>                    | <b>24,993</b>               | <b>31</b>                   | <b>464,092</b>     |
| <b>Net credit risk exposures relating to off-balance sheet assets</b>          | <b>38,206,722</b>                 | <b>2,122,742</b>            | <b>552,152</b>              | <b>40,881,616</b>  |
| <b>Gross credit risk exposure</b>  | <b>38,447,370</b>                 | <b>2,349,777</b>            | <b>1,591,915</b>            | <b>42,389,062</b>  |
| <b>Total ECL</b>   | <b>(240,648)</b>                  | <b>(227,035)</b>            | <b>(1,039,763)</b>          | <b>(1,507,446)</b> |
|  | <b>38,206,722</b>                 | <b>2,122,742</b>            | <b>552,152</b>              | <b>40,881,616</b>  |

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

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

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

|   | 30 June<br>2022<br>Un-audited | 31 December<br>2021<br>Audited |
|---|-------------------------------|--------------------------------|
| <i>Capital base</i>   |                               |                                |
| Common equity tier 1  | 5,768,210                     | 5,651,211                      |
| Additional tier 1 capital   | 1,836,500                     | 1,836,500                      |
| <b>Total tier 1 capital base</b>                                  | <b>7,604,710</b>              | <b>7,487,711</b>               |
| <b>Total tier 2 capital base</b>                                  | <b>468,093</b>                | <b>443,550</b>                 |
| <b>Total capital base</b>   | <b>8,072,803</b>              | <b>7,931,261</b>               |
| <i>Risk weighted assets</i>                                       |                               |                                |
| Credit risk   | 37,447,475                    | 35,483,976                     |
| Market risk   | 322,260                       | 215,569                        |
| Operational risk  | 2,366,383                     | 2,366,383                      |
| <b>Total risk weighted assets</b>                                 | <b>40,136,118</b>             | <b>38,065,929</b>              |
| <i>Capital ratios</i>   |                               |                                |
| Common equity tier 1 ratio  | 14.37%                        | 14.85%                         |
| Tier 1 capital ratio  | 18.95%                        | 19.67%                         |
| Capital adequacy ratio  | 20.11%                        | 20.84%                         |
| <b>6. Cash and balances with banks and financial institutions</b> |                               |                                |
| Cash  | 707,109                       | 784,071                        |
| Statutory deposit with CBUAE                                      | 2,442,463                     | 1,775,737                      |
| Due from banks  | 978,789                       | 823,723                        |
|   | <b>4,128,361</b>              | <b>3,383,531</b>               |

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

Due from banks include cash margin amounting to AED 33 million (31 December 2021: AED: Nil) against collateralised murabaha.

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

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| Murabaha            | 2,849,586         | 1,762,371         |
| Wakala arrangements | 7,468,781         | 9,197,529         |
|                     | <b>10,318,367</b> | <b>10,959,900</b> |

Wakala arrangements with financial institutions includes' Islamic certificates of deposit with CBUAE amounting to AED 3.0 billion (31 December 2021: AED 6.8 billion) .

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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. The Group classified certain equity instruments, funds and sukuks at FVTPL as the Group plan to achieve its objective by trading these investments.

| <b>By category</b>   | <b>30 June<br/>2022<br/>Un-audited</b> | <b>31 December<br/>2021<br/>Audited</b> |
|--|--|---|
| <i>Financial assets at fair value through profit or loss</i>             |  |   |
| - Equity and funds   | <b>304,271</b>                         | 208,325                                 |
| - Sukuks   | <b>9,913</b>                           | 10,825                                  |
|  | <b>314,184</b>                         | <b>219,150</b>                          |
| <i>Financial assets at fair value through other comprehensive income</i> |  |   |
| - Equity and funds   | <b>502,729</b>                         | 413,521                                 |
| - Sukuks   | <b>2,384,284</b>                       | 1,237,662                               |
|  | <b>2,887,013</b>                       | <b>1,651,183</b>                        |
| Less: loss allowance on financial assets measured at FVTOCI              | <b>(1,718)</b>                         | (929)                                   |
|  | <b>2,885,295</b>                       | <b>1,650,254</b>                        |
|  | <b>3,199,479</b>                       | <b>1,869,404</b>                        |

**By quoted / unquoted**

|  |                  |                  |
|--|------------------|------------------|
| <i>Financial assets at fair value through profit or loss</i>             |                  |                  |
| - Quoted   | <b>16,265</b>    | 12,236           |
| - Unquoted   | <b>297,919</b>   | 206,914          |
|  | <b>314,184</b>   | <b>219,150</b>   |
| <i>Financial assets at fair value through other comprehensive income</i> |                  |                  |
| - Quoted   | <b>2,590,602</b> | 1,391,575        |
| - Unquoted   | <b>296,411</b>   | 259,608          |
| Less: Loss allowance on financial assets measured at FVTOCI              | <b>(1,718)</b>   | (929)            |
|  | <b>2,885,295</b> | <b>1,650,254</b> |
|  | <b>3,199,479</b> | <b>1,869,404</b> |

8.1 During the six month period ended 30 June 2022, the Group has purchased equity securities amounting AED 96.8 million (2021: AED 206.1 million).

8.2 The maximum credit risk exposure on financial assets at fair value through profit or loss is equivalent to their fair value.

8.3 During the six month period ended 30 June 2022, dividends received from financial assets measured at fair value through other comprehensive income amounting to AED 9.3 million (six month period ended 30 June 2021: AED 7.8 million) were recognised as investment income in the condensed consolidated interim statement of profit or loss.

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

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

**9. Investment securities measured at amortised cost**

|   | <b>30 June<br/>2022<br/>Un-audited</b> | <b>31 December<br/>2021<br/>Audited</b> |
|---|--|---|
| <b>By category</b>  |  |   |
| - Sukuks  | 4,205,745                              | 4,581,372                               |
| Less: Loss allowance on financial assets measured at amortised cost | <u>(129,184)</u>                       | <u>(114,507)</u>                        |
|   | <u><b>4,076,561</b></u>                | <u><b>4,466,865</b></u>                 |
| <b>By quoted / unquoted</b>   |  |   |
| - Quoted  | 2,622,466                              | 2,991,843                               |
| - Unquoted  | 1,583,279                              | 1,589,529                               |
| Less: loss allowance on financial assets measured at amortised cost | <u>(129,184)</u>                       | <u>(114,507)</u>                        |
|   | <u><b>4,076,561</b></u>                | <u><b>4,466,865</b></u>                 |

- 9.1 During the six month period ended 30 June 2022, no investment in sukuk measured at amortised cost is downgraded to stage 3 under the ECL model (31 December 2021: Nil).
- 9.2 Sukuk held at amortised cost include AED 578.2 million (31 December 2021: AED 2,116 million) pledged against a collateralized commodity murabaha arrangement.
- 9.3 During the six month period ended 30 June 2022, the Group has not sold any financial assets measured at amortised cost.

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

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

**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:

| <b>a) By product</b>                                      | <b>30 June<br/>2022<br/>Un-audited</b> | <b>31 December<br/>2021<br/>Audited</b> |
|---|--|---|
| Vehicle murabaha  | 199,321                                | 202,004                                 |
| Goods murabaha  | 9,486,388                              | 8,982,194                               |
| Real estate murabaha                                      | 14,180                                 | 16,846                                  |
| Other murabaha receivable                                 | 893,002                                | 751,301                                 |
| Syndicate murabaha  | 1,561,946                              | 1,372,221                               |
| <b>Gross murabaha financing</b>                           | <b>12,154,837</b>                      | <b>11,324,566</b>                       |
| Deferred profit   | (1,102,817)                            | (1,082,085)                             |
| <b>Net murabaha financing</b>                             | <b>11,052,020</b>                      | <b>10,242,481</b>                       |
| Ijarah  | 16,541,153                             | 16,798,775                              |
| Qard hasan  | 645,902                                | 740,690                                 |
| Credit card receivables                                   | 90,947                                 | 86,858                                  |
| Istisna   | 1,914,503                              | 2,471,456                               |
| <b>Total investments in Islamic financing</b>             | <b>30,244,525</b>                      | <b>30,340,260</b>                       |
| Less: loss allowance for investments in Islamic financing | (1,414,105)                            | (1,331,242)                             |
| <b>Net investments in Islamic financing</b>               | <b>28,830,420</b>                      | <b>29,009,018</b>                       |
| <b>b) By sector</b>                                       |  |   |
| Government departments and authorities                    | 11,189,643                             | 11,080,269                              |
| Construction and contracting                              | 719,130                                | 719,001                                 |
| Manufacturing   | 611,507                                | 651,482                                 |
| Transportation  | 1,192,492                              | 1,326,281                               |
| Real estate   | 6,611,497                              | 6,816,136                               |
| Retail businesses   | 486,031                                | 542,378                                 |
| Trade   | 1,526,986                              | 1,400,444                               |
| Financial institutions                                    | 416,908                                | 368,597                                 |
| Services and others                                       | 1,359,519                              | 1,460,583                               |
| Individuals   | 3,179,191                              | 3,070,873                               |
| Consumer home finance                                     | 1,480,637                              | 1,522,105                               |
| High net worth individuals                                | 2,573,801                              | 2,464,196                               |
| Deferred profit   | (1,102,817)                            | (1,082,085)                             |
| Less: loss allowance for investments in Islamic financing | (1,414,105)                            | (1,331,242)                             |
| <b>Net investments in Islamic financing</b>               | <b>28,830,420</b>                      | <b>29,009,018</b>                       |

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

#### 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 segment can be seen below:

|                                      | 30 June 2022 (Un-audited) |                |                  |                |                  |                  |                   |                  |
|--------------------------------------|---------------------------|----------------|------------------|----------------|------------------|------------------|-------------------|------------------|
|                                      | Stage 1                   |                | Stage 2          |                | Stage 3          |                  | Total             |                  |
|                                      | GCV                       | ECL            | GCV              | ECL            | GCV              | ECL              | GCV               | ECL              |
| <b>Balance at 1 January 2022</b>     | <b>26,664,233</b>         | <b>221,366</b> | <b>2,217,705</b> | <b>180,437</b> | <b>1,458,322</b> | <b>929,439</b>   | <b>30,340,260</b> | <b>1,331,242</b> |
| <i><b>Retail banking</b></i>         |                           |                |                  |                |                  |                  |                   |                  |
| Transfer to stage 1                  | 3,772                     | 130            | (3,769)          | (127)          | (3)              | (3)              | -                 | -                |
| Transfer to stage 2                  | (25,045)                  | (532)          | 25,055           | 534            | (10)             | (2)              | -                 | -                |
| Transfer to stage 3                  | (28,010)                  | (489)          | (6,013)          | (202)          | 34,023           | 691              | -                 | -                |
| Net movement in GCV                  | 152,051                   | -              | (4,190)          | -              | (3,521)          | -                | 144,340           | -                |
| Net re-measurement of loss allowance | -                         | (23,109)       | -                | 472            | -                | 16,319           | -                 | (6,318)          |
| Recoveries                           | -                         | -              | -                | -              | (2,109)          | (2,925)          | (2,109)           | (2,925)          |
| Write-offs                           | -                         | -              | -                | -              | (19,800)         | (19,800)         | (19,800)          | (19,800)         |
| <i><b>Corporate banking</b></i>      |                           |                |                  |                |                  |                  |                   |                  |
| Transfer to stage 1                  | 154,756                   | 6,203          | (154,756)        | (6,203)        | -                | -                | -                 | -                |
| Transfer to stage 2                  | (876,020)                 | (17,126)       | 877,700          | 17,157         | (1,680)          | (31)             | -                 | -                |
| Transfer to stage 3                  | (86,403)                  | (24,441)       | (248,145)        | (25,645)       | 334,548          | 50,086           | -                 | -                |
| Net movement in GCV                  | 109,771                   | -              | (214,108)        | -              | (101,389)        | -                | (205,726)         | -                |
| Net re-measurement of loss allowance | -                         | (44,884)       | -                | 74,909         | -                | 91,239           | -                 | 121,264          |
| Recoveries                           | -                         | -              | -                | -              | (5,933)          | (2,851)          | (5,933)           | (2,851)          |
| Write-offs                           | -                         | -              | -                | -              | (6,507)          | (6,507)          | (6,507)           | (6,507)          |
| <b>Balance at 30 June 2022</b>       | <b>26,069,105</b>         | <b>117,118</b> | <b>2,489,479</b> | <b>241,332</b> | <b>1,685,941</b> | <b>1,055,655</b> | <b>30,244,525</b> | <b>1,414,105</b> |

## SHARJAH ISLAMIC BANK PJSC

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

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

#### 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 segment can be seen below (continued):

|                                      | 31 December 2021 (Audited) |                |                  |                |                  |                |                   |                  |
|--------------------------------------|----------------------------|----------------|------------------|----------------|------------------|----------------|-------------------|------------------|
|                                      | Stage 1                    |                | Stage 2          |                | Stage 3          |                | Total             |                  |
|                                      | GCV                        | ECL            | GCV              | ECL            | GCV              | ECL            | GCV               | ECL              |
| <b>Balance at 1 January 2021</b>     | <b>26,825,490</b>          | <b>264,019</b> | <b>2,237,139</b> | <b>135,049</b> | <b>1,493,752</b> | <b>888,754</b> | <b>30,556,381</b> | <b>1,287,822</b> |
| <i><b>Retail banking</b></i>         |                            |                |                  |                |                  |                |                   |                  |
| Transfer to stage 1                  | 20,470                     | 3,995          | (15,514)         | (678)          | (4,956)          | (3,317)        | -                 | -                |
| Transfer to stage 2                  | (25,447)                   | (931)          | 25,447           | 931            | -                | -              | -                 | -                |
| Transfer to stage 3                  | (49,478)                   | (1,646)        | (34,510)         | (1,740)        | 83,988           | 3,386          | -                 | -                |
| Net movement in GCV                  | 668,224                    | -              | (8,610)          | -              | (35,359)         | -              | <b>624,255</b>    | -                |
| Net re-measurement of loss allowance | -                          | (36,417)       | -                | (556)          | -                | 56,969         | -                 | <b>19,996</b>    |
| Recoveries                           | -                          | -              | -                | -              | (4,282)          | (3,381)        | <b>(4,282)</b>    | <b>(3,381)</b>   |
| Write-offs                           | -                          | -              | -                | -              | (14,300)         | (14,300)       | <b>(14,300)</b>   | <b>(14,300)</b>  |
| <i><b>Corporate banking</b></i>      |                            |                |                  |                |                  |                |                   |                  |
| Transfer to stage 1                  | 260,601                    | 13,403         | (260,601)        | (13,403)       | -                | -              | -                 | -                |
| Transfer to stage 2                  | (478,038)                  | (3,481)        | 478,038          | 3,481          | -                | -              | -                 | -                |
| Transfer to stage 3                  | (42,674)                   | (1,187)        | (94,693)         | (11,458)       | 137,367          | 12,645         | -                 | -                |
| Net movement in GCV                  | (514,915)                  | -              | (108,991)        | -              | (62,493)         | -              | <b>(686,399)</b>  | -                |
| Net re-measurement of loss allowance | -                          | (16,389)       | -                | 68,811         | -                | 111,989        | -                 | <b>164,411</b>   |
| Recoveries                           | -                          | -              | -                | -              | (19,822)         | (7,733)        | <b>(19,822)</b>   | <b>(7,733)</b>   |
| Write-offs                           | -                          | -              | -                | -              | (115,573)        | (115,573)      | <b>(115,573)</b>  | <b>(115,573)</b> |
| <b>Balance at 31 December 2021</b>   | <b>26,664,233</b>          | <b>221,366</b> | <b>2,217,705</b> | <b>180,437</b> | <b>1,458,322</b> | <b>929,439</b> | <b>30,340,260</b> | <b>1,331,242</b> |



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

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

|   | <b>30 June 2022 (Un-audited)</b>  |                |                  |                  |
|---|-----------------------------------|----------------|------------------|------------------|
|   | <b>Stage 1</b>                    | <b>Stage 2</b> | <b>Stage 3</b>   | <b>Total</b>     |
| <b>ECL allowance as of 1 January 2022 (Audited)</b>   | <b>221,366</b>                    | <b>180,437</b> | <b>929,439</b>   | <b>1,331,242</b> |
| <i>Retail banking</i>                                 |                                   |                |                  |                  |
| Credit cards  | 315                               | 28             | (292)            | 51               |
| Housing loans   | (6,786)                           | 138            | 36               | (6,612)          |
| Personal loans  | (15,423)                          | 534            | (5,390)          | (20,279)         |
| Auto loans  | (2,106)                           | (23)           | (74)             | (2,203)          |
| <i>Corporate banking</i>                              |                                   |                |                  |                  |
| Government and related exposures                      | (3,589)                           | 949            | -                | (2,640)          |
| Other corporates                                      | (16,444)                          | 48,729         | (1,153)          | 31,132           |
| High net worth individuals                            | (50,631)                          | 3,869          | 102,551          | 55,789           |
| Small and medium enterprises ("SMEs")                 | (9,584)                           | 6,671          | 30,538           | 27,625           |
| <b>ECL allowance as of 30 June 2022 (Un-audited)</b>  | <b>117,118</b>                    | <b>241,332</b> | <b>1,055,655</b> | <b>1,414,105</b> |
|   | <b>31 December 2021 (Audited)</b> |                |                  |                  |
|   | <b>Stage 1</b>                    | <b>Stage 2</b> | <b>Stage 3</b>   | <b>Total</b>     |
| <b>ECL allowance as of 1 January 2021 (Audited)</b>   | <b>264,019</b>                    | <b>135,049</b> | <b>888,754</b>   | <b>1,287,822</b> |
| <i>Retail banking</i>                                 |                                   |                |                  |                  |
| Credit cards  | (348)                             | 11             | 548              | 211              |
| Housing loans   | (18,586)                          | (1,917)        | 2,647            | (17,856)         |
| Personal loans  | (14,975)                          | (104)          | 37,239           | 22,160           |
| Auto loans  | (1,090)                           | (33)           | (1,077)          | (2,200)          |
| <i>Corporate banking</i>                              |                                   |                |                  |                  |
| Government and related exposures                      | 1,473                             | (2,919)        | -                | (1,446)          |
| Other corporates                                      | (7,206)                           | 911            | 30,917           | 24,622           |
| High net worth individuals                            | (4,385)                           | 29,879         | (26,545)         | (1,051)          |
| Small and medium enterprises ("SMEs")                 | 2,464                             | 19,560         | (3,044)          | 18,980           |
| <b>ECL allowance as of 31 December 2021 (Audited)</b> | <b>221,366</b>                    | <b>180,437</b> | <b>929,439</b>   | <b>1,331,242</b> |

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**10. Investments in Islamic financing (continued)****10.4 Analysis of customers benefiting from payment deferrals**

|                                  | <b>Corporate<br/>banking</b> | <b>Retail<br/>banking</b> | <b>Total</b>   |
|----------------------------------|------------------------------|---------------------------|----------------|
| Investments in Islamic financing | <b>581,708</b>               | <b>30,213</b>             | <b>611,921</b> |
| ECL                              | <b>1,457</b>                 | <b>619</b>                | <b>2,076</b>   |
| Deferral amount                  | <b>93,536</b>                | <b>1,567</b>              | <b>95,103</b>  |
| Number of customers              | <b>8</b>                     | <b>12</b>                 | <b>20</b>      |

**11. Other assets**

|   | <b>30 June<br/>2022<br/>Un-audited</b> | <b>31 December<br/>2021<br/>Audited</b> |
|---|--|---|
| Prepaid expenses and other advances               | <b>43,701</b>                          | 34,280                                  |
| Profit receivable                                 | <b>327,657</b>                         | 335,922                                 |
| Sundry debtors                                    | <b>340,851</b>                         | 152,261                                 |
| Advances against Investments in Islamic financing | <b>205,293</b>                         | 47,914                                  |
| Others  | <b>42,755</b>                          | 138,658                                 |
| Reimbursements under acceptances                  | <b>200,355</b>                         | 156,881                                 |
| Less: loss allowance under IFRS 9 on other assets | <b>(62,045)</b>                        | (57,436)                                |
|   | <b>1,098,567</b>                       | <b>808,480</b>                          |

**12. Property and equipment**

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| Freehold land and buildings       | <b>770,115</b> | 774,795        |
| Equipment, furniture and fittings | <b>12,565</b>  | 16,981         |
| Computer equipment                | <b>67,823</b>  | 55,403         |
| Motor vehicles                    | <b>1,834</b>   | 2,311          |
| Right of use assets               | <b>30,580</b>  | 27,577         |
| Capital - work in progress        | <b>73,973</b>  | 72,495         |
|                                   | <b>956,890</b> | <b>949,562</b> |

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| 13. Customers' deposits | 30 June           | 31 December       |
|-------------------------|-------------------|-------------------|
|                         | 2022              | 2021              |
|                         | Un-audited        | Audited           |
| Current accounts        | 10,359,725        | 10,096,621        |
| Saving accounts         | 3,199,842         | 3,040,095         |
| Watany / call accounts  | 1,165,183         | 947,627           |
| Time deposits           | 22,278,104        | 23,949,613        |
| Margins                 | 361,410           | 459,764           |
|                         | <b>37,364,264</b> | <b>38,493,720</b> |

**14. Sukuk payable**

| Name of instrument | Maturity date | Profit rate |                  |                  |
|--------------------|---------------|-------------|------------------|------------------|
| SIB Sukuk 2023     | 17 April 2023 | 4.23%       | 1,835,511        | 1,834,795        |
| SIB Sukuk 2025     | 23 June 2025  | 2.85%       | 1,833,196        | 1,832,619        |
| <b>Total</b>       |               |             | <b>3,668,707</b> | <b>3,667,414</b> |

**15. Other liabilities**

|   |      |                  |                |
|---|------|------------------|----------------|
| Profit payable                              |      | 143,939          | 133,030        |
| Accrual and provision                       |      | 55,824           | 51,521         |
| Accounts payable                            |      | 132,719          | 77,086         |
| Provision for staff end of service benefits |      | 86,637           | 84,522         |
| Managers' cheques                           |      | 239,728          | 46,299         |
| Obligations under acceptances               |      | 200,355          | 156,881        |
| Sundry creditors                            |      | 365,089          | 249,235        |
| Lease obligation                            | 15.1 | 11,430           | 7,315          |
|   |      | <b>1,235,721</b> | <b>805,889</b> |

**15.1 Lease obligation**

|   |               |              |
|---|---------------|--------------|
| Balance at the beginning of the period / year | 7,315         | 17,792       |
| Recognition                                   | 9,304         | 1,414        |
| Amortisation                                  | (5,189)       | (11,891)     |
| Balance at the end of the period / year       | <b>11,430</b> | <b>7,315</b> |

**16. Share capital**

The Bank's issued and fully paid up share capital comprises 3,081,597,750 shares of AED 1 each.

|               | 30 June 2022         |                  | 31 December 2021 |           |
|---------------|----------------------|------------------|------------------|-----------|
|               | Un-audited           |                  | Audited          |           |
|               | No. of shares        | Value            | No. of shares    | Value     |
| Share capital | <b>3,081,597,750</b> | <b>3,081,598</b> | 3,081,597,750    | 3,081,598 |

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**17. Proposed directors' remuneration**

In accordance with the Article 169 of Commercial Companies Law No. 2 of 2015, the proposed directors' remuneration is AED 7.2 million (2021: AED 5.4 million).

**18. Net fees and commission income**

|                                      | <b>Six month period ended</b> |                         |
|--------------------------------------|-------------------------------|-------------------------|
|                                      | <b>30 June<br/>2022</b>       | <b>30 June<br/>2021</b> |
|                                      | <b>Un-audited</b>             | <b>Un-audited</b>       |
| <b>Fees and commission income</b>    |                               |                         |
| Commission income                    | 76,901                        | 73,440                  |
| Fees and charges on banking services | 39,467                        | 30,715                  |
| Card related fees                    | 25,413                        | 20,124                  |
| Takaful commission                   | 11,747                        | 13,405                  |
|                                      | <b>153,528</b>                | <b>137,684</b>          |
| <b>Fees and commission expense</b>   |                               |                         |
| Card related expense                 | 16,126                        | 11,502                  |
| Takaful expense                      | 8,689                         | 4,516                   |
| Commission expense                   | 4,371                         | 3,602                   |
|                                      | <b>29,186</b>                 | <b>19,620</b>           |

**19. Other income**

|  |               |               |
|--|---------------|---------------|
| Income from subsidiaries               | 9,233         | 6,183         |
| Rental income                          | 19,539        | 12,289        |
| Income from sale of properties         | 6,468         | 3,886         |
| Gain on sale of property and equipment | 40            | 581           |
| Other income                           | 23            | 27            |
|  | <b>35,303</b> | <b>22,966</b> |

**20. Segment reporting**

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

**a). Government and corporate**

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

**b). Retail**

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

**c). Investment and treasury**

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

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**20. Segment reporting (continued)**

|  | Corporate and government | Retail           | Investment and treasury | Hospitality, brokerage and realestate | Total             |
|--|--------------------------|------------------|-------------------------|---------------------------------------|-------------------|
| <b>Condensed consolidated interim statement of profit or loss:</b>     |                          |                  |                         |                                       |                   |
| <b>For the six month period ended 30 June 2022 (Un-audited)</b>        |                          |                  |                         |                                       |                   |
| Income from investments in Islamic financing and sukuks                | 503,326                  | 159,502          | 216,404                 | -                                     | 879,232           |
| less: distribution to depositors and sukuk holders                     | (181,807)                | (21,087)         | (89,034)                | -                                     | (291,928)         |
| Net income from financing and investment products                      | 321,519                  | 138,415          | 127,370                 | -                                     | 587,304           |
| Fee and commission income  | 71,732                   | 40,449           | 16,109                  | 25,238                                | 153,528           |
| Fee and commission expense   | (13,300)                 | (10,734)         | (5,152)                 | -                                     | (29,186)          |
| <b>Net fee and commission income</b>                                   | <b>58,432</b>            | <b>29,715</b>    | <b>10,957</b>           | <b>25,238</b>                         | <b>124,342</b>    |
| Investment income  | -                        | -                | 25,284                  | -                                     | 25,284            |
| Foreign exchange income  | 10,800                   | 1,876            | 2,831                   | (16,306)                              | (799)             |
| Other income   | -                        | -                | -                       | 35,303                                | 35,303            |
| <b>Total operating income</b>  | <b>390,751</b>           | <b>170,006</b>   | <b>166,442</b>          | <b>44,235</b>                         | <b>771,434</b>    |
| General and administrative expenses                                    | -                        | -                | -                       | (22,236)                              | (22,236)          |
| General and administrative expenses - unallocated                      | -                        | -                | -                       | -                                     | (252,040)         |
| <b>Net operating income before impairment</b>                          | <b>390,751</b>           | <b>170,006</b>   | <b>166,442</b>          | <b>21,999</b>                         | <b>497,158</b>    |
| less: impairment on financial assets - net of recoveries               | (124,193)                | 9,674            | (18,740)                | (2,027)                               | (135,286)         |
| <b>Profit for the period</b>   | <b>266,558</b>           | <b>179,680</b>   | <b>147,702</b>          | <b>19,972</b>                         | <b>361,872</b>    |
| <b>Condensed consolidated interim statement of financial position:</b> |                          |                  |                         |                                       |                   |
| <b>As at 30 June 2022 (Un-audited)</b>                                 |                          |                  |                         |                                       |                   |
| <b>Assets</b>  |                          |                  |                         |                                       |                   |
| Segment assets   | 23,372,213               | 4,799,981        | 26,013,205              | 1,140,187                             | 55,325,586        |
| Unallocated assets   | -                        | -                | -                       | -                                     | 741,946           |
| <b>Total assets</b>  | <b>23,372,213</b>        | <b>4,799,981</b> | <b>26,013,205</b>       | <b>1,140,187</b>                      | <b>56,067,532</b> |
| <b>Liabilities</b>   |                          |                  |                         |                                       |                   |
| Segment liabilities  | 31,012,179               | 6,367,196        | 10,518,538              | 92,328                                | 47,990,241        |
| Unallocated liabilities  | -                        | -                | -                       | -                                     | 458,561           |
| <b>Total liabilities</b>   | <b>31,012,179</b>        | <b>6,367,196</b> | <b>10,518,538</b>       | <b>92,328</b>                         | <b>48,448,802</b> |

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

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

**20. Segment reporting (continued)**

|  | Corporate and<br>government | Retail           | Investment<br>and treasury | Hospitality,<br>brokerage and<br>realestate | Total             |
|--|-----------------------------|------------------|----------------------------|---|-------------------|
| <b>Condensed consolidated statement of profit or loss:</b>       |                             |                  |                            |   |                   |
| <b>For the six month period ended 30 June 2021 (Un-audited):</b> |                             |                  |                            |   |                   |
| Income from investments in Islamic financing and sukuks          | 473,636                     | 161,359          | 200,962                    | -   | <b>835,957</b>    |
| less: distribution to depositors and sukuk holders               | (149,729)                   | (18,237)         | (129,973)                  | -   | <b>(297,939)</b>  |
| Net income from financing and investment products                | <b>323,907</b>              | <b>143,122</b>   | <b>70,989</b>              | -   | <b>538,018</b>    |
| Fee and commission income  | 65,825                      | 40,618           | 9,118                      | 22,123                                      | <b>137,684</b>    |
| Fee and commission expense                                       | (9,635)                     | (7,764)          | (2,221)                    | -   | <b>(19,620)</b>   |
| <b>Net fee and commission income</b>                             | <b>56,190</b>               | <b>32,854</b>    | <b>6,897</b>               | <b>22,123</b>                               | <b>118,064</b>    |
| Investment income  | -                           | -                | (7,085)                    | -   | <b>(7,085)</b>    |
| Foreign exchange income  | 6,811                       | 1,881            | 6,402                      | -   | <b>15,094</b>     |
| Other income   | 276                         | 338              | 5,618                      | 16,734                                      | <b>22,966</b>     |
| <b>Total operating income</b>                                    | <b>387,184</b>              | <b>178,195</b>   | <b>82,821</b>              | <b>38,857</b>                               | <b>687,057</b>    |
| General and administrative expenses                              | -                           | -                | -                          | (20,754)                                    | <b>(20,754)</b>   |
| General and administrative expenses - unallocated                | -                           | -                | -                          | -   | <b>(249,018)</b>  |
| <b>Net operating income before impairment</b>                    | <b>387,184</b>              | <b>178,195</b>   | <b>82,821</b>              | <b>18,103</b>                               | <b>417,285</b>    |
| less: impairment on financial assets - net of recoveries         | (81,680)                    | (497)            | (45,280)                   | (338)                                       | <b>(127,795)</b>  |
| <b>Profit for the period</b>                                     | <b>305,504</b>              | <b>177,698</b>   | <b>37,541</b>              | <b>17,765</b>                               | <b>289,490</b>    |
| <b>Consolidated statement of financial position:</b>             |                             |                  |                            |   |                   |
| <b>As at 31 December 2021 (Audited)</b>                          |                             |                  |                            |   |                   |
| <b>Assets</b>  |                             |                  |                            |   |                   |
| Segment assets   | 23,727,846                  | 4,744,831        | 24,835,020                 | 1,174,203                                   | <b>54,481,900</b> |
| Unallocated assets   | -                           | -                | -                          | -   | <b>474,895</b>    |
| <b>Total assets</b>  | <b>23,727,846</b>           | <b>4,744,831</b> | <b>24,835,020</b>          | <b>1,174,203</b>                            | <b>54,956,795</b> |
| <b>Liabilities</b>   |                             |                  |                            |   |                   |
| Segment liabilities  | 31,295,514                  | 6,221,429        | 9,276,623                  | 96,206                                      | <b>46,889,772</b> |
| Unallocated liabilities  | -                           | -                | -                          | -   | <b>372,246</b>    |
| <b>Total liabilities</b>   | <b>31,295,514</b>           | <b>6,221,429</b> | <b>9,276,623</b>           | <b>96,206</b>                               | <b>47,262,018</b> |

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)  
(Currency: Thousands of U.A.E Dirhams)

**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:

|  | <b>30 June 2022 (Un-audited)</b> |                           |                              |                    |
|--|----------------------------------|---------------------------|------------------------------|--------------------|
|  | <b>Key management personnel</b>  | <b>Major shareholders</b> | <b>Other related parties</b> | <b>Total</b>       |
| Investments in Islamic financing                 | <b>429,796</b>                   | <b>2,587,038</b>          | <b>4,615,595</b>             | <b>7,632,429</b>   |
| Investment securities measured at fair value     | -                                | <b>618,488</b>            | -                            | <b>618,488</b>     |
| Investment securities measured at amortized cost | -                                | <b>780,329</b>            | -                            | <b>780,329</b>     |
| Customers' deposits                              | <b>(123,082)</b>                 | <b>(2,901,118)</b>        | <b>(3,520,222)</b>           | <b>(6,544,422)</b> |
| Contingent liabilities                           | -                                | <b>82</b>                 | <b>104,152</b>               | <b>104,234</b>     |

**Condensed consolidated interim statement  
of profit or loss for the six month period  
ended 30 June 2022 (Un-audited)**

|   |              |                 |                 |                 |
|---|--------------|-----------------|-----------------|-----------------|
| Income from Islamic financing and investment securities | <b>5,465</b> | <b>97,187</b>   | <b>120,276</b>  | <b>222,928</b>  |
| Depositors' share of profit                             | <b>(59)</b>  | <b>(39,993)</b> | <b>(26,514)</b> | <b>(66,566)</b> |

|  | <b>31 December 2021 (Audited)</b> |                           |                              |                    |
|--|-----------------------------------|---------------------------|------------------------------|--------------------|
|  | <b>Key management personnel</b>   | <b>Major shareholders</b> | <b>Other related parties</b> | <b>Total</b>       |
| Investments in Islamic financing                 | 300,301                           | 2,288,557                 | 4,855,695                    | <b>7,444,553</b>   |
| Investment securities measured at fair value     | -                                 | 512,516                   | -                            | <b>512,516</b>     |
| Investment securities measured at amortized cost | -                                 | 780,329                   | -                            | <b>780,329</b>     |
| Customers' deposits                              | (130,999)                         | (2,766,996)               | (3,641,564)                  | <b>(6,539,559)</b> |
| Contingent liabilities                           | -                                 | 1,108                     | 146,752                      | <b>147,860</b>     |

**Condensed consolidated interim statement  
of profit or loss for the six month period  
ended 30 June 2021 (Un-audited)**

|   |       |          |          |                 |
|---|-------|----------|----------|-----------------|
| Income from Islamic financing and investment securities | 4,569 | 62,599   | 108,535  | <b>131,333</b>  |
| Depositors' share of profit                             | (11)  | (23,079) | (21,279) | <b>(44,370)</b> |

Key management compensation includes salaries and other short term benefits of AED 12.1 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021: AED 11.7 million) and post-employment benefits of AED 0.7 million for the six month period ended 30 June 2022 (six month period ended 30 June 2021: AED 1.8 million).

As at 30 June 2022, the Group does not have any related party balances classified as stage 3.

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**SHARJAH ISLAMIC BANK PJSC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)**  
(Currency: Thousands of U.A.E Dirhams)

**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

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 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.



**SHARJAH ISLAMIC BANK PJSC**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

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

**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:

|                                      | Level 1          | Level 2  | Level 3          | Total            |
|--------------------------------------|------------------|----------|------------------|------------------|
| <b>At 30 June 2022 (Un-audited)</b>  |                  |          |                  |                  |
| <b>Financial assets</b>              |                  |          |                  |                  |
| FVTPL – investment securities        | 16,265           | -        | 297,919          | 314,184          |
| FVTOCI – investment securities       | 2,588,884        | -        | 296,411          | 2,885,295        |
|                                      | <u>2,605,149</u> | <u>-</u> | <u>594,330</u>   | <u>3,199,479</u> |
| <b>Non-financial assets</b>          |                  |          |                  |                  |
| Investment properties at fair value  | -                | -        | 2,792,593        | 2,792,593        |
|                                      | <u>-</u>         | <u>-</u> | <u>2,792,593</u> | <u>2,792,593</u> |
| <b>At 31 December 2021 (Audited)</b> |                  |          |                  |                  |
| <b>Financial assets</b>              |                  |          |                  |                  |
| FVTPL – investment securities        | 12,236           | -        | 206,914          | 219,150          |
| FVTOCI – investment securities       | 1,390,646        | -        | 259,608          | 1,650,254        |
|                                      | <u>1,402,882</u> | <u>-</u> | <u>466,522</u>   | <u>1,869,404</u> |
| <b>Non-financial assets</b>          |                  |          |                  |                  |
| Investment properties at fair value  | -                | -        | 2,825,021        | 2,825,021        |
|                                      | <u>-</u>         | <u>-</u> | <u>2,825,021</u> | <u>2,825,021</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 sukuk measured at amortised cost for which the fair value is calculated using Level 1 inputs.

There were no transfers of any financial assets in between any of the levels in fair value hierarchy during the six month period ended 30 June 2022.

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 six month period ended<br>30 June 2022<br>(Un-audited) |                | For the year ended 31<br>December 2021<br>(Audited) |                |
|--|--|----------------|---|----------------|
|  | FVTPL  | FVTOCI         | FVTPL   | FVTOCI         |
| <b>Financial assets</b>                          |  |                |   |                |
| Balance as at the beginning of the period / year | 206,914  | 259,608        | 31,564  | 287,210        |
| Fair value movement during the period / year     | 1,324  | 73             | (550)   | (27,602)       |
| Additions during the period / year               | 89,681   | 36,730         | 175,900   | -              |
| <b>Balance at the end of the period/year</b>     | <u>297,919</u>   | <u>296,411</u> | <u>206,914</u>                                      | <u>259,608</u> |

**SHARJAH ISLAMIC BANK PJSC**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)**  
(Currency: Thousands of U.A.E Dirhams)

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

| <b>Non-financial assets</b>                          | <b>Six month<br/>period ended<br/>30 June<br/>2022<br/>Un-audited</b> | <b>Year<br/>ended<br/>31 December<br/>2021<br/>Audited</b> |
|--|---|--|
| Balance at the beginning of the period / year        | 2,825,021   | 2,886,044  |
| Additions during the period / year                   | 8,778   | 209,300  |
| Transfer from held-for-sale during the period / year | -   | 69,415   |
| Disposals during the period / year                   | (41,206)  | (247,698)  |
| Revaluation loss during the period / year            | -   | (92,040)   |
| <b>Balance at the end of the period / year</b>       | <b>2,792,593</b>  | <b>2,825,021</b>   |

During the six month period ended 30 June 2022, the Group transferred a property of AED Nil (year ended 31 December 2021: AED 69.4 million) from properties held for sale to investment properties. This has no impact on condensed consolidated interim statement of cash flows.

**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, DCF / scenario analysis or comparable market valuation. Qualitative methods which involve taking into consideration the market & economic outlook are also employed.

**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:

|   | <b>Effect on profit or loss</b> |                    | <b>Effect on OCI</b> |                    |
|---|---------------------------------|--------------------|----------------------|--------------------|
|   | <b>Favorable</b>                | <b>Unfavorable</b> | <b>Favorable</b>     | <b>Unfavorable</b> |
| For the six month period ended<br>30 June 2022 (Un-audited) | <b>309,051</b>                  | (309,051)          | <b>29,641</b>        | (29,641)           |
| For the year ended<br>31 December 2021 (Audited)            | <b>303,194</b>                  | (303,194)          | <b>25,961</b>        | (25,961)           |

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

FOR THE SIX MONTH PERIOD ENDED 30 June 2022 (Un-audited)

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

**23. Interim measurement**

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

**24. Dividend**

During the annual general meeting of the shareholders held on 27 February 2022, a cash dividend of 8% of the paid up capital, amounting to AED 246.5 million was approved for the year ended 31 December 2021 (2021: a cash dividend of 8% of the paid up capital, amounting to AED 246.5 million was approved for the year ended 31 December 2020).

**25. Contingencies and commitments**

|                      | <b>30 June</b>    | <b>31 December</b> |
|----------------------|-------------------|--------------------|
|                      | <b>2022</b>       | <b>2021</b>        |
|                      | <b>Un-audited</b> | <b>Audited</b>     |
| Letters of credit    | <u>246,423</u>    | <u>224,288</u>     |
| Letters of guarantee | <u>2,032,696</u>  | <u>1,929,695</u>   |
| Capital commitments  | <u>120,846</u>    | <u>102,525</u>     |

Forward foreign exchange contracts comprise commitments to purchase foreign and domestic currencies on behalf of customers and in respect of the bank's undelivered spot transactions. As at 30 June 2022 the Bank had forward foreign exchange contracts amounting to AED 83.1 million (31 December 2021: AED 944.6 million)

Total net asset value of the Funds under management as at 30 June 2022 amounts to AED 1,000 million (31 December 2021: AED 87.2 million)

**26. Subsequent events**

There have been no events subsequent to the condensed consolidated interim statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial statements as at and for the six month period ended 30 June 2022.

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2022**

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

**Cash flows from operating activities:**

Net profit for the year  
Adjustments:  
Depreciation and amortization  
Gain/(loss) on sale of property and equipment  
Amortization of sukuk issuance cost  
Provision on customer receivables  
Provision on banks  
Provision on other assets  
Provision on investment securites - FV  
Provision on investment securites - AC  
Provision on subsidiaries  
Revaluation on investment securities  
  
Gain/(loss) on revaluation of properties held for sale  
Gain/(loss) on sale of properties held for sale  
Gain on disposal of investment sec  
Gain on disposal of investment properties  
Revaluation (gain) / loss on investment properties  
loss / (gain) on sale of investment proprties

**Changes in operating assets and liabilities:**

Balances with Banks  
wakalah arrangment with financial institutions  
financing receivables and leased assets  
other assets, net  
customers' deposits  
due to banks  
Zakat  
other liabilities  
Net cash (used in) / provided by operating activities

**Cash flows from investing activities:**

Acquistion of Properties and equipment  
Disposal of Proprties and equipment  
Acquistion in Investments properties - net  
Disposal in Investments properties - net  
Acquistion in properties held for sale- net  
Disposal in Properties held for sale - net  
Acquisition in investment securities - FV  
Disposal/redemption in Investments securties - FV  
Acquisition in investment securities - amortised cost  
Disposal/redemption in Investments securties - amortised cost  
change in Investments securties  
Net cash used in investing activities

**Cash flows from financing activities:**

Convertible Sukuk  
Repayment of sukuk of sukuk  
Proceeds from sukuk  
Profit paid on tier 1 sukuk  
Cash Dividend  
Net cash provided by / (used in) financing activities

**Net increase in cash and cash equivalents**

**Cash and cash equivalents, biginning of the year (Note 27)**

**Cash and cash equivalents, end of the year (Note 27)**

**Balance sheet - cash & cash items balance**  
**Check cell**

The accompanying notes form an integral part of these financial statments.

|   |              | <b>4th Quarter 2021</b> |
|---|--------------|-------------------------|
| <b>Credit Risk Weighted Assets</b>      | <b>BRF95</b> | 35,483,976,453.57       |
| General provision requirement           | @1.5%        | <b>532,259,646.80</b>   |
| ECL Stage 1                             |              | -240,648,000.00         |
| ECL Stage 2                             |              | -227,035,000.00         |
| Existing General Impairment Reserve     |              | -90,507,608.63          |
| Rounding                                |              |                         |
| <b>Surplus/shorfall</b>                 |              | <b>-25,930,961.82</b>   |
| Gen Impairment Reserve after adjustment |              | -64,576,646.80          |

**BANKING RETURN FORMS - COMPUTATION OF CAPITAL ADEQUACY RATIO (CAR) AS PER BASEL III- BRF 95 (AED 000)**

|                 |                      |
|-----------------|----------------------|
| Template ID:    | 30-Jun-2022          |
| Name of Bank:   | Sharjah Islamic Bank |
| Reporting Date: | 30-Jun-22            |

| No. | Minimum Capital Requirements  | Ratios | No.   | Bank's Capital Ratio                      | Ratios                        |
|-----|---|--------|-------|---|-------------------------------|
| 1   | 1.1 Common Equity Tier 1 Capital Ratio  | 7.00%  | 2     | 2.1 Common Equity Tier 1 Capital Ratio    | 14.37%                        |
|     | 1.2 Tier 1 Capital Ratio  | 8.50%  |       | 2.1.1 Additional Tier 1 Ratio             | 4.58%                         |
|     | 1.3 Total Capital Ratio   | 10.50% | 2.2   | Tier 1 Capital Ratio                      | 18.95%                        |
|     | 1.4 Aggregated Buffer requirement (effective CCB)   | 2.50%  | 2.2.1 | Tier 2 Ratio                              | 1.17%                         |
|     | 1.4.1 Capital Conservation Buffer (CCB)   | 2.50%  | 2.3   | Total Capital Ratio                       | 20.11%                        |
|     | 1.4.2.1 Countercyclical Buffer (CCyB) for exposures within the UAE  | 0.000% | 2.4   | CET1 available for the buffer requirement | 7.37%                         |
|     | 1.4.2.2 Effective Countercyclical Buffer (CCyB) of the bank<br><i>(All banks need to amend this ratio based on CCyB as per Capital Supply Standard)</i> | 0.000% | 2.5   | Buffer quartile                           | Above buffer; 0% conservation |
|     | 1.4.3 Domestic Systemically Important Bank Buffer<br><i>(DSIB banks need to change this accordingly)</i>  | 0.000% |       |   |                               |

| No. | Supervisory Capital Guidance (SCG); Minimum Capital Requirements   | Ratios | No. | Bank's Capital Ratio                          | Ratios                        |
|-----|--|--------|-----|---|-------------------------------|
| 3   | 3.1 Supervisory Capital Guidance incl. SCG<br><i>(All banks need to amend this ratio as per Capital Supply Standard)</i> | 0.00%  | 4   | 4.1 CET1 available for the buffer requirement | 7.37%                         |
|     | 3.2 Common Equity Tier 1 Capital Ratio incl. SCG   | 7.00%  |     | 4.2 Buffer Quartile                           | Above buffer; 0% conservation |
|     | 3.3 Tier 1 Capital Ratio incl. SCG   | 8.50%  |     |   |                               |
|     | 3.4 Total Capital Ratio incl. SCG  | 10.50% |     |   |                               |
|     | 3.5 Aggregated Buffer requirement (effective CCB)  | 2.50%  |     |   |                               |

| No.        | Details  | Amount           | No.     | Details   | Amount                        |
|------------|--|------------------|---------|---|-------------------------------|
| 5          | <b>Total Eligible Capital</b>  | <b>8,072,803</b> | 5.3     | <b>Tier 2 (T2) Capital</b>  | <b>468,093</b>                |
| 5.1        | <b>Common Equity Tier 1 (CET1) Capital</b>   | <b>5,768,210</b> | 5.3.1   | Perpetual equity instruments, not included in Tier 1 capital  |                               |
| 5.1.1      | Share Capital  | 3,081,598        | 5.3.2   | Share premium, resulting from the issue of T2 capital.  |                               |
| 5.1.2      | Share premium account  |                  | 5.3.3   | Instruments which are eligible for inclusion of Tier 2 e.g. subordinated loan (After grandfathering and/or amortisation)<br><i>(All banks need to enter total original issuance amount AFTER grandfathering/amortisation, if any)</i> |                               |
| 5.1.3      | Eligible Reserves  | 1,479,444        | 5.3.3.1 | Instruments which are eligible for inclusion of Tier 2 (Before grandfathering and/or amortisation)<br><i>(All banks need to enter total original issuance amount BEFORE grandfathering/amortisation, if any)</i>                      |                               |
| 5.1.3.1    | Legal Reserves (Art. 82 Union Law No. 10)  | 1,629,807        | 5.3.4   | Eligible amount of minority interest  |                               |
| 5.1.3.2    | Statutory Reserves (Art. 192 Union Law No. 8)  |                  | 5.3.5   | Eligible general provision (max 1.25% of CRWA under standardised approach)<br>(Note 3)  | 468,093                       |
| 5.1.3.3    | Accumulated other comprehensive income (Note 1)  |                  |         | <b>Total T2 capital after the regulatory adjustments (Tier 2)</b>   | <b>468,093</b>                |
| 5.1.3.4    | Other Disclosed Reserves (e.g. General Reserves, Other Reserves)   | -150,363         | 6       | <b>Total Risk Weighted Assets - Pillar 1</b>  | <b>40,136,118</b>             |
| 5.1.4      | Retained Earnings / ( ) Loss   | 1,207,168        | 6.1     | <b>Credit Risk Standardised approach (CSA)</b>  | <b>37,447,475</b>             |
| 5.1.4.1    | Accumulated Retained Earnings / ( ) Loss   | 756,128          | 6.1.1   | Sovereigns  | 2,973,821                     |
| 5.1.4.2    | Audited/Reviewed current year profits / ( ) Current financial year loss  | 364,858          | 6.1.2   | Public Sector Enterprises (Including Government Related Enterprises)  | 5,272,079                     |
| 5.1.4.3    | Dividend Expected/Proposed   |                  | 6.1.2.1 | PSEs treated as claims on Sovereign   | 0                             |
| 5.1.4.4    | IFRS transitional arrangement: Partial addback of ECL impact to CET1 (MANDATORY)   | 86,182           | 6.1.2.2 | PSEs treated as claims on Banks   | 665,040                       |
| 5.1.4.5    | CBUAE Regulatory deductions: (e.g. amount exceeding Large Exposure threshold)  |                  | 6.1.2.3 | PSEs treated as claims on corporates  | 4,607,029                     |
| 5.1.5      | Eligible amount of minority interest   |                  | 6.1.3   | Multilateral Development Banks  | 0                             |
| 5.1.6      | Capital shortfall of consolidated subsidiaries   |                  | 6.1.4   | Banks   | 2,381,249                     |
| 5.1.7      | Capital shortfall of non-consolidated subsidiaries   |                  | 6.1.5   | Securities Firms  | 0                             |
|            | <b>CET1 Capital (prior to regulatory deductions)</b>   | <b>5,768,210</b> | 6.1.6   | Corporates  | 14,637,433                    |
| 5.1.8      | <b>Regulatory deductions:</b>  | <b>0</b>         | 6.1.7   | Retail: Individuals and Small SMEs  | 2,475,174                     |
| 5.1.8.1    | Goodwill and other intangibles (including mortgage servicing rights)   |                  | 6.1.8   | Secured by residential property   | 1,317,542                     |
| 5.1.8.2    | Deferred tax assets  |                  | 6.1.9   | Secured by commercial real estate   | 38,141                        |
| 5.1.8.3    | Cash flow hedge reserve  |                  | 6.1.10  | Past due items  | 1,386,363                     |
| 5.1.8.4    | Gain on sale related to securitisation transactions  |                  | 6.1.11  | Items belonging to regulatory high-risk categories  | 0                             |
| 5.1.8.5    | Cumulative gains and losses due to changes in own credit risk on fair valued financial liabilities   |                  | 6.1.12  | Other assets  | 6,863,803                     |
| 5.1.8.6    | Defined benefit pension fund assets and liabilities  |                  | 6.1.13  | Credit Derivatives (Protection seller)  | 0                             |
| 5.1.8.7    | Investments in own CET1 (e.g. treasury stock)  |                  | 6.1.14  | Settlement Risk (SR1)   | 0                             |
| 5.1.8.8    | Reciprocal cross holdings in banking, financial and insurance entities   | 0                | 6.1.15  | CVA Risk  | 85,525                        |
| 5.1.8.8.1  | Reciprocal cross holdings in the CET1 of banking, financial and insurance entities   |                  | 6.1.16  | Equity Investment in Funds (EIF)  | 15,346                        |
| 5.1.8.8.2  | Reciprocal cross holdings in the AT1 of banking, financial and insurance entities  |                  | 6.1.17  | Securitization (SEC)  | 0                             |
| 5.1.8.8.3  | Reciprocal cross holdings in the T2 of banking, financial and insurance entities   |                  |         |   |                               |
|            | <b>Total CET1 capital after the regulatory adjustments above (CET1 A)</b>  | <b>5,768,210</b> | 6.2     | <b>Market Risk - Standardised approaches (SA)</b>   | <b>322,260</b>                |
| 5.1.8.9    | Deduction: Investments in banking, financial and insurance entities where ownership is < 10% of issued common share capital (amount above 10% CET1 A)                                  | 0                | 6.2.1   | Interest Rate in the Trading Book   | 0                             |
| 5.1.8.9.1  | Proportion of investment in CET1 above 10% CET1 A  |                  | 6.2.2   | Foreign Exchange  | 322,260                       |
| 5.1.8.9.2  | Proportion of investment in AT1 above 10% CET1 A   |                  | 6.2.3   | Equity  | 0                             |
| 5.1.8.9.3  | Proportion of investment in T2 above 10% CET1 A  |                  | 6.2.4   | Commodities   | 0                             |
|            | <b>Total CET1 after the regulatory adjustments above (CET1 B)</b>  | <b>5,768,210</b> | 6.2.5   | Option  | 0                             |
| 5.1.8.10   | Deduction: Not common share Investments in banking, financial and insurance entities where ownership is >10% of the issued common share capital (Meet the criteria of CET1, AT1, & T2) | 0                | 6.3     | <b>Operational Risk</b>   | <b>2,366,383</b>              |
| 5.1.8.10.1 | Proportion of investment in CET1 above 10% CET1 A  |                  | 6.3.1   | OpRisk Basic indicator approach (BIA)   | 2,366,383                     |
| 5.1.8.10.2 | Proportion of investment in AT1 above 10% CET1 A   |                  | 6.3.2   | OpRisk Standardised (STA) / Alternative Standardised (ASA) approaches   | 0                             |
| 5.1.8.10.3 | Proportion of investment in T2 above 10% CET1 A  |                  |         |   |                               |
|            | <b>Total CET1 after the regulatory adjustments above (CET1 C)</b>  | <b>5,768,210</b> | 7       | <b>MEMORANDUM ITEMS:</b>  |                               |
| 5.1.9      | <b>Threshold deductions:</b>   | <b>0</b>         | 7.1     | <b>Pillar 2 Ratio</b>   |                               |
| 5.1.9.1    | Deduction: Significant investments in the common share of banking, financial and insurance entities (amount above 10% of CET1 C)   |                  | 7.1.1   | Internal assessment Surplus (+) / Deficit (-) of capital from ICAAP   | 0                             |
| 5.1.9.2    | Deferred tax assets arising from temporary differences (amount above 10% of CET1 C)  |                  | 7.1.2   | Internal assessment of capital supply   |                               |
|            | <b>Total CET1 after the regulatory adjustments above (CET1 D)</b>  | <b>5,768,210</b> | 7.1.3   | Internal assessment of capital demand   |                               |
| 5.1.9.3    | Aggregated amount of exceeding the 17.65% of CET1* (Note 2)  |                  | 8       | <b>Bank's Capital Ratio and RWA (before applying IFRS transitional arrangement 5.1.4.4)</b>   |                               |
|            | <b>Total CET1 capital after the regulatory adjustments and threshold deduction (CET1)</b>  | <b>5,768,210</b> | 8.1     | Common Equity Tier 1 Capital Ratio  | 14.16%                        |
| 5.2        | <b>Additional Tier 1 (AT1) Capital</b>   | <b>1,836,500</b> | 8.2     | Tier 1 Capital Ratio  | 18.73%                        |
| 5.2.1      | Eligible AT1 capital (After grandfathering)<br><i>(All banks need to enter total original issuance amount AFTER grandfathering/amortisation, if any)</i>                               | 1,836,500        | 8.3     | Total Capital Ratio   | 19.90%                        |
| 5.2.1.1    | AT capital (Before grandfathering)<br><i>(All banks need to enter total original issuance amount BEFORE grandfathering/amortisation, if any)</i>                                       |                  | 8.4     | CET1 available for the buffer requirement   | 7.16%                         |
| 5.2.2      | Share premium, resulting from the issue of AT1 capital.  |                  | 8.5     | Buffer quartile   | Above buffer; 0% conservation |
| 5.2.3      | Eligible amount of minority interest   |                  | 8.6     | Total Risk Weighted Assets - Pillar 1   | 40,136,118                    |
|            | <b>Total AT1 capital after the regulatory adjustments (AT1)</b>  | <b>1,836,500</b> |         |   |                               |
|            | <b>Total Tier 1 Capital</b>  | <b>7,604,710</b> |         |   |                               |

1 The amount of cumulative unrealized losses shall be fully deducted in the calculation of CET1 Capital. Realization reserves or cumulative unrealized gains shall be added to CET1 with a haircut of 5%.

2 Amount of CET1 = Total CET1 (prior to deductions) - All the deduction except the threshold deduction (i.e. all deduction outlined in para 44 to 47) minus the total amount of both ODA that rely on future profitability and arise from temporary difference and significant investments in the unconsolidated financial institutions.

3 Note, that for example "Other unallocated provisions for impaired assets" as per BRF 2 (25.2.2) should not be part of general provision.