Invest bank P.S.C.

Condensed consolidated interim financial information for the three-month period ended 31 March 2022

Registered office
Al Zahra Street
P O Box 1885 - Sharjah
United Arab Emirates

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Pages

Review report on the condensed consolidated interim financial information to the Board of Directors of Invest bank P.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Invest bank P.S.C. ("the Bank") and its subsidiary (together referred to as "the Group") as at 31 March 2022 and the related condensed consolidated interim statement of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. The Directors are responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Emphases of matter

1- We draw attention to note 4 of the condensed consolidated financial statements which states that the Bank is dependent on the ongoing support of the Central Bank of the United Arab Emirates and the Government of Sharjah in managing its liquidity requirements. We also draw attention to Notes 4 and 15 which state that as at 31 March 2022, the Bank was below the minimum regulatory Capital Adequacy Ratio ("CAR") of 11.5%. The Bank continues to focus on a number of initiatives to manage its CAR and take measures to manage its ongoing liquidity.

2- We also draw attention to note 2 to the condensed consolidated interim financial information, which describes that the Lebanese branch has assets and liabilities denominated in foreign currencies, including funds held with the Central Bank of Lebanon which are subject to local banking restrictions, which are translated into Lebanese Pounds in accordance with the Group's accounting policy on foreign currency transactions at the official exchange rate prevailing at the end of the reporting period. The Lebanese branch financial statements have also been translated into UAE Dirhams for incorporation into the condensed consolidated interim financial information based on the official exchange rate. The actual realization and settlement of these assets and liabilities, respectively, could be materially different.

Our conclusion is not modified in respect of these matters.

PricewaterhouseCoopers
3 June 2022

Rami Sarhan
Registered Auditor Number 1152
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Invest bank P.S.C.

Condensed consolidated interim statement of financial position as at 31 March 2022

	Note	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
ASSETS			
Cash and deposits with central banks	6	**1,183,400**	1,446,482
Due from banks	7	**111,309**	116,836
Investment securities	8	**2,012,083**	2,011,778
Loans and advances to customers	9	**5,621,019**	5,930,367
Other assets	10	**576,879**	554,511
Total assets		**9,504,690**	10,059,974
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	12	**500,103**	754,511
Deposits from customers	13	**8,201,947**	8,470,569
Other liabilities	14	**213,701**	214,370
Total liabilities		**8,915,751**	9,439,450
EQUITY			
Share capital	15	**3,180,982**	3,180,982
Share discount		**(477,857)**	(477,857)
Fair value reserve		**(40,683)**	(40,988)
Accumulated losses		**(2,073,503)**	(2,041,613)
Net equity		**588,939**	620,524
Total liabilities and equity		**9,504,690**	10,059,974

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 3 June 2022 and signed on its behalf by:

Chief Executive Officer

Chairman

Invest bank P.S.C.

Condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2022

	Note	For the three-month period ended 31 March 2022 (un-audited) AED'000	2021 (un-audited) AED'000
Interest income		**73,801**	106,982
Interest expense		**(36,744)**	(42,864)
Net interest income		**37,057**	64,118
Net fees and commission income		**12,831**	15,989
Net income from foreign currencies		**1,808**	2,281
Other income		**8,085**	285
Total operating income		**59,781**	82,673
Operating expenses			
General and administrative expenses		**(47,944)**	(42,590)
Total operating expenses		**(47,944)**	(42,590)
Operating profit before impairment loss		**11,837**	40,083
Net impairment loss	16	**(43,727)**	(59,703)
Loss for the period		**(31,890)**	(19,620)
Loss per share	18	**(0.010)**	(0.006)

The notes on pages 7 to 35 are an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2022

	For the three-month period ended 31 March	
	2022 (un-audited) AED'000	**2021 (un-audited) AED'000**
Loss for the period	**(31,890)**	(19,620)
Other comprehensive profit:		
Items that will not be reclassified to profit or loss:		
Change in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	**305**	37
Total items that will not be reclassified to profit	**305**	37
Total comprehensive loss for the period	**(31,585)**	(19,583)

Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2022

	Share capital AED'000	Share discount AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2021 (audited)	3,180,982	(477,857)	(41,169)	(1,752,139)	909,817
Loss for the period	-	-	-	(19,620)	(19,620)
Other comprehensive loss					
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	37	-	37
Total comprehensive loss for the period	-	-	37	(19,620)	(19,583)
Balance at 31 March 2021 (un-audited)	3,180,982	(477,857)	(41,132)	(1,771,759)	890,234
Balance at 1 January 2022 (audited)	**3,180,982**	**(477,857)**	**(40,988)**	**(2,041,613)**	**620,524**
Loss for the period				**(31,890)**	**(31,890)**
Other comprehensive loss					
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	**305**	-	**305**
Total comprehensive loss for the period	-	-	**305**	**(31,890)**	**(31,585)**
Balance at 31 March 2022 (un-audited)	**3,180,982**	**(477,857)**	**(40,683)**	**(2,073,503)**	**588,939**

The notes on pages 7 to 35 are an integral part of this condensed consolidated interim financial information.

Invest bank P.S.C.

Condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2022

	Note	For the three-month period ended 31 March 2022 (un-audited) AED'000	2021 (un-audited) AED'000
Cash flows from operating activities			
Loss for the period		**(31,890)**	(19,620)
Adjustments:			
Depreciation		**2,150**	2,656
Net gain on investment securities		**-**	(51)
Fair value gain on repossessed properties		**(8,145)**	-
Net impairment loss	16	**43,727**	59,703
Operating cash flows before changes in operating assets and liabilities		**5,842**	42,688
Changes in time deposits with Central banks maturing after three months		**74,913**	(274,894)
Change in statutory reserve requirement		**17,737**	5,451
Change in loans and advances to customers		**265,608**	190,055
Change in other assets		**(16,136)**	35,290
Change in deposits from customers		**(268,622)**	(98,286)
Change in due to banks		**(4,408)**	(25)
Change in other liabilities		**(668)**	(58,545)
Net cash generated from/ (used in) operating activities		**74,266**	(158,266)
Cash flows from investing activities			
Purchase of property and equipment		**(237)**	(445)
Purchase of investment securities		**-**	(750,000)
Proceeds from sale/redemption of investment securities		**-**	110,241
Net cash used in investing activities		**(237)**	(640,204)
Cash flows from financing activities			
Proceeds from repo financing		**-**	1,600,000
Repayment of repo financing		**(250,000)**	(115,386)
Net cash (used in) / generated from financing activities		**(250,000)**	1,484,614
Net change in cash and cash equivalents		**(175,971)**	686,144
Cash and cash equivalents at the beginning of the period		**1,355,608**	588,768
Cash and cash equivalents at the end of the period		**1,179,637**	1,274,912
Cash and cash equivalents as at 31 March			
Cash and deposits with central banks		**1,068,239**	1,160,489
Due from banks maturing within three months		**111,398**	114,423
		1,179,637	1,274,912

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2022

1 Legal status and activities

Invest bank P.S.C. ("Invest bank" or "the Bank") is a public shareholding company with limited liability which was incorporated in 1975 by an Emiri Decree issued by His Highness Dr. Sheikh Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah. The registered address of the Bank is at Al Zahra Street, P.O.Box 1885, Sharjah, United Arab Emirates ("UAE").

Invest bank is licensed by the Central Bank of the UAE (the "CBUAE") to carry out banking activities and is principally engaged in the business of corporate and retail banking through its network of branches located in the Emirate of Sharjah, Dubai and Abu Dhabi. Invest bank also carries out banking activities through its branch ("the branch") in Beirut, Lebanon licensed by Banque Du Liban (the "CB Lebanon"). As a result of the prevailing financial and economic crisis in Lebanon, the branch has commenced the process of liquidation, following the regulatory approvals received from CB Lebanon in July 2021. Accordingly these consolidated financial statements include the financial statements of the Lebanon branch which are presented on a basis other than going concern.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The Bank's shares are listed on the Abu Dhabi Securities Exchange ("ADX").

The Bank has a fully owned subsidiary, ALFA Financial Services FZE with limited liability status in the Sharjah Airport International Free Zone to provide support services to the Bank.

The consolidated financial statements as at and for the three-month period ended 31 March 2022 comprise the Bank and its subsidiary (together referred to as "the Group").

2 Basis of preparation

(a) Statement of compliance

This condensed consolidated interim financial information has been prepared on the historical cost basis except for the measurement of certain investment securities and repossessed properties at fair value.

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting" and applicable laws of the UAE. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021, which has been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Functional and presentation currency

This condensed consolidated interim financial information has been presented in United Arab Emirates Dirhams (AED) rounded to the nearest thousand, which is the Group's functional and presentation currency.

2 Basis of preparation (continued)

(c) Consolidation

The condensed consolidated financial information incorporates the condensed consolidated interim financial information of Invest bank P.S.C. and its subsidiary (collectively referred to as “Group”).

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Use of estimates and judgments

The preparation of the condensed consolidated interim financial information in conformity with IFRS requires management to make judgments, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

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

(i) Classification of financial assets

In accordance with IFRS 9, the Group classifies its financial assets based on the assessments of the business models in which the assets are held at a portfolio level and whether cash flows generated by assets constitute solely payments of principal and interest ("SPPI"). This requires significant judgement in evaluating how the Group manages its business model and on whether or not a contractual clause in all debt instruments of a certain type breaches SPPI and results in a material portfolio being recorded at fair value through profit or loss ("FVTPL").

2 Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

(ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and fair value through other comprehensive income ("FVOCI") is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

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

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

(iii) Foreign currency translation

During 2019, Lebanon experienced significant shortages in hard currency. As a result, the banks in Lebanon implemented unofficial foreign exchange controls in the banking sector to manage the shortages. The US Dollar ("USD") has been in wide use and circulation over the last 2 decades and against which the Lebanese Pound has been pegged throughout that period at US Dollar 1 equals LL 1,507.5 ("official exchange rate"). In terms of the banking sector, rates would not vary from the official rate and if the banks were to sell USD it would be at the official quoted rate.

In accordance with IFRS, foreign exchange denominated monetary assets and liabilities should be measured using the spot rate. Determination of the spot rate is complex as availability of USD at the official rate is not always possible due to the implementation of exchange controls.

As a result of the above situation, unofficial rates have emerged in the foreign exchange market that are applied by foreign exchange brokers in their currency trades ("parallel rates"). Management have applied their judgement to determine which of the rates should be considered as the spot rate.

Accordingly, the official exchange rate of USD 1 equals LL 1,507.5 has been used to translate and record the US Dollar denominated transactions and balances of the Lebanese branch which, in turn, were also translated at the same rate for incorporation in the condensed consolidated interim financial information. Had other exchange rates been used, the realizable amounts of the assets and settlement amounts of the liabilities might have been significantly different.

2 Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

(iv) Fair value of derivatives and unquoted securities

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (such as models) are used to determine fair values, these are tested before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

(v) Repossessed properties

The fair value of repossessed properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

3 Application of other new and revised International Financial Reporting Standards ("IFRS")

3.1 New and revised IFRSs applied with no material effect on the condensed consolidated interim financial information

The following are the new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in this interim financial information. 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.

- **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.

  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 Examples accompanying IFRS 16, 'Leases'.

3 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

3.2 New and revised IFRS in issue but not yet effective

New and revised IFRSs	*Effective for annual periods beginning on or after*
• **IFRS 17, 'Insurance contracts'** - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows. Management expects that the adoption of IFRS 17 will have an impact on the amounts reported and disclosures made in these consolidated financial statements in respect of its insurance contracts issued and reinsurance contracts held. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review. Management has completed the gap analysis in relation to this standard and is currently in the process of performing a detailed assessment of the impact of the above new standard on the Group's consolidated financial statements. Due to the short term nature of the majority of the contracts issued by the Group, the Premium Allocation Approach (PAA) model will be applied and the general model / variable fee approach model will be applied to the insurance contracts that do not meet the PAA eligibility criteria.	1 January 2023

3 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

3.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRS	Effective for annual periods beginning on or after
• **Amendments to IFRS 17, 'Insurance Contracts'**- The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.	1 January 2023
• **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.	Deferred until accounting periods starting not earlier than 1 January 2024
• **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction-** These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023

3 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

3.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRS	Effective for annual periods beginning on or after
• **Amendments to IAS 1, 'Presentation of financial statements', IFRS Practice statement 2 and IAS 8,' Accounting policies, changes in accounting estimates and errors'**	1 January 2023

The IASB amended IAS 1, 'Presentation of Financial Statements', to require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

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

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, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

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.

3.3 Financial risk management

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

4 Recapitalization and liquidity

Capital and liquidity position

With the subdued macroeconomic environment within the UAE and Lebanon, the Bank booked net impairment provisions of AED 44 million for the period ended 31 March 2022 (March 2021: AED 60 million). Bank's total equity remained at the same level of AED 0.6 billion as of 31 March 2022 (March 2021: AED 0.6 billion) with the Bank's Capital Adequacy Ratio ("CAR") reaching to 9.29%, (CBUAE regulatory minimum of 11.5%). The Bank is operating under close coordination with CBUAE and Government of Sharjah ("GoS"), the majority shareholder of the Bank, which have been kept apprised of the developing situation as the Bank progresses towards conclusion of a recapitalization plan.

The Bank's Eligible Liquid Asset Ratio ("ELAR") has remained strong during the period and was at 17% at 31 March 2022 compared to 19% at 31 December 2020 (CBUAE regulatory minimum of 7%). This was achieved through significant liquidity support received from the GoS and the CBUAE during 2021. In March 2021, the Bank entered into a repurchase arrangement in the normal course of business with the CBUAE, collateralised by investments held in Government of Sharjah sukuks, enabling the Bank to draw on AED 1.6 billion in liquidity support. The arrangement was rolled over in March 2022 for an additional year. As such, the Government of Sharjah sukuks mature on 23 March 2023.

The CBUAE had earlier made a public press announcement on 16 December 2018 and has subsequently reaffirmed that it will continue to provide support to the Bank through making available liquidity facilities.

The Bank continues to focus on a number of initiatives to manage its liquidity and deposit balances including the attraction and retention of deposits. Given the liquidity support provided by the CBUAE and the Government of Sharjah's commitment to supporting the strengthening of the Bank's capital base, the Board and management believe that the Bank will have the ability to meet its financial obligations as and when they fall due.

Accordingly, these financial statements have been prepared on a going concern basis.

4 Recapitalization and liquidity (continued)

Maturities of assets and liabilities

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year and above AED'000	Total AED'000
At 31 March 2022				
Assets				
Cash and deposits with central banks	**1,174,218**	**-**	**9,182**	**1,183,400**
Due from banks	**111,309**	**-**	**-**	**111,309**
Investment securities	**12,083**	**2,000,000**	**-**	**2,012,083**
Loans and advances to customers	**248,746**	**2,292,828**	**3,079,445**	**5,621,019**
Customers' indebtedness for acceptances	**38,026**	**10,629**	**136**	**48,791**
Other assets	**6,749**	**30,070**	**491,269**	**528,088**
Total assets	**1,591,131**	**4,333,527**	**3,580,032**	**9,504,690**
Liabilities and equity				
Due to banks	**500,103**	**-**	**-**	**500,103**
Deposits from customers	**3,323,327**	**4,862,870**	**15,750**	**8,201,947**
Liabilities under acceptances	**38,026**	**10,629**	**136**	**48,791**
Other liabilities	**66,662**	**60,862**	**37,386**	**164,910**
Total liabilities	**3,928,118**	**4,934,361**	**53,272**	**8,915,751**
Net liquidity position	**(2,336,987)**	**(600,834)**	**3,526,760**	**588,939**

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year and above AED'000	Total AED'000
At 31 December 2021				
Assets				
Cash and deposits with central banks	1,362,387	74,913	9,182	1,446,482
Due from banks	116,836	-	-	116,836
Investment securities	2,011,778	-	-	2,011,778
Loans and advances to customers	272,603	2,311,010	3,346,754	5,930,367
Customers' indebtedness for acceptances	12,766	23,817	341	36,924
Other assets	13,006	20,110	484,471	517,587
Total assets	3,789,376	2,429,850	3,840,748	10,059,974
Liabilities and equity				
Due to banks	754,511	-	-	754,511
Deposits from customers	4,742,958	3,683,186	44,425	8,470,569
Liabilities under acceptances	12,766	23,817	341	36,924
Other liabilities	88,960	43,601	44,885	177,446
Total liabilities	5,599,195	3,750,604	89,651	9,439,450
Net liquidity position	(1,809,819)	(1,320,754)	3,751,097	620,524

5 Accounting classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the condensed consolidated statement of financial position and categories of financial instruments.

At 31 March 2022 (un-audited)	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total carrying amount AED'000
Financial assets				
Cash and deposits with central banks	-	-	**1,183,400**	**1,183,400**
Due from banks	-	-	**111,309**	**111,309**
Investment securities	**2,797**	**9,286**	**2,000,000**	**2,012,083**
Loans and advances to customers	-	-	**5,621,019**	**5,621,019**
Customers' indebtedness for acceptances	-	-	**48,791**	**48,791**
Other financial assets	-	-	**33,020**	**33,020**
	2,797	**9,286**	**8,997,539**	**9,009,622**
Financial liabilities				
Due to banks	-	-	**500,103**	**500,103**
Deposits from customers	-	-	**8,201,947**	**8,201,947**
Liabilities under acceptances	-	-	**48,791**	**48,791**
Other financial liabilities	-	-	**76,451**	**76,451**
	-	-	**8,827,292**	**8,827,292**

At 31 December 2021 (audited)	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total carrying amount AED'000
Financial assets				
Cash and deposits with central banks	-	-	1,446,482	1,446,482
Due from banks	-	-	116,836	116,836
Investment securities	2,803	8,975	2,000,000	2,011,778
Loans and advances to customers	-	-	5,930,367	5,930,367
Customers' indebtedness for acceptances	-	-	36,924	36,924
Other financial assets	-	-	30,722	30,722
	2,803	8,975	9,561,331	9,573,109
Financial liabilities				
Due to banks	-	-	754,511	754,511
Deposits from customers	-	-	8,470,569	8,470,569
Liabilities under acceptances	-	-	36,924	36,924
Other financial liabilities	-	-	99,645	99,645
	-	-	9,361,649	9,361,649

6 Cash and deposits with central banks

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Cash in hand	**28,637**	22,361
Deposits with central banks	**1,039,602**	1,291,223
Reserve requirements with the CB (refer note 6.1)	**198,088**	215,825
Less: Allowance for impairment (ECL) (refer note 6.2)	**(82,927)**	(82,927)
	1,183,400	1,446,482

6.1 Statutory reserve deposits are required to be maintained as per regulations of the Central Bank of the UAE and the Central Bank of Lebanon.

6.2 A +/-5% change in the allowance rate would result in a AED +/-12 million change in ECL (2021: AED +/-12 million)

7 Due from banks

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Money market placements	**20,000**	20,000
Balances with other banks	**91,398**	96,938
Less: Allowance for impairment (ECL)	**(89)**	(102)
	111,309	116,836
The geographical concentration is as follow		
- Within the U.A.E	**33,792**	38,148
- Outside the U.A.E	**77,606**	78,790
Less: Allowance for impairment (ECL)	**(89)**	(102)
	111,309	116,836

8 Investment securities

The details of investments are as follows:

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Financial assets measured at fair value through profit or loss (FVTPL):		
Investments in quoted equity securities	**2,797**	2,803
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Investments in quoted equity securities	**8,206**	7,895
Investments in un-quoted equity securities	**1,080**	1,080
Financial assets at amortised cost:		
Investments in debt securities (refer to note 8.2)	**2,000,000**	2,000,000
	2,012,083	2,011,778

8.1 The Group has not purchased any equity investments during the period ended 31 March 2022 (31 December 2021: NIL).

8.2 At 31 March 2021 AED 2 billion (2021: AED 2 billion) of investments in debt securities were pledged under repurchase agreements with maturity in March 2022. The arrangement has been rolled over for an additional year. As such, the Government of Sharjah sukuks mature on 23 March 2023.

8.3 Management has concluded that the expected credit loss on the investments held in Government of Sharjah Sukuks is inconsequential.

8 Investment securities (continued)

Fair value hierarchy

The table below analyses assets, measured at fair value at the end of the reporting period, by level into the fair value hierarchy, into which the fair value measurement is categorised. As at the end of the reporting period, liabilities measured at fair value are nil (31 December 2021: Nil).

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2022 (un-audited)				
Financial assets				
FVTPL - equity securities	**2,797**	-	-	**2,797**
FVOCI - equity securities	**8,206**	-	**1,080**	**9,286**
Non-financial assets				
Repossessed properties (note 10)	-	-	**424,605**	**424,605**
	11,003	-	**425,685**	**436,688**
31 December 2021 (audited)				
Financial assets				
FVTPL - equity securities	2,803	-	-	2,803
FVOCI - equity securities	7,895	-	1,080	8,975
Non-financial assets				
Repossessed properties (note 10)	-	-	416,460	416,460
	10,698	-	417,540	428,238

The following table shows a reconciliation of the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	31 March 2022 (Un-audited)		31 December 2021 (Audited)	
	Investment securities	**Repossessed properties**	Investment securities	Repossessed properties
	AED'000		AED'000	
As at 1 January	**1,080**	**416,460**	467	457,374
Fair value changes:				
- in profit or loss	-	**8,145**	-	(9,914)
Transfer	-	-		
Additions	-	-	613	-
- Disposals	-	-	-	(31,000)
As at end of period/year	**1,080**	**424,605**	1,080	416,460

9 Loans and advances to customers

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Overdrafts	**6,137,251**	6,081,405
Bills discounted	**101,274**	104,553
Trust receipts	**445,565**	439,438
Term loans	**5,216,902**	5,432,020
	11,900,992	12,057,416
Allowances for impairment (refer note 9.1 and 9.2)	**(6,279,973)**	(6,127,049)
Net loans and advances to customers	**5,621,019**	5,930,367

Stage wise analysis of products

	31 March 2022 (un-audited)			
	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Overdrafts	**740,609**	**779,246**	**4,617,396**	**6,137,251**
Bills discounted	**8,862**	**221**	**92,191**	**101,274**
Trust receipts	**55,635**	**123**	**389,807**	**445,565**
Term loans	**974,951**	**739,032**	**3,502,919**	**5,216,902**
	1,780,057	**1,518,622**	**8,602,313**	**11,900,992**
	31 December 2021 (audited)			
Overdrafts	1,275,076	283,799	4,522,530	6,081,405
Bills discounted	8,278	3,327	92,948	104,553
Trust receipts	25,160	27,650	386,628	439,438
Term loans	1,119,981	1,122,211	3,189,828	5,432,020
	2,428,495	1,436,987	8,191,934	12,057,416

9 Loans and advances to customers (continued)

9.1 The movement during the period/ year in the impairment provision is as follows:

	31 March 2022 (un-audited)			31 December 2021 (audited)		
	Provision AED'000	**Interest in suspense AED'000**	**Total AED'000**	Provision AED'000	Interest in suspense AED'000	Total AED'000
At 1 January	**4,602,981**	**1,524,068**	**6,127,049**	4,270,048	1,077,311	5,347,359
Charge / IIS	**44,595**	**108,760**	**153,355**	391,720	446,757	838,477
Write back	-	-	-	(5,550)	-	(5,550)
Recoveries	-	-	-	(50,216)	-	(50,216)
Amounts written off	**(376)**	**(55)**	**(431)**	(3,021)	-	(3,021)
As at period / year end	**4,647,200**	**1,632,773**	**6,279,973**	4,602,981	1,524,068	6,127,049

9.2 Staging movement

The following table explain the changes in the gross exposure between the beginning and the end of the three-month period:

	31 March 2022 (un-audited)			
Customer exposure	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Gross exposure as at 1 January 2022	**2,428,495**	**1,436,987**	**8,191,934**	**12,057,416**
Transfers				
Transfer from Stage 1 to Stage 2	**(918,849)**	**918,849**	-	-
Transfer from Stage 1 to Stage 3	**(14,151)**	-	**14,151**	
Transfer from Stage 2 to Stage 1	**123,201**	**(123,201)**	-	-
Transfer from Stage 2 to Stage 3	-	**(314,651)**	**314,651**	-
Changes in EADs	**161,361**	**(399,362)**	**81,577**	**(156,424)**
Gross exposure as at 31 March 2022	**1,780,057**	**1,518,622**	**8,602,313**	**11,900,992**

9 Loans and advances to customers (continued)

9.2 Staging movement (continued)

	31 December 2021 (audited)			
Customer exposure	**Stage 1 AED'000**	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
Gross exposure as at 1 January 2021	3,040,580	2,230,668	7,319,748	12,590,996
Transfers:				
Transfer from Stage 1 to Stage 2	(237,463)	237,463	-	-
Transfer from Stage 1 to Stage 3	(38,381)	-	38,381	-
Transfer from Stage 2 to Stage 1	361,246	(361,246)	-	-
Transfer from Stage 2 to Stage 3	-	(379,663)	379,663	-
Transfer from Stage 3 to Stage 2	-	179,288	(179,288)	-
Changes in EADs	(697,487)	(469,523)	633,430	(533,580)
Gross exposure as at 31 December 2021	2,428,495	1,436,987	8,191,934	12,057,416

The following table explain the changes in the loss allowance between the beginning and the end of the three-month period:

	31 March 2022 (un-audited)			
Customer loss allowance	**Stage 1 12 month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Loss allowance as at 1 January 2022	**13,569**	**51,778**	**6,061,702**	**6,127,049**
Transfers:				
Transfer from Stage 1 to Stage 2	**(2,827)**	**2,827**	-	-
Transfer from Stage 1 to Stage 3	**(19)**	-	**19**	-
Transfer from Stage 2 to Stage 1	**1,800**	**(1,800)**	-	-
Transfer from Stage 2 to Stage 3	-	**(4,623)**	**4,623**	-
Transfer from Stage 3 to Stage 2	-	**2,205**	**(2,205)**	-
Changes in PDs/ LGDs/ EADs	**(1,789)**	**(2,875)**	**157,588**	**152,924**
Loss allowance as at 31 March 2022	**10,734**	**47,512**	**6,221,727**	**6,279,973**

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2022 (continued)

9 Loans and advances to customers (continued)

9.2 Staging movement (continued)

	31 December 2021 (audited)			
Customer loss allowance	**Stage 1 12 month ECL AED'000**	**Stage 2 Lifetime ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Loss allowance as at 1 January 2021	41,368	184,695	5,121,296	5,347,359
Transfers				
Transfer from Stage 1 to Stage 2	(2,123)	2,123	-	-
Transfer from Stage 1 to Stage 3	(2,142)	-	2,142	-
Transfer from Stage 2 to Stage 1	50,467	(50,467)	-	-
Transfer from Stage 2 to Stage 3	-	(42,346)	42,346	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	7,204	(7,204)	-
Changes in PDs/ LGDs/ EADs	(74,001)	(49,431)	903,122	779,690
Loss allowance as at 31 December 2021	13,569	51,778	6,061,702	6,127,049

9.3 Gross credit exposure by industry segment

	31 March 2022 (un-audited)				31 December 2021 (audited)
	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**	AED'000
Manufacturing	**49,054**	**140,193**	**2,206,525**	**2,395,772**	2,391,292
Construction	**281,464**	**136,045**	**3,333,133**	**3,750,642**	3,592,595
Real Estate	**24,561**	**392,140**	**1,209,434**	**1,626,135**	1,854,521
Trade	**65,775**	**118,599**	**880,237**	**1,064,611**	1,065,693
Transport, Storage and Communication	**4,926**	**13,872**	**88,523**	**107,321**	111,050
Financial Institutions	**458,476**	**610,120**	**105,128**	**1,173,724**	1,172,605
Other Services	**514,371**	**49,471**	**225,034**	**788,876**	833,154
Government	**160,342**	**-**	**-**	**160,342**	162,747
Individuals	**5,244**	**482**	**14,693**	**20,419**	22,408
High Net Worth Individuals	**215,603**	**53,836**	**493,299**	**762,738**	800,974
All others	**241**	**3,864**	**46,307**	**50,412**	50,377
Gross loans and advances	**1,780,057**	**1,518,622**	**8,602,313**	**11,900,992**	12,057,416

9 Loans and advances to customers (continued)

9.4 Expected credit loss by industry segment

	31 March 2022 (un-audited)				31 December 2021 (audited)
	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**	AED'000
Manufacturing	**265**	**7,812**	**1,819,787**	**1,827,864**	1,785,245
Construction	**2,908**	**7,024**	**2,890,537**	**2,900,469**	2,846,257
Real Estate	**3**	**6,553**	**360,358**	**366,914**	352,126
Trade	**257**	**4,908**	**627,307**	**632,472**	600,432
Transport, Storage and Communication	**3**	**872**	**39,890**	**40,765**	39,798
Financial Institutions	**446**	**-**	**83,960**	**84,406**	85,278
Other Services	**5,165**	**4,535**	**182,326**	**192,026**	179,903
Government	**95**	**-**	**-**	**95**	45
Individuals	**13**	**2**	**8,983**	**8,998**	9,263
High Net Worth Individuals	**1,498**	**7,326**	**183,950**	**192,774**	200,568
All others	**21**	**8,837**	**24,332**	**33,190**	28,134
Loss allowances	**10,674**	**47,869**	**6,221,430**	**6,279,973**	6,127,049

10 Other assets

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Interest receivable	**228**	7,926
Repossessed properties (refer to note 10.1)	**424,605**	416,460
Property plant and equipment	**74,365**	76,278
Prepayments and other assets	**28,890**	16,923
Customers' indebtedness for acceptances	**48,791**	36,924
	576,879	554,511

10.1 Repossessed properties were acquired in settlement of loans and advance

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2022 (continued)

11 Related party transactions

In the normal course of business, the Group enters into various transactions with related parties including Board of directors, their related companies and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. The related party transactions are executed at the terms agreed between the parties. The volume of related party transactions, outstanding balances at the period and year end, and related income and expenses for the period and year are as follows:

	31 March 2022				
	Government of Sharjah AED'000	Sharjah Government related entities AED'000	Board of directors AED'000	Other balances associated with board of directors AED'000	Total AED'000
Loans and advances with customers	**25**	**277,664**	**-**	**338,631**	**616,320**
Deposits with customers	**1,000,000**	**54,404**	**17,020**	**760,219**	**1,831,643**
Commitments and contingent Liabilities					
Outstanding letters of credit and guarantees	**-**	**-**	**-**	**788**	**788**

	31 December 2021				
	Government of Sharjah AED'000	Sharjah Government related entities AED'000	Board of directors AED'000	Other balances associated with board of directors AED'000	Total AED'000
Loans and advances with customers	601	333,805	46,311	338,449	719,166
Deposits with customers	1,000,000	52,376	14,865	765,721	1,832,962
Commitments and contingent Liabilities					
Outstanding letters of credit and guarantees	-	-	-	809	809

11 Related party transactions (continued)

None of the loans granted to related parties are impaired or past due as at 31 March 2022 (31 December 2021: Nil).

The loans extended to directors during the period are repayable over 1 year and bear interest at rates ranging from 4% to 10% per annum. At 31 March 2022, outstanding loans and advances due from related parties are secured by deposits under lien amounting to AED 302.7 (31 March 2021: AED 302.1 million).

	31 March 2022 (un-audited)				
	Government of Sharjah AED'000	**Sharjah Government related entities** AED'000	**Board of directors** AED'000	**Other balances associated with board of directors** AED'000	**Total** AED'000
Interest income	**383**	**3,195**	**448**	**4,498**	**8,524**
Interest expense	**3,745**	**320**	**43**	**8,781**	**12,889**

	31 March 2021 (un-audited)				
	Government of Sharjah AED'000	**Sharjah Government related entities** AED'000	**Board of directors** AED'000	**Other balances associated with board of directors** AED'000	**Total** AED'000
Interest income	**2,316**	**3,569**	**601**	**6,414**	**12,900**
Interest expense	**333**	**312**	**44**	**10,723**	**11,412**

Key management personnel

	31 March 2022 (un-audited) AED'000	31 March 2021 (un-audited) AED'000
Salaries and other short term benefits	**2,216**	2,841
Termination benefits	**86**	117
	2,302	2,958

12 Due to banks

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Balances with other banks	103	4,511
Repo against fixed income securities (refer to note 8.2)	500,000	750,000
	500,103	754,511

13 Deposits from customers

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Time deposits	6,539,760	6,637,667
Savings accounts	118,806	126,215
Current and other accounts	1,543,381	1,706,687
	8,201,947	8,470,569

14 Other liabilities

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Interest payable	53,023	66,411
Unearned commission income	20,163	20,169
Staff benefits payable	16,320	16,236
Accrued expenses	54,408	44,619
Manager's cheques	4,073	8,766
Liabilities under acceptances	48,791	36,924
Others	16,923	21,245
	213,701	214,370

15 Share capital

	Un-audited 31 March 2022 AED'000	Audited 31 December 2021 AED'000
Authorised share capital		
6,300,000 thousand shares of AED 1 each		
(2021: 6,300,000 thousand shares of AED 1 each)	**6,300,000**	6,300,000
Issued capital and paid-up capital		
3,180,982 thousand shares of AED 1 each		
(2021: 3,180,982 thousand shares of AED 1 each)	**3,180,982**	3,180,982

Share discount

At the General Meeting held on 10 April 2019 it was approved to issue of 1,592,857,143 shares of AED 1 each, to the Government of Sharjah at a discounted price of AED 0.7 per share. The resulting share discount of AED 478 million is shown as a debit balance within equity as a share discount.

Dividend

At the annual general meeting of the Bank held on 19th May 2022, no cash dividend was approved by the shareholders (2021: Nil).

Capital adequacy ratio

As per the Central bank regulation for Basel III, the capital requirement as at 31 March 2022 is 11.5% (31 December 2020: 11.5% inclusive of capital conservation buffer). As part of the CBUAE regulatory support announced in March 2020, banks have been relieved from the requirement to hold a capital conservation buffer.

The bank must comply with the following minimum requirements:

(i) CET1 must be at least 7% of risk weighted assets (RWA);
(ii) Tier 1 capital must be at least 8.5% of risk weighted assets (RWA); and
(iii) Total capital, calculated as sum of Tier 1 capital and Tier 2 capital must be at least 10.5% of risk weighted assets (RWA).

The capital adequacy ratio is computed based on circulars issued by the CBUAE as per Basel III.

15 Share capital (continued)

As shown in the table below, the Bank is in compliance with all the above regulatory ratios.

The Group's regulatory capital position was as follows:

	31 March 2022 (un-audited) AED'000	31 December 2021 (un-audited) AED'000
Tier 1 Capital		
Share capital	**3,180,982**	3,180,982
Share discount	**(477,857)**	(477,857)
Fair value reserve	**(40,683)**	(40,988)
Accumulated losses	**(2,043,503)**	(1,996,613)
Total tier 1 capital	**618,939**	665,524
Tier 2 Capital		
General provision	**88,927**	93,281
Total tier 2 capital	**88,927**	93,281
Total regulatory capital	**707,866**	758,805
Key weighted assets		
Credit risk	**7,114,120**	7,462,506
Market risk	**89,342**	75,991
Operational, risk	**415,380**	625,363
Total risk weighted assets (RWA)	**7,618,842**	8,163,860
Total regulatory capital expressed as % of RWA	**9.29%**	9.29%
Total tier 1 capital expressed as % of RWA	**8.12%**	8.15%

16 Net impairment loss

	31 March 2022 (un-audited) AED'000	31 March 2021 (un-audited) AED'000
Impairment charge on loans and advances	**44,595**	60,046
Impairment (release) / charge on cash and deposits with central banks	**(13)**	4
Recoveries on investment securities	**-**	(293)
Recoveries of loans and advances	**(855)**	(54)
	43,727	59,703

16.1 Includes 0.8 million (30 March 2021: AED 0.03 million) recovered from balances previously written off.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2022
(continued)

17 Segmental analysis

The Group operates in the United Arab Emirates and Lebanon, and its results arise largely from commercial banking, treasury and investment activities. Information with respect to business segments is as follows:

	31 March 2022 (un-audited)			31 March 2021 (un-audited)		
	Commercial banking AED'000	Treasury & investments AED'000	Total AED'000	Commercial banking AED'000	Treasury & investments AED'000	Total AED'000
Net interest and other income	**59,002**	**(7,366)**	**51,636**	79,958	2,715	82,673
Net impairment loss	**(43,727)**	**-**	**(43,727)**	(59,996)	293	(59,703)
Loss for the period	**(24,228)**	**(7,662)**	**(31,890)**	(21,537)	1,917	(19,620)
Segment capital expenditure	**237**	**-**	**237**	445	-	445
Segment depreciation	**2,150**	**-**	**2,150**	2,656	-	2,656

	31 March 2022 (un-audited)			31 December 2021 (audited)		
	Commercial banking AED'000	Treasury & investments AED'000	Total AED'000	Commercial banking AED'000	Treasury & investments AED'000	Total AED'000
Segment total assets	**6,303,998**	**3,200,692**	**9,504,690**	6,406,341	3,653,633	10,059,974
Segment total liabilities	**8,412,262**	**503,489**	**8,915,751**	8,199,366	1,240,084	9,439,450

18 Earnings per share

Basic earnings per share is based on the loss attributable to ordinary shareholders of the Bank and weighted average number of ordinary shares.

	31 March 2022 (un-audited)	31 March 2021 (un-audited)
Loss attributable to ordinary shareholders (AED'000)	**(31,890)**	(19,620)
Weighted average number of shares outstanding at 31 March (AED'000)	**3,180,982**	3,180,982
Earnings per share (AED)	**(0.010)**	(0.006)

At reporting date the Group does not have any instrument resulting in dilution of basic earnings per share.

19 Commitments and contingent liabilities

	31 March 2022 (un-audited) AED'000	31 December 2021 (audited) AED'000
Letters of credit	**77,809**	65,664
Letters of guarantee	**2,200,894**	2,299,507
Irrevocable commitments to extend credit	**65,156**	73,784
Foreign exchange and forward commitments	**-**	1,041
	2,343,859	2,439,996

20 Risk management

Impact of COVID-19

During 2021, the Bank monitored the impact of the Covid-19 pandemic on its loan portfolio. In lines with the extension of the Targeted Economic Support Scheme (TESS) by CBUAE, Bank provided relief to its affected customers, which was gradually discontinued by the end of 2021. The liquidity support provided by the Central Bank was also repaid in a phased manner, however the facility remains available to the Bank if need arises. This note describes position of the exposure where payment deferrals were extended to its customers along with the classification of the exposure into two groups – Group 1 and Group 2 (as required under the Joint Guidance issued in April 2020) as of 31 March 2022. The Bank has considered the following principles for the classification.

Group 1*: clients that are temporality and mildly impacted by the COVID-19 crisis.*

For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These clients are expected to face. liquidity constraints without substantial changes in their creditworthiness.

For these clients, the Bank holds the view that, despite being subject to payment deferrals, there is insufficient deterioration in credit quality to trigger a stage migration. These clients will remain in their current stage, at least for the duration of the crisis, or their distress, whichever is the shorter

Group 2: *clients that are expected to be significantly impacted by COVID-19 in the long term.*

These clients are expected to face substantial changes in their creditworthiness beyond liquidity issues. For these clients, there is sufficient deterioration in credit risk to trigger a migration to stage 2, and this migration should take place.

Due to the possibility of later economic rebound, these clients are not expected to migrate to IFRS 9 stage 3 based on their financial performance during the period of the crisis. In exceptional circumstances, such stage 3 migration can be triggered by liquidation/ bankruptcy caused by

(i) non-financial events (such as fraud) or;
(ii) significant disruptions threatening the long-term sustainability of the clients' business model.

20 Risk management (continued)

Impact of COVID-19 (continued)

The proportion of clients benefitting from deferrals along with their exposures and ECL by industry is as follows:

	31 March 2022 (un-audited)			
	Total exposure AED'000	ECL AED'000	Group 1 Deferred exposure AED'000	Group 2 Deferred exposure AED'000
Manufacturing	125,800	46,946	589	7,689
Real Estate	135,559	5,792	40,000	3,365
Trade	109,868	51,819	15,328	31,094
High Net Worth Individuals	188,103	4,029	2,856	-
All other services	1,184	533	-	634
	560,514	109,119	58,773	42,782

The proportion of clients benefitting from deferrals along with their exposures and ECL by product is as follows:

	At 31 March 2022 (un-audited)			
At 31 March 2022	Total exposure AED'000	ECL AED'000	Group 1 Deferred exposure AED'000	Group 2 Deferred exposure AED'000
Overdraft	121,039	27,611	-	-
Trust receipts	35,558	31,858	-	32,177
Term loans	403,917	49,650	58,773	10,605
	560,514	109,119	58,773	42,782

Reconciliations from the opening to the closing balance of the exposure at default (EAD) can be seen below:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance at 1 January 2022	177,659	263,287	129,477	570,423
Transfer to Stage 1	824	(824)	-	-
Transfer to Stage 2	(98,112)	98,112	-	-
Transfer to Stage 3	(11,915)	(210,892)	222,807	-
Changes in EADs	2,037	(15,973)	4,027	(9,909)
Balance at 31 March 2022 (un-audited)	70,493	133,710	356,311	560,514

20 Risk management (continued)

Impact of COVID-19 (continued)

Reconciliations from the opening to the closing balance of the loss allowance of the deferred exposure can be seen below:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance at 1 January 2022	1,272	5,406	96,314	102,992
Transfer to Stage 2	(867)	867	-	-
Transfer to Stage 3	-	(3,479)	3,479	-
Changes in PDs/ LGDs/ EADs	(51)	691	5,487	6,127
Balance at 31 March 2022 (un-audited)	354	3,485	105,280	109,119

The Bank continues to monitor the creditworthiness of these clients, particularly indications of potential inability to pay any of their obligations as and when they become due.

The reconciliation grouping decisions will take into consideration the specific circumstances of clients in the context of the COVID-19 outbreak. The Bank has performed analyses by incorporating the following principles:

For Corporate clients

(a) Grouping decisions are relied on a mixture of quantitative analysis and a judgmental approach based on the views of Risk management department of the Bank.

(b) Grouping decisions are in line with IFRS 9 stages; relying on the assessment of credit risk over the lifetime of facilities. Hence the necessary distinction between clients that are impacted over the short term vs. long term is appropriately considered.

(c) It is expected that clients will face a range of impact intensity and duration. Therefore, grouping will be achieved by establishing cut-offs based on judgments. Industries and sectors are used as a commonly accepted starting point for segmentation.

(d) For clients to which the Bank has a material exposure, analyses are performed on a case-by-case basis. For clients with less material exposures, analyses are performed on a portfolio basis based on credit risk drivers, mainly industry, tenor and rating.

(e) For the purpose of establishing priorities in this grouping exercise, the Bank has organized its portfolio by materiality and susceptibility to the crisis, and has started with the most material/susceptible segments.

(f) The Bank has assessed if its clients have put in place appropriate measures to cope with the crisis, in particular, decisions related to the management of their cash position, inventories, fixed costs and financial costs.

(g) Considerations related to parent/government guarantee and collateral is also included in the grouping decision, as such a decision should consider potential credit enhancement.

22 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial information as at and for the three-month period ended 31 March 2022.