

Invest bank P.S.C.

**Condensed consolidated interim financial information
for the three-month period ended 31 March 2020**

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

Invest bank P.S.C.

**Condensed consolidated interim financial information
for the three-month period ended 31 March 2020**

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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 2020 and the related condensed consolidated interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory information. The directors are responsible for the preparation and presentation of this 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".

PricewaterhouseCoopers
6 July 2020

Douglas O'Mahony
Registered Auditor Number 834
Place: Sharjah, United Arab Emirates

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

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Invest bank P.S.C.

Condensed consolidated interim statement of financial position as at 31 March 2020

		31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
ASSETS			
Cash and deposits with central banks	6	1,474,793	1,503,806
Due from banks	7	599,223	751,898
Investment securities	8	211,125	261,703
Loans and advances to customers	9	7,794,347	8,313,264
Other assets	10	886,989	873,846
Total assets		10,966,477	11,704,517
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	12	136	164
Deposits from customers	13	9,414,416	9,906,117
Other liabilities	14	409,169	512,249
Total liabilities		9,823,721	10,418,530
EQUITY			
Share capital	15	3,180,982	3,180,982
Share discount		(477,857)	(477,857)
Legal reserve		450,688	450,688
Special reserve		450,688	450,688
Fair value reserve		(147,470)	(103,730)
Accumulated losses		(2,314,275)	(2,214,784)
Net equity		1,142,756	1,285,987
Total liabilities and equity		10,966,477	11,704,517

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 6 July 2020 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 2020 (un-audited)**

	Note	For the three-month period ended 31 March	
		2020 AED'000	2019 AED'000
Interest income		114,282	139,177
Interest expense		(69,990)	(82,357)
Net interest income		44,292	56,820
Net fees and commission income		24,082	34,656
Net income from foreign currencies		2,177	2,834
Other income		4,221	5,479
Total operating income		74,772	99,789
Operating expenses			
General and administrative expenses		(51,168)	(55,676)
Depreciation and amortisation		(3,128)	(3,488)
Total operating expenses		(54,296)	(59,164)
Net profit before impairment		20,476	40,625
Net impairment loss	16	(119,967)	(146,544)
Loss for the period		(99,491)	(105,919)
Loss per share	17	(0.03)	(0.07)

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**Condensed consolidated interim statement of other comprehensive income
for the three-month period ended 31 March 2020 (un-audited)**

	For the three month period ended 31 March	
	2020 AED'000	2019 AED'000
Loss for the period	(99,491)	(105,919)
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value of financial assets measured at fair value through other comprehensive income (FVTOCI)	<u>(43,740)</u>	<u>3,807</u>
Total items that will not be reclassified to profit or loss	<u>(43,740)</u>	<u>3,807</u>
Total other comprehensive (loss)/income	<u>(43,740)</u>	<u>3,807</u>
Total comprehensive loss for the period	<u>(143,231)</u>	<u>(102,112)</u>

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Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2020 (un-audited)

	Share capital AED'000	Share Discount AED'000	Legal reserve AED'000	Special reserve AED'000	Fair value reserve AED'000	Retained earnings/ accumulated losses AED'000	Total AED'000
Balance at 1 January 2019	1,588,125	-	450,688	450,688	(117,015)	(1,625,301)	747,185
Loss for the period	-	-	-	-	-	(105,919)	(105,919)
<i>Other comprehensive income</i>							
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	3,807	-	3,807
Total comprehensive loss for the period	-	-	-	-	3,807	(105,919)	(102,112)
Balance at 31 March 2019	<u>1,588,125</u>	<u>-</u>	<u>450,688</u>	<u>450,688</u>	<u>(113,208)</u>	<u>(1,731,220)</u>	<u>645,073</u>
Balance at 1 January 2020	3,180,982	(477,857)	450,688	450,688	(103,730)	(2,214,784)	1,285,987
Loss for the period	-	-	-	-	-	(99,491)	(99,491)
<i>Other comprehensive income</i>							
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	(43,740)	-	(43,740)
Total comprehensive loss for the period	-	-	-	-	(43,740)	-	(43,740)
Balance at 31 March 2020	<u>3,180,982</u>	<u>(477,857)</u>	<u>450,688</u>	<u>450,688</u>	<u>(147,470)</u>	<u>2,314,275</u>	<u>1,142,756</u>

The notes on pages 7 to 26 are an integral part of this condensed consolidated interim financial information.

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**Condensed consolidated interim statement of cash flows
for the three-month period ended 31 March 2020 (un-audited)**

	Note	For the three-month period ended 31 March	
		2020 AED'000	2019 AED'000
Cash flows from operating activities			
Loss for the period		(99,491)	(105,919)
Adjustments:			
Depreciation		3,128	3,488
Net loss on investment securities		11	95
Net impairment loss	16	119,967	146,544
		<u>23,615</u>	<u>44,208</u>
Changes in time deposits with Central banks maturing after three months		(175,000)	-
Change in statutory reserve requirement		(7,461)	45,105
Change in loans and advances to customers		423,950	(121,905)
Change in other assets		(13,875)	40,117
Change in deposits from customers		(491,701)	(1,733,577)
Change in other liabilities		(103,080)	(26,163)
Net cash used in operating activities		<u>(343,552)</u>	<u>(1,752,215)</u>
Cash flows from investing activities			
Purchase of property and equipment		(2,477)	(983)
Proceeds from sale/redemption of investment Securities		6,820	-
Net cash generated from/ (used in) investing activities		<u>4,343</u>	<u>(983)</u>
Net change in cash and cash equivalents		(339,209)	(1,753,198)
Cash and cash equivalents at beginning of the period		<u>1,902,309</u>	<u>2,265,719</u>
Cash and cash equivalents, at end of the period		<u>1,563,100</u>	<u>512,521</u>
<u>Cash and cash equivalents as at 31 March</u>			
Cash and deposits with central banks		963,879	386,983
Due from banks maturing within three months		599,357	125,764
Due to banks maturing within three months		(136)	(226)
		<u>1,563,100</u>	<u>512,521</u>

The notes on pages 7 to 26 are an integral part of this condensed consolidated interim financial information. (6)

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020

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 "CB UAE") 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, Abu Dhabi and Fujairah. Invest bank also carries out banking activities through its branch ("the branch") in Beirut, Lebanon licensed by Banque Du Liban (the "CB Lebanon"). 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 2020 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 2019, 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.

(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.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

2 Basis of preparation (continued)

(c) Consolidation (continued)

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").

(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.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

2 Basis of preparation (continued)

(d) *Use of estimates and judgments (continued)*

(iii) 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.

(iv) 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. The independent valuers provide the fair value of the Group's repossessed properties portfolio annually.

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 2020.

- **Amendments to IFRS 3** - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to IAS 1 and IAS 8** - These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

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

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

- **Amendments to Conceptual framework** – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The above amendments are not applicable to the Group and therefore have no impact on this condensed consolidated interim financial information.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group’s financial period beginning on 1 January 2020 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

3.2 New and revised IFRS in issue but not yet effective

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities (Effective date 1 January 2022) - 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.

The Group is currently assessing the impact of the above amendment.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

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

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 2019.

4 COVID-19 and expected credit loss

The coronavirus pandemic has caused disruptions to businesses and economic activity. In order to contain the economic consequences, governments and central banks globally have launched economic stimulus packages to cushion the impact on both, individuals and corporates. UAE is no exception to this.

Accordingly, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic in the determination of Q1 2020 ECL, taking into consideration the Targeted Economic Support Scheme (TESS) announced by CB UAE; in addition to, guidance issued by the International Accounting Standards Board (IASB) in this regard.

The Group is actively reviewing its portfolio of loans and advances – which comprises mainly corporates, commercial and SME – focusing mainly on exposures to sectors considered to be highly impacted by the COVID-19 situation and carefully assessing any requests received for deferment of principal or interest payments. Further, the Group has also conducted stress testing on Stage 1 and Stage 2 portfolio applying base case and stressed scenario to assess impact of COVID-19 on repayment capacity of borrowers. The Group, given its corporate focus and niche customers, has limited exposure to sectors that are highly impacted by COVID-19. The Group considers airlines, hospitality, retail, construction and real estate and tourism sectors among those highly affected by the pandemic. While performing the assessments as discussed above the Group is identifying if the impact on borrowers is of temporary nature – resulting in no change in staging, or of permanent nature, which may lead to exposures being moved to Stage 2, thus attracting lifetime credit losses.

At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers’ short term liquidity constraints and a change in its lifetime credit risk. Therefore, for the purposes of ECL Estimations arising out of the pandemic at 31 March 2020; and after considering the Group’s exposure to highly impacted sectors, the Group has assessed an initial impact of AED 45M and has recorded it as an overlay adjustment to the ECL computed for the portfolio. This adjustment being highly judgemental and based on limited information will be reviewed closely and reassessed for appropriateness, as more information and clarity of effects of the pandemic are known.

Liquidity management

The turbulence that rocked the global financial markets as a result of the COVID-19 crisis is being felt by the UAE economy and banks given the decline in oil prices. In this environment, the Group has already taken measures to manage its liquidity carefully. The Bank’s ALCO has been meeting frequently in 2020, and has been closely monitoring the cash flows and forecasts and the liquidity situation.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

4 COVID-19 and expected credit loss (continued)

Liquidity management (continued)

The CBUAE has adopted a proactive approach in order to ensure flow of credit to the economy, especially sectors severely impacted by the COVID-19 crisis. On 6 April 2020, it announced comprehensive TESS allowing UAE Banks to access zero cost funding and pass on the benefit through Principal and Interest deferrals to their clients. In addition to capital relief measures.

CBUAE also reduced Reserve Requirement against CASA balances, providing an immediate boost to UAE Banks' liquidity and reduced the liquidity ratios (LCR and ELAR) minimum threshold by 30%. The combination of above measures by the CBUAE along with prudent management of liquidity by the Bank will help ensure that the Bank is able to meet its clients' banking services requirements effectively and without disruption, even during a prolonged period of reduced access to the foreign funding markets.

Business continuity planning

Furthermore, and because of COVID-19, The Bank has invoked crisis management actions to ensure safety and security of the bank's staff and customer as well, to ensure an uninterrupted service to our customers. A Task force with representation from all key areas of the Bank has been set up to monitor the COVID-19 situation and take timely decisions to resolve any concerns. Critical functions have been split and remote working arrangements have been put in place and majority of the staff are currently working from home. Moreover, the Bank has significantly enhanced monitoring for all cyber risk during these times by its information security team. The remote work capabilities were enabled for all staff and related risk and control measures were assessed to make sure they are fully protected using Mutli-factor authentication ("MFA") and virtual private network ("VPN") connections.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

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.

	FVTPL	FVTOCI	Amortised cost	Total carrying amount
At 31 March 2020 (un-audited)	AED'000	AED'000	AED'000	AED'000
Financial assets				
Cash and deposits with central banks	-	-	1,474,793	1,474,793
Due from banks	-	-	599,223	599,223
Investment securities	2,371	91,291	117,463	211,125
Loans and advances to Customers	-	-	7,794,347	7,794,347
Customers' indebtedness for acceptances	-	-	164,211	164,211
Other financial assets	-	-	121,068	121,068
	<u>2,371</u>	<u>91,291</u>	<u>10,271,105</u>	<u>10,364,767</u>
Financial liabilities				
Due to banks	-	-	136	136
Deposits from customers	-	-	9,414,416	9,414,416
Liabilities under acceptances	-	-	164,211	164,211
Other financial liabilities	-	-	191,518	191,518
	<u>-</u>	<u>-</u>	<u>9,770,281</u>	<u>9,770,281</u>
			Amortised cost	Total carrying amount
At 31 December 2019 (audited)	AED'000	AED'000	AED'000	AED'000
Financial assets				
Cash and deposits with central banks	-	-	1,503,806	1,503,806
Due from banks	-	-	751,898	751,898
Investment securities	9,202	135,032	117,469	261,703
Loans and advances to Customers	-	-	8,313,264	8,313,264
Customers' indebtedness for acceptances	-	-	190,249	190,249
Other financial assets	-	-	97,257	97,257
	<u>9,202</u>	<u>135,032</u>	<u>10,973,943</u>	<u>11,118,177</u>
Financial liabilities				
Due to banks	-	-	164	164
Deposits from customers	-	-	9,906,117	9,906,117
Liabilities under acceptances	-	-	190,249	190,249
Other financial liabilities	-	-	271,676	271,676
	<u>-</u>	<u>-</u>	<u>10,368,206</u>	<u>10,368,206</u>

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

6 Cash and deposits with central banks

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Cash in hand	47,105	39,602
Deposits with central banks	1,091,775	1,110,752
Reserve requirements with the CBUAE (refer note 6.1)	308,861	311,409
Reserve requirements with the CB Lebanon (refer note 6.1)	52,052	42,043
Less: Allowance for impairment (ECL) (refer note 6.2)	<u>(25,000)</u>	<u>-</u>
	<u>1,474,793</u>	<u>1,503,806</u>

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 Allowance for impairment pertains to ECL on the amount in foreign currency held with the CB Lebanon as a prudent measure in light of the recent default by the country on its EURO bond issue that occurred in March 2020.

7 Due from banks

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Money market placements	483,365	599,816
Balances with other banks	115,992	152,303
Less: Allowance for impairment (ECL)	<u>(134)</u>	<u>(221)</u>
	<u>599,223</u>	<u>751,898</u>

The geographical concentration is as follow

- Within the U.A.E	485,156	532,222
- Outside the U.A.E	114,201	219,897
Less: Allowance for impairment (ECL)	<u>(134)</u>	<u>(221)</u>
	<u>599,223</u>	<u>751,898</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

8 Investment securities

The details of investments are as follows:

At 31 March 2020 (un-audited)	Domestic AED'000	Other GCC Countries AED'000	Others AED'000	Total AED'000
Financial assets measured at fair value through profit or loss (FVTPL):				
Investments in quoted equity securities	2,371	-	-	2,371
Financial assets measured at fair value through other comprehensive income (FVTOCI)				
Investments in quoted equity securities	89,857	967	-	90,824
Investments in un-quoted equity securities	467	-	-	467
Financial assets at amortised cost:				
Investments in debt securities	117,490	-	-	117,490
	210,185	967	-	211,152
Less: Allowance for impairment (ECL)	<u>(27)</u>	<u>-</u>	<u>-</u>	<u>(27)</u>
	<u>210,158</u>	<u>967</u>	<u>-</u>	<u>211,125</u>
	Domestic AED'000	Other GCC Countries AED'000	Others AED'000	Total AED'000
At 31 December 2019 (audited)				
Financial assets measured at fair value through profit or loss (FVTPL):				
Investments in quoted equity securities	2,401	-	-	2,401
Investments in un-quoted funds	-	-	6,801	6,801
Financial assets measured at fair value through other comprehensive income (FVTOCI)				
Investments in quoted equity securities	133,423	1,142	-	134,565
Investments in un-quoted equity securities	467	-	-	467
Financial assets at amortised cost:				
Investments in debt securities	117,490	-	-	117,490
	253,781	1,142	6,801	261,724
Less: Allowance for impairment (ECL)	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>(21)</u>
	<u>253,760</u>	<u>1,142</u>	<u>6,801</u>	<u>261,703</u>

8.1 No equity investments were purchased by the Group during the three – month period ended 31 March 2020. (Year ended 31 December 2019: nil).

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

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 fair value hierarchy, into which the fair value measurement is categorised. As at the end of reporting period, liabilities measured at fair value are AED Nil (31 December 2019: Nil).

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2020 (un-audited)				
Financial assets				
FVTPL - equity securities	2,371	-	-	2,371
FVOCI - equity securities	91,291	-	467	91,758
Non-financial assets				
Reposessed properties (note 10)	-	-	517,984	517,984
	<u>93,662</u>	<u>-</u>	<u>518,451</u>	<u>612,113</u>
31 December 2019 (audited)				
Financial assets				
FVTPL - equity securities	2,401	-	6,801	9,202
FVOCI - equity securities	134,565	-	467	135,032
Non-financial assets				
Reposessed properties (note 10)	-	-	517,984	517,984
	<u>136,966</u>	<u>-</u>	<u>525,252</u>	<u>662,218</u>

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.

	Un-audited 31 March 2020		Audited 31 December 2019	
	Investment securities AED'000	Reposessed properties	Investment securities AED'000	Reposessed properties
As at 1 January	6,801	517,984	6,431	587,191
Fair value changes:				
- in profit or loss	19	-	370	(68,466)
- in OCI	-	-	-	-
Transfer				
- Additions	-	-	-	-
- Disposals	(6,820)	-	-	(741)
As at end of period	<u>-</u>	<u>517,984</u>	<u>6,801</u>	<u>517,984</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

9 Loans and advances to customers

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Overdrafts	5,799,724	5,943,106
Bills discounted	254,214	312,940
Trust receipts	443,143	451,401
Term loans	6,212,940	6,342,517
	<u>12,710,021</u>	<u>13,049,964</u>
Allowances for impairment (refer note 9.1 and 9.3)	(4,915,674)	(4,736,700)
Net loans and advances to customers	<u>7,794,347</u>	<u>8,313,264</u>

Stage wise analysis of products

Products	Unaudited - 31 March 2020			Total AED'000
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	
Overdrafts	788,296	1,599,324	3,412,104	5,799,724
Bills discounted	123,612	30,054	100,548	254,214
Trust receipts	137,357	71,265	234,521	443,143
Term loans	1,909,383	1,537,058	2,766,499	6,212,940
	<u>2,958,648</u>	<u>3,237,701</u>	<u>6,513,672</u>	<u>12,710,021</u>
	Audited – 31 December 2019			
Overdrafts	915,414	1,687,851	3,339,841	5,943,106
Bills discounted	195,716	36,950	80,274	312,940
Trust receipts	127,818	94,322	229,261	451,401
Term loans	1,966,814	1,672,369	2,703,334	6,342,517
	<u>3,205,762</u>	<u>3,491,492</u>	<u>6,352,710</u>	<u>13,049,964</u>

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

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
At 1 January	4,736,700	3,742,759
Charge for the period/ year	145,043	667,967
Write back during the period/ year	(20,549)	-
Recoveries during the period/year	(29,368)	(33,582)
Interest not recognised in the consolidated profit or loss statement	89,603	364,766
Amounts written off during the period/ year	(5,755)	(5,210)
At 31 March 2020/ 31 December 2019 (refer note 9.2)	<u>4,915,674</u>	<u>4,736,700</u>

9.2 Impairment provision includes interest not recognised (accumulated interest in suspense) as at 31 March 2020 amounting to AED 748 million (31 December 2019: AED 662 million) in respect of non-performing loans.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

9 Loans and advances to customers (continued)

9.3 Staging movement

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

Customer exposure	Un-audited 31 March 2020			Total AED'000
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
Gross exposure as at 1 January 2020	3,205,762	3,491,492	6,352,710	13,049,964
Transfers				
Transfer from Stage 1 to Stage 2	(356,999)	356,999	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	168,168	(168,168)	-	-
Transfer from Stage 2 to Stage 3	-	(218,288)	218,288	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Changes in EADs	(58,283)	(224,334)	(57,326)	(339,943)
Gross exposure as at 31 March 2020	2,958,648	3,237,701	6,513,672	12,710,021
Customer exposure	Audited 31 December 2019			Total AED'000
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
Gross exposure as at 1 January 2019	5,462,186	3,245,869	5,110,078	13,818,133
Transfers				
Transfer from Stage 1 to Stage 2	(1,703,260)	1,703,260	-	-
Transfer from Stage 1 to Stage 3	(39,029)	-	39,029	-
Transfer from Stage 2 to Stage 1	252,279	(252,279)	-	-
Transfer from Stage 2 to Stage 3	-	(581,992)	581,992	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	1,927	(1,927)	-
Changes in EADs	(766,414)	(625,293)	623,538	(768,169)
Gross exposure as at 31 December 2019	3,205,762	3,491,492	6,352,710	13,049,964

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

9 Loans and advances to customers (continued)

9.3 Staging movement

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

Customer loss allowance	Un-audited 31 March 2020			Total AED'000
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
Loss allowance as at 1 January 2020	36,208	123,462	4,577,030	4,736,700
Transfers				
Transfer from Stage 1 to Stage 2	(2,132)	2,132	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	11,860	(11,860)	-	-
Transfer from Stage 2 to Stage 3	-	(78,472)	78,472	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Changes in PDs/ LGDs/ EADs	(21,391)	145,428	54,937	178,974
Loss allowance as at 31 March 2020	24,545	180,690	4,710,439	4,915,674

Customer loss allowance	Audited 31 December 2019			Total AED'000
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
Loss allowance as at 1 January 2019	44,646	256,597	3,441,516	3,742,759
Transfers				
Transfer from Stage 1 to Stage 2	(9,525)	9,525	-	-
Transfer from Stage 1 to Stage 3	(273)	-	273	-
Transfer from Stage 2 to Stage 1	2,747	(2,747)	-	-
Transfer from Stage 2 to Stage 3	-	(97,377)	97,377	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	867	(867)	-
New origination and changes in PDs/ LGDs/ EADs	(1,387)	(43,403)	1,038,731	993,941
Loss allowance as at 31 December 2019	36,208	123,462	4,577,030	4,736,700

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

9 Loans and advances to customers (continued)

9.4 Gross credit exposure by industry segment

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Agriculture, fishing and related activities	140	103
Mining & Quarrying	3,469	3,610
Manufacturing	2,264,363	2,304,585
Construction	3,703,369	3,734,310
Real Estate	2,021,553	2,070,027
Trade	1,158,324	1,213,847
Transport, Storage and Communication	105,389	108,309
Financial Institutions	1,230,056	1,286,089
Other Services	880,657	808,128
Government	427,435	434,098
Individuals	39,024	43,792
High Net Worth Individuals	618,920	775,504
All others	257,322	267,562
Gross loans and advances	<u>12,710,021</u>	<u>13,049,964</u>
Less: Allowance for impairment	(4,915,674)	(4,736,700)
	<u>7,794,347</u>	<u>8,313,264</u>

10 Other assets

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Interest receivable	39,100	31,886
Reposessed properties (refer to note 10.1)	517,984	517,984
Property plant and equipment	80,341	80,992
Prepayments and other assets	85,353	52,735
Customers' indebtedness for acceptances	164,211	190,249
	<u>886,989</u>	<u>873,846</u>

10.1 Reposessed properties were acquired in settlement of loans and advance

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (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 2020 (un-audited)		31 December 2019 (audited)	
	Board of directors AED'000	Other balances associated with board of directors AED'000	Board of directors AED'000	Other balances associated with board of directors AED'000
Loans				
Loans outstanding	<u>50,266</u>	<u>895,063</u>	<u>95,420</u>	<u>836,872</u>
Deposits				
Deposits	<u>8,344</u>	<u>1,650,915</u>	<u>6,331</u>	<u>2,012,846</u>
Commitments and contingent Liabilities				
Outstanding letters of credit and guarantees	<u>-</u>	<u>737</u>	<u>-</u>	<u>761</u>

None of the loans granted to related parties are impaired or past due as at 31 March 2020 (31 December 2019: 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 (2019: 4% to 10%). At 31 March 2020, outstanding loans and advances due from related parties are secured by deposits under lien amounting to AED 604.2 million (31 March 2019: AED 785.3 million).

	31 March 2020 (un-audited)		31 March 2019 (un-audited)	
	Board of directors AED'000	Other exposures associated with board of directors AED'000	Board of directors AED'000	Other exposures associated with board of directors AED'000
Interest income earned for three-month period ended	<u>1,384</u>	<u>11,166</u>	<u>723</u>	<u>8,829</u>
Interest expense earned for three-month period ended	<u>(43)</u>	<u>(15,681)</u>	<u>(2,173)</u>	<u>(16,208)</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

11 Related party transactions (continued)

Key management personnel

	31 March 2020 (un-audited) AED'000	31 March 2019 (un-audited) AED'000
Salaries and other short term benefits	2,466	2,346
Termination benefits	104	105
	<u>2,570</u>	<u>2,451</u>

12 Due to banks

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Demand deposits and total due to banks	<u>136</u>	<u>164</u>

13 Deposits from customers

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Time deposits	7,291,706	7,829,670
Savings accounts	126,449	127,358
Current and other accounts	<u>1,996,261</u>	<u>1,949,089</u>
	<u>9,414,416</u>	<u>9,906,117</u>

14 Other liabilities

	31 March 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Interest payable	113,173	96,268
Unearned commission income	25,721	27,945
Staff benefits payable	17,395	19,367
Accrued expenses	49,732	24,978
Manager's cheques	6,247	4,823
Liabilities under acceptances	164,211	190,249
Others	<u>32,690</u>	<u>148,619</u>
	<u>409,169</u>	<u>512,249</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

15 Share capital

	Un-audited 31 March 2020 AED'000	Audited 31 December 2019 AED'000
Authorised share capital <i>6,300,000 thousand shares of AED 1 each</i> <i>(2019: 6,300,000 thousand shares of AED 1 each)</i>	<u>6,300,000</u>	<u>6,300,000</u>
Issued capital and paid-up capital <i>3,180,982 thousand shares of AED 1 each</i> <i>(2019: 3,180,982 thousand shares of AED 1 each)</i>	<u>3,180,982</u>	<u>3,180,982</u>

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 30 June 2020, no cash dividend was approved by the shareholders (2019: Nil).

Capital adequacy ratio

As per the Central bank regulation for Basel III, the capital requirement as at 31 March 2020 is 11.5% (Dec 2019: 13% inclusive of capital conservation buffer). As part of the CB UAE 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. As shown in the table below, the Bank is in compliance with all the above regulatory ratios.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

15 Share capital (continued)

The Group's regulatory capital position was as follows:

	31 March 2020 (un-audited) AED'000	31 December 2019 (un-audited) AED'000
Tier 1 Capital		
Share capital	3,180,982	3,180,982
Share discount	(477,857)	(477,857)
Legal reserve	450,688	450,688
Special reserve	450,688	450,688
Fair value reserve	(147,470)	(103,730)
Retained earnings	(2,269,275)	(2,214,784)
Total tier 1 capital	<u>1,187,756</u>	<u>1,285,987</u>
Tier 2 Capital		
General provision	121,312	129,978
Total tier 2 capital	<u>121,312</u>	<u>129,978</u>
Total regulatory capital	<u>1,309,068</u>	<u>1,415,965</u>
Key weighted assets		
Credit risk	9,704,924	10,398,254
Market risk	38,817	59,822
Operational, risk	1,040,501	1,040,501
Total risk weighted assets (RWA)	<u>10,784,242</u>	<u>11,498,577</u>
Total regularity capital expressed as % of RWA	12.14%	12.31%
Total tier 1 capital expressed as % of RWA	11.01%	11.18%

16 Net impairment loss

	31 March 2020 (un-audited) AED'000	31 March 2019 (un-audited) AED'000
Impairment charge on cash and deposits with central banks	25,000	-
Impairment charge on loans and advances	145,043	162,739
Recoveries of loans and advances	(50,076)	(16,195)
	<u>119,967</u>	<u>146,544</u>

16.1 Includes AED 0.159 million (30 March 2019: AED 0.09 million) recovered from balances previously written off.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2020 (continued)

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 2020 (un-audited)	31 March 2019 (un-audited)
Loss attributable to ordinary shareholders (AED'000)	<u>(99,491)</u>	<u>(105,919)</u>
Weighted average number of shares outstanding at 31 March (AED'000)	<u>3,180,982</u>	<u>1,588,125</u>
Earnings per share (AED)	<u>(0.03)</u>	<u>(0.07)</u>

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 2020 (un-audited) AED'000	31 December 2019 (audited) AED'000
Letters of credit	146,941	171,876
Letters of guarantee	4,251,511	4,445,297
Irrevocable commitments to extend credit	171,901	135,344
Foreign exchange and forward commitments	<u>52,024</u>	<u>350,000</u>
	<u>4,622,377</u>	<u>5,102,517</u>

20 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 2020.