

Invest bank P.S.C.

**Condensed consolidated interim financial information
for the six-month period ended 30 June 2019**

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

Invest bank P.S.C.

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for the six-month period ended 30 June 2019**

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Invest bank P.S.C. ("the Bank") and its subsidiary (together referred to as "the Group") as at 30 June 2019 and the related condensed consolidated statement of profit or loss and condensed consolidated statement of other comprehensive income for the three-month and six-month periods then ended, and the condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-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 August 2019

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

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Invest bank P.S.C.

**Condensed consolidated statement of financial position
as at 30 June 2019**

		30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
	Note		
ASSETS			
Cash and deposits with central banks	6	1,097,363	1,968,369
Due from banks	7	183,257	733,460
Investment securities	8	150,083	155,947
Loans and advances to customers	9	9,249,829	10,075,374
Other assets	10	1,013,549	1,092,918
Total assets		<u>11,694,081</u>	<u>14,026,068</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		213	199
Deposits from customers	12	9,464,422	12,635,484
Other liabilities	13	546,300	643,200
Total liabilities		<u>10,010,935</u>	<u>13,278,883</u>
EQUITY			
Share capital	14	3,180,982	1,588,125
Share discount	14	(477,857)	-
Legal reserve		450,688	450,688
Special reserve		450,688	450,688
Fair value reserve		(116,401)	(117,015)
Accumulated losses		(1,804,954)	(1,625,301)
Total equity		<u>1,683,146</u>	<u>747,185</u>
Total liabilities and equity		<u>11,694,081</u>	<u>14,026,068</u>

These condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 31 July 2019 and signed on its behalf by:



Chief Executive Officer



Chairman

Invest bank P.S.C.

Condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 June 2019 (un-audited)

	Note	Six-month period ended 30 June		Three-month period ended 30 June	
		2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Interest income		267,111	398,471	127,934	190,959
Interest expense		(151,727)	(176,199)	(69,370)	(90,342)
Net interest income		115,384	222,272	58,564	100,617
Net fees and commission income		66,904	100,230	32,248	53,744
Net income from foreign currencies		5,294	7,834	2,459	3,381
Other income		16,624	8,701	11,145	3,595
Total operating income		204,206	339,037	104,416	161,337
Operating expenses					
General and administrative expenses		(106,460)	(114,035)	(50,784)	(59,590)
Depreciation and amortisation		(7,052)	(6,624)	(3,564)	(3,334)
Total operating expenses		(113,512)	(120,659)	(54,348)	(62,924)
Net profit before impairment loss		90,694	218,378	50,068	98,413
Net impairment loss	9.2	(270,347)	(290,198)	(123,803)	(234,926)
Loss for the period		(179,653)	(71,820)	(73,735)	(136,513)
Loss per share	16	(0.06)	(0.05)	(0.02)	(0.09)

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Condensed consolidated statement of other comprehensive income for the three-month and six-month periods ended 30 June 2019 (un-audited)

	Six-month period ended 30 June		Three-month period ended 30 June	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Loss for the period	(179,653)	(71,820)	(73,735)	(136,513)
Other comprehensive income/ (loss): <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>614</u>	<u>(14,278)</u>	<u>3,193</u>	<u>(6,174)</u>
Total items that will not be reclassified to profit or loss	<u>614</u>	<u>(14,278)</u>	<u>3,193</u>	<u>(6,174)</u>
Total other comprehensive income/ (loss)	<u>614</u>	<u>(14,278)</u>	<u>3,193</u>	<u>(6,174)</u>
Total comprehensive loss for the period	<u>(179,039)</u>	<u>(86,098)</u>	<u>(70,542)</u>	<u>(142,687)</u>

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Condensed consolidated statement of changes in equity for the six-month period ended 30 June 2018 (un-audited)

	Share capital AED'000	Legal reserve AED'000	Special reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2018, as previously reported	1,588,125	450,688	450,688	(97,213)	147,619	2,539,907
Changes on initial application of IFRS 9	-	-	-	-	(300,199)	(300,199)
Restated balance at 1 January 2018	<u>1,588,125</u>	<u>450,688</u>	<u>450,688</u>	<u>(97,213)</u>	<u>(152,580)</u>	<u>2,239,708</u>
Loss for the period	-	-	-	-	(71,820)	(71,820)
<i>Other comprehensive loss</i>						
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(14,278)	-	(14,278)
Realised loss on sale of financial assets measured at fair value through other comprehensive income (FVOCI)				571	(571)	-
Total other comprehensive loss for the period	-	-	-	(13,707)	(72,391)	(86,098)
Balance at 30 June 2018	<u>1,588,125</u>	<u>450,688</u>	<u>450,688</u>	<u>(110,920)</u>	<u>(224,971)</u>	<u>2,153,610</u>

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Condensed consolidated statement of changes in equity for the six-month period ended 30 June 2019 (un-audited)

	Share capital AED'000	Share discount AED'000	Legal reserve AED'000	Special reserve AED'000	Fair value reserve AED'000	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
Shares issued (refer to note 14)	<u>1,592,857</u>	<u>(477,857)</u>	-	-	-	-	<u>1,115,000</u>
Loss for the period	3,180,982	(477,857)	450,688	450,688	(117,015)	(1,625,301)	1,862,185
<i>Other comprehensive income</i>	-	-	-	-	-	(179,653)	(179,653)
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	614	-	614
Total other comprehensive income for the period	-	-	-	-	614	-	614
Balance at 30 June 2019	<u>3,180,982</u>	<u>(477,857)</u>	<u>450,688</u>	<u>450,688</u>	<u>(116,401)</u>	<u>(1,804,954)</u>	<u>1,683,146</u>

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Condensed consolidated statement of cash flows for the six-month period ended 30 June 2019 (un-audited)

	Note	For the six-month period ended 30 June	
		2019 AED'000	2018 AED'000
Cash flows from operating activities			
Loss for the period		(179,653)	(71,820)
Adjustments:			
Depreciation		7,052	6,624
Net (gain) / loss on investment securities		(864)	1,553
Net impairment loss	9.2	270,347	290,198
		<u>96,882</u>	<u>226,555</u>
Changes in time deposits with banks maturing after three months		-	(100,000)
Change in statutory reserve requirement		25,816	(33,633)
Change in loans and advances to customers		555,198	58,292
Change in other assets		76,097	(110,765)
Change in deposits from customers (refer note below)		(2,056,062)	(126,431)
Change in other liabilities		(96,900)	(33,015)
Net cash used in operating activities		<u>(1,398,969)</u>	<u>(118,997)</u>
Cash flows from investing activities			
Purchase of property and equipment		(3,840)	(6,364)
Purchase of investment securities		-	(24,913)
Proceeds from sale/redemption of investment Securities		7,346	211,633
Net cash generated from investing activities		<u>3,506</u>	<u>180,356</u>
Net change in cash and cash equivalents		(1,395,463)	61,359
Cash and cash equivalents at beginning of the period		<u>2,265,719</u>	<u>2,170,225</u>
Cash and cash equivalents, at end of the period		<u>870,256</u>	<u>2,231,584</u>
Cash and cash equivalents as at 30 June			
Cash and deposits with central banks		687,104	1,920,336
Due from banks maturing within three months		183,365	311,502
Due to banks maturing within three months		(213)	(254)
		<u>870,256</u>	<u>2,231,584</u>

Note: Non-cash transaction

Change in deposits from customers is impacted by a non-cash transaction whereby AED 1,115 million of a deposit made by the Government of Sharjah in December 2018, was converted into share capital in April 2019 (refer note 12 and 14).

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019

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 Emirates of Sharjah, Dubai, Abu Dhabi, Ajman, Ras Al Khaimah 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 condensed consolidated interim financial information as at and for the three-month and six-month periods ended 30 June 2019 comprise the Bank and its subsidiary (together referred to as "the Group").

2 Recapitalisation

On 13 December 2018, the Government of Sharjah entered into an Investment Agreement with the Bank, whereby it agreed, to acquire a 50.1% controlling interest in the Bank through a "Strategic Investment", subject to shareholders' and regulatory approvals. The proposed investment commitment of AED 1.9 billion would be undertaken in two tranches, as follows: AED 1.1 billion through the issue of 1,592,857,143 shares of AED 1 each, issued to the Government of Sharjah at a discounted price of AED 0.7 per share and a further rights issue of AED 0.8 billion, also to be issued at a similar discounted price of AED 0.7 per share and to be fully underwritten by the Government of Sharjah. The Investment Agreement expired on 30 January 2019, and was replaced with the Implementation Agreement dated 28 June 2019 with similar terms and conditions to those of the Investment Agreement.

The first tranche of the AED 1.1 billion capital was placed as a deposit with the Bank by the Government of Sharjah on 27 December 2018, pending shareholders' and regulatory approvals for conversion into share capital. The Bank, at its General Meeting held on 10 April 2019 approved the Government of Sharjah's strategic controlling investment in the Bank subsequent to the receipt of the regulatory approvals. Accordingly, the AED 1.1 billion deposit has now been converted into fully paid up share capital of the Bank and the authorized share capital of the Bank was increased to AED 6.3 billion.

In addition, the CBUAE made a public press announcement on 16 December 2018, that it will support the Bank with all the available liquidity facilities, which remain at the Bank's disposal if and when needed.

Based on the above developments, management is satisfied for the condensed consolidated interim financial information to be presented on a going concern basis.

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Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

3 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 2018, which has been prepared in accordance with IFRS, other than the change in accounting policy arising from adoption of IFRS 16 Leases.

The Bank, in accordance with Article 302 of Federal Law No. 2 of 2015, convened a General Meeting on 16 May 2019 and resolved to continue the Bank.

(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.

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.

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Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

3 Basis of preparation (continued)

(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 six-month period ended 30 June 2019 (continued)

3 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.

4 Application of other new and revised International Financial Reporting Standards (“IFRS”)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- IFRS 16 objective is to report information that represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.
 - IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.
 - The change in accounting policy did not affect any items in the balance sheet on 1 January 2019 as the impact of the application of IFRS 16 on the Group is immaterial.
- Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

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Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

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

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

- Amendments to IAS 19 *Employee Benefits* relating to Plan Amendment, Curtailment or Settlement. This amendment mentions that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

4.2 New and revised IFRS in issue but not yet effective

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

<i>New and revised IFRSs</i>	<i>Effective for annual periods beginning on or after</i>
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.	1 January 2020
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.	1 January 2020

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.

4.4 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 2018.

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Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

5 Accounting classification of financial assets and financial liabilities

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

	FVTPL	FVTOCI	Others at amortised cost	Total carrying amount
At 30 June 2019 (un-audited)	AED'000	AED'000	AED'000	AED'000
Financial assets				
Cash and deposits with central banks	-	-	1,097,363	1,097,363
Due from banks	-	-	183,257	183,257
Investment securities	8,928	133,868	7,287	150,083
Loans and advances to customers	-	-	9,249,829	9,249,829
Customers' indebtedness for acceptances	-	-	270,265	270,265
Other financial assets	-	-	59,691	59,691
	<u>8,928</u>	<u>133,868</u>	<u>10,867,692</u>	<u>11,010,488</u>
Financial liabilities				
Due to banks	-	-	213	213
Deposits from customers	-	-	9,464,422	9,464,422
Liabilities under acceptances	-	-	270,265	270,265
Other financial liabilities	-	-	217,865	217,865
	<u>-</u>	<u>-</u>	<u>9,952,765</u>	<u>9,952,765</u>
	FVTPL	FVTOCI	Others at amortised cost	Total carrying amount
At 31 December 2018 (audited)	AED'000	AED'000	AED'000	AED'000
Financial assets				
Cash and deposits with central banks	-	-	1,968,369	1,968,369
Due from banks	-	-	733,460	733,460
Investment securities	8,063	133,255	14,629	155,947
Loans and advances to customers	-	-	10,075,374	10,075,374
Customers' indebtedness for acceptances	-	-	350,945	350,945
Other financial assets	34	-	46,088	46,122
	<u>8,097</u>	<u>133,255</u>	<u>13,188,865</u>	<u>13,330,217</u>
Financial liabilities				
Due to banks	-	-	199	199
Deposits from customers	-	-	12,635,484	12,635,484
Liabilities under acceptances	-	-	350,945	350,945
Other financial liabilities	-	-	231,069	231,069
	<u>-</u>	<u>-</u>	<u>13,217,697</u>	<u>13,217,697</u>

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Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

6 Cash and deposits with central banks

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Cash in hand	63,403	74,660
Deposits with central banks	623,701	1,457,634
Reserve requirements with the CBUAE (refer note 6.1)	371,141	387,720
Reserve requirements with the CB Lebanon (refer note 6.1)	39,118	48,355
	<u>1,097,363</u>	<u>1,968,369</u>

6.1 Statutory reserve deposits are required to be maintained as per regulations of the CBUAE and the CB Lebanon.

7 Due from banks

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Money market placements	16,328	605,967
Balances with other banks	167,037	127,657
	<u>183,365</u>	<u>733,624</u>
Less: Allowance for impairment (ECL)	(108)	(164)
	<u>183,257</u>	<u>733,460</u>
The geographical concentration is as follows:		
- Within the U.A.E	75,350	615,578
- Outside the U.A.E	108,015	118,046
	<u>183,365</u>	<u>733,624</u>
Less: Allowance for impairment (ECL)	(108)	(164)
	<u>183,257</u>	<u>733,460</u>

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Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

8 Investment securities

The details of investments are as follows:

At 30 June 2019 (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	2,327	-	-	2,327
Investments in un-quoted funds	-	-	6,601	6,601
Financial assets measured at fair value through other comprehensive income (FVTOCI)				
Investments in quoted equity securities	132,303	1,098	-	133,401
Investments in un-quoted equity securities	467	-	-	467
Financial assets at amortised cost:				
Investments in debt securities	7,300	-	-	7,300
	<u>142,397</u>	<u>1,098</u>	<u>6,601</u>	<u>150,096</u>
Less: Allowance for impairment (ECL)	(13)	-	-	(13)
	<u>142,384</u>	<u>1,098</u>	<u>6,601</u>	<u>150,083</u>
At 31 December 2018 (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	1,632	-	-	1,632
Investments in un-quoted funds	-	-	6,431	6,431
Financial assets measured at fair value through other comprehensive income (FVTOCI)				
Investments in quoted equity securities	131,780	1,008	-	132,788
Investments in un-quoted equity securities	467	-	-	467
Financial assets at amortised cost:				
Investments in debt securities	14,646	-	-	14,646
	<u>148,525</u>	<u>1,008</u>	<u>6,431</u>	<u>155,964</u>
Less: Allowance for impairment (ECL)	(17)	-	-	(17)
	<u>148,508</u>	<u>1,008</u>	<u>6,431</u>	<u>155,947</u>

8.1 No equity investments were purchased by the Group during the six – month period ended 30 June 2019. (Year ended 31 December 2018: AED 29 million).

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (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 Nil (31 December 2018: Nil).

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 June 2019				
<u>Financial assets</u>				
FVTPL - equity securities	2,327	-	6,601	8,928
FVOCI - equity securities	133,401	-	467	133,868
<u>Non-financial assets</u>				
Repossessed properties (note 10)	-	-	587,191	587,191
	<u>135,728</u>	<u>-</u>	<u>594,259</u>	<u>729,987</u>
31 December 2018				
<u>Financial assets</u>				
FVTPL - equity securities	1,632	-	6,431	8,063
FVOCI - equity securities	132,788	-	467	133,255
<u>Non-financial assets</u>				
Repossessed properties (note 10)	-	-	587,191	587,191
	<u>134,420</u>	<u>-</u>	<u>594,089</u>	<u>728,509</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.

	Unaudited 30 June 2019		Audited 31 December 2018	
	Investment securities AED'000	Repossessed properties AED'000	Investment securities AED'000	Repossessed properties AED'000
As at 1 January	6,431	587,191	6,458	523,787
Fair value changes:				
- in profit or loss	170	-	258	(109,985)
- in OCI	-	-	-	-
Transfer				
- Additions	-	-	3,674	173,389
- Disposals	-	-	(3,959)	-
As at end of period	<u>6,601</u>	<u>587,191</u>	<u>6,431</u>	<u>587,191</u>

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Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

9 Loans and advances to customers

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Overdrafts	6,344,810	6,364,810
Bills discounted	470,356	526,350
Trust receipts	553,344	624,349
Term loans	<u>6,057,869</u>	<u>6,302,624</u>
	13,426,379	13,818,133
Allowances for impairment (refer note 9.1 and 9.2)	<u>(4,176,550)</u>	<u>(3,742,759)</u>
Net loans and advances to customers	<u>9,249,829</u>	<u>10,075,374</u>

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

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
At 1 January	3,742,759	1,510,217
Initial application of IFRS 9	<u>-</u>	<u>299,700</u>
At 1 January (adjusted as per IFRS 9)	3,742,759	1,809,917
Charge for the period/ year (refer note 9.2)	287,915	1,716,424
Recoveries during the period/ year	(17,373)	(19,072)
Interest not recognised in the consolidated profit or loss statement	163,315	237,676
Amounts written off during the period/ year	<u>(66)</u>	<u>(2,186)</u>
At 30 June 2019/ 31 December 2018	<u>4,176,550</u>	<u>3,742,759</u>

9.2 Net impairment loss

	30 June 2019 (un-audited) AED'000	30 June 2018 (un-audited) AED'000
Impairment charge for the period	287,915	295,858
Recoveries (refer note (i) below)	(17,568)	(5,660)
Net impairment loss	<u>270,347</u>	<u>290,198</u>

(i) Includes AED 0.195 million (30 June 2018: AED 0.9 million) recovered from balances previously written off.

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Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

10 Other assets

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Interest receivable	27,305	31,251
Repossessed properties (refer note 10.1)	587,191	587,191
Property plant and equipment	96,727	99,939
Prepayments and other assets	32,061	23,592
Customers' indebtedness for acceptances (refer note 13)	270,265	350,945
	<u>1,013,549</u>	<u>1,092,918</u>

10.1 Repossessed properties were acquired in settlement of loans and advances.

11 Related party transactions

In the normal course of business, the Group enters into various transactions with related parties including majority shareholders, 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 year end, and related income and expenses for the year are as follows:

	30 June 2019 (un-audited)		31 December 2018 (audited)	
	Board of directors/ major shareholders AED'000	Companies associated with board of directors AED'000	Board of directors/ major shareholders AED'000	Companies associated with board of directors AED'000
Loans				
Loans outstanding	<u>49,068</u>	<u>751,374</u>	<u>56,075</u>	<u>731,089</u>
Deposits				
Deposits	<u>222,502</u>	<u>1,797,787</u>	<u>267,538</u>	<u>1,947,485</u>
Commitments and contingent Liabilities				
Outstanding letters of credit and guarantees	<u>-</u>	<u>1,691</u>	<u>5,375</u>	<u>187,029</u>

None of the loans granted to related parties are impaired or past due as at 30 June 2019 (31 December 2018: Nil).

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

11 Related party transactions (continued)

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 (2018: 4% to 10%). At 30 June 2019, outstanding loans and advances due from related parties are secured by deposits under lien amounting to AED 785.3 million (31 December 2018: AED 774.8 million).

	30 June 2019 (un-audited)		30 June 2018 (un-audited)	
	Board of directors/ major shareholders	Companies associated with board of directors	Board of directors/ major shareholders	Companies associated with board of directors
	AED'000	AED'000	AED'000	AED'000
Interest income earned for six-month period ended	<u>2,773</u>	<u>14,916</u>	<u>2,476</u>	<u>26,509</u>
Interest expense charged for six-month period ended	<u>(14,580)</u>	<u>(29,804)</u>	<u>(4,174)</u>	<u>(15,648)</u>

Above balances include exposure related to Government of Sharjah being a major shareholder of the Bank.

Key management personnel

	30 June 2019 (un-audited) AED'000	30 June 2018 (un-audited) AED'000
Salaries and other short term benefits	<u>4,392</u>	<u>7,100</u>
Termination benefits	<u>214</u>	<u>210</u>
	<u>4,606</u>	<u>7,310</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

12 Deposits from customers

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Time deposits (refer to note 12.1)	7,211,756	9,056,266
Savings accounts	124,785	131,394
Current and other accounts	2,127,881	3,447,824
	<u>9,464,422</u>	<u>12,635,484</u>

12.1 Time deposits at 31 December 2018 included AED 1,115 million received from Government of Sharjah towards increase in share capital. The deposit was converted into share capital in April 2019 (Refer note 14).

13 Other liabilities

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Interest payable	110,159	122,569
Unearned commission income	34,401	40,473
Accrued expenses	54,665	61,790
Liabilities under acceptances (refer note 10)	270,265	350,945
Others	76,810	67,423
	<u>546,300</u>	<u>643,200</u>

14 Share capital

Share capital

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Authorised share capital <i>6,300,000 thousand shares of AED 1 each</i> <i>(2018: 1,588,125 thousand shares of AED 1 each)</i>	<u>6,300,000</u>	<u>1,588,125</u>
Issued capital and paid-up capital <i>3,180,982 thousand shares of AED 1 each</i> <i>(2018: 1,588,125 thousand shares of AED 1 each)</i>	<u>3,180,982</u>	<u>1,588,125</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

14 Share capital (continued)

As discussed in note 2, the shareholders of the Bank, at the General Meeting held on 10 April 2019 approved the increase in the authorized share capital of the Bank to AED 6.3 billion, comprised of 6.3 billion ordinary shares of AED 1, each; and approved the 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.

Dividend

At the annual general meeting of the Bank held on 16 May 2019, no cash dividend was approved by the shareholders (2018: Nil).

Capital adequacy ratio

As per the CBUAE regulation for Basel III, the capital requirement as at 30 June 2019 is 13% inclusive of 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).
- (iv) Capital conversion buffer is currently at 2.5%.

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

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

14 Share capital (continued)

Capital adequacy ratio (continued)

The Group's regulatory capital position was as follows:

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Tier 1 Capital		
Share capital	3,180,982	1,588,125
Share discount	(477,857)	-
Legal reserve	450,688	450,688
Special reserve	450,688	450,688
Fair value reserve	(116,401)	(117,015)
Retained earnings	(1,804,954)	(1,625,301)
Total tier 1 capital	<u>1,683,146</u>	<u>747,185</u>
Tier 2 Capital		
General provision	151,549	165,657
Total tier 2 capital	<u>151,549</u>	<u>165,657</u>
Total regulatory capital	<u>1,834,695</u>	<u>912,842</u>
Key weighted assets		
Credit risk	12,123,897	13,252,552
Market risk	65,071	54,740
Operational risk	1,277,872	1,348,694
Total risk weighted assets (RWA)	<u>13,466,840</u>	<u>14,655,986</u>
Total regulatory capital expressed as % of RWA	13.62%	6.23%
Total tier 1 capital expressed as % of RWA	12.50%	5.10%

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

15 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:

	30 June 2019 (un-audited)		30 June 2018 (un-audited)	
	Commercial banking AED'000	Treasury & investments AED'000	Commercial banking AED'000	Treasury & investments AED'000
Net interest and other income	204,307	1,096	317,776	21,261
Net impairment loss	(271,024)	677	(290,198)	-
(Loss) / profit for the period	(198,363)	18,710	(91,166)	19,346
Segment capital expenditure	3,840	-	6,365	-
Segment depreciation	7,052	-	6,624	-
	30 June 2019 (un-audited)		31 December 2018 (audited)	
	Commercial banking AED'000	Treasury & investments AED'000	Commercial banking AED'000	Treasury & investments AED'000
Segment total assets	10,581,873	1,112,208	11,277,476	2,748,592
Segment total liabilities	9,992,409	18,526	13,090,721	188,162
	Total AED'000	Total AED'000	Total AED'000	Total AED'000
	205,403	1,096	317,776	21,261
	(270,347)	677	(290,198)	-
	(179,653)	18,710	(91,166)	19,346
	3,840	-	6,365	-
	7,052	-	6,624	-
	11,694,081	1,112,208	11,277,476	2,748,592
	10,010,935	18,526	13,090,721	188,162
	14,026,068			

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2019 (continued)

16 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.

	30 June 2019 (un-audited)	30 June 2018 (un-audited)
Loss attributable to ordinary shareholders (AED'000)	(179,653)	(71,820)
Weighted average number of shares outstanding (AED'000)	3,180,982	1,588,125
Loss per share (AED)	<u>(0.06)</u>	<u>(0.05)</u>

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

17 Commitments and contingent liabilities

	30 June 2019 (un-audited) AED'000	31 December 2018 (audited) AED'000
Letters of credit	239,398	316,958
Letters of guarantee	5,311,450	6,160,794
Irrevocable commitments to extend credit	91,478	200,308
Foreign exchange and forward commitments	104,420	758,350
	<u>5,746,746</u>	<u>7,436,410</u>