

Invest bank P.S.C.

**Condensed consolidated interim financial information
for the nine month period ended 30 September 2019**

Invest bank P.S.C.

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	Pages
Review report on condensed consolidated interim financial information	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of profit or loss	3
Condensed consolidated interim statement of other comprehensive income	4
Condensed consolidated interim statement of cash flows	5
Condensed consolidated interim statement of changes in equity	6 - 7
Notes to the condensed consolidated interim financial information	8 - 26



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

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

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Invest bank P.S.C.

**Condensed consolidated interim statement of financial position
as at 30 September 2019**

		Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
	Note		
ASSETS			
Cash and balances with central banks	6	1,513,592	1,968,369
Due from banks	7	352,700	733,460
Investment securities	8	152,511	155,947
Loans and advances to customers	9	8,855,510	10,075,374
Other assets	10	959,075	1,092,918
Total assets		11,833,388	14,026,068
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks		241	199
Deposits from customers	12	9,714,880	12,635,484
Other liabilities	13	479,961	643,200
Total liabilities		10,195,082	13,278,883
EQUITY			
Share capital	14	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		(102,260)	(117,015)
Retained earnings		(1,863,935)	(1,625,301)
Net equity		1,638,306	747,185
Total liabilities and equity		11,833,388	14,026,068

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 24 October 2019 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 nine-month period ended 30 September 2019 (un-audited)

	Note	Nine month period ended 30 September		Three month period ended 30 September	
		2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Interest income		386,731	576,584	119,621	178,113
Interest expense		(221,298)	(261,712)	(69,571)	(85,513)
Net interest income		165,433	314,872	50,050	92,600
Net fees and commission income		96,910	151,065	30,005	50,835
Net income from foreign currencies		7,589	11,555	2,296	3,721
Other income		20,325	15,043	3,701	6,342
Total operating income		290,257	492,535	86,052	153,498
Operating expenses					
General and administrative expenses		(154,765)	(162,558)	(48,305)	(48,523)
Depreciation and amortisation		(10,686)	(10,209)	(3,634)	(3,585)
Total operating expenses		(165,451)	(172,767)	(51,939)	(52,108)
Net profit before impairment loss		124,806	319,768	34,113	101,390
Net impairment loss	9.2	(353,319)	(501,756)	(82,972)	(211,558)
Net loss for the period		(228,513)	(181,988)	(48,859)	(110,168)
Basic and diluted loss per share (UAE Dirhams)	16	(0.07)	(0.11)	(0.02)	(0.07)

Invest bank P.S.C.

**Condensed consolidated interim statement of other comprehensive income
for the nine-month period ended 30 September 2019 (un-audited)**

	Nine month period ended 30 September		Three month period ended 30 September	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Net loss for the period	(228,513)	(181,988)	(48,859)	(110,168)
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 (FVOCI)	4,827	(8,788)	4,213	5,490
Realised loss on sale of financial assets measured at fair value through other comprehensive income (FVOCI)	(193)	-	(193)	-
Total items that will not be reclassified to profit or loss	4,634	(8,788)	4,020	5,490
Total comprehensive loss for the period	(223,879)	(190,776)	(44,839)	(104,678)

Invest bank P.S.C.

Condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2019 (un-audited)

	Nine month period ended 30 September	
	2019 AED'000	2018 AED'000
Cash flows from operating activities		
Net loss for the period	(228,513)	(181,988)
<i>Adjustments for:</i>		
Depreciation	10,686	10,209
Net (profit)/loss on investment securities	(1,040)	1,362
Net impairment losses	353,319	501,756
<i>Operating cash flows before changes in operating assets and liabilities</i>	<u>134,452</u>	<u>331,339</u>
Changes in operating assets and liabilities:		
Change in time deposits with banks maturing after three months	-	(100,000)
Change in reserve levels held with Central Banks	90,176	(9,589)
Change in loans and advances to customers	866,544	198,235
Change in other assets	127,676	(37,086)
Change in deposits from customers (refer note below)	(1,805,604)	(1,083,977)
Change in other liabilities	(163,239)	(106,558)
<i>Net cash used in operating activities</i>	<u>(749,995)</u>	<u>(807,636)</u>
Cash flows from investing activities		
Purchase of property and equipment	(4,579)	(10,134)
Purchase of investment securities	-	(28,587)
Proceeds from redemption or sale of investment securities	9,108	260,212
<i>Net cash generated from investing activities</i>	<u>4,529</u>	<u>221,491</u>
Net decrease in cash and cash equivalents	(745,466)	(586,145)
Cash and cash equivalents at 1 January	<u>2,265,719</u>	<u>2,170,225</u>
Cash and cash equivalents at 30 September	<u>1,520,253</u>	<u>1,584,080</u>
<u>Cash and cash equivalents as at 30 September</u>		
Cash in hand and deposits with central banks	1,167,692	1,381,406
Due from other banks maturing within three months	352,802	202,906
Due to other banks maturing within three months	(241)	(232)
	<u>1,520,253</u>	<u>1,584,080</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.

**Condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2019
(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 AED'000	Total AED'000
At 1 January 2019	1,588,125	-	450,688	450,688	(117,015)	(1,625,301)	747,185
Shares issued (refer to note 14)	1,592,857	(477,857)	-	-	-	-	1,115,000
	<u>3,180,982</u>	<u>(477,857)</u>	<u>450,688</u>	<u>450,688</u>	<u>(117,015)</u>	<u>(1,625,301)</u>	<u>1,862,185</u>
Loss for the period	-	-	-	-	-	(228,513)	(228,513)
<i>Other comprehensive income</i>							
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	4,634	-	4,634
Total other comprehensive income for the period	-	-	-	-	<u>4,634</u>	-	<u>(223,879)</u>
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	10,121	(10,121)	-
At 30 September 2019	<u>3,180,982</u>	<u>(477,857)</u>	<u>450,688</u>	<u>450,688</u>	<u>(102,260)</u>	<u>(1,863,935)</u>	<u>1,683,306</u>

Invest bank P.S.C.

**Condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2019
(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 AED'000	Total AED'000
At 1 January 2018	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	1,588,125	-	450,688	450,688	(97,213)	(152,580)	2,239,708
Loss for the period	-	-	-	-	-	(181,988)	(181,988)
<i>Other comprehensive loss</i>							
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	(8,788)	-	(8,788)
Realised loss on sale of financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	576	(576)	-
Total other comprehensive (loss) for the period	-	-	-	-	(8,212)	(182,564)	(190,776)
At 30 September 2018	1,588,125	-	450,688	450,688	(105,425)	(335,144)	2,048,932

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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 nine-month periods ended 30 September 2019 comprise the Bank and its subsidiary (together referred to as "the Group").

2 Recapitalisation

The Bank, at its General Meeting held on 10 April 2019 approved the Government of Sharjah's strategic acquisition of a controlling stake (50.1%) in the Bank, subsequent to the receipt of the regulatory approvals. Accordingly, the AED 1.1 billion deposit which was received in December 2018 under the strategic investment agreement has 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.

As a result of the strategic investment agreement above, 1,592,857,143 shares of AED 1 each, were issued to the Government of Sharjah at a discounted price of AED 0.7 per share. This will be followed by a further rights issue of AED 0.8 billion before 31 December 2019 fully underwritten by the Government of Sharjah, also to be issued at a similar discounted price of AED 0.7 per share.

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

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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.

(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.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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.

- IFRS 16 *Leases*: 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 materially 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.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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 <i>Business combination</i> - 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 ‘<i>Presentation of financial statements</i>’ and IAS 8 ‘<i>Accounting policies, changes in accounting estimates and errors</i>’ - These amendments to IAS 1 and IAS 8 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.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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.

Unaudited	FVTPL	FVTOCI	Others at	Total
At 30 September 2019	AED'000	AED'000	amortised	carrying
			cost	amount
			AED'000	AED'000
Financial assets				
Cash and deposits with central banks	-	-	1,513,592	1,513,592
Due from banks	-	-	352,700	352,700
Investment securities	9,103	136,135	7,273	152,511
Loans and advances to customers	-	-	8,855,510	8,855,510
Customers' indebtedness for acceptances	-	-	216,097	216,097
Other financial assets	-	-	64,146	64,146
	<u>9,103</u>	<u>136,135</u>	<u>11,009,318</u>	<u>11,154,556</u>
Financial liabilities				
Due to banks	-	-	241	241
Deposits from customers	-	-	9,714,880	9,714,880
Liabilities under acceptances	-	-	216,097	216,097
Other financial liabilities	-	-	214,427	214,427
	<u>-</u>	<u>-</u>	<u>10,145,645</u>	<u>10,145,645</u>
Audited				
At 31 December 2018				
	FVTPL	FVTOCI	Others at	Total
	AED'000	AED'000	amortised	carrying
			cost	amount
			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>

Invest bank P.S.C.

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

6 Cash and deposits with central banks

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Cash in hand	72,526	74,660
Deposits with central banks	1,095,166	1,457,634
Reserve requirement with the CB UAE (Note 6.1)	308,688	387,720
Reserve requirement with the CB Lebanon (Note 6.1)	37,212	48,355
	<u>1,513,592</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

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Money market placements	137,576	605,967
Balances with other banks	215,226	127,657
	<u>352,802</u>	<u>733,624</u>
Less: Allowance for impairment (ECL)	(102)	(164)
	<u>352,700</u>	<u>733,460</u>
The geographical concentration is as follows:		
Within the UAE	143,294	615,578
Outside the UAE	209,508	118,046
	<u>352,802</u>	<u>733,624</u>
Less: Allowance for impairment (ECL)	(102)	(164)
	<u>352,700</u>	<u>733,460</u>

Invest bank P.S.C.

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

8 Investment securities

The details of investment securities are as follows:

Unaudited At 30 September 2019	Domestic AED'000	Other GCC countries AED'000	Others AED'000	Total AED'000
Financial assets at fair value through profit or loss (FVTPL):				
Investments in quoted equity securities	2,405	-	-	2,405
Investments in un-quoted equity securities	-	-	6,698	6,698
Financial assets measured at fair value through other comprehensive income (FVOCI):				
Investments in quoted equity securities	134,526	1,132	-	135,658
Investments in un-quoted equity securities	467	-	-	467
Financial assets at amortised cost:				
Investments in debt securities	7,300	-	-	7,300
	144,698	1,132	6,698	152,528
Less: Allowance for impairment (ECL)	(17)	-	-	(17)
	144,681	1,132	6,698	152,511
Audited At 31 December 2018	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
	148,525	1,008	6,431	155,964
Less: Allowance for impairment (ECL)	(17)	-	-	(17)
	148,508	1,008	6,431	155,947

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

Invest bank P.S.C.

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

8 Investment securities (continued)

Fair value hierarchy

The table below analyses assets measured at fair value per measurement category at the end of the reporting period, across levels in the fair value hierarchy. 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 September 2019				
<u>Financial assets</u>				
FVTPL - equity securities	2,405	-	6,698	9,103
FVOCI - equity securities	135,658	-	467	136,125
<u>Non-financial assets</u>				
Repossessed properties (note 10)	-	-	587,191	587,191
	<u>138,063</u>	<u>-</u>	<u>594,356</u>	<u>732,419</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 September 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	267	-	258	(109,985)
- in OCI	-	-	-	-
Transfer				
- Additions	-	-	3,674	173,389
- Disposals	-	-	(3,959)	-
As at end of period	<u>6,698</u>	<u>587,191</u>	<u>6,431</u>	<u>587,191</u>

Invest bank P.S.C.

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

9 Loans and advances to customers

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Overdrafts	6,378,234	6,364,810
Bills discounted	420,736	526,350
Trust receipts	518,204	624,349
Term loans	5,891,172	6,302,624
	<u>13,208,346</u>	<u>13,818,133</u>
Allowance for impairment (refer note 9.1)	(4,352,836)	(3,742,759)
Net loans and advances	<u>8,855,510</u>	<u>10,075,374</u>

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

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
At 1 January	3,742,759	1,510,217
Initial application of IFRS 9	-	299,700
At 1 January (adjusted as per IFRS 9)	<u>3,742,759</u>	<u>1,809,917</u>
Charge for the period/ year (refer note 9.2)	377,941	1,716,424
Recoveries during the period/ year	(24,373)	(19,072)
Interest not recognised in the consolidated profit or loss statement	256,731	237,676
Amounts written off during the period/ year	(222)	(2,186)
At 30 September 2019/ 31 December 2018	<u>4,352,836</u>	<u>3,742,759</u>

9.2 Net impairment loss

	Unaudited 30 September 2019 AED'000	Unaudited 30 September 2018 AED'000
Impairment charge for the period	377,941	517,550
Recoveries (refer note (i) below)	(24,622)	(15,794)
Net impairment loss	<u>353,319</u>	<u>501,756</u>

(i) Includes AED 0.25 million (30 September 2018: AED 2 million) recovered from balances previously written off.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (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 nine-month period:

Customer exposure	Unaudited 30 September 2019			Total AED'000
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	AED'000	AED'000	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	(838,988)	838,988	-	
Transfer from Stage 1 to Stage 3	(37,909)	-	37,909	
Transfer from Stage 2 to Stage 1	662,244	(662,244)	-	
Transfer from Stage 2 to Stage 3	-	(663,841)	663,841	
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Changes in PDs/ LGDs/ EADs	(995,983)	20,945	365,251	(609,787)
Gross exposure as at 30 September 2019	4,251,550	2,779,717	6,177,079	13,208,346
Customer exposure	Audited 31 December 2018			Total AED'000
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	AED'000	AED'000	AED'000	
Gross exposure as at 1 January 2018	9,957,515	2,720,201	1,298,135	13,975,851
Transfers				
Transfer from Stage 1 to Stage 2	(2,257,538)	2,257,538	-	-
Transfer from Stage 1 to Stage 3	(2,388,925)	-	2,388,925	-
Transfer from Stage 2 to Stage 1	149,931	(149,931)	-	-
Transfer from Stage 2 to Stage 3	-	(1,582,729)	1,582,729	-
Transfer from Stage 3 to Stage 1	1,203	-	(1,203)	-
Transfer from Stage 3 to Stage 2	-	790	(790)	-
Changes in PDs/ LGDs/ EADs	-	-	(157,718)	(157,718)
Gross exposure as at 31 December 2018	5,462,186	3,245,869	5,110,078	13,818,133

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2019 (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 nine-month period:

Customer exposure	Unaudited 30 September 2019			Total AED'000
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	AED'000	AED'000	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	(6,944)	6,944	-	-
Transfer from Stage 1 to Stage 3	(273)	-	273	-
Transfer from Stage 2 to Stage 1	15,740	(15,740)	-	-
Transfer from Stage 2 to Stage 3	-	(111,331)	111,331	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Changes in PDs/ LGDs/ EADs	(13,345)	95,376	528,046	610,077
Loss allowance as at 30 September 2019	39,824	231,846	4,081,166	4,352,836
Customer exposure	Audited 31 December 2018			Total AED'000
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	AED'000	AED'000	AED'000	
Loss allowance as at 1 January 2018	651,283	409,576	749,058	1,809,917
Transfers				
Transfer from Stage 1 to Stage 2	(10,742)	10,742	-	-
Transfer from Stage 1 to Stage 3	(510,941)	-	510,941	-
Transfer from Stage 2 to Stage 1	2,484	(2,484)	-	-
Transfer from Stage 2 to Stage 3	-	(327,246)	327,246	-
Transfer from Stage 3 to Stage 1	13	-	(13)	-
Transfer from Stage 3 to Stage 2	-	8	(8)	-
New origination and changes in PDs/ LGDs/ EADs	(87,451)	166,001	1,854,292	1,932,842
Loss allowance as at 31 December 2018	44,646	256,597	3,441,516	3,742,759

Invest bank P.S.C.

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

10 Other assets

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Interest receivable	27,647	31,251
Repossessed properties (refer note 10.1)	587,191	587,191
Property plant and equipment	93,832	99,939
Prepayments and other assets	34,308	23,592
Customers' indebtedness for acceptances (refer note 13)	216,097	350,945
	<u>959,075</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:

	Unaudited 30 September 2019		Audited 31 December 2018	
	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>49,275</u>	<u>758,307</u>	<u>56,075</u>	<u>731,089</u>
Deposits				
Deposits	<u>222,804</u>	<u>1,761,869</u>	<u>267,538</u>	<u>1,947,485</u>
Commitments and contingent Liabilities				
Outstanding letters of credit and guarantees	<u>-</u>	<u>1,697</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 September 2019 (31 December 2018: Nil).

Invest bank P.S.C.

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

11 Related party transactions (continued)

The loans extended to directors are repayable over 1 year and bear interest at the rates ranging between 4% and 10% (2018: 4% and 10%) per annum. As at 30 September 2019 outstanding loans and advances due from related parties are secured by deposits under lien amounting to AED 558 million (31 December 2018: AED 774.8 million).

	Unaudited 30 September 2019		Unaudited 30 September 2018	
	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
Interest income earned for nine-month period ended	<u>4,591</u>	<u>29,704</u>	<u>3,906</u>	<u>34,549</u>
Interest expense incurred for nine-month period ended	<u>16,827</u>	<u>45,075</u>	<u>(7,114)</u>	<u>(44,245)</u>

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

Key management personnel

	Unaudited 30 September 2019 AED'000	Unaudited 30 September 2018 AED'000
Salaries and other short term benefits	<u>6,767</u>	<u>12,973</u>
End of service benefits	<u>289</u>	<u>315</u>
	<u><u>7,056</u></u>	<u><u>13,288</u></u>

Invest bank P.S.C.

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

12 Deposits from customers

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Time deposits (refer to note 12.1)	7,493,387	9,056,266
Savings accounts	125,988	131,394
Current and other accounts	2,095,505	3,447,824
	<u>9,714,880</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

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Interest payable	135,625	122,569
Unearned commission income	29,719	40,473
Accrued expenses	34,151	61,790
Liabilities under acceptances	216,097	350,945
Others	64,369	67,423
	<u>479,961</u>	<u>643,200</u>

14 Share capital

Share capital

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 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 nine-month period ended 30 September 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 September 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 nine-month period ended 30 September 2019 (continued)

14 Share capital (continued)

Capital adequacy ratio (continued)

The Group's regulatory capital position was as follows:

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 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	(102,260)	(117,015)
Retained earnings	(1,863,935)	(1,625,301)
Total tier 1 capital	<u>1,638,306</u>	<u>747,185</u>
Tier 2 Capital		
General provision	<u>145,166</u>	165,657
Total tier 2 capital	<u>145,166</u>	165,657
Total regulatory capital	<u>1,783,472</u>	<u>912,842</u>
Key weighted assets		
Credit risk	11,613,282	13,252,552
Market risk	59,695	54,740
Operational risk	<u>1,277,872</u>	1,348,694
Total risk weighted assets (RWA)	<u>12,950,849</u>	<u>14,655,986</u>
Total regulatory capital expressed as % of RWA	13.77%	6.23%
Total tier 1 capital expressed as % of RWA	12.65%	5.10%

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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:

	Unaudited 30 September 2019			Unaudited 30 September 2018		
	Commercial banking AED'000	Treasury and investments AED'000	Total AED'000	Commercial banking AED'000	Treasury and investments AED'000	Total AED'000
Net interest and other income	286,673	3,584	290,257	466,074	26,461	492,535
Net impairment losses	(353,996)	677	(353,319)	(480,670)	(21,086)	(501,756)
Loss/ (profit) for the period	(229,569)	1,056	(228,513)	(183,624)	1,636	(181,988)
Segment capital expenditure	4,579	-	4,579	10,135	-	10,135
Segment depreciation	10,686	-	10,686	10,209	-	10,209
	Unaudited 30 September 2019			Audited 31 December 2018		
	Commercial banking AED'000	Treasury and investments AED'000	Total AED'000	Commercial banking AED'000	Treasury and investments AED'000	Total AED'000
Segment total assets	10,074,242	1,759,146	11,833,388	12,947,008	2,318,112	15,265,120
Segment total liabilities	10,194,427	655	10,195,082	12,883,665	332,523	13,216,188

Invest bank P.S.C.

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

16 Basic and diluted 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.

	Unaudited nine month period ended 30 September	
	2019	2018
Loss attributable to ordinary shareholders (AED'000)	<u>(228,513)</u>	<u>(181,988)</u>
Weighted average number of shares outstanding	<u>3,180,982</u>	<u>1,588,125</u>
Loss per share (UAE Dirhams)	<u>(0.07)</u>	<u>(0.11)</u>

As at reporting dates the Group does not have any instrument resulting in dilution of basic earnings per share.

17 Commitments and contingent liabilities

	Unaudited 30 September 2019 AED'000	Audited 31 December 2018 AED'000
Letters of credit	210,051	316,958
Letters of guarantee	4,837,327	6,160,794
Irrevocable commitments to extend credit	114,651	200,308
Foreign exchange forward commitments	3,136	758,350
	<u>5,165,165</u>	<u>7,436,410</u>