

**Invest bank P.S.C.**

**Condensed consolidated interim financial information  
for the nine-month period ended 30 September 2021**

**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 nine-month period ended 30 September 2021**

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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 financial information consisting of the 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 2021 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month period then ended and the condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes. The directors are responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### Scope of review

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

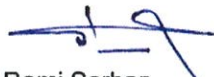
### Conclusion

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

### Emphasis of matter

We draw attention to note 4 of the condensed consolidated financial information which states that the Bank is dependent on the ongoing support of the Central Bank of the United Arab Emirates and the Government of Sharjah in managing its liquidity requirements. We also draw attention to notes 4 and 15 which states that as at 30 September 2021, the Bank was below the minimum regulatory Capital Adequacy Ratio ("CAR") of 11.5% and is focusing on a number of initiatives to manage its CAR. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers  
9 March 2022



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

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

## Invest bank P.S.C.

### Condensed consolidated interim statement of financial position as at 30 September 2021

		30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
	Notes		
<b>ASSETS</b>			
Cash and deposits with central banks	6	1,692,124	518,893
Due from banks	7	125,724	165,187
Investment securities	8	2,012,675	122,515
Loans and advances to customers	9	6,382,361	7,243,637
Other assets	10	591,406	683,585
<b>Total assets</b>		<b>10,804,290</b>	<b>8,733,817</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks	12	1,236,582	388,485
Deposits from customers	13	8,591,189	7,147,460
Other liabilities	14	250,135	288,055
<b>Total liabilities</b>		<b>10,077,906</b>	<b>7,824,000</b>
<b>EQUITY</b>			
Share capital	15	3,180,982	3,180,982
Share discount		(477,857)	(477,857)
Fair value reserve		(39,771)	(41,169)
Accumulated losses		(1,936,970)	(1,752,139)
<b>Total equity</b>		<b>726,384</b>	<b>909,817</b>
<b>Total liabilities and equity</b>		<b>10,804,290</b>	<b>8,733,817</b>

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 9 March 2022 and signed on its behalf by:

Chief Executive Officer

Chairman

## Invest bank P.S.C.

### Condensed consolidated interim statement of profit or loss for the nine-month period ended 30 September 2021 (un-audited)

	Three-month period ended 30 September		For the nine-month period ended 30 September	
	2021	2020	2021	2020
	Notes AED'000	AED'000	AED'000	AED'000
Interest income	57,009	75,433	240,999	272,071
Interest expense	(46,303)	(56,234)	(137,792)	(190,333)
<b>Net interest income</b>	<b>10,706</b>	<b>19,199</b>	<b>103,207</b>	<b>81,738</b>
Net fees and commission income	14,313	21,554	45,320	65,679
Net income from foreign currencies	1,613	1,604	5,782	5,403
Other (loss) / income, net	(9,980)	(19,841)	(10,375)	(1,496)
<b>Total operating income</b>	<b>16,652</b>	<b>22,516</b>	<b>143,934</b>	<b>151,324</b>
<b>Operating expenses</b>				
General and administrative expenses	(26,107)	(33,662)	(108,999)	(130,793)
<b>Total operating expenses</b>	<b>(26,107)</b>	<b>(33,662)</b>	<b>(108,999)</b>	<b>(130,793)</b>
<b>Net (loss) / profit before net impairment loss</b>	<b>(9,455)</b>	<b>(11,146)</b>	<b>34,935</b>	<b>20,531</b>
Net impairment loss	16 (108,800)	(198,068)	(218,124)	(365,863)
<b>Loss for the period</b>	<b>(118,255)</b>	<b>(209,214)</b>	<b>(183,189)</b>	<b>(345,332)</b>
<b>Loss per share</b>	<b>18 (0.04)</b>	<b>(0.07)</b>	<b>(0.06)</b>	<b>(0.11)</b>

## Invest bank P.S.C.

### Condensed consolidated interim statement of comprehensive income for the nine-month period ended 30 September 2021 (un-audited)

	Three-month period ended 30 September		For the nine-month period ended 30 September	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Loss for the period	(118,255)	(209,214)	(183,189)	(345,332)
<b>Other comprehensive profit / (loss):</b>				
<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)	(104)	(129)	(244)	(29,186)
<b>Total items that will not be reclassified to profit or loss</b>	<u>(104)</u>	<u>(129)</u>	<u>(244)</u>	<u>(29,186)</u>
<b>Total comprehensive loss for the period</b>	<u>(118,359)</u>	<u>(209,343)</u>	<u>(183,433)</u>	<u>(374,518)</u>

## Invest bank P.S.C.

### Condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2021 (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
<b>Balance at 1 January 2020</b>	3,180,982	(477,857)	450,688	450,688	(103,730)	(2,214,784)	1,285,987
Loss for the period	-	-	-	-	-	(345,332)	(345,332)
<i>Other comprehensive loss</i>							
Change in fair value of financial assets measured at fair value through other comprehensive income (FVTOCI)	-	-	-	-	(29,186)	-	(29,186)
Total comprehensive loss for the period	-	-	-	-	(29,186)	(345,332)	(374,518)
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	1,257	(1,257)	-
Transfer of legal and special reserve to accumulated losses	-	-	(450,688)	(450,688)	-	901,376	-
<b>Balance at 30 September 2020 (un-audited)</b>	<b>3,180,982</b>	<b>(477,857)</b>	<b>-</b>	<b>-</b>	<b>(131,659)</b>	<b>(1,659,997)</b>	<b>911,469</b>
<b>Balance at 1 January 2021</b>	<b>3,180,982</b>	<b>(477,857)</b>	<b>-</b>	<b>-</b>	<b>(41,169)</b>	<b>(1,752,139)</b>	<b>909,817</b>
Loss for the period	-	-	-	-	-	(183,189)	(183,189)
<i>Other comprehensive loss</i>							
Change in fair value of financial assets measured at fair value through other comprehensive income (FVTOCI)	-	-	-	-	(244)	-	(244)
Total comprehensive loss for the period	-	-	-	-	(244)	(183,189)	(183,433)
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	1,642	(1,642)	-
<b>Balance at 30 September 2021 (un-audited)</b>	<b>3,180,982</b>	<b>(477,857)</b>	<b>-</b>	<b>-</b>	<b>(39,771)</b>	<b>(1,936,970)</b>	<b>726,384</b>

The notes on pages 7 to 34 are an integral part of this condensed consolidated interim financial information.

## Invest bank P.S.C.

### Condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2021 (un-audited)

	Notes	For the nine-month period ended 30 September	
		2021 AED'000	2020 AED'000
<b>Cash flows from operating activities</b>			
Loss for the period		(183,189)	(345,332)
<b>Adjustments:</b>			
Depreciation		7,285	8,636
Net gain on investment securities		(51)	(481)
Net impairment loss	16	218,124	365,863
		<u>42,169</u>	<u>28,686</u>
<b>Operating cash flows before changes in operating assets and liabilities</b>			
Changes in time deposits with Central banks maturing after three months		(424,669)	(267,250)
Change in statutory reserve requirement		(3,407)	129,577
Change in loans and advances to customers*		392,851	572,467
Change in other assets		90,369	104,162
Change in deposits from customers*		443,729	(1,526,504)
Change in due to banks		(18)	(116)
Change in other liabilities		(37,921)	(186,008)
<b>Net cash generated from/(used in) operating activities</b>		<u>503,103</u>	<u>(1,144,986)</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(5,474)	(4,731)
Purchase of investment securities*		(750,613)	(330,570)
Proceeds from sale/redemption of investment securities		110,552	9,641
<b>Net cash used in investing activities</b>		<u>(645,535)</u>	<u>(325,660)</u>
<b>Cash flow from financing activity</b>			
Proceeds from repo financing		848,114	273,877
<b>Net cash generated from financing activity</b>		<u>848,114</u>	<u>273,877</u>
<b>Net change in cash and cash equivalents</b>		<u>705,682</u>	<u>(1,196,769)</u>
Cash and cash equivalents at the beginning of the period		<u>588,768</u>	<u>1,902,473</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>1,294,450</u>	<u>705,704</u>
<b>Cash and cash equivalents as at 30 September</b>			
Cash and deposits with central banks		1,168,605	585,412
Due from banks maturing within three months		125,845	120,292
		<u>1,294,450</u>	<u>705,704</u>

\* Non-cash transactions

As a result of the transaction relating to the purchase of Government of Sharjah sukuks, AED 1.25 billion of the investment was recorded against loans in the amount of AED 250 million and customer deposit in the amount of AED 1 billion from Government of Sharjah. This transaction is considered as a non-cash transaction.



## **Invest bank P.S.C.**

### **Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021**

#### **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 and Abu Dhabi. Invest bank also carries out banking activities through its branch (the "branch") in Beirut, Lebanon licensed by Banque Du Liban (the "CB Lebanon"). As a result of prevailing financial and economic crisis in Lebanon, the Branch has commenced the process of liquidation, following the regulatory approvals received from CB Lebanon in July 2021. Accordingly, these interim condensed consolidated financial information include financial statements of the Lebanon branch which are presented on a basis other than going concern.

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.

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Bank is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The consolidated financial statements as at and for the nine-month period ended 30 September 2021 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 certain financial investment including repossessed properties which are measured 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 2020, which has been prepared in accordance with International Financial Reporting Standards ("IFRS").

## **Invest bank P.S.C.**

### **Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021** (continued)

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

##### *(b) Hyperinflation*

The Lebanese economy has been recognised in 2020 as a hyperinflationary economy, the three year cumulative inflation rate at the end of November 2020 having exceeded 100%. IAS 29 'Financial reporting in hyperinflationary economies' is, therefore, applicable to the operations of the Bank's Lebanon branch for the current period. IAS 29 requires financial statements, including comparative information, to be restated in terms of a measuring unit current at the end of the reporting period. The restatement is made using the change in a general price index.

The financial information relating to the Lebanon branch has not been restated as required by IAS 29, on grounds of materiality.

##### *(c) 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.

##### *(d) 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.

##### *(e) 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.

**Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021** (continued)

**2 Basis of preparation** (continued)

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

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.

(iii) Fair value of 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 appropriately 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.

**Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021** (continued)

**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 new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in this interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

- **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.
- **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.
- **Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark (IBOR) reform** The Phase 2 amendments that were issued on 27 August 2020 address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform (for example, where lease payments are indexed to an IBOR rate).

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

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

##### 3.2 New and revised IFRS in issue but not yet effective

###### *New and revised IFRSs*

###### *Effective for annual periods beginning on or after*

**IFRS 17 Insurance Contracts** – IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023. 1 January 2023

**Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 9 and IFRS 16** – Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. 1 January 2022

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

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

Annual improvements make minor amendments to IFRS 9, ‘Financial instruments’, and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8** – 1 January 2023  
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

**Amendment to IAS 12** – Deferred tax related to assets and liabilities arising from a single transaction- These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. 1 January 2023

**Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021** (continued)

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

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

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s condensed consolidated interim financial information as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

**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 2020.

**4 Recapitalization and liquidity**

Capitalisation

The Bank’s Capital Adequacy Ratio (“CAR”) was 10.1% at 30 September 2021, below the Central Bank of the UAE’s (“CBUAE”) regulatory minimum of 11.5%.

The Bank’s accumulated losses exceeded half of its capital as at 31 December 2020. As a result, a General Assembly Meeting was convened on 30 June 2021 which approved the Bank’s continuation in carrying out its activities. The Bank continues to pursue a strategy to resolve its current financial situation and define sustainable strategic solutions.

As the Bank’s majority shareholder, the Government of Sharjah continues to coordinate efforts to support the strengthening of the Bank’s capital base.

Liquidity

The Bank entered into a repurchase arrangement in the normal course of business with the CBUAE, collateralised by investments held in Government of Sharjah sukuks maturing on 23 March 2022, enabling the Bank to draw on AED 1.6B in liquidity support.

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

The Bank continues to focus on a number of initiatives to manage its liquidity and deposit balances including the attraction and retention of deposits.

Going concern

Management believes that it is appropriate for the financial statements to be prepared on a going concern basis on the assumption that the facilities provided by the CBUAE as secured by the Sharjah Government sukuks will be renewed upon maturity in March 2022 or replaced by adequate facilities to enable the Bank to meet its financial obligations as and when they fall due.

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 4 Recapitalization and liquidity (continued)

##### Maturities of assets and liabilities

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year and above AED'000	Total AED'000
<b>At 30 September 2021</b>				
<b>Assets</b>				
Cash and deposits with central banks	1,258,273	424,669	9,182	1,692,124
Due from banks	125,724	-	-	125,724
Investment securities	12,675	2,000,000	-	2,012,675
Loans and advances to customers	312,074	2,571,231	3,499,056	6,382,361
Customers' indebtedness for acceptances	39,157	11,924	546	51,627
Other assets	31,941	20,877	486,961	539,779
<b>Total assets</b>	<b>1,779,844</b>	<b>5,028,701</b>	<b>3,995,745</b>	<b>10,804,290</b>
<b>Liabilities and equity</b>				
Due to banks	136,582	1,100,000	-	1,236,582
Deposits from customers	2,679,594	5,910,950	645	8,591,189
Liabilities under acceptances	39,157	11,924	546	51,627
Other liabilities	111,518	47,123	39,867	198,508
<b>Total liabilities</b>	<b>2,966,851</b>	<b>7,069,997</b>	<b>41,058</b>	<b>10,077,906</b>
<b>Net liquidity position</b>	<b>(1,187,007)</b>	<b>(2,041,296)</b>	<b>3,954,687</b>	<b>726,384</b>
	Less than 3 months AED'000	3 months to 1 year AED'000	1 year and above AED'000	Total AED'000
<b>At 31 December 2020</b>				
<b>Assets</b>				
Cash and deposits with central banks	509,711	-	9,182	518,893
Due from banks	165,187	-	-	165,187
Investment securities	12,618	-	109,897	122,515
Loans and advances to customers	572,393	2,482,605	4,188,639	7,243,637
Customers' indebtedness for acceptances	95,753	16,249	-	112,002
Other assets	20,761	27,440	523,382	571,583
<b>Total assets</b>	<b>1,376,423</b>	<b>2,526,294</b>	<b>4,831,100</b>	<b>8,733,817</b>
<b>Liabilities and equity</b>				
Due to banks	388,485	-	-	388,485
Deposits from customers	2,496,162	4,638,845	12,453	7,147,460
Liabilities under acceptances	95,753	16,249	-	112,002
Other liabilities	89,907	42,269	43,877	176,053
<b>Total liabilities</b>	<b>3,070,307</b>	<b>4,697,363</b>	<b>56,330</b>	<b>7,824,000</b>
<b>Net liquidity position</b>	<b>(1,693,884)</b>	<b>(2,171,069)</b>	<b>4,774,770</b>	<b>909,817</b>

Deposits from customers in "Less than 3 months" bucket include AED 2,140 million of current and savings account deposits (31 December 2020: AED 1,772 million).

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (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 30 September 2021 (un-audited)	AED'000	AED'000	AED'000	AED'000
<b>Financial assets</b>				
Cash and deposits with central banks	-	-	1,692,124	1,692,124
Due from banks	-	-	125,724	125,724
Investment securities	2,482	10,193	2,000,000	2,012,675
Loans and advances to customers	-	-	6,382,361	6,382,361
Customers' indebtedness for acceptances	-	-	51,627	51,627
Other financial assets	-	-	49,121	49,121
	<u>2,482</u>	<u>10,193</u>	<u>10,300,957</u>	<u>10,313,632</u>
<b>Financial liabilities</b>				
Due to banks	-	-	1,236,582	1,236,582
Deposits from customers	-	-	8,591,189	8,591,189
Liabilities under acceptances	-	-	51,627	51,627
Other financial liabilities	-	-	132,606	132,606
	<u>-</u>	<u>-</u>	<u>10,012,004</u>	<u>10,012,004</u>
	FVTPL	FVTOCI	Amortised cost	Total carrying amount
At 31 December 2020 (audited)	AED'000	AED'000	AED'000	AED'000
<b>Financial assets</b>				
Cash and deposits with central banks	-	-	518,893	518,893
Due from banks	-	-	165,187	165,187
Investment securities	2,482	10,136	109,897	122,515
Loans and advances to Customers	-	-	7,243,637	7,243,637
Customers' indebtedness for acceptances	-	-	112,002	112,002
Other financial assets	-	-	40,637	40,637
	<u>2,482</u>	<u>10,136</u>	<u>8,190,253</u>	<u>8,202,871</u>
<b>Financial liabilities</b>				
Due to banks	-	-	388,485	388,485
Deposits from customers	-	-	7,147,460	7,147,460
Liabilities under acceptances	-	-	112,002	112,002
Other financial liabilities	-	-	112,983	112,983
	<u>-</u>	<u>-</u>	<u>7,760,930</u>	<u>7,760,930</u>



## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 6 Cash and deposits with central banks

	30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Cash in hand	22,995	17,873
Deposits with central banks	1,570,280	405,578
Reserve requirements with the CB (refer note 6.1)	199,776	196,369
Less: Allowance for impairment (ECL) (refer note 6.2)	(100,927)	(100,927)
	<u>1,692,124</u>	<u>518,893</u>

The geographical concentration is as follow

- Within the U.A.E	1,579,126	365,610
- Outside the U.A.E	213,925	254,210
Less: Allowance for impairment (ECL) (refer note 6.2)	(100,927)	(100,927)
	<u>1,692,124</u>	<u>518,893</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 A +/-5% change in the allowance rate would result in a AED +/-12 million change in ECL.

#### 7 Due from banks

	30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Money market placements	20,000	70,000
Balances with other banks	105,846	95,317
Less: Allowance for impairment (ECL)	(122)	(130)
	<u>125,724</u>	<u>165,187</u>

The geographical concentration is as follow

- Within the U.A.E	34,408	98,000
- Outside the U.A.E	91,438	67,317
Less: Allowance for impairment (ECL)	(122)	(130)
	<u>125,724</u>	<u>165,187</u>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 8 Investment securities

The details of investments are as follows:

	30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
<b>Financial assets measured at fair value through profit or loss (FVTPL):</b>		
Investments in quoted equity securities	2,482	2,482
<b>Financial assets measured at fair value through other comprehensive income (FVTOCI)</b>		
Investments in quoted equity securities	9,113	9,669
Investments in un-quoted equity securities	1,080	467
<b>Financial assets at amortised cost:</b>		
Investments in debt securities (refer to note 8.1)	2,000,000	110,190
	<u>2,012,675</u>	<u>122,808</u>
<b>Less: Allowance for impairment (ECL)</b>	-	(293)
	<u>2,012,675</u>	<u>122,515</u>

8.1 In March 2021, the Bank entered into a repurchase arrangement with the CBUAE, collateralised by investments held in Government of Sharjah sukuks amounting to AED 2 billion. This arrangement enabled the Bank to draw on AED 1.6 billion in liquidity support. This investment matures in March 2022. As at 31 December 2020: AED 110 million of investments in debt securities were pledged under repurchase agreements with a bank.

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

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (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 the fair value hierarchy, into which the fair value measurement is categorised. As at the end of the reporting period, liabilities measured at fair value are Nil (31 December 2020: Nil).

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>30 September 2021 (un-audited)</b>				
<b><u>Financial assets</u></b>				
FVTPL - equity securities	2,482	-	-	2,482
FVOCI - equity securities	9,113	-	1,080	10,193
<b><u>Non-financial assets</u></b>				
Repossessed properties (note 10)	-	-	416,460	416,460
	<u>11,595</u>	<u>-</u>	<u>417,540</u>	<u>429,135</u>
<b>31 December 2020 (audited)</b>				
<b><u>Financial assets</u></b>				
FVTPL - equity securities	2,482	-	-	2,482
FVOCI - equity securities	9,669	-	467	10,136
<b><u>Non-financial assets</u></b>				
Repossessed properties (note 10)	-	-	457,374	457,374
	<u>12,151</u>	<u>-</u>	<u>457,841</u>	<u>469,992</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.

	30 September 2021 (Un-audited)		31 December 2020 (Audited)	
	Investment securities AED'000	Repossessed properties AED'000	Investment securities AED'000	Repossessed properties AED'000
As at 1 January	467	457,374	7,268	517,984
Unrealized change in fair value				
- in profit or loss	-	(9,914)	-	(60,610)
Transfer				
- Additions	613	-	-	-
- Disposals	-	(31,000)	(6,801)	-
As at end of period	<u>1,080</u>	<u>416,460</u>	<u>467</u>	<u>457,374</u>

During 2021, the Group sold repossessed properties of AED 32.5 million resulting in a gain of AED 1.5 million recorded under other income in the condensed consolidated interim statement of comprehensive income.

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 9 Loans and advances to customers

	30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Overdrafts	6,214,859	5,992,281
Bills discounted	104,904	129,504
Trust receipts	459,176	473,245
Term loans	5,484,601	5,995,966
	<u>12,263,540</u>	<u>12,590,996</u>
Allowances for impairment (refer note 9.1 and 9.2)	<u>(5,881,179)</u>	<u>(5,347,359)</u>
Net loans and advances to customers	<u>6,382,361</u>	<u>7,243,637</u>

#### Stage wise analysis of products

	30 September 2021 (un-audited)			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Overdrafts	1,501,076	360,271	4,353,512	6,214,859
Bills discounted	7,294	4,014	93,596	104,904
Trust receipts	28,853	53,860	376,463	459,176
Term loans	831,967	1,509,956	3,142,678	5,484,601
	<u>2,369,190</u>	<u>1,928,101</u>	<u>7,966,249</u>	<u>12,263,540</u>

	31 December 2020 (audited)			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Overdrafts	1,238,009	710,761	4,043,511	5,992,281
Bills discounted	30,772	9,823	88,909	129,504
Trust receipts	134,115	21,789	317,341	473,245
Term loans	1,637,684	1,488,295	2,869,987	5,995,966
	<u>3,040,580</u>	<u>2,230,668</u>	<u>7,319,748</u>	<u>12,590,996</u>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 9 Loans and advances to customers (continued)

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

	30 September 2021			31 December 2020		
	Provision AED'000	Interest in suspense AED'000	Total AED'000	Provision AED'000	Interest in suspense AED'000	Total AED'000
At 1 January	4,270,048	1,077,311	5,347,359	4,074,580	662,120	4,736,700
Charge	220,021	-	220,021	319,851	-	319,851
Write back	-	-	-	(27,871)	-	(27,871)
Recoveries	(25)	(22,481)	(22,506)	(29,369)	(14,179)	(43,548)
Interest not recognised in the condensed consolidated interim statement of profit or loss	-	339,326	339,326	-	446,874	446,874
Amounts written off	(2,101)	(920)	(3,021)	(67,143)	(17,504)	(84,647)
As at period end	<u>4,487,943</u>	<u>1,393,236</u>	<u>5,881,179</u>	<u>4,270,048</u>	<u>1,077,311</u>	<u>5,347,359</u>

\* This amount represents recoveries from balances previously written-off.

#### 9.2 Staging movement

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

	30 September 2021 (un-audited)			
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Gross exposure as at 1 January 2021	3,040,580	2,230,668	7,319,748	12,590,996
Transfers				
Transfer from Stage 1 to Stage 2	(502,968)	502,968	-	-
Transfer from Stage 1 to Stage 3	(84,042)	-	84,042	-
Transfer from Stage 2 to Stage 1	419,366	(419,366)	-	-
Transfer from Stage 2 to Stage 3	-	(380,740)	380,740	-
Transfer from Stage 3 to Stage 2	-	180,520	(180,520)	-
Changes in EADs	(503,746)	(185,949)	362,239	(327,456)
Gross exposure as at 30 September 2021	<u>2,369,190</u>	<u>1,928,101</u>	<u>7,966,249</u>	<u>12,263,540</u>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 9 Loans and advances to customers (continued)

##### 9.2 Staging movement (continued)

Customer exposure	31 December 2020 (audited)			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	
Transfers:				
Transfer from Stage 1 to Stage 2	(527,862)	527,862	-	-
Transfer from Stage 1 to Stage 3	(2,257)	-	2,257	-
Transfer from Stage 2 to Stage 1	844,838	(844,838)	-	-
Transfer from Stage 2 to Stage 3	-	(779,058)	779,058	-
Transfer from Stage 3 to Stage 2	-	121,614	(121,614)	-
Changes in EADs	(479,901)	(286,404)	307,337	(458,968)
<b>Gross exposure as at 31 December 2020</b>	<b>3,040,580</b>	<b>2,230,668</b>	<b>7,319,748</b>	<b>12,590,996</b>

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

Customer loss allowance	30 September 2021 (un-audited)			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 2021	41,368	184,695	
Transfers:				
Transfer from Stage 1 to Stage 2	(3,326)	3,326	-	-
Transfer from Stage 1 to Stage 3	(276)	-	276	-
Transfer from Stage 2 to Stage 1	9,130	(9,130)	-	-
Transfer from Stage 2 to Stage 3	-	(12,004)	12,004	-
Transfer from Stage 3 to Stage 2	-	68,171	(68,171)	-
Changes in PDs / LGDs / EADs	(36,268)	(107,966)	678,054	533,820
<b>Loss allowance as at 30 September 2021</b>	<b>10,628</b>	<b>127,092</b>	<b>5,743,459</b>	<b>5,881,179</b>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 9 Loans and advances to customers (continued)

##### 9.2 Staging movement (continued)

Customer loss allowance	31 December 2020 (audited)			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 2020	36,208	123,462	4,577,030	4,736,700
Transfers				
Transfer from Stage 1 to Stage 2	(2,693)	2,693	-	-
Transfer from Stage 1 to Stage 3	(22)	-	22	-
Transfer from Stage 2 to Stage 1	2,032	(2,032)	-	-
Transfer from Stage 2 to Stage 3	-	(42,032)	42,032	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	46,332	(46,332)	-
Changes in PDs / LGDs / EADs	5,843	56,272	548,544	610,659
<b>Loss allowance as at 31 December 2020</b>	<b>41,368</b>	<b>184,695</b>	<b>5,121,296</b>	<b>5,347,359</b>

##### 9.3 Gross credit exposure by industry segment

	30 September 2021 (un-audited)				31 December 2020 (audited)
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000	Total AED'000
Manufacturing	50,545	180,445	2,136,776	2,367,766	2,298,834
Construction	150,624	276,748	3,154,523	3,581,895	3,753,975
Real Estate	91,746	728,645	863,592	1,683,983	1,857,734
Trade	90,725	202,058	797,931	1,090,714	1,156,207
Transport, Storage and Communication	7,472	18,018	92,895	118,385	112,644
Financial Institutions	1,007,940	56,337	104,678	1,168,955	1,134,801
Other Services	466,904	204,812	213,900	885,616	849,221
Government	362,805	-	-	362,805	422,573
Individuals	7,110	681	13,958	21,749	28,289
High Net Worth Individuals	133,230	251,477	391,873	776,580	760,805
All others	89	8,880	196,123	205,092	215,913
<b>Gross loans and advances</b>	<b>2,369,190</b>	<b>1,928,101</b>	<b>7,966,249</b>	<b>12,263,540</b>	<b>12,590,996</b>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 9 Loans and advances to customers (continued)

##### 9.4 Expected credit loss by industry segment

	30 September 2021 (un-audited)				31 December 2020 (audited)
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000	Total AED'000
Manufacturing	210	7,103	1,640,605	1,647,918	1,492,143
Construction	1,108	10,740	2,462,102	2,473,950	2,240,087
Real Estate	470	74,170	350,016	424,656	335,815
Trade	392	7,575	603,491	611,458	573,847
Transport, Storage and Communication	15	192	24,167	24,374	37,244
Financial Institutions	1,498	93	87,129	88,720	85,757
Other Services	6,013	3,092	176,858	185,963	180,379
Government	430	-	-	430	6,176
Individuals	30	4	10,148	10,182	16,648
High Net Worth Individuals	462	23,622	220,194	244,278	222,521
All others	-	501	168,749	169,250	156,742
<b>Loss allowances</b>	<b>10,628</b>	<b>127,092</b>	<b>5,743,459</b>	<b>5,881,179</b>	<b>5,347,359</b>

#### 10 Other assets

	30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Interest receivable	28,432	17,422
Reposessed properties (refer to note 10.1)	416,460	457,374
Property plant and equipment	75,681	77,491
Prepayments and other assets	19,206	19,296
Customers' indebtedness for acceptances	51,627	112,002
	<b>591,406</b>	<b>683,585</b>

10.1 Reposessed properties were acquired in settlement of loans and advances



## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (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:

	30 September 2021 (un-audited)				
	Government of Sharjah AED'000	Sharjah government related entities AED'000	Board of directors AED'000	Other balances associated with board of directors AED'000	Total AED'000
Loans and advances with customers	<u>200,042</u>	<u>357,364</u>	<u>47,712</u>	<u>334,849</u>	<u>939,967</u>
Deposits with customers	<u>1,000,000</u>	<u>52,372</u>	<u>15,730</u>	<u>765,315</u>	<u>1,833,417</u>
Commitments and contingent Liabilities					
Outstanding letters of credit and guarantees	<u>-</u>	<u>-</u>	<u>-</u>	<u>412</u>	<u>412</u>
	31 December 2020 (audited)				
	Government of Sharjah AED'000	Sharjah government related entities AED'000	Board of directors AED'000	Other balances associated with board of directors AED'000	Total AED'000
Loans and advances with customers	<u>250,000</u>	<u>256,864</u>	<u>47,874</u>	<u>339,012</u>	<u>893,750</u>
Deposits with customers	<u>661</u>	<u>51,124</u>	<u>7,332</u>	<u>1,109,931</u>	<u>1,169,048</u>
Commitments and contingent Liabilities					
Outstanding letters of credit and guarantees	<u>-</u>	<u>-</u>	<u>-</u>	<u>758</u>	<u>758</u>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 11 Related party transactions (continued)

None of the loans granted to related parties are impaired or past due as at 30 September 2021 and 31 December 2020.

The loans extended to directors during the period are repayable over 1 year and bear interest at rates ranging from 4% to 10% per annum. At 30 September 2021, outstanding loans and advances due from related parties are secured by deposits under lien amounting to AED 412 million (31 December 2020: AED 304.2 million).

#### Other transactions with the Government of Sharjah:

Refer to note 8.1 for the investment in Government of Sharjah sukuku.

	30 September 2021 (un-audited)				
	Government of Sharjah AED'000	Sharjah government - related entities AED'00	Board of directors AED'000	Other exposures associated with board of directors AED'000	Total AED'000
Interest income	2,358	10,791	1,838	18,159	33,146
Interest expense	(7,958)	(960)	(131)	(32,869)	(41,918)

	30 September 2020 (un-audited)				
	Government of Sharjah AED'000	Sharjah government - related entities AED'00	Board of directors AED'000	Other exposures associated with board of directors AED'000	Total AED'000
Interest income	9,934	9,403	4,159	21,333	44,829
Interest expense	(2,493)	(939)	(133)	(42,924)	(46,489)

#### Key management personnel

	30 September 2021 (un-audited) AED'000	30 September 2020 (un-audited) AED'000
Salaries and other short term benefits	7,828	8,524
Termination benefits	935	1,436
	<u>8,763</u>	<u>9,960</u>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 12 Due to banks

	30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Balances with other banks	82	99
Zero cost facility from Central Bank of the U.A.E	136,500	273,000
Repo against fixed income securities (refer to note 8.1)	1,100,000	115,386
	<u>1,236,582</u>	<u>388,485</u>

#### 13 Deposits from customers

	30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Time deposits	6,335,161	5,363,020
Savings accounts	115,931	119,082
Current and other accounts	2,140,097	1,665,358
	<u>8,591,189</u>	<u>7,147,460</u>

#### 14 Other liabilities

	30 September 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Interest payable	94,533	54,339
Unearned commission income	20,672	22,436
Staff benefits payable	15,899	16,050
Accrued expenses	35,601	19,652
Manager's cheques	5,000	20,631
Liabilities under acceptances	51,627	112,002
Others	26,803	42,945
	<u>250,135</u>	<u>288,055</u>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 15 Share capital

	<b>Un-audited 30 September 2021 AED'000</b>	<b>Audited 31 December 2020 AED'000</b>
Authorised share capital <i>6,300,000 thousand shares of AED 1 each</i> <i>(31 December 2020: 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>3,182,982 thousand shares of AED 1 each</i> <i>(31 December 2020: 3,180,982 thousand shares of AED 1 each)</i>	<u>3,180,982</u>	<u>3,180,982</u>

#### Dividend

At the annual general meeting of the Bank held on 30 June 2021, no cash dividend was approved by the shareholders (31 December 2020: Nil).

#### Capital adequacy ratio

As per the Central bank regulation for Basel III, the capital requirement as at 30 September 2021 is 11.5% (31 December 2020: 11.5%) inclusive of the capital conservation buffer. As part of the CB UAE regulatory support announced in March 2020, conservation buffer has been reduced from 2.5% to 1%.

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, excluding the capital conservation buffer, is calculated as the sum of Tier 1 capital and Tier 2 capital which 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.

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 15 Share capital (continued)

The Group's regulatory capital position was as follows:

	30 September 2021 (un-audited) AED'000	31 December 2020 (un-audited) AED'000
<b>Tier 1 Capital</b>		
Share capital	3,180,982	3,180,982
Share discount	(477,857)	(477,857)
Fair value reserve	(39,771)	(41,169)
Accumulated losses	(1,891,970)	(1,805,577)
<b>Total tier 1 capital</b>	<b>771,384</b>	<b>856,379</b>
<b>Tier 2 Capital</b>		
General provision	101,546	104,361
<b>Total tier 2 capital</b>	<b>101,546</b>	<b>104,361</b>
<b>Total regulatory capital</b>	<b>872,930</b>	<b>960,740</b>
<b>Key weighted assets</b>		
Credit risk	8,123,660	8,348,882
Market risk	76,900	32,390
Operational, risk	420,664	1,005,239
<b>Total risk weighted assets (RWA)</b>	<b>8,621,224</b>	<b>9,386,511</b>
<b>CET1 expressed as % of RWA</b>	<b>8.95%</b>	<b>9.12%</b>
<b>Total tier 1 capital expressed as % of RWA</b>	<b>8.95%</b>	<b>9.12%</b>
<b>Total tier 1 and tier 2 as a % of RWA</b>	<b>10.13%</b>	<b>10.24%</b>

As shown above, the Bank's total regulatory capital of 10.13% (2020: 10.24%) is less than the 11.5% required by the CBUAE regulations (inclusive of capital conservation buffer).

#### 16 Net impairment loss

	30 September 2021 (un-audited) AED'000	30 September 2020 (un-audited) AED'000
Impairment charge on loans and advances	220,021	319,772
Impairment charge on cash and deposits with central banks	-	100,927
Recoveries / impairment charge on due from banks	(8)	1,324
Recoveries on investment securities	(293)	-
Recoveries on loans and advances	(1,596)	(56,160)
<b>Net impairment loss</b>	<b>218,124</b>	<b>365,863</b>



## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 18 Loss 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.

	<b>30 September 2021 (un-audited)</b>	30 September 2020 (un-audited)
Loss attributable to ordinary shareholders (AED'000)	<u>(183,189)</u>	<u>(345,332)</u>
Weighted average number of shares outstanding at 30 September (AED'000)	<u>3,180,982</u>	<u>3,180,982</u>
Loss per share (AED)	<u>(0.06)</u>	<u>(0.11)</u>

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

#### 19 Commitments and contingent liabilities

	<b>30 September 2021 (un-audited) AED'000</b>	31 December 2020 (audited) AED'000
Letters of credit	52,176	99,520
Letters of guarantee	2,709,279	3,331,940
Irrevocable commitments to extend credit	71,109	81,224
Foreign exchange and forward commitments	-	21,474
	<u>2,832,564</u>	<u>3,534,158</u>

#### 20 Impact of COVID-19

On 11 March 2020, the World Health Organisation ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. This note describes the impact of the outbreak on the Bank's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 September 2021.

In response to the COVID-19 outbreak, the Bank's risk management division identified the vulnerable sectors that are significantly impacted by this stressed situation, and reviews are being conducted on a more frequent basis. The existing corporate credit lines are being reviewed and the utilization is being closely monitored.

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 20 Impact of COVID-19 (continued)

The Bank has been extra vigilant in underwriting to companies in the vulnerable sectors, especially for any New-to-Bank customers.

In addition to the above and as explained below, for clients benefitting from payment deferrals, the Bank has classified its customers into two Groups, Group 1 and Group 2, as required by the Joint Guidance issued in April 2020. The Bank has considered the following principles for the classification.

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

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

For these clients, the Bank holds the view that, despite being subject to payment deferrals, there is insufficient deterioration in credit quality to trigger a stage migration. These clients will remain in their current stage, at least for the duration of the crisis, or their distress, whichever is the shorter. For instance, this would apply to industries that are expected to rapidly return to normal business conditions, once confinement policy decisions are over.

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

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

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

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



## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 20 Impact of COVID-19 (continued)

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

	30 September 2021 (un-audited)			
	Total exposure AED'000	ECL AED'000	Group 1 deferred exposure AED'000	Group 2 deferred exposure AED'000
Manufacturing	144,656	19,678	10,435	17,679
Real Estate	131,094	6,231	40,250	4,235
Trade	122,225	18,552	33,898	72,363
Transport, Storage and Communication	14,116	327	3,043	-
High Net Worth Individuals	159,299	2,722	24,582	-
All Other Services	7,298	601	2,575	681
	<u>578,687</u>	<u>48,111</u>	<u>114,783</u>	<u>94,958</u>
	31 December 2020 (audited)			
	Total exposure AED'000	ECL AED'000	Group 1 deferred exposure AED'000	Group 2 deferred exposure AED'000
Manufacturing	152,899	18,628	5,134	15,526
Construction	55,729	1,614	892	-
Real Estate	256,698	38	11,119	-
Trade	344,493	14,585	49,834	11,803
Transport, Storage and Communication	15,048	801	1,552	-
Financial Institutions	247,200	-	247,200	-
High Net Worth Individuals	2	-	2	-
Individuals	152,101	2,825	17,492	-
All Other Services	41,831	1,333	4,203	636
	<u>1,266,001</u>	<u>39,824</u>	<u>337,428</u>	<u>27,965</u>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 20 Impact of COVID-19 (continued)

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

At 30 September 2021	30 September 2021 (un-audited)			
	Total exposure AED'000	ECL AED'000	Group 1 Deferred exposure AED'000	Group 2 Deferred exposure AED'000
Overdraft	90,004	7,914	3,000	-
Trust receipts	38,114	13,532	532	77,170
Term loans	450,570	26,665	111,251	17,788
	<u>578,687</u>	<u>48,111</u>	<u>114,783</u>	<u>94,958</u>

At 31 December 2020	31 December 2020 (audited)			
	Total exposure AED'000	ECL AED'000	Group 1 deferred exposure AED'000	Group 2 deferred exposure AED'000
Overdraft	90,511	765	3,018	-
Trust receipts	93,118	13,107	29,799	14,412
Term loans	1,082,372	25,952	304,611	13,553
	<u>1,266,001</u>	<u>39,824</u>	<u>337,428</u>	<u>27,965</u>

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

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance at 1 January 2021	549,220	680,201	36,580	1,266,001
Transfer to Stage 3	(42,620)	(22,655)	65,275	-
Changes in EADs	(415,018)	(274,518)	2,223	(687,313)
<b>Balance at 30 September 2021 (un-audited)</b>	<u>91,582</u>	<u>383,028</u>	<u>104,078</u>	<u>578,688</u>

## Invest bank P.S.C.

### Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021 (continued)

#### 20 Impact of COVID-19 (continued)

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

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Balance at 1 January 2021	3,099	20,906	15,819	39,824
Transfer to Stage 3	(281)	(30)	311	-
Changes in PDs/ LGDs/ EADs	(2,293)	(9,441)	20,021	8,287
<b>Balance at 30 September 2021 (un-audited)</b>	<b>525</b>	<b>11,435</b>	<b>36,151</b>	<b>48,111</b>

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

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

#### *For Corporate clients*

- (a) Grouping decisions are relied on a mixture of quantitative analysis and a judgmental approach based on the views of Risk management department of the Bank.
- (b) Grouping decisions are in line with IFRS 9 stages; relying on the assessment of credit risk over the lifetime of facilities. Hence the necessary distinction between clients that are impacted over the short term vs. long term is appropriately considered.
- (c) It is expected that clients will face a range of impact intensity and duration. Therefore, grouping will be achieved by establishing cut-offs based on judgments. Industries and sectors are used as a commonly accepted starting point for segmentation.
- (d) For clients to which the Bank has a material exposure, analyses are performed on a case-by-case basis. For clients with less material exposures, analyses are performed on a portfolio basis based on credit risk drivers, mainly industry, tenor and rating.
- (e) For the purpose of establishing priorities in this grouping exercise, the Bank has organized its portfolio by materiality and susceptibility to the crisis, and has started with the most material/susceptible segments.
- (f) The Bank has assessed if its clients have put in place appropriate measures to cope with the crisis, in particular, decisions related to the management of their cash position, inventories, fixed costs and financial costs.
- (g) Considerations related to parent/government guarantee and collateral is also included in the grouping decision, as such a decision should consider potential credit enhancement.

## **Invest bank P.S.C.**

### **Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2021** (continued)

#### **21 Subsequent events**

There are no significant events after the reporting period that would require adjustment or disclosure in this condensed consolidated financial information.