

Invest bank P.S.C.

Condensed consolidated interim financial statements
for the three-month period ended 31 March 2017

Registered office

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

Invest bank P.S.C.

Condensed consolidated interim financial statements
for the three-month period ended 31 March 2017

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Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders
Invest bank P.S.C

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Invest bank P.S.C ("the Bank") and its subsidiary (together referred to as "the Group"), consisting of:

- the condensed consolidated interim statement of financial position as at 31 March 2017;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2017;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2017;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2017;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2017; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. 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 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 31 March 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No: 48
Dubai, United Arab Emirates
Date: 24 APR 2017

Invest bank P.S.C.
 Condensed consolidated interim statement of financial position (Unaudited)
 as at 31 March 2017

| | Note | Unaudited 31 Mar 2017 AED'000 | Audited 31 Dec 2016 AED'000 |
|--------------------------------------|------|-------------------------------------|-----------------------------------|
| Assets | | | |
| Cash and deposits with central banks | 6 | 1,784,286 | 1,863,727 |
| Due from banks | 7 | 537,315 | 562,197 |
| Investment securities | 8 | 675,700 | 705,651 |
| Loans and advances to customers | 9 | 11,981,267 | 11,953,525 |
| Property and equipment | | 110,155 | 111,440 |
| Other assets | 10 | 1,044,921 | 928,767 |
| Total assets | | 16,133,644 | 16,125,307 |
| Liabilities | | | |
| Due to banks | | 4,276 | 329,002 |
| Deposits from customers | | 12,300,692 | 12,176,685 |
| Other liabilities | 12 | 917,514 | 658,105 |
| Total liabilities | | 13,222,482 | 13,163,792 |
| Equity | | | |
| Share capital | 13 | 1,588,125 | 1,588,125 |
| Legal reserve | | 450,688 | 450,688 |
| Special reserve | | 450,688 | 450,688 |
| Fair value reserve | | (93,361) | (84,470) |
| Retained earnings | | 515,022 | 556,484 |
| Total equity | | 2,911,162 | 2,961,515 |
| Total liabilities and equity | | 16,133,644 | 16,125,307 |


The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors and signed on its behalf by:



 General Manager

24 APR 2017



 Director

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1 and 2.

Invest bank P.S.C.
 Condensed consolidated interim statement of profit or loss (Unaudited)
 for the three-month period ended 31 March 2017

| | <i>Note</i> | Three-month period ended | |
|---|-------------|---------------------------------|--------------------|
| | | 31 Mar 2017 | 31 Mar 2016 |
| | | AED'000 | AED'000 |
| Operating income | | | |
| Interest income | | 195,124 | 192,500 |
| Interest expense | | (71,099) | (62,823) |
| Net interest income | | <u>124,025</u> | <u>129,677</u> |
| Net fees and commission income | | 46,967 | 55,423 |
| Net income from foreign currencies | | 4,597 | 5,673 |
| Other income | | 2,166 | 1,950 |
| Total operating income | | <u>177,755</u> | <u>192,723</u> |
| Operating expenses | | | |
| General and administrative expenses | | (49,986) | (42,564) |
| Depreciation and amortisation | | (2,789) | (2,919) |
| Total operating expenses | | <u>(52,775)</u> | <u>(45,483)</u> |
| Profit before impairment loss | | <u>124,980</u> | <u>147,240</u> |
| Net impairment loss | | (35,322) | (61,807) |
| Profit for the period | | <u>89,658</u> | <u>85,433</u> |
| Basic and diluted earnings per share (UAE Dirhams) | <i>15</i> | <u>0.06</u> | <u>0.05</u> |

The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1 and 2.

Invest bank P.S.C.

Condensed consolidated interim statement of profit or loss and other comprehensive income (Unaudited)
for the three-month period ended 31 March 2017

| | Three-month period ended | |
|---|--------------------------|----------------------|
| | 31 Mar 2017 | 31 Mar 2016 |
| | AED'000 | AED'000 |
| Profit for the period | 89,658 | 85,433 |
| Other comprehensive income: | | |
| Items that will not be reclassified to profit or loss: | | |
| Change in fair value of financial assets measured at fair value through other comprehensive income (FVTOCI) | (8,891) | 4,795 |
| Total items that will not be reclassified to profit or loss | (8,891) | 4,795 |
| Total items that are or may be reclassified subsequently to profit or loss | - | - |
| Total other comprehensive (loss)/income for the period | (8,891) | 4,795 |
| Total comprehensive income for the period | <u>80,767</u> | <u>90,228</u> |

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Invest bank P.S.C.

Condensed consolidated interim statement of cash flow (Unaudited)
for the three-month period ended 31 March 2017

| | 31 Mar 2017 AED'000 | 31 Mar 2016 AED'000 |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Profit for the period | 89,658 | 85,433 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 2,789 | 2,919 |
| Amortisation of premium on bonds | 218 | 825 |
| Net loss / (gain) on investment securities | 417 | (938) |
| Net impairment losses | 35,322 | 61,807 |
| <i>Operating cash flows before changes in operating assets and liabilities</i> | <u>128,404</u> | 150,046 |
| Change in deposits with Central bank maturing after three months | 200,000 | 125,000 |
| Change in time deposits with banks maturing after three months | - | (31,011) |
| Change in loans and advances to customers | (63,064) | (682,826) |
| Change in other assets | (116,154) | (93,150) |
| Change in deposits from customers | 124,007 | 552,912 |
| Change in other liabilities | 259,409 | 25,120 |
| Directors' remuneration | (2,800) | (1,050) |
| <i>Net cash generated from operating activities</i> | <u>529,802</u> | <u>45,041</u> |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (1,504) | (1,354) |
| Purchase of investment securities | (4,576) | - |
| Proceeds from redemption/sale of investment securities | 25,000 | - |
| <i>Net cash generated from/(used in) investing activities</i> | <u>18,920</u> | <u>(1,354)</u> |
| Cash flows from financing activities | | |
| Cash dividend paid | (128,320) | (119,109) |
| <i>Net cash used in financing activities</i> | <u>(128,320)</u> | <u>(119,109)</u> |
| Net increase/(decrease) in cash and cash equivalents | 420,402 | (75,422) |
| Cash and cash equivalents at 1 January | <u>1,582,740</u> | <u>1,828,239</u> |
| Cash and cash equivalents at 31 March | <u>2,003,142</u> | <u>1,752,817</u> |
| <u>Cash and cash equivalents as at 31 March</u> | | |
| Cash in hand and deposits with central banks | 1,570,103 | 1,469,703 |
| Due from other banks maturing within three months | 437,315 | 302,887 |
| Due to other banks maturing within three months | (4,276) | (19,773) |
| | <u>2,003,142</u> | <u>1,752,817</u> |

The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1 and 2.

Invest bank P.S.C.
Condensed consolidated interim statement of changes in equity (Unaudited)
for the three-month period ended 31 March 2017

| | Share capital 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 2017 | 1,588,125 | 450,688 | 450,688 | (84,470) | 556,484 | 2,961,515 |
| Total comprehensive income for the period | | | | | | |
| Profit or loss | - | - | - | - | 89,658 | 89,658 |
| <i>Other comprehensive income</i> | | | | | | |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | - | - | - | (8,891) | - | (8,891) |
| Total other comprehensive loss | - | - | - | (8,891) | - | (8,891) |
| Total comprehensive income for the period | - | - | - | (8,891) | 89,658 | 80,767 |
| Director's remuneration | - | - | - | - | (2,800) | (2,800) |
| Transaction with owners of the Bank | | | | | | |
| Dividend declared (note 13) | - | - | - | - | (128,320) | (128,320) |
| At 31 March 2017 | 1,588,125 | 450,688 | 450,688 | (93,361) | 515,022 | 2,911,162 |
| At 1 January 2016 | 1,588,125 | 423,517 | 423,517 | (70,344) | 459,274 | 2,824,089 |
| Total comprehensive income for the period | | | | | | |
| Profit or loss | - | - | - | - | 85,433 | 85,433 |
| <i>Other comprehensive income</i> | | | | | | |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | - | - | - | 4,795 | - | 4,795 |
| Total other comprehensive income | - | - | - | 4,795 | - | 4,795 |
| Total comprehensive income for the period | - | - | - | 4,795 | 85,433 | 90,228 |
| Director's remuneration | - | - | - | - | (1,050) | (1,050) |
| Transaction with owners of the Bank | | | | | | |
| Dividend declared (note 13) | - | - | - | - | (119,109) | (119,109) |
| At 31 March 2016 | 1,588,125 | 423,517 | 423,517 | (65,549) | 424,548 | 2,794,158 |

The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

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Invest bank P.S.C.

Notes to the condensed consolidated interim financial statements (Unaudited)

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 P.O.Box 1885, Sharjah, United Arab Emirates ("UAE").

Invest Bank is licensed by the Central Bank of the UAE (the "CB UAE") to carry out banking activities and is principally engaged in the business of corporate and retail banking through its network of branches located in the Emirate of Sharjah, Dubai, Abu Dhabi, Al Ain, Ras Al Khaimah and Fujairah. Invest Bank is also carrying out banking activities in Beirut, Lebanon, through a branch ("the Branch") 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 statements for the three-month period ended 31 March 2017 comprise the Bank and its subsidiary (together referred to as the "Group").

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" and applicable laws of the UAE. They do 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 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and applicable laws of the UAE.

On 1 April 2015, a new UAE Federal Law No. 2 for Commercial Companies ("UAE Companies Law of 2015") was issued with effective date 1 July 2015. As per the transitional provisions of the new law, companies are to ensure compliance by 30 June 2017. The Bank is in the process of adopting the new federal law and will be fully compliant before the transitional provisions deadline.

These financial statements have been presented in United Arab Emirates Dirhams (AED) rounded to the nearest thousand, which is the Group's functional currency.

3 Significant accounting policies

3.1 The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's audited consolidated financial statements as at and for the year ended 31 December 2016.

3.2 *Financial risk management*

The Group 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 2016.

3 Significant accounting policies (continued)

3.3 Financial assets and liabilities

The accounting policies, classifications and measurement principles for financial assets and liabilities applied by the Group in these condensed consolidated interim financial statements are the same as those applied in its audited consolidated financial statements as at and for the year ended 31 December 2016. These are disclosed in detail under note 3(e), 3(f), 3(g) and 3(h) in audited consolidated financial statements of the Group as at and for the year ended 31 December 2016.

4 Use of estimates and judgments

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended 31 December 2016.

5 Classes and categories of financial instruments

Accounting classification

The table below sets out the Group's classification of each class of financial assets and liabilities, and their carrying values.

| | FVTPL AED '000 | FVTOCI AED '000 | Others at amortised cost AED '000 | Total carrying amount AED '000 |
|---|-------------------|--------------------|---|---|
| At 31 March 2017 | | | | |
| <u>Financial assets</u> | | | | |
| Cash and deposits with central banks | - | - | 1,784,286 | 1,784,286 |
| Due from banks | - | - | 537,315 | 537,315 |
| Investment securities | 8,467 | 245,899 | 421,334 | 675,700 |
| Loans and advances to customers | - | - | 11,981,267 | 11,981,267 |
| Customers' indebtedness for acceptances | - | - | 551,223 | 551,223 |
| Other financial assets | 20 | - | 71,653 | 71,673 |
| | <u>8,487</u> | <u>245,899</u> | <u>15,347,078</u> | <u>15,601,464</u> |

Invest bank P.S.C.

Notes to the condensed consolidated interim financial statements (Unaudited)

5 Classes and categories of financial instruments (continued)

| | FVTPL AED '000 | FVTOCI AED '000 | Others at amortised cost AED '000 | Total carrying amount AED '000 |
|---|-------------------|--------------------|---|---|
| At 31 March 2017 (continued) | | | | |
| <u>Financial liabilities</u> | | | | |
| Due to banks | - | - | 4,276 | 4,276 |
| Deposits from customers | - | - | 12,300,692 | 12,300,692 |
| Liabilities under acceptances | - | - | 551,223 | 551,223 |
| Other financial liabilities | - | - | 313,578 | 313,578 |
| | ----- | ----- | ----- | ----- |
| | - | - | 13,169,769 | 13,169,769 |
| | ===== | ===== | ===== | ===== |
| At 31 December 2016 | | | | |
| <u>Financial assets</u> | | | | |
| Cash and deposits with central banks | - | - | 1,863,727 | 1,863,727 |
| Due from banks | - | - | 562,197 | 562,197 |
| Investment securities | 4,610 | 254,489 | 446,552 | 705,651 |
| Loans and advances to customers | - | - | 11,953,525 | 11,953,525 |
| Customers' indebtedness for acceptances | - | - | 448,334 | 448,334 |
| Other financial assets | 48 | - | 77,447 | 77,495 |
| | ----- | ----- | ----- | ----- |
| | 4,658 | 254,489 | 15,351,782 | 15,610,929 |
| | ===== | ===== | ===== | ===== |
| <u>Financial liabilities</u> | | | | |
| Due to banks | - | - | 329,002 | 329,002 |
| Deposits from customers | - | - | 12,176,685 | 12,176,685 |
| Liabilities under acceptances | - | - | 448,334 | 448,334 |
| Other financial liabilities | - | - | 168,219 | 168,219 |
| | ----- | ----- | ----- | ----- |
| | - | - | 13,122,240 | 13,122,240 |
| | ===== | ===== | ===== | ===== |

6 Cash and deposits with Central Banks

| | 31 Mar 2017 AED'000 | 31 Dec 2016 AED'000 |
|---|------------------------|------------------------|
| Cash in hand | 76,504 | 82,509 |
| Other balances with central banks | 1,246,800 | 1,351,610 |
| Reserve requirements with the CB UAE | 421,490 | 388,222 |
| Reserve requirements with the CB Lebanon (Note 6.1) | 39,492 | 41,386 |
| | ----- | ----- |
| | 1,784,286 | 1,863,727 |
| | ===== | ===== |

Invest bank P.S.C.

Notes to the condensed consolidated interim financial statements (Unaudited)

6 Cash and deposits with Central Banks (continued)

Statutory reserve deposits are required to be maintained as per regulations of the Central Bank ("CB") of the UAE and the CB of Lebanon.

6.1 Includes AED 9.18 million (31 Dec 2016: AED 9.18 million) cash reserve amounting to 25% of the capital of the Lebanon Branch with CB Lebanon. This reserve is not available for the day to day activities of the branch.

7 Due from banks

| | 31 Mar 2017 AED'000 | 31 Dec 2016 AED'000 |
|---|------------------------|------------------------|
| Money market placements | 411,600 | 419,866 |
| Balances with other banks | 125,715 | 142,331 |
| | <u>537,315</u> | <u>562,197</u> |
| The geographical concentration is as follows: | | |
| Within the UAE | 396,652 | 378,831 |
| Outside the UAE | 140,663 | 183,366 |
| | <u>537,315</u> | <u>562,197</u> |

8 Investment securities

The details of investments are as follows:

| | Domestic AED '000 | Other GCC countries AED '000 | Others AED '000 | Total AED '000 |
|---|----------------------|------------------------------------|--------------------|-------------------|
| At 31 March 2017 | | | | |
| Financial assets at fair value through profit or loss (FVTPL): | | | | |
| Investments in quoted equity securities | 2,206 | - | 6,261 | 8,467 |
| Financial assets measured at fair value through other comprehensive income (FVTOCI): | | | | |
| Investments in quoted equity securities | 133,542 | 875 | - | 134,417 |
| Investments in un-quoted equity securities | 111,482 | - | - | 111,482 |
| Financial assets at amortised cost: | | | | |
| Investments in debt securities | 421,334 | - | - | 421,334 |
| | <u>668,564</u> | <u>875</u> | <u>6,261</u> | <u>675,700</u> |

Invest bank P.S.C.

Notes to the condensed consolidated interim financial statements (Unaudited)

8 Investment securities (continued)

| | Domestic AED '000 | Other GCC countries AED '000 | Others AED '000 | Total AED '000 |
|---|----------------------|------------------------------------|--------------------|-------------------|
| At 31 December 2016 | | | | |
| Financial assets at fair value through profit or loss (FVTPL): | | | | |
| Investments in quoted equity securities | 2,656 | - | 1,954 | 4,610 |
| Financial assets measured at fair value through other comprehensive income (FVTOCI): | | | | |
| Investments in quoted equity securities | 142,108 | 899 | - | 143,007 |
| Investments in un-quoted equity securities | 111,482 | - | - | 111,482 |
| Financial assets at amortised cost: | | | | |
| Investments in debt securities | 446,552 | - | - | 446,552 |
| | <u>702,798</u> | <u>899</u> | <u>1,954</u> | <u>705,651</u> |

Fair value hierarchy

The table below analyses assets, measured at fair value at the end of the reporting period, by level into fair value hierarchy into which the fair value measurement is categorised. As at the end of reporting period, liabilities measured at fair value are nil (31 Dec 2016: nil).

| | Level 1 AED '000 | Level 2 AED '000 | Level 3 AED '000 | Total AED '000 |
|------------------------------------|---------------------|---------------------|---------------------|-------------------|
| At 31 March 2017 | | | | |
| <u>Financial assets</u> | | | | |
| FVTPL - equity securities | 8,467 | - | - | 8,467 |
| FVTOCI - equity securities | 134,417 | - | 111,482 | 245,899 |
| <u>Non-financial assets</u> | | | | |
| Investment properties | - | - | 410,685 | 410,685 |
| | <u>142,884</u> | <u>-</u> | <u>522,167</u> | <u>665,051</u> |

At 31 December 2016

Financial assets

| | | | | |
|----------------------------|---------|---|---------|---------|
| FVTPL - equity securities | 4,610 | - | - | 4,610 |
| FVTOCI - equity securities | 143,007 | - | 111,482 | 254,489 |

Non-financial assets

| | | | | |
|-----------------------|----------------|----------|----------------|----------------|
| Investment properties | - | - | 400,427 | 400,427 |
| | <u>147,617</u> | <u>-</u> | <u>511,909</u> | <u>659,526</u> |

8 Investment securities (continued)**Fair value hierarchy (continued)**

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

| | 2017 AED'000 | | 2016 AED'000 | |
|--------------------------------------|-----------------|--------------------------|-----------------|--------------------------|
| | FVTOCI | Investment properties | FVTOCI | Investment properties |
| Balance as at 1 January | 111,482 | 400,427 | 121,482 | 329,115 |
| Fair value changes: | | | | |
| in profit or loss | - | - | - | (24,000) |
| in OCI | - | - | (10,000) | - |
| Additions | - | 10,258 | - | 95,312 |
| Balance as at 31 March / 31 December | <u>111,482</u> | <u>410,685</u> | <u>111,482</u> | <u>400,427</u> |

9 Loans and advances to customers

| | 31 Mar 2017 AED'000 | 31 Dec 2016 AED'000 |
|---|------------------------|------------------------|
| Overdrafts | 4,887,804 | 4,801,582 |
| Bills discounted | 516,022 | 597,997 |
| Trust receipts | 680,332 | 599,081 |
| Term loans | 7,004,486 | 7,016,484 |
| | <u>13,088,644</u> | <u>13,015,144</u> |
| Allowances for impairment (<i>refer note 9.1 and 9.2</i>) | <u>(1,107,377)</u> | <u>(1,061,619)</u> |
| Net loans and advances to customers | <u>11,981,267</u> | <u>11,953,525</u> |

9.1 The movement during the three month period ended in the impairment provision is as follows:

| | 31 Mar 2017 AED'000 | 31 Dec 2016 AED'000 |
|---|------------------------|------------------------|
| At 1 January | 1,061,619 | 961,580 |
| Charge for the period/year | 35,114 | 422,637 |
| Recoveries during the period/year | (5) | (80,090) |
| Interest not recognised in the profit or loss | 10,665 | 31,856 |
| Amounts written off during the period/year | (16) | (274,364) |
| | <u>1,107,377</u> | <u>1,061,619</u> |

9.2 The composition of allowances for impairment is as follows:

| | 31 Mar 2017 AED'000 | 31 Dec 2016 AED'000 |
|-------------------------------------|------------------------|------------------------|
| Specific allowance for impairment | 882,450 | 837,120 |
| Collective allowance for impairment | 224,927 | 224,499 |
| | <u>1,107,377</u> | <u>1,061,619</u> |

Invest bank P.S.C.

Notes to the condensed consolidated interim financial statements (Unaudited)

10 Other assets

| | 31 Mar 2017 | 31 Dec 2016 |
|---|-------------------------|-----------------------|
| | AED'000 | AED'000 |
| Interest receivable | 67,519 | 67,357 |
| Investment properties | 410,685 | 400,427 |
| Prepayments and other assets | 15,494 | 12,649 |
| Customers' indebtedness for acceptances | <u>551,223</u> | <u>448,334</u> |
| | <u><u>1,044,921</u></u> | <u><u>928,767</u></u> |

11 Related party transactions

In the normal course of business, the Group enters into various transactions with related parties including key management personnel and their related companies. Key management personnel are those persons 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 31 March 2017, and related expenses and income for the three-month period ended are as follows:

| | 31 Mar 2017 | | 31 Dec 2016 | |
|---|---|------------------------------------|---|------------------------------------|
| | Key Management personnel AED'000 | Associated companies AED'000 | Key Management personnel AED'000 | Associated companies AED'000 |
| Loans | | | | |
| Loans outstanding as at 31 March / 31 December | <u>52,123</u> | <u>609,224</u> | <u>48,036</u> | <u>543,930</u> |
| Deposits | | | | |
| Deposits as at 31 March / 31 December | <u>266,729</u> | <u>631,487</u> | <u>332,333</u> | <u>722,642</u> |
| Commitments and contingent liabilities | | | | |
| Outstanding letters of credit and guarantees as at 31 March / 31 December | <u>5,425</u> | <u>14,337</u> | <u>5,428</u> | <u>48,555</u> |

None of the loans granted to related parties are impaired or past due as at 31 March 2017 (31 Dec 2016: Nil).

The loans extended to directors during the year are repayable over 1 year and bear interest at the rates ranging between 4% to 10% (2016: 4% to 10%). As at 31 March 2017 outstanding loans and advances due from related parties are secured by deposits under lien amounting to AED 545.8 million (31 December 2016: AED 512.4 million).

11 Related party transactions (continued)

| | 31 Mar 2017 | | 31 Mar 2016 | |
|---|---|------------------------------------|---|------------------------------------|
| | Key Management personnel AED'000 | Associated companies AED'000 | Key Management personnel AED'000 | Associated companies AED'000 |
| Interest income earned for three-month period ended | <u>814</u> | <u>15,844</u> | <u>791</u> | <u>9,463</u> |
| Interest expense for three-month period ended | <u>(3,931)</u> | <u>(7,617)</u> | <u>(2,305)</u> | <u>(5,063)</u> |

| | 31 Mar 2017 AED'000 | 31 Mar 2016 AED'000 |
|--|------------------------|------------------------|
| Key management compensation | | |
| Salaries and other short term benefits | 2,675 | 2,325 |
| End of service benefits | <u>75</u> | <u>73</u> |
| | <u>2,750</u> | <u>2,398</u> |

12 Other liabilities

| | 31 Mar 2017 AED'000 | 31 Dec 2016 AED'000 |
|------------------------------|------------------------|------------------------|
| Interest payable | 115,506 | 101,406 |
| Unearned commission income | 38,609 | 31,191 |
| Accrued expenses | 27,622 | 20,749 |
| Liabilities under acceptance | 551,223 | 448,334 |
| Others | 184,554 | 56,425 |
| | <u>917,514</u> | <u>658,105</u> |

13 Share capital*Share Capital*

As at 31 March 2017, the Bank's authorised, issued and fully paid share capital was AED 1,588.13 million comprising 1,588.13 million shares of AED 1 each (31 December 2016: AED 1,588.13 million comprising 1,588.13 million shares of AED 1 each).

Dividend

At the annual general meeting of the Bank held on 26 March 2017, a cash dividend of AED 128.3 million was approved by the shareholders for the year ended 31 December 2016 (31 December 2015: AED 119.1 million).

Capital Management

The Bank has complied with the regulatory capital requirement stipulated by the Central Bank of the UAE.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial statements (Unaudited)

14 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 for the three month period ended is as follows:

| | 31 Mar 2017 | | | 31 Mar 2016 | | |
|-------------------------------|-------------------------------|-------------------------------------|------------------|-------------------------------|-------------------------------------|------------------|
| | 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 | 166,630 | 11,125 | 177,755 | 180,243 | 12,480 | 192,723 |
| Net Impairment losses | (35,322) | - | (35,322) | (61,805) | (2) | (61,807) |
| Profit for the period | 79,497 | 10,161 | 89,658 | 73,836 | 11,597 | 85,433 |
| Segment capital expenditure | 1,504 | - | 1,504 | 1,354 | - | 1,354 |
| Segment depreciation | 2,789 | - | 2,789 | 2,919 | - | 2,919 |

| | 31 Mar 2017 | | | 31 Dec 2016 | | |
|---------------------------|-------------|-----------|------------|-------------|-----------|------------|
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| Segment total assets | 13,452,655 | 2,680,989 | 16,133,644 | 13,331,218 | 2,794,089 | 16,125,307 |
| Segment total liabilities | 12,893,279 | 329,203 | 13,222,482 | 12,460,993 | 702,799 | 13,163,792 |

15 Basic and diluted earnings per share

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

| | 31 Mar 2017 AED'000 | 31 Mar 2016 AED'000 |
|---|------------------------|------------------------|
| Profit attributable to ordinary share holders | 89,658 | 85,433 |
| Number of shares | 1,588,125 | 1,588,125 |
| Earnings per share (UAE Dirhams) | 0.06 | 0.05 |

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

Invest bank P.S.C.

Notes to the condensed consolidated interim financial statements (Unaudited)

16 Commitments and contingent liabilities

| | 31 Mar 2017 | 31 Dec 2016 |
|--|--------------------|------------------|
| | AED'000 | AED'000 |
| Letters of credit | 917,708 | 988,655 |
| Letters of guarantee | 7,277,159 | 6,997,355 |
| Irrevocable commitments to extend credit | 831,037 | 634,581 |
| Foreign exchange and forward commitments | 405,584 | 234,003 |
| | <u>9,431,488</u> | <u>8,854,594</u> |

17 Comparative figures

Certain comparative figures have been reclassified where necessary to conform to current period presentation.